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WORTH HAVING AT ALMOST ANY COST

Laurentianism and British Capital
in Canadian Railway Policy, 1848-62

by

John Bruce Walton, M.A.

A thesis submitted to the Faculty of
Graduate Studies in partial fulfilment
of the requirements for the degree of
Doctor of Philosophy

Department of History

Carleton University

Ottawa, Ontario

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ABSTRACT

This study examines the railway policy of the Province of Canada in the first fifteen years of responsible government. Particular attention is given to the period before 1853, in which year the Grand Trunk Railway Company of Canada was launched as the major expression of the Laurentian strategy of development. An examination of private correspondence, pamphlet literature and the debates of the Legislative Assembly reveals the uncritical climate of unanimity in which that strategy was revived after the economic dislocations of the late 1840's.

While the developmental behaviour of the early 1850's was very much influenced by the combined stimuli of economic recovery and technological advance, it is contended that the primary sources of the overexpansion of the railway system were twofold: on the one hand the unrealistic ambition implicit in the Laurentian idea of development, and on the other the strong desire to establish beyond doubt the strength of Canadian credit in the London financial markets. The effect of the a priori and abstract nature of the first was to prevent the rational consideration of transportation realities, the most important of which was the fact that the pattern of trade had already been irretrievably set in favour of American channels.

The primary result of the effort to wrest control of western trade away from New York was the blending of the public credit

with that of the railway companies, and particularly that of the Grand Trunk. This fact necessarily involves a discussion of the influence of British capital on the process of development. That influence was fundamental from the beginning, and reached its peak in 1852-53, when the availability of British capital and the ambitions of those with access to it played a major part in the expansion of Francis Hincks' main line scheme.

The conceptual context in which this study is undertaken derives, in the broadest sense, from the work of Donald Creighton. At a more particular level, the insights of Prof. J.K. Johnson regarding the nature of political leadership and the blending of enterprise and public life are utilized in an analysis of the triumph of developmental over ideological elements in the political culture of the 1850's. This requires an examination of the genesis and meaning of the Liberal-Conservative coalition formed in September, 1854, which leads finally to a consideration of the importance of the 1850's in the longer-term evolution, both economic and constitutional, of the Canadian state.

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Chapter I

CONTEXT AND APPROACH

In the final chapter of his Empire of the St. Lawrence, Donald Creighton painted a vivid picture of the reaction of the Montreal business community to the collapse of the Canadian commercial economy in the latter part of the 1840's. Abandoned by the British Empire to whose former mercantilist trading system they had adapted their enterprises, confronted with the political ascendancy of reformers and the French of Lower Canada, and challenged, as ever, by the economic strength of their American rivals, the mercantile elite experienced a sense of "finality [and] conclusive defeat."¹ Driven by their despair and an "accumulated sense of failure"², the merchants of Montreal vented their feelings in the Rebellion Losses Act riot of April, 1849, and the Annexation Manifesto of October. In the aftermath of these

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¹Donald Creighton, Empire of the St. Lawrence (Toronto, 1956), p. 382

²Ibid., p. 385.

excesses, consumed by the belief that the ancient "design" of an international trade funnelled through the St. Lawrence had been "shattered beyond redemption",³ the Canadian state, which had been the political expression of the colony's Laurentian purpose, passed on to new endeavours, "leaving behind it a cause which had been lost."⁴

This picture owes more to the dramatic demands of Creighton's peculiarly literary style than it does to the realities of the period, but he was at least consistent in his subsequent work. While he had admitted that the St. Lawrence continued to exert its customary pull on Canadian economic activity,⁵ his later analyses of the following decade, and particularly the first volume of his biography of John A. Macdonald, concentrated on the political difficulties of the Union, the emergence of Macdonald as the leading figure in the new moderate conservatism, and his central role in the genesis of Confederation.⁶ In dealing thus with the period between 1849 and 1867, Creighton did a disservice to the analytical tool which was one of the chief foundations of his work, for the "Final Collapse" so compellingly portrayed in his first book was in fact only a temporary lull in the old struggle to realize the dream of channelling an Anglo-American trade

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³Ibid, p. 383.

⁴Ibid, p. 384.

⁵Ibid, p. 383.

⁶Donald Creighton, John A. Macdonald: The Young Politician (Toronto, 1952). In the second volume, the Laurentian theme would re-emerge, this time embodied not in the river but in the indomitable "Chieftain" and his western railway. As he had noted in Empire (p. 383), the east-west trade route "led [Canadians], in the end, to a renewal of the old continental strategy of the past." (emphasis added)

through the Canadian route. Moreover, the failure of the post-1850 attempt was an essential pre-condition for the political reorganization of 1867 in which Macdonald played the central role.

Revitalized in the 1850s by the advent of the railway and a strong recovery in the international and Canadian economies, the Laurentian vision quickly reappeared, and the Canadian state once again dedicated itself to attaching an American hinterland to the Canadian commercial system. In an atmosphere marked by an optimism as deep and unrealistic as the gloom which had preceded it, the Province of Canada embarked on an intense programme of railway development which saw the number of miles of track increase from less than seventy-five in 1850 to nearly two thousand in 1860.⁷ Much of this was in Upper Canada, where the "progressive fever" was particularly virulent.⁸

The government committed its financial support to the major east-west lines which were confidently expected to give the St. Lawrence the last boost necessary to ensure its triumph over its American rivals. The results, if measured in money invested, miles constructed or by the general stimulus given to economic development, were impressive. In terms of the larger strategy which motivated the railway programme, however, the achievement

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⁷J.M.S. Careless, The Union of the Canadas, The Growth of Canadian Institutions, 1841-57 (Toronto, 1967), p. 140.

⁸Weekly Spectator (Hamilton), December 16, 1852. The full quote, which captures well the spirit of the day, was: "From every part of the Province we receive the most cheering information as to the spirit of enterprise and improvement which is abroad in the land... places which a twelvemonth ago were comparatively lifeless, have been caught in the progressive fever... Altogether our prospects are more than ever cheering, and unprecedented prosperity may be predicted."

was negligible. New York's hold on the western trade remained as strong as ever. This failure was particularly acute in the case of the Grand Trunk Railway (GTR), the longest, most politically influential, and most truly Laurentian project of the day.

In addition, the fiscal costs to the Canadian state were high. By the end of the decade, the policy which had united the public credit with the fortunes of enterprises like the GTR had come to a dead end. The state stood effectively immobilized, stuck with a failed railway which it could not afford to abandon, and still no closer to realizing the dream of commercial empire.

This narrative is hardly unfamiliar to students of Canadian history. The perceived ability of railways to buttress the Laurentian transportation system, the availability of foreign capital for large infrastructural projects, and the widespread popular enthusiasm for the new technology are common features of the standard accounts.⁹ So too are references to the chief pieces of financial legislation designed to stimulate and support railway development, the emergence of the GTR as the largest and most influential element in the system, and the financial consequences of the railway programme generally.¹⁰

The general conclusion arrived at in such narratives is that the heavy costs of railway development were more than justified by the very real stimulus to urbanization, industrialization, and

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⁹See, for example, Careless, The Union of the Canadas, pp. 139-42.

¹⁰Ibid., p. 142-44.

even nationhood, which improved communications and technological advance gave to the province.¹¹ While basically accurate in both its content and conclusions, this narrative lacks the depth of detail which available research material makes possible, and the breadth of context which a focus on certain of their elements suggests is necessary.

It may be argued first that the evolution of the railway policy of the Province of Canada during the first years of responsible government is susceptible of an analysis far more complete than those currently available. The broad structure of the narrative is not greatly altered by the exercise, but a detailed examination of the sources reveals much about the interplay of forces, domestic and international, and intellectual and material, which went into the shaping of policy.

In particular, it can be argued that the course of railway policy is most clearly understood when it is considered not simply as the result of Canadian factors, but of the way in which those factors interacted with the Imperial metropolis, and especially with its financial markets. The availability of public and private investment capital not only made possible the great surge of railway-building in the early and mid-1850's; the source of that capital and the attitudes of those who had access to it were capable of causing significant shifts in the scope and orientation of Canadian policy.

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¹¹Ibid., p. 144.

Domestically, a similar, if somewhat more tentative, broadening of context is possible. Just as the evolution of the railway programme is best seen as part of the interplay of domestic ambition and Imperial investment capability, so too its role in the development of the Canadian political culture is clarified when it is considered not in relation to the narrow divisive aspects of politics which have tended to dominate the historiography, but rather as part of the emergence of a broad, non-partisan and non-sectarian consensus on the primary importance of economic development, and the mutuality of interests between business elites and the state.¹² In brief then, Canadian railway development is best seen not as an aspect merely of economic growth, but as part of a larger story involving the relations between a developing colony and an investing metropolis,¹³ and the emergence of a more moderate and recognizably modern political culture.

As such, the first railway age in Canada was indeed part of the nation-building process which culminated in Confederation in 1867. Yet in noting this fact, the bulk of the existing

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¹²A beginning of such an analysis has already been made, albeit in relatively traditional contexts, by Prof. J.M.S. Careless in his *Union of the Canadas*, p. 193, and his *Brown of the Globe, The Voice of Upper Canada, 1818-1859* (Toronto, 1959), pp. 193-95.

¹³The approach which sees reflected in the course of events both local and metropolitan (that is, Imperial) concerns and objectives has recently been utilized to good effect in an analysis of the history of the Bank of Upper Canada during this period. See Peter Baskerville, "The Pet Bank, The Local State and the Imperial Centre, 1850-1864" (paper delivered to the Canadian Business History Conference, Trent University, May, 1984).

historiography does not really consider the intellectual or attitudinal context in which that evolution took place. Here too, analysis may be extended, to consider questions of the structure and nature of the outlook behind the rhetoric of railways, progress and growth, and of the ways in which such beliefs and assumptions affected behaviour.

In the one notable instance in which rhetoric has been probed, the result is unsatisfactory. Professor Peter Baskerville's study of the Upper Canadian railroad community has brought a thoroughgoing scepticism to bear on the pronouncements of the businessmen most involved in the railway boom, and discovered thereby a culture of deceit, bribery, and pocket-stuffing beneath all the fine talk of progress and nation-building.¹⁴ Like many initial correctives, however, the Baskerville analysis goes too far. In dismissing rhetoric so completely, he banishes as well the attitudes, assumptions and common images which made up the intellectual equipment of such men. The developmental behaviour of the 1850's, public as well as private, and personal dishonesty notwithstanding, was too clearly influenced by certain persistent images and modes of thought to be considered without reference to them.

An analysis seeking to elucidate that basic intellectual content in public policy is made feasible, methodologically, by

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¹⁴The Boardroom and Beyond, Aspects of the Upper Canadian Railroad Community (Ph.D., Queen's University, 1973), passim. At p. ii, Prof. Baskerville argues that "Under the cover of nationalist rhetoric occurred excessive speculation, wanton expansion, bribery, pocket-stuffing, and, if at times only incidentally, railroad construction."

the existence of extensive records documenting the process by which private interests and a general philosophy of development came together in the formation of the railway programme. Specifically, the records of the Canadian government for the years under review provide a rich source for such an examination. In recent years students of this period have benefitted considerably from the publication of the reconstituted debates of the provincial legislature.¹⁵ Strictly speaking, this is not a new source, in that versions of the debates have always been available in newspapers of the day, but the new text, by consolidating all existing accounts, offers several advantages.

First, and most obviously, it greatly simplifies the task of analyzing the debates, and renders more feasible a comprehensive study of the subject. More importantly, it provides what may be considered an authoritative text. Used in conjunction with the Journals of the Assembly (to which source it is cross-referenced), the Debates allow the researcher to follow the legislative process with great clarity. When further augmented by the published Appendices to the Journals (which provide near-verbatim accounts of the proceedings of committees), these sources permit a most detailed reconstruction of the process by which railway policy was formed.

Of greatest significance to this study is the fact that that process was marked by constant references revealing of the basic attitudes and beliefs of the participants. Chief among those

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¹⁵E. Gibbs, ed., Debates of the Legislative Assembly of the Province of Canada, 1841-1866 (Montreal, 1970-). (Hereafter Gibbs, Debates)

beliefs, both in terms of the frequency with which its imagery was employed and its actual impact on the shape of development, was the Laurentian idea of development. Much of what was said on the subject was clearly rhetorical in nature; nonetheless, the role of the idea is deserving of more attention than it has previously received, if less than that to be derived from a purely literal reading of contemporary statements. There is a middle ground, between the simplistic cynicism of a Baskerville and the dramatic flair of a Creighton, on which the Laurentian idea may be given its due among the other, more material, elements in the story.

The Laurentian idea, in itself, was straightforward enough, and hardly new. At its most practical level it found expression in the conscious attempt to secure the carriage of American trade for the Canadian transportation system focussed on Montreal. At a less material level, that particular strategy was part of a broader understanding which equated success in the commercial struggle against American trade routes with the national destiny of the Canadian people and the Canadian state. Finally, the strength of this latter perception gave rise to a rhetorical style which sought to justify particular projects by placing them in the Laurentian context. Together, these three elements may be designated by the term Laurentianism. •

Historically, the strength of Laurentianism, both as practical strategy and rhetorical standard, depended on the favourability of the context in which it operated. The previous high point in the idea's career had come in the 1840's, when the

union of the Canadas and the decisive intervention of the Imperial government had permitted the completion of the Welland and St. Lawrence canals. After the brief collapse of the later years of the decade, a number of factors combined to produce an intellectual and material context highly favourable to a renewed explosion of developmental energy. Not all of what resulted was conceived in Laurentian terms, but the ancient strategy remained the primary focus of developmental interest.

The first such factor, and the most basic in material terms, was the revival in the commercial economy. The return of prosperity after 1850 (and particularly in Upper Canada) not only made possible a renewal of commercial aspirations - its sheer strength tended to produce extravagance in that renewal.

Something of the extent of the boom experienced by the province may be gauged by Lord Elgin's comment, on returning from a visit to the Provincial Agricultural Exhibition in London, that he had found "the evidences of progress on all sides astonishing."¹⁶ His successor as Governor-General, Sir Edmund Head, observed, in strikingly similar language, that "the condition of the country and the growth of the towns is perfectly astonishing... much as I had heard of the prosperity of Western Canada, I have been

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¹⁶Public Archives of Canada (hereafter PAC) MG 24 A16 (Elgin papers), file 2, n.p., Elgin to Sir George Grey, Colonial Office, October 14, 1854.

surprised at the visible evidence of it."¹⁷ A selection of statistics serves to demonstrate the extent of that prosperity.

The population of Toronto grew from 25,000 to 42,000 in the years 1850-56,¹⁸ Hamilton's from 10,000 in 1850 to 14,000 in 1852,¹⁹ and London's from 5,000 to 16,000 in the period 1848-55.²⁰ The growth of commerce kept pace, as in Toronto, where the annual volume of imports grew from \$2.5 million in 1850 to \$7.0 million in 1856.²¹ Expansion in the rest of the province exhibited the same sharply upward trend. Wheat production grew from 12.9

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¹⁷D.G.G. Kerr, Sir Edmund Head, a scholarly governor (Toronto, 1854), p. 145, quoting Head to Sir Thomas Lewis, October 20, 1855. The "extraordinary progress made by Upper Canada" and the "unexampled rapidity of its progress" were as well staple of travellers' observations. (W.H.G. Kingston, Western Wanderings, or a Pleasure Tour in the Canadas (London, 2 vols., 1856), v.1, p. 125; J.G. Kohl, Travels in Canada and through the States of New York and Pennsylvania (London, 2 vols., 1861), vol. 2, p. 243.) Similar observations were made by John Manly, Canada: Its Geography, Scenery, Produce, Population, and Institutions (London, 1860), p. 31, and by William Chamberlin, Things as they are in America (London and Edinburgh, 1854), p. 137.

¹⁸D. McCalla, "The Commercial Politics of the Toronto Board of Trade", Canadian Historical Review, L, #1 (March, 1969), p. 51.

¹⁹M. Katz, The People of Hamilton, Canada West (Toronto, 1975), p. 37.

²⁰O. Miller, "The Fat Years and the Lean, London in Boom and Depression, 1851-1861", Ontario History, LII, #2 (June, 1961), p. 75. This trend may also be seen in the overall growth of the province's non-rural population. After increasing their share of the province's total population by approximately 2%/decade during the 1820s, '30's and '40's, Upper Canada's towns grew from 14% of the total to 18.5% during the 1850s. J.M.S. Careless, "Some Aspects of Urbanization in Nineteenth Century Ontario", in A. Artibise and G. Stelter, eds., The Canadian City, Essays in Canadian Urban History (Toronto, 1977), p. 68.

²¹McCalla, "Commercial Politics", p. 51.

million bushels in 1851 to 24.6 million bushels in 1861,²² while in Peel County the land on which it was grown increased in value by 300% during the same decade²³ and the price paid to the farmer inflated from 3s.1d./bu. in 1851 to a high of 11s.9d./bu. in 1856.²⁴

Such booming growth provided more than just the material foundation upon which the urban centres of Upper Canada based their metropolitan strategies. The growing volume of trade produced strong increases in government revenue, and strengthened an intellectual and psychological environment in which civic and national risk-taking could easily be justified. In company with other factors, the boom of the early 1850's made risk-taking, to the point of excess, virtually inevitable.

One such factor was the intellectual counterpart to material growth - the doctrine of progress. The mid-century decade was the

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²²D. Creighton, British North America at Confederation (Ottawa, 1940), p. 18.

²³D. Gagan and H. Mays, "Historical Demography and Canadian Social History: Families and Land in Peel Co., Ontario", Canadian Historical Review, LIV, #3 (March, 1973) p. 38.

²⁴Anon., "The Financial Condition of Canada - Present and Prospective", Canadian Merchants' Magazine, vol. 4, #3 (March 1859), p. 167. The 1851-1857 period was one of "exceptionally high prices for all agricultural commodities in Canada", with the peak coming in 1855. Using prices for 15 commodities in 1900 as a base (100) it has been calculated that the agricultural price index stood at 91 in 1848 and at 155 in 1855. K.W. Taylor and H. Michell, Statistical Contributions to Canadian Economic History (Toronto, 1931), (vol. 2), p. 48. As Francis Hincks, then Premier, observed, "all classes of the population are most prosperous and the only people who complain are those on fixed incomes who have to pay high prices for almost everything" (PAC, MG 24 D21 (Baring Brothers and Co. papers), vol. 2, p. 285, Hincks to Thomas Baring, December 2, 1853.)

high noon of the Victorian belief in progress,²⁵ and Canadians, as a colonial people conscious of their lack of development relative to the standard reference points of Great Britain and the United States, were quick to seize on the faith and apply it to virtually every aspect of their society, as Lawrence Fallis has demonstrated.²⁶

Consciousness of living in "an age of inventions and improvements"²⁷ however, did not translate into an easy confidence that material and social life were inexorably advancing. The emergence of progress and rapid development as phenomena which were seen to characterize the times as a whole was, for a society placed on the periphery of larger and more economically advanced nations, a constant challenge. The "onward march of improvement",²⁸ whatever promise it held out of advancement, was also for Canadians an external - something which happened somewhere else first. As such it was a pace to be matched, and a constant reference point against which self-perceptions could be measured. Constant growth, the ability to expand with the times,

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²⁵See Asa Briggs, Victorian People: A Reassessment of Persons and Themes 1851-1867 (Harmondsworth, 1965), and especially the "Introduction", pp. 9-22.

²⁶L. Fallis, jr., The Idea of Progress in the Province of Canada, 1841-1867 (PhD., U. of Michigan, 1966), discusses its various manifestations.

²⁷W.B. Sullivan, A Sketch of the Montreal Celebration of the Grand Trunk Railway of Canada (Toronto, 1856), p. 23.

²⁸Canada at the Universal Exhibition of 1855 (Toronto, 1856), p. 72.

was clearly one of the chief "requirements of the age."²⁹ The evidence of progress which surrounded Canadians, and particularly Upper Canadians, in the years after 1850 was therefore not completely satisfying in itself. Any tendency towards complacency or self-congratulation was undercut by the belief in the necessity of further progress. More often understood than explicitly stated, this compulsion to "advance with the advancing"³⁰ was nonetheless one of the chief motors driving the developmental activities of Canadian businessmen and the Canadian state during the years of the railway boom.

If the prosperous conditions and progressive mentality of the early 1850's were the factors making possible the renewal of the Laurentian vision, it was the impact of new technology which gave the latest attempt its particular shape and character, while at the same time reinforcing the general tendency towards expansion associated with those other factors. The latter effect of the advent of the railway age in Canada arose from the fact that, after 1850, prosperity and progress had come to be defined almost exclusively in terms of the new mode of transportation. Deemed to be desirable in the previous decade, but clearly secondary, as a public or national object, to the completion of the canal system,

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²⁹Montreal in 1856. A Sketch prepared for the Opening of the Canada Grand Trunk Railway (Montreal, 1856), p. 10.

³⁰Alison Prentice, The School Promoters: Education and Social Class in Mid-Nineteenth Century Upper Canada (Toronto, 1977), p. 46.

railways had become, by the end of the 1840's, "not merely advantageous, but essential to advancement and prosperity."³¹ The belief that these "highways of civilization" were the "one great necessity of the age"³², was, like the more general belief in progress, a given of the developmental situation - a virtually unchallenged starting point upon which public policy was based.

In particular, it was assumed that railways were of vital importance if Canada were to keep pace with "the march of events which so signally marks the age, and so distinctly is pointed out to our notice in the adjacent States."³³ That is, railways were quickly adopted as a key weapon in the often-explicit competition with the American republic which had been, from the time of the Loyalists and John Graves Simcoe, one of the chief raisons d'être of Upper Canadian society. Railways themselves were ideologically neutral, but their perceived potential as engines of economic and social development recommended them to a world view in which the success or failure of the continued British experiment in North America was partially measured relative to American progress. The link was made explicit by the Railway Committee of the Legislature in 1848, which argued that without the benefit of the new technology, "...the Province must submit to see itself fall behind

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³¹Gibbs, Debates, VIII, part iii, p. 1834. The speaker was Francis Hincks, debating resolutions on government aid to railways, April 11, 1849.

³²H.B. Willson, The Proposed Hamilton and Southwestern Railway (Hamilton, 1854), p. 7.

³³Canada, Legislative Assembly, Journals, 1848, Appendix Q, n.p.

the world in the great march of improvement; and with all its natural advantages, to sink into a hopeless inferiority in comparison with the neighbouring States."³⁴ When Francis Hincks, Inspector-General and chief architect of railway policy, told his political opponent but fellow railway promoter Allan MacNab that railways had "now become almost indispensable in civilized countries",³⁵ he thus only neglected to make explicit the implied comparison with the United States, as did John Prince in his complaint - "Why are we so far behind other countries? It is because we have no railways."³⁶

More than this, the phenomenal improvement which railways brought to transportation and communications acted to reinforce the non-rational elements in the Canadian developmental outlook. Donald Creighton's work has clearly demonstrated the way in which the potential of the St. Lawrence River as a great trade route had influenced the behaviour of generations of Canadian businessmen and politicians. To this elemental force was added, in the 1850's, the equally powerful mystique of the railway. The pervasive belief in the transformative power of the union of iron and steam took the new technology out of the realms of rational economic decision-making. While every Canadian railway could, and did, claim some market or traffic as peculiarly its

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³⁴Gibbs, Debates, VII, p. 610, Second Report of the Railway Committee, March 22, 1848.

³⁵PAC, MG 24 B68 (Hincks papers) p. 48, Hincks to Sir Allan MacNab, June, 8, 1849.

³⁶Gibbs, Debates, X, part ii, (1851) p. 1581.

own, each project also benefitted from the belief that it would, almost by its very presence, "[convert] silent woods into bustling farms and [push] the blessings of civilization into the cold heart of the wilderness."³⁷ T.C. Keefer's well-known portrait of the effect of the railway on a Canadian "Sleepy Hollow" is an excellent example of this perception of the generally invigorating effect of railways,³⁸ and many more could be drawn from the contemporary literature of progress. The result of this belief was that, for most Upper Canadians, any railway was, ipso facto, a good railway, and no town or city with any pretensions to modernity could afford to be without one, thereby adding another element to the psychological climate in which a considerable over-expansion of projects was possible.

At a more particular level, the adoption of the railway as the chief motor of progress had a marked effect on the shape of development in the 1850's. Classic Laurentianism had of course been bound to the river itself and the lower Great Lakes, and to Montreal, and had found its primary rationale in the competition with New York for the trade of the interior. The Lower Canadian metropolis eventually reproduced, in the Grand Trunk Railway, a modern equivalent of the ancient trade route. The effect of other railways, however, was quite different. In western Upper Canada, at Hamilton and beyond, the result of the introduction of railways was to divorce Laurentianism from the river which had originally

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³⁷Henry Youle Hind, "The Future of Western Canada", Maclean and Co.'s Canadian Almanac for 1856 (Toronto, 1855), p. 36.

³⁸T.C. Keefer, The Philosophy of Railroads (Toronto, 1972), pp. 7-11.

inspired it, and leave it as little more than a staple of developmental rhetoric devoid of any real content.

This is best seen in the two railways which most occupied the attention of western Upper Canadians in the 1850's - the Great Western (GWR) and the Southern.³⁹ The former line, with its headquarters in Hamilton, ran from Windsor through the Mountain City, to Niagara Falls. It was essentially (and at times quite explicitly) a connecting link in an American system joining Michigan and New York, but its backers managed, because of its connection with Lake Ontario, to pass it off as a "national" work contributing to the trade of the St. Lawrence route. Their success in this endeavour is the period's prime example of the hollowness of much of the talk of Laurentianism which was used to justify railway construction and government assistance.⁴⁰

The Southern, in contrast, could make no such pretensions. With projected termini at Windsor and Buffalo, and no connections whatsoever with Lake Ontario, it was to be a purely American line totally lacking in any Laurentian quality. Largely because of that fact, it was open to attacks on national grounds from

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³⁹The Grand Trunk was of course of immense importance to those living close to or along its line between Toronto and Sarnia, but, unlike the Great Western and Southern, it was not solely or even primarily a western Upper Canadian road.

⁴⁰It should be noted that the GWR was quite prepared to be flexible in its orientation. To the extent that trade was inclined to follow the Canadian route, the GWR was ready to augment its service in an attempt to secure such traffic. Faced with the competition of the GWR after 1853, the company moved to make good on its Laurentian claims by developing a line of steamships operating out of Hamilton. Even then, however, the likely destination of such ships was Oswego and the American transportation system, and not the St. Lawrence and Montreal.

railways such as the GWR and GTR, and was not built until after Confederation, by which time national policy had moved on to western railways. Despite this fatal weakness, however, the Southern had an enormous attraction for Upper Canadian entrepreneurs, and a significance far greater than that of any of the many other "projected-but-not-built" railways of the period. At one time or another William Hamilton Merritt, John Prince, Francis Hincks, Isaac Buchanan, Samuel Zimmerman, John A. Macdonald, and several men of second-rank prominence were involved in its affairs. The persistent appeal which this project had for Upper Canadian developers is a further example of the extent to which local realities and personal ambition diverged from "national" policy; the result was that the Laurentian strategy was as often honoured in the breach as in the observance by the very men who were, like Merritt, outstanding promoters of the idea, or, like Hincks, the chief architects of the government's railway policy, which was explicitly Laurentian in its goals.⁴¹

With the advent of the railway then, the old "pure" Laurentianism of Montreal and canals was gone forever. While the end of the old Imperial system had removed the vagaries of changing Imperial policy, and the operation of responsible government had quickly revealed that French Canadian political power no longer meant the obstruction of commerce, the effect of the new technology was to replace these former obstacles with a new diversity of development options.

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⁴¹This brief reference cannot begin to convey fully the Byzantine quality which the affairs of the Southern Railway eventually acquired. For more detail see Walter Neutel, From Southern Concept to Canada Southern Railway 1835-1873 (M.A. thesis, University of Western Ontario, 1969).

At one extreme was the Southern project, which was completely antithetical to any real Laurentianism. On the middle ground stood the GWR, also essentially American in purpose, but with sufficient geographical connections and political influence to be considered a "national" road. At the other extreme was the GTR, which faithfully reproduced, in iron, the original scheme of a Laurentian trade route. In the context of the province's economic and urban evolution, the GTR represented Montreal's attempt to impose on a growing and more balanced economy the metropolitan ascendancy which had marked an earlier and simpler stage in the province's development. Unfortunately for the "river barons" of that city, the vitality and strength of their rivals in Toronto and Hamilton, along with the continued attraction of American transportation connections, made this impossible. At the same time, however, the Laurentian uniformity which they sought to impose on the western part of the province expressed more than just the metropolitan ambition of one river city.

Because of its long history, its undeniable geographic basis and the large investments already made on its behalf in the canal system, Laurentianism was able to transcend its particular connection with Montreal, and successfully to pose as the over-riding developmental concern of the nation. It thus enjoyed wider influence (if much less than hegemony) in the province as a whole. As a result, during the formative years prior to the advent of the GTR, developmental discussion and planning were dominated by Laurentianism. The necessity of constructing railways in such a way as to assist the canal system focussed on Montreal was the chief strategic consideration in the memoranda of Francis Hincks which largely shaped railway policy, and was

similarly central in the objectives and rhetoric of one of the province's two major railway companies. Moreover, Laurentian possibilities and the necessity of safeguarding the prospects of the Laurentian system figured prominently in the resolution of an important developmental rivalry in western Upper Canada, an area of the province to which the Laurentian idea was not even indigenous.

At one level then, Laurentianism was nothing more than the specific form taken by the metropolitanism of a particular city. At another level, though, it transcended locale and served as the more general intellectual context in which the process of development and the rationale for and the future of the Canadian commercial economy were understood. From this position of preeminence derived the ability to, at a general level, shape the overall orientation and rhetoric of the railway system, and, in specific cases, to dictate which lines should or should not be chartered or given government aid; such ability marks Laurentianism as the dominant attitudinal influence on the developmental process.

At the same time, it must be noted that Laurentianism, in this larger sphere, was subject to a strong countervailing force - the developmental ambitions of business elites in western Upper Canada pulled strongly in other directions which made more sense for that particular region. This limited the extent to which an older and more monolithic economic structure could retain its hold on the peninsula. More than this, at the individual level the lure of personal enrichment which was a factor in all railway considerations could also lead in non-Laurentian directions. Promoters and contractors were as prepared to seek profits in non-Laurentian as in Laurentian projects.

Nonetheless, examples of this tendency, such as the continuing appeal of the Southern idea (even to those otherwise associated with Laurentianism), should not be considered as the negation or the denial of that strategy. Such projects did not so much contradict the Laurentian version of the national interest as simply deviate from it. They presented no competing vision of the overall goals and purposes of the commercial economy. The private interests active in furthering Laurentian projects, by contrast, operated within the context of a strategy with a considerable accumulation of historical antecedents and contemporary presence. In particular, the St. Lawrence canals stood as a major reminder of the commitment already made by the state. Railways which could claim some role in making that investment profitable were perforce regarded in a different light than those which were either irrelevant or threatening to it.

At a more purely (although not exclusively) material level, the importance of Laurentianism was matched by the weight of the role which British capital came to play in railway development. Canada, as a colony whose developmental ambitions necessarily outstripped her capacity to generate capital internally, had still to rely on foreign investors. But unlike the experience of the previous decade, when the Imperial government had acted as financial handmaiden, guaranteeing the interest on loans by which the completion of the canal system was financed, the 1850's found the province in a position of relative fiscal independence. Just as Britain's adoption of free trade in the mid-1840's had dictated

that her political control over the internal affairs of colonies be relaxed, so responsible government had as one of its primary consequences the liberation of colonial fiscal and trading policy, and ~~the~~ Canadian state was now required to provide for its own financial needs. There was initially an instinctive tendency either to seek direct Imperial assistance as before, or at least to support Canadian development by including it in some larger Imperial programme such as assisted colonization. Ultimately, however, the state was prepared (and had) to finance its own projects by establishing a good financial reputation and then borrowing directly on the London money market.

Given the weakness of native capital formation, success in that endeavour was an absolute sine qua non for railway development in Canada. This required, in the period between 1849 and 1853 when the outlines of the first Canadian railway system were being laid down, that railway policy consistently be framed with reference to that primary need, and changed according to the dictates of conditions in the financial metropolis. In this sense, success in attracting foreign capital to Canadian enterprises was as much the primary object of policy as it was merely the financial means to railway ends, and the result, at certain key moments (such as the launching of the CTR in 1852), was that the structure of Canadian railway development was determined as much by the nature of prevailing financial circumstances (both in terms of the availability of capital and the attitudes and ambitions of those who controlled it) as by

considerations of what was appropriate and practical in railway terms.

While thus directly connected with the perceived need for railways, the establishment of the credit of the state also had great significance in and of itself. It was, first of all, the concrete financial expression of the meaning of responsible government. It was, moreover, an acid test of Canada's standing in London relative to that of the United States. On taking office as Inspector-General in 1848, one of Francis Hincks' constant complaints to the London financial community was that Canadian bond issues were not accorded the same confidence as those even of individual American states, let alone of the Union itself.

Finally, one suspects that the establishment of Canadian credit was a personal challenge for Hincks. A man of undoubted ability in financial matters, Hincks put all his considerable skills to work to prove that the Province of Canada (in the person of its chief financial spokesman) was a legitimate player in the capital of world finance. His success was complete, and reached its peak, seemingly, in the formation of the GTR in 1853, in which were united the Canadian state, Baring Brothers and Co., and Glyn, Mills, & Co., London's leading investment bankers, and Peto, Betts, Brassey, and Jackson, the foremost railway construction company in the world.

Once established of course, the public credit had to be maintained. During the early years of the decade, the sheer strength of the economic boom and consequent health of the

government's finances precluded any loss of investor confidence. By the later years of the decade all this had changed. Hincks was gone, the boom was over, the GTR was proving to be a thorough failure, and the Finance Minister of the day, Alexander Tilloch Galt, was faced with the prospect that the collapse of the country's major railway, into which the government had poured millions, could take with it the national credit. This danger produced, in effect, a complete reversal of the situation which had confronted Francis Hincks in 1848. Then, he had sought to establish Canadian credit in order to be able to finance railway construction. Ten years later, Galt was forced to continue propping up the GTR with government money in order to prevent the collapse of Canadian credit. The necessity of avoiding that calamitous occurrence was absolute, and the government was thus left virtually without options in formulating policy towards the railway. This was, in a way, as it ought to have been, for in a very real sense the Canadian state had considered no real options in the first place. By virtue of having accepted the premises of the inevitability of a railway-led commercial triumph, and of the absolute necessity of state aid to those railways, the state had acted more or less automatically in pledging its credit to the pursuit of progress and the nation's Laurentian destiny.

Before examining the extent to which development in the 1850's took place in an altered political climate, it is necessary to consider what aspects of that development are of most significance. Railways were the central endeavour of the decade

quite obviously, but the economic influence of the new mode of transportation reached out in several directions. Railways were the "predominant factor in the emerging commercial capitalism of the mid-century period"⁴² but were also a major stimulus to the growth of an industrial economy in central Canada.⁴³ Less directly and immediately, they made conceivable the idea of Canadian expansion onto and across the plains of the North West, and, by stimulating manufacturing, played a part in the genesis of protectionist sentiment.⁴⁴

Primary importance, in a study largely limited to the 1850's, must be accorded to the first of these aspects. While the commercial economy may have developed to the point where it was

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⁴²Steven Langdon, The Political Economy of Capitalist Transformation: Central Canada from the 1840's to the 1870's (M.A., Carleton University, 1971), p. 66.

⁴³Ibid., pp. 66-67.

⁴⁴Railways also played a central role in what might be called Upper Canada's "other economy" -- the more localized and economically specialized enterprises which were primarily oriented in a north-south direction, as opposed to the east-west flow of the Laurentian system. This "other economy" was concerned primarily with the exploitation of the timber resources in the province's interior. It expressed as well the metropolitan ambitions of smaller towns along "the front" like Cobourg, Port Hope, and Brockville, which sought to cultivate a hinterland by the construction of local railways. Those lines were designed to make forest resources accessible to their logical markets in the nearby United States. As such they were quite distinct from major east-west lines. Moreover, they were truly separate from the Laurentian projects in that they posed no threat, ideologically, politically, or financially to their dominance.

"pregnant with the promise of industrial capitalism"⁴⁵, that pregnancy was largely overshadowed during the decade by the perceived imminence of the triumph of older and largely commercial aspirations. And not without reason - in 1851, one half of Canada's "manufacturing" was concentrated in such staples-based activities as shipbuilding and flour-, grist-, and saw-milling, while the remainder constituted "only the rudiments" of a manufacturing sector.⁴⁶ There was, under the stimulus of railway building, further development during the decade, but not such as could be considered a sufficient condition for industrial capitalism.⁴⁷ The stamp of commerce and agriculture which the economy thus bore may be seen, for example, in the fluctuation of the money supply, which moved with the cyclical rhythms of the agricultural economy, peaking during and just after harvest.⁴⁸ "Our wealth", observed the Toronto businessman David Macpherson,

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⁴⁵Bryan Palmer, "Modernizing History", Bulletin of the Committee on Canadian Labour History 2, (Autumn, 1976), p. 19. Other, less careful historians on the left have attempted to emphasize industrial development at an even earlier date, for example, Stanley Ryerson, Unequal Union (Toronto, 1973), p. 172.

⁴⁶O.J. Firestone, "The Development of Canada's Economy, 1850-1900", in National Bureau of Economic Research, Trends in the American Economy in the Nineteenth Century (New York, 1960), p. 218.

⁴⁷S. Langdon, Political Economy of Capitalist Transformation, p. 362.

⁴⁸D. McIvor, Canadian Monetary, Banking, and Fiscal Development (Toronto, 1961), p. 47.

himself involved in the advent of industrialism, "is our soil...."⁴⁹

This predominance of the older agricultural and commercial economy is clearly reflected in the legislative emphasis of successive governments. Newer possibilities, such as the (further) development of home manufacturing through a protective tariff, or a species of Toronto/Ontario imperialism which looked to agricultural and commercial expansion into the North-West, were as yet minor strains in an approach dominated by the renewed promise of commercial empire on and of the St. Lawrence.⁵⁰

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⁴⁹PAC, MG 27 D8 (Galt papers), vol. 7, p. 2514, Macpherson to Galt, April 5, 1860.

⁵⁰The one alternative programme for economic development which has not been mentioned here is the drive for freer trading relations with the United States which culminated in the Reciprocity Treaty of 1854. Coming as it did in the wake of Britain's adoption of free trade, the quest for Reciprocity may have represented the business community's "instinctive search for new preferential markets", (Donald Creighton, Dominion of the North (Toronto 1957), p. 265) and as such appeared to swing the province away from its more traditional orientation, but it in fact was an approach to development which meshed quite nicely with the Laurentian vision, at least in the mind of its most ardent advocate, William Hamilton Merritt. Writing to Lord Elgin in 1848, Merritt insisted that a primary result of a reciprocity agreement with the U.S. would be an increased use of the St. Lawrence export route, as American trade sought "the best and cheapest communications." (PAC, MG 24 E1 (Merritt papers), vol. 22, p. 3712, Merritt to Lord Elgin, May 10, 1848.) By the time Reciprocity was effected, in 1854, prosperity, associated with a healthier international economy and the inflationary effects of the railway boom, had returned to the province. (Careless, Union of the Canadas, p. 132) Moreover, its concrete economic effects were at best minimal - a brief reinforcement of the railway-led boom occurred in 1855, and thereafter there was "little further variation" in the volume of Canadian trade. "Any positive impact pales beside the really dynamic forces of railway construction in the 1850's and the American Civil War, reconstruction and inflation in the 1860's". (L.H. Officer and L.B. Smith, "The Canadian-American Reciprocity Treaty of 1855-1866", Journal of Economic History, XXVIII, #4 (December, 1968), pp. 600-01, 623.)

The last aspect of the general context which changed in such a way as to stimulate developmental activity (both Laurentian and non-Laurentian) was the political climate. The effect of this alteration, as it was with the economic boom, the doctrine of progress, the arrival of railways, and the beginnings of fiscal independence, was a stimulus towards excess - more projects, more reckless investment, less caution and a decrease in the level of real (as opposed to formal) political control over the developmental process.

That Canadian governments presided over something of an economic binge in the first part of the 1850's is partially understandable simply by reference to the strength of the growth in the economy during those years, and the sharp psychological contrast which that single factor provided to the gloom and disappointment of the ~~later~~ 1840's. But there was as well a shift in the dominant understanding of the purpose of politics which contributed to the fact of excess in developmental behaviour. Briefly, there came to political prominence in the 1850's a group of men whose political priorities ultimately were developmental rather than social, religious, or sectional, and whose political success rested on their ability either to avoid or to take middle-ground positions in contentious non-developmental issues, while concentrating their efforts on material concerns.

This style of leadership had its roots in the early years of the Union, in Lord Sydenham's determination to avoid the "ultras" of either party and to build a ministry composed of men intent on economic development and moderate, non-ideological government. Given the unsettled constitutional business remaining in the

aftermath of the Rebellions, it is not surprising that the newer politics had to await further development before really flourishing, but Sydenham's emphasis on "harmony" was a harbinger of things to come. Such an approach was ideally suited to the abilities and proclivities of men like Hincks and Macdonald; it was not mere coincidence that they were the dominant figures of the 1850's. The men who joined them in significant positions were those whose interests were in line with Sir Allan MacNab's dictum that "all my politics now are railroads." This understanding of the purpose of politics was given concrete expression in the 1854 Liberal-Conservative coalition in which railway-minded moderate Conservatives joined with railway-minded Hincksites in a determination to press on with the railway programme and to dispose of the divisive questions of seigneurial tenure and the Clergy Reserves.⁵¹

The fundamental harmony of outlook which prompted that coalition was fully evident in the preceding years - its most visible evidence coming in the various Legislative debates between 1849 and 1852 on the railway programme. While those debates were often prolonged and heated, especially during the chartering of the GTR in 1852, the disagreements expressed were either confined to particular points, or else rooted in personal interest or political opposition for its own sake. With only a very few exceptions, there was no basic disagreement over the necessity of

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⁵¹J.M.S. Careless, George Brown, The Voice of Upper Canada, 1818-1859 (Toronto, 1959), p. 184.

building railways as rapidly as possible to buttress the St. Lawrence commercial system, and of the propriety of using the resources of the state to finance that construction. Such harmony is the other side of the coin of disunion and friction which led W.L. Morton to remark that "the essence" of Canadian politics during the latter years of the Union was "instability";⁵² it was also the final element in an equation which produced a virtually unchecked proliferation of actual and would-be railways.

In recent years analysis has begun to take account of this basic but previously under-examined aspect of the political culture. The works of J.K. Johnson, Barrie Dyster, Peter Baskerville and Brian Young suggest the possibility of an alternate narrative line for the history of the 1850's, in which the dynamic is supplied not by the politics of party and section, as with the work of Creighton, Morton, and (to a lesser extent) Careless, but rather by the common commitment of men of all parties to the achievement of material "progress" and "improvement", and by the rough consensus on what those goals consisted of, and how to achieve them. Their interpretations do not supplant the older work in this area; rather they restore some balance to a narrative too heavily weighted in favour of divisive political and cultural categories of analysis, instead of the integrative economic and social categories suggested by a focus on

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⁵²W.L. Morton, The Critical Years, The Union of British North America, 1857-1873 (Toronto, 1964), p. 11.

those for whom the political process was essentially a means to economic development.⁵³ It is no longer correct to contend, as Professor R.T. Naylor did some years ago, that only in the cases of Francis Hincks and A.T. Galt "have business and politics been at all properly integrated."⁵⁴

It is not the purpose of this study to complete that integration, or to write a new history of the 1850's in which "the primacy of development" is used as an analytical tool in place of the old "breakdown of the Union" approach. But a detailed examination of the early evolution of Canadian railway policy which takes into account the emergence of a more recognizably modern political culture can contribute, it is hoped, to this ongoing historiographical reorientation.

The problem to be addressed here, it should be noted, is not why the Laurentianism of which the GTR was the apotheosis failed

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⁵³Such a balance need not be considered entirely new. Even such a whiggish chronicler of our past as J.C. Dent realized that, during the early and mid-1850s, "purely political questions... gave place, to some extent, to questions directly affecting the social and physical progress of the country." ("Sir Francis Hincks", in J.G. Dent, ed., *The Canadian Portrait Gallery* (Toronto, 4 vols., 1881), vol. 1, p. 243.) Similarly, the journalist and writer Fennings Taylor, in discussing the formation and course of the Liberal-Conservative coalition of 1854, noted that "the province was entering on a career of material progress which excited the public mind more actively than the political questions which time had weakened, if not worn out." ("Sir Allan Napier MacNab", in W. Notman and F. Taylor, *Portraits of British Americans* (Montreal, 3 vols., 1865-68), vol. 3, p. 318.) It should be noted that, as Taylor implied, some of the alteration in politics was simply the result of normal long-term evolution in the political environment. After thirty-odd years of wrangling over Clergy Reserves, the majority of Upper Canadians were content simply to see the issue settled once and for all.

⁵⁴Tom Naylor, "Recent Trends in Canadian Business History", *Canadian Historical Association, Historical Papers*, 1976, p. 256. He was right, however, to add that even in those cases, "a lot remains to be said."

in its challenge to New York. With hindsight it is clear that the prior and continuing superiority of New York over Montreal as an ocean port had in fact rendered Canadian efforts futile from the outset. But hindsight was not available to the men who conceived and managed the last attempt at an international Laurentianism, and they committed themselves and their state whole-heartedly to the struggle.

The question rather is how their challenge came to assume the particular shape and character which it did. Two factors seem to have been primarily responsible. The ascendancy of business-minded politicians, themselves actively involved in the economic expansion which the state sought to foster, led to a confusion of public or national goals with the ambitions of private enterprise. The psychological environment in which that process was worked out was shaped by the effects of rapid growth, ready capital, and the allure of a grandiose development strategy, which together combined to overshadow the harder realities of the situation. The specific ways in which those two factors shaped development are discussed in what follows; in turn, that discussion raises two more general questions, the first of which concerns the relative strength of public ideology and private interest as behavioural determinants. Was the "national" justification of the railway programme merely the rationalization of individual and class interests, or were such beliefs genuine, the inescapable dictates of geography and history, which the men of the 1850's were no more able to avoid than their predecessors?⁵⁵

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⁵⁵For the former perspective, see Peter Baskerville, The Boardroom and Beyond. The latter view is of course best expressed by Donald Creighton, and especially in his Empire of the St. Lawrence.

Finally, this study ventures onto that oft-trod historiographical ground, the role of the state in Canadian economic development. Clearly, the construction of railways (and particularly the GTR) as a direct response to American enterprise was a case of what H.G.J. Aitken has called "defensive expansion."⁵⁶ Equally applicable is H.V. Nelles' observation that the commercial elite of the nineteenth century used the state "to provide key services at public expense, promote and protect vested interests, and confer the status of law upon private decisions."⁵⁷ This may indeed have reduced the state, "despite an expansion of its activities", to the position of a "client of the business community", but whether, as Nelles argues, this end reflected a certain "failure of men with choices to make" and was therefore "not... inevitable"⁵⁸ is more problematic.

Questions of inevitability are perhaps best left to the more philosophically-inclined in any case, but the particular experience of Canada in 1850's does have about it the air of the unavoidable. The men primarily responsible for shaping that experience did of course have choices to make, and it was the quality of their decisions which determined the outcome of events."

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⁵⁶H.G.J. Aitken, "Defensive Expansion: The State and Economic Growth in Canada", in W.T. Easterbrook and M. H. Watkins, eds., Approaches to Canadian Economic History (Toronto, 1967), pp. 183-221.

⁵⁷H.V. Nelles, The Politics of Development: Forests, Mines, and Hydro-Electric Development in Ontario, 1849-1941 (Toronto, 1974), p. ix.

⁵⁸Ibid.

Those choices, however, were taken within an ideological and psychological context so compelling that a different outcome could only have come from an entirely different set of individuals. And such individuals would not have risen to positions of economic and political leadership.

Chapter II

"Railway speculators, hungry lawyers, and stockjobbers"

In November, 1855, after Canadians had learned of the appointment of Francis Hincks to the Governorship of Barbados, their late Premier was saluted at several banquets given in his honour, among the most lavish of which was that hosted by the prominent canal and railway contractor, Samuel Zimmerman. Rising to toast his guest of honour, Zimmerman looked out on an audience remarkable for both its quantity and its quality. Among the more than one thousand people seated in the ballroom of his Clifton Hotel at Niagara Falls were the current and future leaders of the Liberal-Conservative coalition, Sir Allan MacNab and John A. Macdonald, together with their present and future cabinet colleagues William Cayley, Robert Spence, and Joseph Curran Morrison. Other notable figures in attendance were Thomas Gibbs Ridout, the cashier of the Bank of Upper Canada, the wealthy businessman and MPP, Thomas Clark Street, and the enterprising ex-mayor of and MPP for Toronto, John George Bowes.¹ All these

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¹ "The Zimmerman Banquet", Weekly Leader (Toronto), November 7, 1855, p. 4.

men were active businessmen; as such, their host reminded them, they had good reason to honour Hincks, every one of them having felt "the benefit of his financial talents", particularly as they had been exercised in the government's assistance to railway development. "Look at the prosperity of this Province", Zimmerman argued, "and compare its present position with what it was ten years ago. The fact is, it is almost impossible for any man to realize the past when he looks at the prosperity of the present."² It was Hincks' successful career as the Province's Inspector-General, in particular, which was responsible for this remarkable transition:

He smote the rock of the public purse, and an abundant stream poured forth. He touched the corpse of the public credit, and immediately it stood upon its feet.³

The "abundant stream" let loose by Hincks' abilities nurtured an impressive growth of entrepreneurial ambition in Canada in the early years of responsible government. In gathering to honour him, the prominent politicians and businessmen present were in fact uniting in honour of themselves writ large, Francis Hincks being simply the most prominent among a group which had effectively integrated personal gain and national goals within the larger ideal of railways and progress. Their success in this

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²Ibid.

³Ibid.

endeavour may be traced to what Donald Swainson has observed to be a primary fact of public life in the era of responsible government - "regardless of politics, the business classes were in control. The united business community was potent and not effectively opposed."⁴ This merger of political and economic power has prompted one historian to remark that, given the "close identification between political and economic elites...at times it is a positive distortion to speak of them separately."⁵

These broad assertions have been given a more precise expression in the work of J.K. Johnson, who has argued that at least as far back as the immediate post-Rebellion period, there is discernible in Upper Canada an "overlapping political-economic elite" which represented "an already developed pattern of cooperation between the power of the positive state and the power of private enterprise."⁶ Johnson's work on John A. Macdonald has further refined this argument. Specifically, he has shown that Macdonald was not only the "Young Politician" portrayed in Donald Creighton's biography, but also a very active businessman who would have achieved a certain prominence even if he had never

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⁴Donald Swainson, "The North Western Transport Company: Personnel and Attitudes", Historical and Scientific Society of Manitoba, Transactions, series 3, vol. 26 (1969-70), p. 60.

⁵H.G.J. Aitken, "Government and Business in Canada: an Interpretation" in J. Deutsch et.al., eds., The Canadian Economy (Toronto, 1965), pp. 494-95.

⁶J.K. Johnson, "The Upper Canada Club and the Upper Canadian Elite", Ontario History, LXIX, #3 (September, 1977,) p. 162.

entered politics.⁷ More generally, Johnson has suggested that Macdonald, as a "businessman-politician", was a member of "a large and influential fraternity who, whether Grit or Tory, spoke a common legal-entrepreneurial language and shared a common outlook."⁸ This fraternity was composed of "young men of the urban middle class...who began to make their way in the world in a period of rapid change and expansion." The removal of the old restrictive colonial system and the democratization of local and provincial politics enabled this "enterprising urban professional-commercial class to replace the old narrow entrenched office-holding elite."⁹

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⁷J.K. Johnson, "John A. Macdonald: the Young Non-Politician", Canadian Historical Association, Report, 1971; Johnson, "John A. Macdonald and the Kingston Business Community", in G. Tulchinsky, ed., To Preserve and Defend, Essays on Kingston in the Nineteenth Century, (Montreal, 1976).

⁸The same observation has been made more recently by J.M.S. Careless: "Progress, expansion, destiny - whether Liberal or Conservative, the leading politicians came to share those terms of aspiration with the buoyant, burgeoning society about them." ("The Place, the Office, the Times, the Men", in Careless, ed., Pre-Confederation Premiers (Toronto, 1980) pp. 14-15). Something like contemporary recognition of this fact can be seen in Thomas Mercer Jones' appeal to "The Electors of the Tecumseh Division" late in the decade: "My politics have always been moderate ... and have undergone no other change than such as the progressive legislation of the country - both Imperial and Colonial - have induced, and which ... have removed for ever the invidious distinction hitherto existing between Whig and Tory." (PAC, MG24, B110 (Thomas Mercer Jones papers), n.p., n.d.)

⁹J.K. Johnson, "John A. Macdonald", in J.M.S. Careless, ed., The Pre-Confederation Premiers, pp. 212-13. The point here is not, of course, that Upper Canadian businessmen were totally excluded from political influence before 1849. Rather, as Aitken has explained it, while "the formal structure of political authority" did not limit in any significant way the ability of business elites to mobilize political power in their own interests, it probably did restrict "the number and types of businessmen who had access to political power." (Aitken, "Government and Business in Canada", p. 495.)

Once in control, the new elite indulged its "common interest in 'developmental' policies, policies which encouraged economic growth...and [involved] the use of the state as an aid and stimulant to business."¹⁰

Similarly, the thrust of Professor Brian Young's work has been to suggest that the experience of Lower Canada was not unlike that of the upper province.¹¹ If anything, the necessity of cooperation between private interests and public power was greater than in Upper Canada because the legal and social framework of Quebec's traditional society required a far more basic transformation in order to facilitate a full developmental programme. Under the leadership of pragmatic urban-based politicians like George Etienne Cartier, the greater part of the francophone elite of Lower Canada rejected the anti-commercial, anti-English tenets of patriote nationalism and embraced fully the developmental ethos characteristic of the "businessmen-politicians" of Upper Canada.

In penetrating beneath the surface (although not superficial) antagonisms and divisions which characterized the party politics of the day, Johnson and Young have pointed to a characteristic of

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¹⁰Johnson, "John A. Macdonald", p. 213.

¹¹See his Promoters and Politicians: The North Shore Railway in the History of Quebec, 1854-83 (Toronto, 1978), and especially his George Etienne Cartier, Montreal Bourgeois (Kingston and Montreal, 1981).

the political culture of the mid-century which is every part as significant as the divisiveness which has dominated the historiography. If the political failure of the union was a key factor necessitating the political rearrangement of 1864-67, it was a fundamental harmony of outlook among the elite which made that rearrangement possible.

The existence of such a consensus, in the face of the very real divisions within the Union, is a reflection of a facet of capitalist leadership noted by Ralph Milliband:

What is really striking about these political leaders and ... office-holders, in relation to each other, is not their many differences, but the extent of their agreement on truly fundamental issues - as they themselves, when occasion requires, have been wont to recognize...¹²

Although speaking from an ideological starting point far removed from that of Milliband, John A. Macdonald made essentially the same point in his defence of the Liberal-Conservative coalition of 1854:

...there was no really great question to prevent the Conservative party from coalescing with men of constitutional and moderate views, although they had previously belonged to what was called a different party, and from that time to now, men brought up in the Conservative school have acted with those brought up in the Liberal school - acted as a united government - acted together, because they think alike.¹³

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¹²Ralph Milliband, The State in Capitalist Society (London, 1973), p. 64.

¹³J.A. Macdonald, Address of the Honourable John A. Macdonald to the Electors of the City of Kingston (n.p., n.d.), p. 10.

The primary reason why some Liberals and Conservatives were able to "think alike" during the 1850's was their common membership in the province's "overlapping political-economic elite", and their common participation in the surge of economic growth prior to the crash of 1857. The businessman-politician had become a common phenomenon, indeed almost the norm at the top level of society. As Donald Swainson noted of the Kingstonians in the second Federal Parliament, such men "did not represent any wide variety of interests. Their milieu was very limited."¹⁴ While they did at times represent competing specific interests, such as rival railway companies, the members of this development elite were too much engaged in similar activities, and too frequently associated in their business and professional lives, to stand outside of the "unspoken understanding and assumption of common goals" which Johnson has suggested marked their group.

Initially it was assumed that it would be possible to define, in a reasonably comprehensive way, who in the Canada of the 1850's was a member of this "developmental elite".¹⁵ The result, however, did not justify the considerable effort involved. The elite so defined included, on the one hand, numerous individuals, prominent in their own regions and fully committed to the developmental ideals of Johnson's "large and influential fraternity", who nonetheless

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¹⁴Donald Swainson, "Kingstonians in the Second Parliament: Portrait of an Elite Group", in G. Tulchinsky, ed., To Preserve and Defend, p. 276.

¹⁵For an example of this methodology, although on a more limited scale, see the studies by Professor J.K. Johnson of the elites of Toronto and Kingston (above, notes 6 and 7). This sort of methodology was applied to the province as a whole by determining business-political elites for Toronto, Hamilton, Kingston, the Niagara region, London, and Windsor and Amherstburg.

failed to leave sufficient documentation to make themselves accessible to the researcher. For the rest, the elite was found to include more prominent and archivally "visible" individuals whose membership could safely have been predicted at the outset of the exercise.

That being the case, this study concentrates on the latter type, and focusses on those individuals who best represent the subject in its various political, business and ideological aspects: Francis Hincks, A.T. Galt, G.E. Cartier, Joseph Cauchon, J.A. Macdonald, George Brown, Joseph Curran Morrison, T.G. Ridout, John Ross, W.H. Merritt, Isaac Buchanan, Samuel Zimmerman, Casimir Gzowski, Sir Allan MacNab, Robert Harris, T.C. Keefer, Henry Youle Hind, and John Sheridan Hogan.¹⁶

One aspect of this group of individuals requires some comment. It will be noted that the bias is towards Upper rather than Lower Canadian figures. This reflects both the weight of the evidence and the particular emphasis which an examination of the nature of railway policy requires. A majority of the men most prominent in the working out of the railway-led aspects of development in the 1850's were from Upper Canada. Moreover, it was in the western region of Upper Canada that the curious mixture of potency and weakness which characterized the Laurentian strategy of development was most clearly demonstrated. Such a focus necessarily means a relative under-examination of the peculiarly Lower Canadian aspects of railway development, but the comprehensive quality to be gained from their inclusion would be bought at the price of stretching the study beyond manageable limits.

To what extent were the men most involved in the elaboration and application of developmental strategy part of a new elite, in the sense suggested by Johnson? There is certainly truth in

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¹⁶As the discussion of Brown, Merritt and Buchanan will make clear, some individuals are discussed not so much because of their involvement in the narrative (although they do appear there) but because their preoccupations and experiences were to some extent contrary to the mainstream of developmental strategy and behaviour, and therefore serve to illustrate by contrast the nature of that mainstream.

J.M.S. Careless' observation that the

upper class of old ruling families had but ever-decreasing power in Canada West under the Union, as the new, middle-class popular leadership replaced it.¹⁷

It has been demonstrated elsewhere that, in Toronto at least, the period of rapid economic growth which began around 1850 caught the old and primarily tory elite of the city without either sufficient numbers or financial talent to take command of all the initiatives of those boom years.¹⁸ The result, according to the same study, was that mercantile experience increasingly tended to shove aside patrician standing as the prime entrée to boards of directors.¹⁹ At the same time, one effect of the "rapid and multi-level changes" in the economy and in politics which characterized the later 1840's was the liberation of a more daring and speculative entrepreneurial style than that which had characterized the province's traditional elites.²⁰ While this certainly encouraged the emergence of new figures, it is important to note the degree to which the men discussed here were those who had already established themselves as prominent figures in an earlier period.

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¹⁷Careless, "The Place, the Office, the Times, the Men", p. 24. This observation is confirmed by Michael Katz' analysis of the social structure of Hamilton during the same period. (Katz, Hamilton, p. 186).

¹⁸Barrie Dyster, Toronto, 1840-1860: Making it in a British Protestant Town (Ph.D., University of Toronto, 1970), p. 294.

¹⁹Ibid., p. 153.

²⁰Peter Baskerville, "Entrepreneurship and the Family Compact: York-Toronto, 1822-1855", Urban History Review, IX, #3 (February, 1981), p. 29 and passim.

They were not the cautious and highly-scrupulous businessmen like William Allan of Toronto, however, who figured so largely in the entrepreneurial element of the tory elite.²¹ They were rather those, both reformer and tory, who had, in effect, been awaiting just such a transition. Thus we are dealing not with the total displacement of one elite by another but rather with a dynamic situation in which broadening opportunities effectively enlarged the bounds of the elite to the point where the older "patrician" members were outnumbered by a combination of newer "mercantile" men and older businessmen and politicians who, although prominent before 1850, had not been associated with the Family Compact or other tory elites.

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²¹Ibid., pp. 19, 24-25. It is interesting to note that one "tory" who fully accepted the transition was none other than that archetype of the Compact conservative, John Beverley Robinson. As Chief Justice of the Court of Error and Appeal he was called upon to rule in the case of Mayor J.G. Bowes of Toronto, who (in company with Francis Hincks) had used his inside knowledge to speculate in the City of Toronto debentures issued for the Northern Railway, and reaped thereby over £8000. Although the court ultimately ruled that Bowes' profit was ill-gained, and ordered that he turn the money over to the city, Robinson dissented, arguing that "It would be a very slowly progressing country, I apprehend, in which all public enterprises and improvements should be left to be suggested and advanced by those who ... had [no] personal pecuniary interest in pushing them forward." Any "conflict of interest" naturally posed dangers, but Robinson feared that to prohibit such conflicts would be to "[confine] men in their transactions within a narrower field than has been found practicable" (Ibid., pp. 25-26). The apparent anomaly of the social conservative defending the grubby speculations of a leading Reformer and an Irish ward politician has been given an interesting explanation by Paul Romney, who sees in Robinson's approval a harkening back to the privileged exploitation of positions of power which members of the Family Compact (like Robinson) had once been free to indulge in. ("The Ten Thousand Pound Job: Political Corruption, Equitable Jurisdiction, and the Public Interest in Upper Canada 1852-56", in D.H. Flaherty, ed., Essays in the History of Canadian Law, vol. 2 (Toronto, 1983), pp. 182-84).

To describe these men as "businessmen-politicians", while accurate enough in itself, is to fail to do justice to the diversity of character and role which marked the world of development in Upper Canada at mid-century. This group included premiers like Hincks, MacNab, and Macdonald together with men like R.W. Harris and Samuel Zimmerman who never entered public life. Prominent businessmen like Isaac Buchanan and Casimir Gzowski are found here along with men whose business involvements were either nil or absolutely minimal, and whose prominence rested on their role as the publicists and ideologists of "railroads, metropolitanism and progress - the transportation philosopher's trinity."²² Buchanan's ardent protectionism is present, as are the equally forceful free trade views of William Hamilton Merritt. Nor was this collection of individuals without its intense and occasionally bitter political, business, and personal rivalries. Yet for all their differences, their collective efforts defined the shape of the union of trunk railways and Laurentian strategy and rhetoric which was the dominant developmental activity of the decade.

If there is one individual who may be singled out as being central to the process by which the province of Canada embraced the new technology of railways and wedded it to the Laurentian dream, then it is Francis Hincks. A figure of some note as a

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²²H.V. Nelles, "Introduction" to T.C. Keefer, Philosophy of Railroads, p. xxxii.

financier and journalist even before the Union, Hincks made himself the central figure in both railway policy and public finance during the formative years of the railway boom. His career in financial matters spanned thirty years, from 1841 when he chaired the first Committee on Banking and Currency of the newly united Canadian legislature, to 1870-71, when he supervised the passage of the first general Banking Acts of the new Dominion.²³ Although his career was also notable for his role in the cause of reform, particularly in initiating the Baldwin-Lafontaine alliance,²⁴ Hincks' greatest efforts once he had achieved power were given more to development than to reform.²⁵ And considerable efforts they were. As Lord Elgin noted in May, 1851 Hincks had "more energy than all the Canadian statesmen I have yet had to do with put together."²⁶ Allied to this vigour was a real ability in finance. The improvement in Canada's financial position in the years 1848-52 was in large part due to Hincks' work as

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²³K.W. Taylor, and H. Michell, Statistical Contributions to Canadian Economic History, vol. 1, p. 2.

²⁴Careless, Union, p. 12.

²⁵W. Ormsby, "Sir Francis Hincks", in Careless, Pre-Confederation Premiers, p. 159. As Ormsby, p. 149, notes, as early as 1837 Hincks' emphasis was primarily developmental. He opposed the Rebellion of that year not just because it could not succeed, but because, if successful, it would impair Canadian credit in London.

²⁶Letter to Earl Grey, May 17, 1851, quoted in R.S. Longley, Sir Francis Hincks, A Study of Canadian Politics, Railways and Finance in the Nineteenth Century (Toronto, 1943), p. 161. When Hincks was defeated in 1854, Elgin still felt that "In office or out he is the most able and powerful man in the country at present." PAC, MG24, A16 (Elgin papers), file 2, n.p., Elgin to Sir George Grey, Colonial Office, September 9, 1854.

Inspector-General, work which earned him the respect and assistance of the influential London investment bankers Baring Brothers and Company and Glyn, Mills and Company.²⁷

Specifically, by making the credit of the state available to private railway companies, Hincks made possible the financial bonanza which reinforced the province's economic boom. As he had noted in 1848 (in words which succinctly summed up the key elements - railways, British capital, and western trade - of mainstream developmental strategy):

The great disadvantage under which Canada labours arises from the want of the capital required to construct those Public Works which have become almost indispensable as auxiliaries to the Canals in securing the Western trade.²⁸

Establishing the province's credit in the money markets of the metropolis meant convincing British investors, often through the confidence-inspiring agency of an issue of debentures by the respected house of Barings, that "there is a vast field for the profitable employment of capital in Canada...a constant demand for money...for which good interest will be paid."²⁹ Before British North American audiences, Hincks could be more direct - "We want

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²⁷Ormsby, "Hincks", p. 192. A similar endorsement of Hincks' ability came from that erstwhile foe of the money power, William Lyon Mackenzie, who praised the Inspector-General as "the only man then [that is, 1849-52] to build up the credit of the country." Gibbs, Debates, XI, p. 1212.

²⁸PAC, RG1, E1 (Executive Council Minute Books, 1764-1867), (hereafter Minute Books), State Book I, p. 404, Hincks' memo. on colonization and public works, December 20, 1848.

²⁹PAC, MG24, D21 (Baring Brothers papers), vol. 1, p. 504, Hincks to Baring Brothers, April 23, 1852.

all the money we can get at three and one half per cent, and will take another five million sterling at the same rate and invest it in railroads."³⁰

Hincks' unquestioned success in this endeavour was not without its personal cost however. His involvement with British financiers and contractors in the launching of the Grand Trunk project, and then his part in the infamous "£10,000 Job"³¹ lost him "that reputation for sterling integrity which had characterized his early political career."³² Even praise became tinged with a certain suggestion of slipperiness, as in George Brown's comment that Hincks had defended his Grand Trunk proposals before Parliament "with his usual dexterity...".³³ Both historians and contemporaries have recognized this aspect of Hincks' character. J.M.S. Careless saw in him "an ambitious

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³⁰Speech to a railway meeting in Halifax, February, 1852. Quoted in Hincks, Reminiscences of his Public Life (Montreal, 1884), p. 220.

³¹See Romney, "The Ten Thousand Pound Job", for a detailed analysis of this incident, in which Hincks and John George Bowes, the mayor of Toronto, used their public roles to turn a large profit in their private dealings in debentures issued by the city.

³²Longley, Hincks, p. 176.

• ³³Gibbs, Debates, XI, pp. 1327-28, (November 2, 1852). A similar observation was made by an Assembly reporter who noted that Hincks had defended an earlier proposal for a Niagara and Detroit Rivers Railway "with his usual talent in figures." (Ibid., IX, p. 1410.) There is an interesting parallel here with Bowes, Hincks' partner in the "£10,000 Job". The Toronto newspapermen Samuel Thompson remembered Bowes as "by far the ablest man who had ever filled the civic chair. His acquirements as an arithmetician were extraordinary...". (Thompson, Reminiscences of a Canadian Pioneer for the Last Fifty Years. An Autobiography (Toronto, 1884), p. 281.)

opportunist",³⁴ while William McDougall, a principal victim of Hincks' 1851 co-option of the Clear Grits, accurately foresaw, eighteen months before the event, Hincks' role in the political changes of September, 1854:

Hincks sees the difficulties ahead, and with that shrewdness and indifference to principle which have always characterized him he is making ready for the turn of the wheel.³⁵

When attacked, as he increasingly was in 1853 and 1854, Hincks gave as well as he got, a trait which had earned him the nickname of "the Hyena". As he told George Brown, Robert Baldwin was "a tame debater. I am perhaps too much the other way. I do not like handling these fellows with gloves."³⁶

One significant element among those attackers was the group (including McDougall) of Clear Grits and followers of George Brown for whom Hincks' prevarications and dawdling on the Clergy Reserves issue had become intolerable.³⁷ Their outrage was justified, given the importance which the problem had always held

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³⁴Careless, Union, p. 11. A telling contemporary example of this perception of Hincks was provided by Earl Grey at the Colonial office. In recommending to Lord Elgin that Hincks might write some pseudonymous letters to The Times of London in order to bring up the image (and hence the borrowing prospects) of Canada, Grey added: "...but as I have some distrust of the writer, clever though he is, I think you should see and correct his letter before they are sent" (PAC, Elgin papers, file 2, n.p., July 12, 1850).

³⁵PAC, MG24, B121 (Charles Clarke papers), n.p., McDougall to Clarke, February 2, 1853.

³⁶PAC, MG 24, B 40 (George Brown papers), vol. 1, p. 32, Hincks to Brown, Feb. 13, 1849.

³⁷Ormsby, "Hincks", pp. 160-65; Careless, Union, pp. 174-76.

for reformers, but it marked as well their exclusion from the evolving "politics of consensus and management" which was eclipsing the older "politics of ideology" in which they had been nurtured.³⁸ The coming triumph of the entrepreneur over the ideologue was based on the ability of men like Hincks to see "the reality of power in politics"³⁹ and to act accordingly, ideology and the divisive issues it engendered taking a back seat to development and the continuance of "effective popular entrepreneurial rule."⁴⁰ Along with his financial talent, this ability was the dominant characteristic of Hincks' political career, and it is no coincidence that it was present in large measure as well in the makeup of the man who dominated the politics of the end of the decade just as Hincks had presided over those of its beginning, John A. Macdonald.

Confining the discussion for the moment to Hincks, it can be seen that his particular contribution to the perception of "the realities of power in politics" was two-fold. He had earlier realized that the key to power in the aftermath of the Rebellions was the strength of Upper and Lower Canadian reformers united in pursuit of responsible government.⁴¹ Once power had been achieved, Hincks demonstrated that responsible government was not

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³⁸Ormsby, "Hincks", p. 193.

³⁹Careless, Union, p. 11.

⁴⁰Ibid.

⁴¹Ormsby, "Hincks", pp. 152-53, 189; G.M. Craig, Upper Canada, The Formative Years, 1784-1841 (Toronto, 1963), p. 274.

merely the constitutional device which would put an end to the power of British governors and tory oligarchs, but also a political and financial tool - "a means of encouraging railway building and fostering economic expansion under Canadian governmental leadership."⁴²

For Francis Hincks, then, the 1840's were, in a sense, a period of waiting, as it was for other ambitious men like Macdonald and Allan MacNab, who also stood outside the old tory elite. This is not to imply passivity or inactivity on the part of those, like Hincks, who would play major roles in the railway Laurentianism of the 1850's. That was patently not the case. Rather it is to suggest that the political struggle for a constitutional end which dominated the post-Rebellion decade was ultimately of less importance (whether that end was welcomed or resisted) than the economic épanouissement which was the primary goal of such men.

It was this ability to see beyond the immediate goal of responsible government to its developmental possibilities that distinguishes Hincks from the man most closely identified with the struggle for political reform, Robert Baldwin. More than this, the particular style of development which Hincks introduced - confident, expansive, and debt-intensive - was anathema to the cautious Baldwin.⁴³ It is a significant indication of the

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⁴²Ormsby, "Hincks", p. 190.

⁴³See below, ch. V, pp. 264-67, for a discussion of Baldwin's increasingly sharp disagreement with his Inspector-General on developmental matters.

increasing importance of development on the political agenda that when Baldwin finally raised his voice against the heavy borrowing which underlay the province's railway programme, he found little support, and was forced to give way to his aggressive Inspector-General.⁴⁴

In his central role in the rehabilitation of Canadian credit after 1848, in the formation of railway policy, and in the genesis of the GTR in 1852-53, Francis Hincks stands alone as the key figure of the period. Yet the parallels between his career and the larger story which was the railway-led Laurentianism of the 1850's is incomplete, because he left the province in 1855, before that story had reached its conclusion.

The missing balance is supplied by the career of Alexander Tilloch Galt of Sherbrooke and Montreal. Galt lacked the political influence of Hincks in the early part of the decade (he was not in Parliament between 1850 and 1853), but nonetheless played a significant part in the railway politics of 1852-53.⁴⁵ To this he added a public role as Minister of Finance (that is, Inspector-General) after 1858, in which position he inherited the concrete results of the railway and financial policies which Hincks had initiated earlier. Like Francis Hincks, Galt was an

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⁴⁴In all probability, this defeat played no small part in Baldwin's decisions to retire shortly thereafter. See below, ch. V, p. 267.

⁴⁵Galt had been the member for Sherbrooke County in 1849-50, but had resigned in protest over the Rebellion Losses Act and the move of the capital to Toronto. His return for Sherbrooke town in 1853 was made possible by the death of the sitting member. (H.J. Morgan, Sketches of Celebrated Canadians and Persons connected with Canada (Quebec, 1862), p. 619:)

extremely able financier ("probably the ablest Finance minister of that period", according to William Weir of the Canadian Merchants' Magazine),⁴⁶ and, again like Hincks, his talents were sorely needed, taking over as he had in a period of economic difficulty, when "the country was sobering up after the orgy of speculation and rapid expansion which marked the first railway building era."⁴⁷ In meeting the twin challenges of shrinking revenues caused by the depression, and the heavy debt load, the legacy of the government's railway policy, Galt was equipped with an energy and confidence which also marked him as Hincks' equal. On taking over the Presidency of the Saint Lawrence and Atlantic Railway in 1852, he pronounced himself "perfectly able" to assume the responsibility and see the work finished, and noted that "I generally get my own way in these things."⁴⁸

There is a somewhat ironic balance to Galt's career as a businessman and politician. In his private capacity, as President of the Saint Lawrence and Atlantic Railway and holder of a charter for the Montreal to Kingston portion of the projected Canadian trunk line, he played a central and very profitable role in the process by which the original scheme snowballed into the overblown, quasi-public road whose dismal fortunes quickly became synonymous with those of successive Canadian governments, the GTR.

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⁴⁶William Weir, Sixty Years in Canada (Montreal, 1903), p. 116.

⁴⁷O.D. Skelton, The Life and Times of Sir A.T. Galt (Toronto, 1966), p. 108.

⁴⁸PAC, MG27, I, D 8 (Galt papers), vol. 7, p. 2299, Galt to Amy Torrance, July 17, 1852.

In his public capacity, as Minister of Finance 1858-62, Galt was forced to deal with the consequences for public finance of that development. As he explained to Thomas Baring, the problems facing the trade-oriented Canadian economy during the post-1857 depression were "sufficiently great" in themselves, but were "augmented every day by the necessity of supporting interests which it would be most disastrous to allow to succumb."⁴⁹

In admitting that it was simply impossible to permit the corporate failure of the Grand Trunk, Galt gave implicit recognition to the way in which Canadian railway and fiscal policy had backed the state into a corner by the latter part of the decade. Equally important, his vain searchings for some glimmer of promise in the affairs of the GTR, when its utter failure in its larger strategic purpose ought to have been clear, reveal the inability of the authors of Canadian development projects to let go of completely the assumptions which had originally motivated their strategy.⁵⁰

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⁴⁹Ibid., vol. 10, p. 3, Galt to Thomas Baring, July 14, 1859.

⁵⁰Both Hincks and Galt were preceded in the office of Inspector-General by William Cayley, a decidedly lesser eminence who held the post 1845-47 and 1854-58. Lord Grey commented that Hincks' memoranda were "more businesslike than the papers of Mr. Cayley" (Grey to Elgin, April 14, 1848, quoted in Longley, Hincks, p. 161), while Galt, on assuming office complained that Cayley had failed to "make provision at once" for the large budgetary deficits of 1857 and 1858. See also the criticisms of Isaac Buchanan in his correspondence with J.A. Macdonald, although these related more to Buchanan's pet issue, the tariff. (PAC, MG24, D 16 (Isaac Buchanan papers), vol. 40, p. 32539; (February 6, 1858), and p. 32856, (July 1, 1858).) The contrast in ability is exemplified by the different styles of public expression adopted by the three men in their unofficial but absolutely fundamental roles as chief promoters of foreign

The dominant French-Canadian leader during the years when Galt came to political prominence was George Etienne Cartier. As Brian Young's significant study makes clear, Cartier's success in public life represented the full coming to power of the bourgeois class in Lower Canadian society. More particularly, his career epitomized the accommodation of that class to the Anglo-Canadian financial and commercial power against which an earlier elite led by Louis-Joseph Papineau had struggled.⁵¹ Cartier had initially been a prominent member of the parti patriote. A figure of sufficient importance in the nationalist movement that he had had to flee to the United States in the aftermath of the 1837

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⁵⁰(cont.) investment. Where Hincks, in his Canada: Its Financial Position and Resources (London, 1849) and Galt, in his Canada, 1849-59 (London, 1860) produced strong and lively discussions of development and finance, Cayley, in his Finances and Trade of Canada for 1855 (London, 1856), provided a prosaic and workmanlike account of his subject. (In fairness to Cayley, it should be pointed out that he wrote from the midst of the boom, and in the absence of any real issue. Hincks, by contrast, was attempting to establish Canada's credit in London, while Galt was attempting to justify to Free Trade Great Britain his tariff increases.) A "nervous, excitable, and easily put out" man (Weir, Sixty Years, p. 116), Cayley was highly sensitive to criticism of his performance as Inspector-General. As the years passed, Hincks' own success became the focus of Cayley's sensitivity. Complaining of the revenue deficiencies and uncooperative bankers with whom he had to deal in 1846 and 1847, Cayley looked back to the difficulties experienced in forwarding public works projects - "And for this state of things I was blamed - [how?] justly?" Hincks, on the other hand, having the benefit of a strong ministry behind him, was able to make financial arrangements which had eluded Cayley - "And for this, Hincks is called a great financier" (PAC, MG24, B 19 (Brown Chamberlin papers), vol. 2, #43, Cayley to Chamberlin, November 19, 1855).

⁵¹Young, Cartier, pp. xii-xiii and passim.

rebellion⁵², Cartier had by 1839 reaffirmed his loyalty and resumed the practice of law in Montreal. He was party to the Hincks-Lafontaine negotiations in 1838-40, and thereafter actively resisted the politics of those who, like D.B. Viger and the rouges, inherited the intransigence of Papineau and refused to accept the possibility of working within the Union.⁵³

His willingness, and indeed eagerness, to work within established structures had its rewards in private life, where Cartier had by the end of the 1840's established himself as one of Montreal's leading lawyers and most influential citizens. At the heart of that position stood a whole-hearted commitment to the developmental ethos. While parts of both his rhetoric and his legal practice reflected the traditional rural and agricultural aspects of Quebec life⁵⁴, Cartier's main interests were urban and commercial, an emphasis which also found expression in his political career.

First elected to the Assembly in an 1849 by-election, he was twice offered positions in the Hincks-Morin cabinet in the early 1850's, but refused each time, citing as his reason his reluctance to leave the substantial income the practice of law was generating.⁵⁵ More than this, his refusal may have originated in the realization that the government was not in a strong position -

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⁵²Ibid., pp. 8-11.

⁵³Ibid., pp. 55-56.

⁵⁴Ibid., pp. 65-66.

⁵⁵Ibid., p. 58.

and may therefore have been a deliberate choice to delay his entry into ministerial politics until such time as he could hitch his star to a stronger ministry.⁵⁶

That opportunity came after the formation of the Liberal-Conservative coalition in September, 1854, which, for several years, was the equal of Hinck's governments in its commitment to development, and its superior in avoiding the worst pitfalls of sectarian and sectional disputes. Cartier entered the MacNab-Taché ministry as Provincial Secretary in January, 1855 and became Attorney-General for Canada East in May, 1856, in the reorganization which followed J.A. Macdonald's replacement of Sir Allan MacNab as Upper Canadian leader in the government. The connection with Macdonald flowered into a political partnership as celebrated as that between Baldwin and Lafontaine which had preceded it. Like the earlier alliance, it was based on a pragmatic acceptance of the necessity of bicultural cooperation for political power.⁵⁷ There was as well a deep personal similarity between the two men. Both were possessed of "an open personality [and] flexible scruples" and had the skills of the "party organizer and...patronage broker with a clear idea of

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⁵⁶Ibid., pp. 58-59.

⁵⁷As Ibid., p. 55 notes, "a changed attitude to English- Canadians was inherent in [Lafontaine's] leadership."

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what most people wanted in politics."⁵⁸

The thrust of Cartier's political career was towards the systematic organization and integration of Quebec's institutional, social and legal structures. This new framework was needed to facilitate the subsidization of transportation enterprises and to aid the accumulation of new forms of public and private capital....⁵⁹

While there were several facets to the transformation which Cartier helped to engineer⁶⁰, the most significant by far for this study was his role in transportation policy, and especially in the Grand Trunk Railway.

At the most general level, he was a consistent and vocal exponent of the "railways as absolutely imperative" mentality. His most striking contributions to debate were invariably pitched at this simple and optimistic level. When the House in 1851 considered Hinck's Main Line Act, which proposed to link Hamilton, Montreal and Quebec with Halifax, he pronounced himself "satisfied that the resources of the country were amply sufficient to produce a very profitable amount of traffic", and argued that the road's effect would be to make Halifax "the great emporium of the east,

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⁵⁸Ibid., p. 13, p. 70. Also like Macdonald, Cartier's "broad-based conservatism" was instinctive and practical, even though it embraced "fundamental questions of property, monarchy, law, and education". He "avoided theory...." (For Macdonald, see Creighton, Macdonald, vol. 1, p. 180).

⁵⁹Ibid., p. 63.

⁶⁰The following list gives some indication of the basic level at which the institutional framework of Quebec society was rebuilt: seigneurial tenure was commuted to freehold tenure, the civil code was revised to bring Lower Canada's commercial law into line with nineteenth century language, market, and labour realities, a modus vivendi was reached between church and state

north, and west." His declared policy was "to drown ignorance in Canals, ride over it with railroads, and galvanize it with Electric Telegraphs."⁶¹ Railways, he went on to argue, were undoubtedly "important in a political sense, and no man would venture to question their value in social and commercial aspect."⁶²

For those members who went beyond such platitudes to question the possible fiscal costs of building an extensive system of railways, Cartier had little time. In particular he objected to the queries of William Hamilton Merritt. When Merritt pointed to the example of New York state, where the constitution had been amended to place real limits on public indebtedness,⁶³ Cartier scoffed:

There was nothing like patriotism in those repeated attempts to destroy our own position and ability. New York ... was prosperous just because she had not feared getting into debt until her internal improvements were complete. Canada must, to be prosperous, follow a like policy.⁶⁴

The particular focus of these attitudes was the Grand Trunk Railway. Cartier was a provisional director of the company at the

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⁶⁰(cont.) on education, revitalizing middle class schools and providing a basic educational structure for rural and urban proletariats. There were, in addition, the major changes in the transportation infrastructure. Finally, nationalism and social services were successfully exploited by "conservative religious and fraternal organizations" to keep the urban proletariat isolated from reform and radical elements in the political culture. (Ibid., p. 86).

⁶¹Gibbs, Debates, X, p. 1341.

⁶²Ibid.

⁶³See below, p. 86.

⁶⁴Gibbs, Debates, X, p. 1576.

time of its incorporation in November, 1853, and at the first meeting of the Canadian board of directors, in July, 1853, he was chosen as the firm's solicitor for Canada East.⁶⁵ This connection, along with his legal work on behalf of the Sulpician Seminary in Montreal, was the chief source of Cartier's strength within the Montreal bourgeoisie and the Canadian political elite.⁶⁶ His work as the railway's "local legal and political agent" required the performance of a number of tasks⁶⁷; in the political realm, one of these was to resist the efforts of other (that is, non-Montreal) local elites to charter rival through lines in the province.

In particular, this meant blocking the efforts of Quebec City, in the person of its most prominent representative at the provincial level, Joseph Cauchon, and his plan for a North Shore Railway to link Quebec and Montreal via Three Rivers. Cauchon was a lawyer, influential journalist and member of the Legislative Assembly for Montmorency who, like Cartier, "saw that the imperfect political solution hammered out in the 1840's provided a

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⁶⁵Young, Cartier, pp. 13-14.

⁶⁶Ibid., p. 108. Of equal importance, the railway's legal fees formed a significant part of the large income which Cartier needed to maintain his opulent and ostentatious lifestyle. By 1857, his firm had received \$10,000 from the GTR. (Ibid., p. 114).

⁶⁷Ibid., p. 114. Cartier's firm represented the railway in "land deals, commutations, property litigations, labour relations, court cases, and inquests".

means by which French-Canadian bourgeois could prosper."⁶⁸

Although both men absorbed this lesson from Lafontaine, Hincks and A.N. Morin, their careers were closer in interests and ambition than in achievement.

Although Cauchon did serve in the ministry at mid-decade, he never acquired the pre-eminent power which Cartier came to wield. Partly this reflected personality problems⁶⁹, but more importantly, it illustrates the importance of metropolitan affiliation in the careers of individual businessmen-politicians. While Cauchon had "much in common" with other North American regional politicians⁷⁰, the region he represented, that around the ancient capital of Quebec City, was fighting a losing battle against the power of the Lower Canadian metropolis, Montreal.

The resulting "growing subservience to Montreal" which Quebec experienced was reflected nowhere more clearly than in the difficulties which Cauchon encountered in promoting the North Shore Railway. Although chartered in the 1853 session, the NSR was not constructed until after Confederation, a result which

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⁶⁸Young, Promoters and Politicians, p. 4. Although called to the Bar in 1843, Cauchon never practiced, and devoted most of his time to Le Canadien (1841-42) and Le Journal de Quebec, which he founded in 1842, and with which he remained associated for most of the next thirty years in a variety of senior positions (Dictionary of Canadian Biography, XI, p. 159).

⁶⁹André Désilets described Cauchon as being "invariably peremptory, surly and argumentative" (D.C.B., XI, p. 163) while Brian Young noted that Cartier was "more commercially minded than Lafontaine, more flexible than Langevin, and more stable than Cauchon" (Cartier, p. 61).

⁷⁰Young, Promoters and Politicians, p. 6.

reflected not only the relative weakness of the communities which backed it⁷¹, but also the "decisive role" played by the Grand Trunk.⁷² It was in the Executive Council and the Railway Committee, and on the floor of the House that the fates of competing railway projects were decided, and here the NSR and Cauchon were no match for the GTR and Cartier.

Like most of the members, Cauchon enthusiastically endorsed the governments's railway programme, professing himself, for example, to be "astonished" at the opposition expressed to the Main Line Act of 1851.⁷³ He also spoke for rapid and uncritical acceptance of Hinck's GTR project in the 1852 session. In his support for the latter project, he touched on several key themes which were deployed in favour of the GTR - the need for haste ("if the road were not commenced now, it might be years before it was undertaken").⁷⁴, and a great desire to accomodate foreign capital ("He would have the measure decided at once, for the capitalists

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⁷¹Ibid., pp. 6-7. Not only was Quebec City too reliant on ship-building and the trade in square timber (neither of which was particularly conducive to railway development), but the towns and villages of the north shore between Quebec and Montreal were of little economic consequence and had virtually undeveloped hinterlands.

⁷²Ibid., p. 8.

⁷³Gibbs, Debates, X, part ii, p. 1374.

⁷⁴Ibid., XI, p. 788.

who were to bring their money to Canada ought not to be kept in suspense and therefore at loss").⁷⁵

This attitude must have reflected as well Cauchon's realization that the North Shore project could not be moved forward without government support, and that such support would not be forthcoming were a hostile attitude taken to the GTR. Nonetheless, the particular interest of Quebec in the NSR, as distinct from the perceived general need for railway development, had also to be expressed, and Cauchon accordingly attempted to have a North Shore Line and a Halifax-Quebec Railway included in the Grand Trunk project.⁷⁶ In this he was disappointed. His motion was defeated, and the North Shore idea survived thereafter only as a perennial hope and perennial disappointment, a minor sideshow to the main thrust of developmental activity. Yet Cauchon's attempt in 1852 is revealing. His failure to employ a Laurentian argument in favour of a line which was, geographically, quintessentially Laurentian, says much about the extent to which the idea was associated primarily with the commercial aspirations of Montreal⁷⁷, while the refusal of his Parliamentary colleagues

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⁷⁵~~Ibid.~~, p. 1135. In a similar vein, Cauchon later argued that ~~say what we would, we could not get money when we wanted, and we should seize the present opportunity to get English capital in the country~~" (Ibid., XI, p. 1170).

⁷⁶Ibid., p. 976, p. 1204, and see below, chapter VI, p. 338.

⁷⁷Although the identification was ultimately incomplete. See below, chapter VIII, pp. 464-67.

to accede to his request demonstrated the speed with which the Grand Trunk had become the focus of Canadian developmental aspirations.

Once established, the main line's preeminence was unassailable, as Cauchon learned to his chagrin in 1857. Unable to secure government financial aid for the NSR, Cauchon resigned in protest from the Macdonald-Taché government which he had joined as Commissioner of Crown Lands for Canada East in 1855. This descent from the position of ministerial power which he had briefly occupied is a fitting testament to the ultimately secondary position which Cauchon held - his story, and that of Quebec and the North Shore, are the reverse side of the coin of power and influence represented by Cartier; Montreal and the Grand Trunk.⁷⁸

The dominant power of Montreal and the GTR which enabled Cartier easily to neutralize the threat posed by Quebec City was but one aspect, and a specifically Lower Canadian one, of his career. On the broader stage of Canadian politics, Cartier represented the political strength of the conservative bleus of his province, the most cohesive political group in the Assembly, and the foundation of the power which Hincksite governments and Hincksite policies enjoyed uninterrupted from 1851 to 1862. Eventually, that union of the most developmentally-minded portions

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⁷⁸The superiority of Cartier and the GTR was asserted again the following year when Cartier used his connections with the London financial community to block the NSR's attempts to negotiate a loan (Young, Cartier, p. 118).

of the political elites of French and English Canada came to be symbolized by Cartier's partnership with John A. Macdonald. Along with Hincks, Galt, and Cartier, the Kingston lawyer stood at the very centre of the political and financial aspects of the developmental process.

If Galt was Hincks' equal in the realm of public finance (and the Premier's appropriate financial heir, given his degree of responsibility in the creation of the GTR), then the line of succession in political terms runs directly to Macdonald. The altered context fashioned by responsible government and what Lord Grey nicely called "the tranquilizing effects of prosperity"⁷⁹ allowed the consensual and pragmatic style of those speaking the "legal-entrepreneurial language" to displace the ideological politics characteristic of high Tories and Clear Grits, and Francis Hincks and John A. Macdonald were the central figures in that evolution. The marked similarity between them is put into sharp relief by the contrasting experience during the 1850's of George Brown. The Toronto publisher and coming moulder of the Liberal party was the exception who proved the rule, the one prominent figure of the period who most fully exemplified the failure of the more ideologically-rooted approach to politics.

As Donald Creighton perceptively noted, the beginnings of Macdonald's career coincided with the new post-Durham era in Canadian politics, and his earliest public utterances reflected a commitment to the moderate and developmental values of the

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⁷⁹PAC, Elgin papers, file 3, n.p., Grey to Elgin, December 13, 1850.

Sydenham approach.⁸⁰ This general similarity to Hincks is reinforced by Macdonald's personal character - the man who could laud "the advantages of a little judicious jobbery"⁸¹ was obviously well-suited to fill Hincks' shoes. Once in power, he played the same central role. His friend and ex-legal partner, Alexander Campbell, described Macdonald as "the head, centre, and tail of the ministry", who was to it "what Mr. Hincks was to the last one."⁸²

Like Hincks and Galt, Macdonald exuded the confidence of the successful businessman and politician. Henry Smith, who was personally interested in the details of the Madawaska Road project, was invited by the Premier to request "what you want. I

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⁸⁰Donald Creighton, John A. Macdonald, The Young Politician, p. 69, p. 97.

⁸¹PAC, Brown Chamberlin papers, vol. 2, #123, Macdonald to Chamberlin, September 10, 1861.

⁸²PAC, MG 26, A (Macdonald papers), vol. 194, p. 80636, Campbell to Macdonald, March 8, 1856. The similarity in the two men was demonstrated in the Parliamentary session of 1850, when Hincks provided "significant assistance" to Macdonald when the latter revived the moribund Trust and Loan Co. of Upper Canada. One clause of the new charter allowed the company to raise its interest rates. This, as Elgin noted, was "a thrust at our usury law through its side" - and another step towards the more open business climate which both Hincks and Macdonald sought. (Creighton, Macdonald, vol. 1, p. 158).

can carry anything just now."⁸³ To Isaac Buchanan, whom he wrote seeking introductions to British investors who might back his speculations in Canadian land, Macdonald explained that:

I thoroughly understand that business - having been solicitor of the Trust and Loan Company for the last twelve years, and can invest without chance or risk of loss.⁸⁴

Although such self-promotion covered a less than spectacular business career,⁸⁵ and Macdonald himself expressed a desire to leave politics in order to "set to work to make a little money",⁸⁶ he was nevertheless the "dominant political figure" of the period during which the union of business and politics set down its roots in Canadian political culture.⁸⁷ The key to that dominance was his ability to see the fundamental realities of politics under the

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⁸³PAC, MG 24, C 31 (Sir Henry Smith papers), n.p., Macdonald to Smith, August 2, 1855. Macdonald's political confidence and relaxed style are of course well known. The perception of political life as an extension of private pursuits, and the easy assumption that advancement was a natural aspect of participation are well expressed in an 1852 letter to Galt: "I have told [John] Rose today that if he has any desire for professional advancement he had better come into parl. - that Quebec is so handy, he can attend to his business just as well as at home... That he will have the opportunity of learning how to hang up his hat in the House before [he is] called on to take office ...." (PAC, Galt papers, vol. 7, p. 2330, November 11, 1852).

⁸⁴PAC, Buchanan papers, vol. 41, p. 33234, Macdonald to Buchanan, November 3, 1862.

⁸⁵Johnson, "Macdonald and the Kingston Business Community", p. 155.

⁸⁶PAC, MG 24, B 65 (Samuel Amsden papers), n.p., Macdonald to Amsden, July 30, 1862.

⁸⁷Johnson, "John A. Macdonald", p. 237.

Union. Specifically, this meant proceeding from a belief that contentious religious and sectional issues had to be settled, not so much for the particular form which a settlement might take, but rather for the sake of having them removed from the public arena. The secularization of the Clergy Reserves was the most prominent such issue in Canada West. As Alexander Campbell explained it, secularization was "a bad pill to swallow, but in the state of the country, there seemed nothing else for it"; those Conservatives who opposed the ministry's bill did not

reflect upon what was possible ... we could only direct and not stem the current. It was better to have directed by friendly hands than run riot.⁸⁸

In this view, which was very much Macdonald's own, the Reserves had to be secularized,

so that the fair prospects of Canada, and its hopes of prosperity, should not be destroyed, and the country reduced to a state of anarchy through an agitation, which was one of religious feeling rather than of real importance to our material well-being.⁸⁹

It is this realistic placing of developmental issues first on the political agenda which immediately distinguishes Macdonald from his greatest political rival, George Brown. Despite his own considerable involvement in and commitment to economic development,⁹⁰

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⁸⁸PAC, Macdonald papers, Campbell to Macdonald, op. cit.

⁸⁹Macdonald, Address to the Electors, pp. 9-10, (Emphasis added).

⁹⁰Brown's primary business activity was of course the Globe, but he also undertook extensive developments at his Bow Park estate in Kent County, on the line of the Great Western Railway. More generally, the Globe served as the voice of Toronto's metropolitan ambitions, both in Canada West and the British territories of the Northwest.

Brown lacked the subtlety and acute political instincts of Macdonald, and was incapable, because of the strength of his convictions, of "guiding a middle of the road administration."⁹¹ In his one real chance at power, in the summer of 1858, Brown's unyielding stance on sectional issues clashed with the vice-regal tradition of "harmony", in the person of Sir Edmund Head. The biographer of the "scholarly governor" points out that Head preferred Macdonald and Cartier in 1858 because

they were practical politicians avoiding disruptive issues as much as possible and carrying on a reasonably efficient and constructive administration. With all their compromises and expedients, Head preferred such a ministry to one led by a brilliant controversialist, however sincere and idealistic.⁹²

Something of the same perception of Brown comes through in Isaac Buchanan's comment that he had "no practical knowledge of the interests of Canada [and] No opinions worth having except as to how to set Upper Canada against Lower Canada for his purpose."⁹³

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⁹¹D.G. Kerr, Sir Edmund Head, a scholarly governor (Toronto, 1954), p. 193.

⁹²Ibid. Head seems to have absorbed from his predecessor Elgin a "Hincks-centred" view of Canadian politics, or at least a personal distaste for Brown. When the bitter personal feud over the Penitentiary affair broke out between Brown and Macdonald, Head reported to Hincks that Brown was "now in his own person experiencing the ? of ? as he inflicted on you and others." (PAC, Hincks papers, p. 58, Head to Hincks, April 2, 1856.)

⁹³PAC, Buchanan papers, vol. 5, p. 2459, draft note, n.d. (Emphasis added).

While not immune from the sense of self-importance found in other members of the elite,⁹⁴ Brown's uncompromising partisanship⁹⁵ left him, in the railway era, "a political necessity and a governmental impossibility."⁹⁶ Macdonald, by contrast, worked

to sustain a political climate in which the problems of growth and development could be worked out free from the extremes of distracting and divisive debate on racial, religious, and constitutional questions.⁹⁷

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⁹⁴See for example, Brown's account of his 1851 by-election contest (which he lost) against William Lyon Mackenzie. "Never has such opposition been brought to bear against one candidate", he declared. Mackenzie lied "like a trooper", leaving Brown the "degrading" work of having to argue the truth before unread (that is, no Globe) and gullible voters. "I have never felt so disgusted, but have borne it all like a hero." ([PAC, Brown papers, vol. 1, p. 50] Brown to Peter Brown, n.d. [1851].)

⁹⁵As Hincks noted at the time of his defeat, Brown had "always been straightforward in his opposition. There is no misunderstanding him at all events." (Hincks, Documents Relative to the Resignation of the Ministry (Quebec, 1854), p. 7.) These remarks echoed James Morris' 1851 observation that "Brown seems determined to destroy us....", (PAC, Hincks papers, p. 50, Morris to Hincks, October 4, 1851.) This uncompromising attitude was manifested in Brown's speeches, which one onlooker found to contain "few evidences of attention to rhetoric or elocution; their great characteristic is force." (P.B. Waite, "A Nova Scotian in Toronto, 1858", Ontario History, LV, 3 (September, 1953), p. 158. The Nova Scotian in question was the journalist Peter Hamilton Stevens, whose descriptions of Canadian politicians appeared in the (Halifax) Acadian Recorder on August 21, 1858.) One developmental issue in which Brown's opposition was well-founded was the chartering of the GTR in 1852, when he almost single-handedly mounted an effective (although ultimately futile) attack on Hincks' grandiose and costly deal with British contractors, a deal which shoved aside several Canadian companies which had already been chartered to build between Montreal and Toronto (See below, ch. VI, pp. 305-45).

⁹⁶PAC, Brown papers, vol. 4, p. 587, McDougall to Brown, April 1, 1861.

⁹⁷Johnson, "John A. Macdonald", p. 239.

It was precisely this emphasis on "racial, religious, and constitutional questions" which led Brown astray during the political shift of 1853-54 when it became apparent that the old Reform alliance had run its course and that some new alignment would result. Looking to a possible alliance of Upper Canadian voluntarists of whatever party with Lower Canadian Liberals,⁹⁸ Brown failed to consider the "power of railway interests in an era of rapid growth and ready government spending".⁹⁹ Preoccupied with his view of politics as the arena in which voluntarism and the leadership of Upper Canada in the Union would be secured, Brown overlooked the possibility that more flexible politicians like Hincks and Sir Allan MacNab would coalesce on the basis of their shared concern that development, and especially the government's railway program, continue as the main priority.¹⁰⁰

Three men who shared that concern and followed the path laid down by Hincks in 1854 were Joseph Curran Morrison, John Ross, and Thomas Gibbs Ridout. In remaining true to Hincks as the political situation changed, they showed themselves to be "above all,

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⁹⁸Careless, Brown, 1, pp. 282-83.

⁹⁹Ibid., p. 194.

¹⁰⁰Macdonald was one of the chief inheritors, along with Allan MacNab, of the GTR, and his response provides a good example of the man's adaptability. In 1851 he had been (along with George Brown) one of the chief critics of the details of Hincks' Main Line Act (see below, ch. V, p. 276, p. 283), and in 1852 (again with Brown) he had opposed the GTR charter (see below, ch. VI, p. 351). Yet once in power, Macdonald readily accepted the reality of the Grand Trunk and easily switched roles from attacker to defender. It is problematic whether Brown could have made the same transition, had political success been his in 1854.

admirers of his policy of enterprise. Railroad Liberals...."101 Morrison, like Hincks, was a Reformer who was ultimately more . attracted to development than to reform. An original backer of the Globe in 1844,102 by the 1850's he was acting as Hincks' political fixer, writing letters to keep Reform support away from Brown and true to Hincks.103 When the MacNab-Morin ministry was formed in September, 1854, Morrison was initially non-committal, allowing that while the situation was "far from being satisfactory", the new administration should be sustained in office "for a couple of sessions."104 The Liberal-Conservative coalition lasted, of course, much longer, and by May of 1856, the originally cautious Morrison was a member, as Receiver-General. He had as well become heavily involved in the railway boom. His original involvement with the backers of the Toronto and Goderich Railway in 1847 had marked him as a member of the group of younger Toronto businessmen who were disgruntled with the excessive caution of the older elite, who were advocates of a Toronto and

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101Dyster, Toronto, p. 370.

102Morrison contributed £62,10s., along with Shuter Smith and Mathew Crooks Cameron, to help launch the Browns' paper. (PAC, Brown papers, vol. 4, p. 894, Morrison to Brown, March 14, 1864.)

103For example, a letter of August 14, 1854 to Isaac Buchanan urging him to convince Mathieson of "the dishonesty of Brown's proceedings and that following Brown would be a great error. You will do Hincks some service...." (PAC, Buchanan papers, vol. 48, p. 39209).

104PAC, Buchanan papers, vol. 48, p. 39212, Morrison to Buchanan, October 1, 1854.

Lake Huron line to Sarnia.¹⁰⁵ Thereafter, when the Toronto, Simcoe and Huron Union line (the Northern) was launched as Toronto's primary railway venture, Morrison was one of its first directors, and later, after 1852, its President. Yet his activity was not limited to such civically correct associations. Along with the banker T.G. Ridout, Morrison was also involved in the Hamilton and Toronto line, which as a subsidiary of the Great Western, tied Toronto to the railway network of its chief metropolitan rival, Hamilton.¹⁰⁶

His behaviour in this instance is primarily a reflection of his connection with the prominent railway contractor Samuel Zimmerman, who was building the main line of the Great Western, and who had urged that Morrison be made a director of the Hamilton and Toronto¹⁰⁷ (as had Francis Hincks¹⁰⁸). Isaac Buchanan of Hamilton and the Great Western was also interested in the Toronto lawyer, noting that the railway company was

anxious to enlist Toronto as much as possible in the line and I mentioned Mr. Morrison's name to Sir Allan [MacNab] in order that we might put what we could in his way - knowing that when a lawyer turns to railways the more he does in them the better as he becomes so engrossed in them. Since then Mr. Morrison has

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¹⁰⁵Baskerville, Boardroom and Beyond, pp. 153-54.

¹⁰⁶PAC, Buchanan papers, vol. 48, pp. 38166-38189.

¹⁰⁷Ibid., p. 39177, Morrison to Buchanan, January 13, 1853. ¶

¹⁰⁸Ibid., vol. 46, p. 37267, Buchanan to MacNab, April 4, 1853.

fortunately got into Parliament and he is therefore all the better for our purpose.¹⁰⁹

The desire of the GWR to "enlist Toronto as much as possible" actually extended only to the point where the Toronto business community would not take offence at its total exclusion;¹¹⁰ Buchanan wanted it understood by Morrison that he would work with the Great Western/Hamilton and Toronto "and no other party."¹¹¹ The "other party" which Buchanan feared was the Toronto and Guelph line, which had recently been empowered to extend its line to Sarnia, and was therefore to be a through-line rival to the GWR. As Morrison pointed out,

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¹⁰⁹Ibid., vol. 52, p. 41727, Buchanan to T.G. Ridout, December 25, 1852. The direct connection between the railway and Morrison's political career can be seen as well in his own statement that "Mr. Zimmerman pressed me to act and I the more readily consented, as he was a warm friend in promoting my return for Niagara." (Ibid., vol. 49, p. 39177, Morrison to Buchanan, Jan. 13, 1853). Buchanan's observation about lawyers and railways was most apt. The avidity with which they could make the switch from the courtroom to the boardroom prompted Larratt Smith of Toronto to remark that "the lawyers in this place are without exception the most greedy set of men in it" (quoted in Dyster, Toronto, p. 178). Moreover, lawyers were well-suited to politics. Accustomed to the slow course and flexible convictions of the world of justice, they were able to adapt to the erratic pace and pragmatic ways of public life, which, as one historian has noted, was "no place for a man with ideals to be fulfilled." (J.E. Hodgetts, Pioneer Public Service, An Administrative History of the United Canadas, 1841-67 (Toronto, 1955), p. 64.)

¹¹⁰Ibid., vol. 46, p. 37627, Buchanan to MacNab, April 4, 1853.

¹¹¹Ibid., vol. 52, p. 41727, Buchanan to T.G. Ridout, December 25, 1852. Events proved that there was no need for such admonitions. Where Morrison did provide trouble was in his closeness to Zimmerman, who evidently attempted to cause trouble for the new company because he had not received the contract for construction, and attempted to use Morrison as "the tool of disappointed contractors" (Ibid., Buchanan to MacNab, April 4, 1853 and Buchanan to Ridout, December 25, 1852, op. cit.).

no time should be lost. I anticipated action before now. The sooner the stock is subscribed and the [Hamilton and Toronto] organized the better, particularly if circumstances should occur to discountenance the extension of the Guelph line to Sarnia ... Zimmerman ... feels strongly (and I agree with him) that Toronto and Sarnia will materially effect Great Western and Hamilton and Toronto stocks.¹¹²

While Morrison then stood somewhat removed from the typical blending of individual and metropolitan interests, the reason is not hard to see. As Peter Baskerville has noted, the residual effect of Family Compact entrepreneurial caution had let Hamilton get the jump on Toronto in terms of east-west through lines,¹¹³ and the ambitious Morrison, assisted by the connection with Samuel Zimmerman, had simply aligned himself with the currently dominant group. Later in the decade he would demonstrate this skill again in his accommodation to the Liberal-Conservative coalition which he had originally been prepared to accept "for a couple of sessions."

If Morrison, with his membership in both the Hincks-Morin and Macdonald-Taché governments, presents a career that is suggestive of the continuity of developmentally-minded men through the

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¹¹²Ibid., vol. 48, p. 39116; Morrison to Buchanan, December 13, 1852. Baskerville, "Entrepreneurship and the Family Compact", p. 27, mistakenly portrays the Hamilton and Toronto as a major coup for Hamilton in its metropolitan rivalry with Toronto. This would only have been the case had Toronto's businessmen not succeeded in getting their own main line to Sarnia. As it was, the extension of the Toronto and Guelph to the west was a major blow to the GWR, especially once the Toronto company became part of the Grand Trunk. (See below, ch. VI, pp. 362-72.)

¹¹³Baskerville, "Entrepreneurship and the Family Compact", p. 27.

different administrations of the 1850's, then that of John Ross is doubly so. As he himself suggested to Macdonald, his political career could

best be described according to the facts. Up to the year 1854 ... I was a follower first of Mr. Baldwin, and then of Mr. Hincks. I then joined the coalition government with you, and have supported you and your policy ever since.¹¹⁴

The beacon by which Ross charted that course was development. As President of the Grand Trunk Railway, 1853-62, and cabinet minister at the same time, Ross exemplified perfectly the fusion of business and political power which characterized this period. His position with the Grand Trunk involved him in the classic Hincksite triangle of Canadian railways, British finance, and Canadian politics. As a close political ally of Hincks, and one of the new line's government-appointed directors, Ross was sent to London in 1853 to take part in the negotiations to establish the Grand Trunk. His abilities sufficiently impressed the British interests involved that he was given the Presidency.¹¹⁵

Given the evident harmony of outlook with Hincks which underlay this role, it is not surprising to learn that when Hincks' departure from Canada became imminent, Ross admitted to Macdonald that "he and I have been like brothers for so long that I find it hard to part with him ... We shall miss him in

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¹¹⁴PAC, Macdonald papers, vol. 260, p. 118116, Ross to Macdonald, April 3, 1867. In addition to being Robert Baldwin's political follower, Ross was as well the Reform leader's son-in-law.

¹¹⁵Paul Cornell, "John Ross", Dictionary of Canadian Biography, (D.C.B. hereafter), vol. X, (Toronto, 1972), pp. 632-33.

Canada."¹¹⁶ When Hincks left the Canadian stage (and in fact when he had left the government a year earlier) he was free from any responsibility for the fate of his pet project, the Grand Trunk. Ross, as President of the company and member of the government, received no such relief, and played a large role, along with Galt, in guiding the company and government down the slippery financial slope of the road's failure.¹¹⁷ As he explained to Galt in 1859, the company, the government, and the British financiers were "all in the same boat", and if devious steps occasionally were taken "without which the Grand Trunk would have collapsed", there was little the government could do about it.¹¹⁸ In Thomas Baring's words, such arrangements were simply "a fait accompli".¹¹⁹ The incident which prompted these remarks (and which is discussed below in greater detail) was the perfect illustration of the point to which Canadian railway policy had come by the end of the decade. Ross' successful manoeuvres on behalf of the GTR demonstrated the degree of influence which the railway possessed

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¹¹⁶PAC, Macdonald papers, vol. 260, p. 118116, Ross to Macdonald, September 17, 1855. Such closeness extended to business, as is confirmed by a comment Ross had made several weeks earlier. He informed Macdonald that he was quite desirous of leaving the Grand Trunk Presidency, and that Hincks might well be his successor. (Ibid., vol. 260, p. 118112, August 23, 1855)

¹¹⁷Personal connections again crop up. Galt's brother Thomas had been Ross' legal partner for a time. (Cornell, "Ross", pp. 631-32).

¹¹⁸PAC, Galt papers, vol. 1, p. 221, Ross to Galt, August 23, 1859. See also his letters of August 25, (p. 249) and September 7 (p. 216).

¹¹⁹Ibid., vol. 1, p. 279, Thomas Baring to Galt, September 27, 1859.

in political circles, while Galt's inability to do other than accept the "fait accompli" with which he was confronted is a measure of the dearth of policy alternatives available to the government.

A third figure who played a central role in the working out of Hincksite policy in the 1850's was the long-time cashier of the Bank of Upper Canada, T.G. Ridout. Like many of the elite, he speculated in land,¹²⁰ but his most important business dealings were those he undertook as the effective head of the government's bank.¹²¹ With his nominal superior, the President, William Proudfoot, being a "pliable figurehead"¹²², Ridout in fact ran the bank, and in a way which is highly instructive as to both developmental priorities and public morality during the period. As the government's banker, he was necessarily heavily involved in the financing of railways. Yet his own susceptibility to class and national appeals from other members of the elite reinforced,

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¹²⁰PAC, MG 24, D 65 (Ridout papers), n.p., T.G. To Mathilda Ridout, August 19, 1855, reporting on the sale of three and one half acres of land to the Great Western for a station site. His evident happiness with the terms of this deal may have been partially due to a financially cautious and worrying wife. Ridout had earlier reported on the rise in value of his mining stocks with the comment "so I shall get out of that scrape, contrary to your forebodings." (Ibid., June 21, 1853.)

¹²¹The government's account had been shifted to the Bank of Upper Canada in 1849 because of Ridout's more accommodating attitude to the financial needs of the state. The Banks of British North America and Montreal had apparently failed "to meet the views of the Government and facilitate the public business," as Hincks put it. (M. Piva, "The Canadian Financial Crisis, 1848-50", unpublished paper given to the annual meeting of the Canadian Historical Association, 1977, pp. 7, 21).

¹²²Dyster, Toronto, p. 267.

in the bank's private dealings, this already strong tendency.¹²³ One result was a loans policy which favoured larger interests (for example, railways) over smaller ones (for example the needs of millers and grain merchants)¹²⁴. A specific case was his acceptance of the Great Western's account in 1850, at Hincks' insistence.¹²⁵ Several other instances of Ridout's willingness to sustain fellow members of the elite may be cited. When asked by Isaac Buchanan about the financial position of the Clear Grit politician Malcolm Cameron, Ridout replied that Cameron owned "a good deal of valuable property" but was "a good deal embarrassed at the present moment ... he seems to depend mostly upon his lands - and that will never do in business."¹²⁶ Yet Ridout, in his official capacity as the bank's cashier, frequently overextended

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¹²³Ibid., p. 268.

¹²⁴Ibid., p. 264. The result, in this case, was that grain interests centred around Toronto eventually formed their own Bank of Toronto in 1856 (pp. 271-72). (E. Guillet, "Pioneer Banking in Ontario: the Bank of Upper Canada, 1822-66", Canadian Banker, vol. 55, #1 (Winter, 1948), p. 129, also makes reference to Ridout's favouritism.)

¹²⁵Max Magill, "The Failure of the Commercial Bank", in Tulchinsky, ed., To Preserve and Defend, p. 171. Hincks exerted his pressure indirectly through R.W. Harris of the Great Western. (PAC, MG 24, D 80 (John Young papers), v. 4, p. 2, Harris to Ridout, December 23, 1850.) The Bank's link to the GWR was further strengthened by Ridout's involvement with its Hamilton and Toronto subsidiary. As Buchanan noted at the time, it was "a great object to have [Tom?] with us, as thro' him we can do a great deal" (PAC, Buchanan papers, vol. 52, p. 41735, written comment on a letter from Ridout, February 1, 1853.)

¹²⁶PAC, Buchanan papers, vol. 52, p. 41814, Buchanan to Ridout, February 5, 1855; p. 41876, Ridout to Buchanan, February 7, 1855.

blithely to gentlemen who acquired property, and when the Bank of Upper Canada collapsed in 1866, it owned property in every county in the province.¹²⁷ Nowhere was Ridout's injection of personal sympathies into his public behaviour more fully illustrated than in the action he took at the time of the death of the contractor Samuel Zimmerman. Urged on by J.C. Morrison in his role as Receiver-General, Ridout in effect simply wrote off a debt of \$250,000 owed to the bank by the late contractor.¹²⁸

The most important aspects of Ridout's role in the Canadian developmental system came about as a result of the Bank's function in the railway programme. The Bank of Upper Canada occupied a crucial position in the linkage which bound together Canadian railways, the Canadian state, and British investors. As Hincks' railway guarantee system began to function early in the decade, it was the Bank which paid the interest due on provincial bonds granted to the railways and then collected the money due from the appropriate company.

This was a natural role for the Bank to assume, but a second and more informal task was soon added. Railways began to request advances on the principal of their loans, that is, before and in anticipation of the sale of Provincial debentures. In thus granting "short term but often substantial credit", the bank

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¹²⁷Dyster, Toronto, p. 267; McIvor, Canadian Monetary, Banking and Fiscal Development p. 54; Guillet, "Pioneer Banking", p. 130.

¹²⁸Johnson, "Zimmerman", p. 18. These debts had originally been owed directly to the government, but Morrison had succeeded in having them transferred to the bank.

provided the "cement" which bound together Canadian development projects and the British investors without whom they would not have been possible.¹²⁹

During the years of strong growth prior to 1857 such behaviour was made feasible by the continuing strength in the economy, and the healthy condition of the Bank itself.¹³⁰ Even before the difficult years after 1857, however, the system built on government guarantees and bank advances began to show signs of trouble. The main government account began to show a significant overdraft as early as October, 1854, and continued to decline through 1855 and 1856. By the latter year, municipalities and railway companies began to default on the interest payments due on various debentures.

The government relied on the bank to cover for these defaulters;¹³¹ in particular, the bank became drawn into the tangled affairs of the Grand Trunk Railway. Politically incapable of continually providing aid to the troubled main line, the government "leaned heavily on the Bank to provide covert relief in the form of advances to be repaid by the province sometime in the future."¹³² The result of this situation, together with the

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¹²⁹Peter Baskerville, "The Pet Bank, The Local State, and the Imperial Centre, 1850-1864", pp. 10-14.

¹³⁰Ibid., p. 5. The Bank's profits rose from 6% in 1852 to a remarkable 19% in 1854.

¹³¹Ibid., p. 13, p. 16.

¹³²Ibid., p. 17.

Bank's unfortunate accumulation of unsaleable mortgages, was that by the end of the 1850's it was in a "virtually moribund condition".¹³³ By this time, any discretionary power which Ridout may previously have exercised was gone,¹³⁴ and the Bank had ceased to serve any purpose, at the provincial level, other than those the government assigned to it. In effect, it was kept alive thereafter by the presence of the government account and the forbearance of Glyn, Mills, and Company (which had extended to the bank a large line of credit),¹³⁵ both of whom found the Bank a convenient conduit and excuse for further relief to the GTR.¹³⁶

The Bank of Upper Canada eventually outlived this primary rationale for its continued existence. The reorganization of the Grand Trunk's affairs in 1862 and the defeat of the Liberal-Conservative coalition in the same year ultimately proved to be its undoing. In January, 1864 the Reform government of the day transferred the government account to the Bank of Montreal, and the Bank of Upper Canada finally collapsed in 1866.¹³⁷ T.G. Ridout's role in the history of the Bank after 1850 was central - it was his willing accommodation of public (railways) and private (land) investments which eventually led the institution to its

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¹³³Ibid., p. 20.

¹³⁴Although there does not seem to be any evidence of his ever having refused to run the Bank in the manner desired by the government. See Ibid., passim.

¹³⁵Ibid., p. 22.

¹³⁶Ibid., pp. 22-26.

¹³⁷Ibid., pp. 28-31.

downfall. In this he displayed the lack of caution (and honesty) which characterized much of the developmental behaviour of the mid-century period.

Yet, it should not be concluded from this that Ridout epitomized the amoral ruthlessness of the unbridled capitalist, for his private correspondence reveals as well a naiveté and wide-eyed quality which mark him as a true child of the age of progress. To Isaac Buchanan, for whom he acted with Morrison as a token director of the Hamilton and Toronto, he exclaimed that the line's completion was

a glorious thing...all done as if by magic for nobody seems to know where the money came from...the people of Toronto seem to have wakened up, after a long sleep like Rip Van Winkle, and are about to express their astonishment at the change that has taken place in their world - by a grand explosion and demonstration intended as they think to wake up everybody else within the radius of a thousand miles - to let them know the wondrous work that has been accomplished in these latter days.¹³⁸

Between the whole-hearted participation in the developmental ethos of the "railway Liberals" and the effective exclusion of George Brown there was an intermediate camp of men who remained political outsiders, despite a whole-hearted commitment to

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¹³⁸PAC, Buchanan papers, vol. 52, p. 41820, December 20, 1855.

In a similar vein, Ridout waxed enthusiastic on the nature and influence of the Great Western: "indeed the whole Province of Canada is beneficially affected by the onward progress of that great undertaking - so admirably managed as it is. Notwithstanding the many difficulties it had to encounter we must now look upon it ... as a 'fixed fact' - and as the pioneer of other great roads on Canada's broad domain, reaching to its utmost limits of east and west. When that day comes, as come it will in a very few years, rapid will be our advancement in power and prosperity...." (PAC, John Young papers, vol. 1, n.p., February 3, 1852).

development. The chief examples are few in number, but are highly significant figures - William Hamilton Merritt and Isaac Buchanan. While both men put developmental considerations first on their political agendas, both also approached the subject with a set of strongly held notions. This commitment to their personal prescriptions for economic growth clearly separated both men from the more pragmatic and vaguely-defined mainstream of developmental strategy.

W.H Merritt is of course best known as the father of the Welland Canal. On the occasion of its reopening in 1850, John Beverley Robinson told Merritt that

We hear it sometimes said of people that they evidently came into the world charged with a particular [mission?] I think I have not in my time seen any part of this ... so closely demonstrated as your having been here to make the Welland Canal.¹³⁹

Merritt never wavered from the strategy which lay behind his canal

- his whole career was "a lifelong crusade to make Canada the avenue of trade between Great Britain and the western United States."¹⁴⁰ The furtherance of this goal was the one measure by which Merritt judged politicians and governments. As T.C. Keefer observed, "Mr. Merritt was not a politician. He entered Parliament to carry out his views..."¹⁴¹ He supported the Family

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¹³⁹PAC, Merritt papers, vol. 24, p. 4037, Robinson to Merritt, June 6, 1850. This view was echoed in T.C. Keefer, The Old Welland Canal and the Man Who Made It (Ottawa, 1911), p. 4.

¹⁴⁰D.C. Masters, The Reciprocity Treaty of 1854 (Toronto, 1963). p. 6.

¹⁴¹Keefer, Welland Canal, p. 19. D.C. Masters, W.H. Merritt and Canadian Trade (M.A., Bishop's, 1932), p. 119 reaches the same conclusion, noting his "emphasis on practical measures", and consequent willingness to "back whichever party would carry [those] measures..."

Compact before 1837 because they were "from the first, friends of the Canal."¹⁴² Under the Union, which he supported as a measure beneficial to development,¹⁴³ he looked to Sydenham to lead a "commercial and industrial improvement party."¹⁴⁴

This non-ideological and developmental emphasis might have marked Merritt as very much a part of the emerging orthodoxy, but for the fact that he interpreted "commercial and industrial improvement" to mean not just the fulfilment of the Laurentian vision, but its realization in a fiscally responsible fashion. Advocating a strategy which he had borrowed "in toto" from the example of canal development in New York state,¹⁴⁶ and to which he added his free trade principles, Merritt looked to a gradual reduction and then permanent removal of the public debt. In April, 1850, he explained "our present position" to John Strachan:

Our debt is about £20,000,000 our resources fully equal to pay it off by forthrightly applying the revenue from our Public Works on the payment of the principal, in the same manner as the Government of New York set aside a certain portion of their casual revenues to pay the principal and interest of their debt, our customs duties, which they have not, must be continued to pay the interest, until the Principal is paid from the other sources, after which we may and should dispense with customs duties altogether...¹⁴⁷

¹⁴³Keefer, Welland Canal, p. 19.

¹⁴⁴S.F. Wise, "Upper Canada and the Conservative Tradition", in Ontario Historical Society, Profiles of a Province (Toronto, 1967), pp. 23-24.

¹⁴⁵Merritt to H. Bliss, August 18, 1840, quoted in Careless, Union, p. 45.

¹⁴⁶Masters, Merritt and Canadian Trade, p. 9.

¹⁴⁷PAC, Merritt papers, vol. 24, p. 4018, Merritt to Strachan, April 9, 1850.

Unfortunately for Merritt, retrenchment most emphatically was not the order of the day. The government of which he was a member, (as President of the Executive Council), and particularly its Inspector-General, Hincks, was just then embarking on its ambitious program of support to railways, and Merritt's inability to see his views adopted led to his resignation in October, 1850.¹⁴⁸ The forebodings which prompted this action were more than realized during the subsequent years. Not only was Merritt upset at the reckless abandon with which the government contracted new fiscal obligations, but also with the source of that growing debt. As he told the House of Assembly

He objected to spending so much money on rail roads, while the water communications of the Province were neglected. He believed that the policy of the Government in this respect was a pernicious one.¹⁴⁹

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¹⁴⁸Masters, Merritt and Canadian Trade, p. 5. The perspective which prompted his resignation was well captured in a letter from one of Merritt's correspondents: "...large loans for whatever purposes [are] dangerous, extravagant expenditures still more so, but Economy is become unfashionable... Contractors are quarrelling already who gets the main slice [of trunk railway construction], profits counted by millions, poor Canada, who cares so long as loans can be made." (PAC, Merritt papers, vol. 24, p. 4151, James Jones to Merritt, [autumn], 1852).

¹⁴⁹Gibbs, Debates, XI, p. 26 (August 23, 1852). Merritt backed this complaint with a call on October 4 for a "general Railway Act, with strict provisions to check the rash undertaking of Railways" (Ibid., p. 815.) He repeated his fears on Nov. 2 (Ibid., p. 1357). Hincks had already responded on Sept. 20 with the jibe that "the Honourable Member for Lincoln seemed never to think of anything else but canals". (Quoted in [John Young (Montreal)] The Honourable Francis Hincks' view on Commercial Policy...in the Years 1846 and 1852, (Montreal, 1853), p. 13.) It should be stressed that it was not

By mid-decade, Merritt had extended his complaints beyond railways.) Ever faithful to a strict Laurentianism (and his original project, the Welland) he denounced schemes for Georgian Bay - Lake Ontario and Lake Huron - Ottawa River canals as tending "to divert attention from the true remedy". Such ideas were "positively injurious".¹⁵⁰ Moreover, he had come to realize that the extension of the public debt "without limit or restraint"¹⁵¹ was not solely the result of the ambition of Francis Hincks, but that it

has and will continue to be done by any set of men to whom power... is entrusted, call them what you may, reformers or Tory.¹⁵²

This recognition of the primary position which development had come to occupy in the political culture, and that old distinctions were being made increasingly meaningless by the common instinct to pledge the national credit to railway

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¹⁴⁹(cont.) really railways per se that Merritt objected to but the way in which Hincks' railway policy was ruining completely any prospect of reducing and then removing the public debt. As he remarked in 1850, Merritt looked forward to "the day when we have a system of railroads on the same relative scale as our Ship Canals." (PAC, Merritt papers, Merritt to Strachan, op. cit.).

¹⁵⁰W.H. Merritt, A Lecture Delivered Before the Mechanics' Institute of Saint Catharines, on the twenty-first day of January, 1857 (Saint Catharines, 1857), p.10.

¹⁵¹PAC, Merritt papers, vol. 26, p.4401, Merritt to Robert Baldwin, February 13, 1855.

¹⁵²Ibid., p.4490, Merritt to J.B. Crouse, December 8, 1855. As the Clear Grit David Christie had observed, albeit from a different perspective, "Hincks and Co. are bad, Macdonald and Co. are no better", (PAC, Clarke papers, n.p., Christie to Charles Clarke, December 18, 1854.)

companies, left Merritt increasingly depressed as the decade wore on. In 1855, as the government was already taking the first steps in the process by which it extended its financial commitment to the GTR, he reported to his wife on the approaching end of the Parliamentary session:

...the last I will attend here. I am heartily tired of it and fear we have done very little good and fear [we] have sown the seeds of much evil for Canada.¹⁵³

Like Merritt, Isaac Buchanan was first and foremost a businessman and one who, despite real prominence and weight in the business community, suffered relative political insignificance because of his adherence to a personal view of developmental priorities. While that view, manifested as it was in a truly massive correspondence,¹⁵⁴ could easily be the subject of its own full-length study, in essence it rested on two related foundations: monetary reform and tariff protection.¹⁵⁵ By no means did such concerns prevent Buchanan from being extremely active in the

¹⁵³Ibid., vol. 26, p. 4465, Merritt to Mrs. Merritt, May 28, 1855.

¹⁵⁴Bryan Palmer, A Culture in Conflict: Skilled Workers and Industrial Capitalism in Hamilton, Ontario, 1860-1914 (Montreal, 1979), p. 102.

¹⁵⁵The correspondence in the Buchanan papers in the Public Archives of Canada runs to 68 volumes and more than 50,000 pages. His business partner R.W. Harris urged him at one point (obviously unsuccessfully) to "resist replying to your politician and currency friends", (PAC, Buchanan papers, vol. 20, p. 25147, August 23.) Later in the decade John Ross complained to Macdonald of Buchanan having written "volumes of letters to me" (Macdonald papers, vol. 260, p. 118152, September 24, 1859), having earlier described them as "long yarns about the Southern [Railway] and [James] Morton and [Michael] Foley and God knows what else." (Ibid., p. 118148, September 9.)

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railway promotion which marked the developmental mainstream, but the goal those interests aimed at - native industrial development - reveal him to be a man standing partially outside the developmental orthodoxy of his day. Evidence of this may be seen in the fact that Buchanan stood alone among the major business figures of the day in his support for the Association for the Promotion of Canadian Industry, a pro-tariff lobby founded in 1858.

With his position as founding father and chief spokesman for the A.P.C.I., Buchanan gained some temporary political significance. The government's precarious revenue position in 1858 had led Galt to introduce the first measure of "incidental protection". Faced with the outrage of British manufacturers and doctrinaire Free Traders on both sides of the Atlantic, the ministry was able to appeal to Buchanan as an ally on the struggle:

There will be I have no doubt a bold push next session to attack the tariff from a free trade point of view and it is all important that your experience and matured judgement on such matters should be brought before the legislature and country. There are so few commercial men in public life that your voice will be one of great authority on the question. Remember that Galt has always been a Free Trader and only defends the Tariff on the Revenue ground. He will need help on "the protection to Home Manufacturers" point of view, and I beg you to work up the subject before the House meets... I am a protectionist and warmly interested in this matter but I cannot speak in the House on it for lack of knowledge.¹⁵⁶

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¹⁵⁶PAC, Buchanan papers, vol.40, p.32970, Macdonald to Buchanan, November 28, 1859. Buchanan supported the government as far as it went, but criticized Galt for not going further with the tariff, Canada's "badge of Industrial Independence and

It was mere coincidence, however, which produced this passing importance for Buchanan. Without the revenue crisis engendered by the depression of 1857-58, the A.P.C.I. would have met with even less success than it actually did; the prematurity of the protectionist movement in a period dominated by the commercial outlook made it essentially an episodic phenomenon, which had to wait on other developments to create the conditions for its advance, rather than being in a position to produce a policy impact by virtue of its own innate consequence.

It may be seen then that in a sense Buchanan, in company with Merritt and Brown, defined by negation the emerging political mainstream characterized by the behaviour of Hincks, Galt, Macdonald, and the "railway Liberals". In each man's case, firm adherence to a particular principle or issue effectively excluded them from political power. Where Brown insisted on the sectional rights of Upper Canada and ideologically "correct" solutions to

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156(cont.) responsible government." (Ibid, vol.41, p.32184, Buchanan to Macdonald, March 18, 1862). See his correspondence in the Buchanan papers, vol.27, pp.22912-22987, and in particular his "Mr. Galt's Retrograde Movement - the object of the following being to show the absolute necessity of a Homely or Patriotic and permanent policy for Canada" (Ibid., p.22956, May 1, 1860). In this circular letter to his fellow Parliamentarians, Buchanan argued that "it is already abundantly evident that neither capital nor [people] will come to the Province under our present absence of a permanent [and moderately protective] policy. [Large capital imports have already been lost], through Mr. Galt's having gone out of his way to deny in his pamphlet published in England [Canada, 1849-1859] that either the Government or Legislature were protectionist, and to show that Customs duties will be reduced the moment the revenue will permit of it. Such a statement seems to me utter madness - nothing short of suicide on the part of Canada."

social and religious questions, Merritt refused to accept the financial costs of the positive state, and Buchanan insisted that "the Employment of Canadian Labour" (that is, protection for native industry) be considered the first question of politics.¹⁵⁷ This belief that political parties "must be an embodiment of principles, not a conspiracy of men for office"¹⁵⁸ does not totally distinguish Buchanan, Merritt and Brown from the more politically successful; J.A. Macdonald's insistence that the national feelings of French Canadians be respected, although politically adept, may also be considered as being rooted in the "principle" of tolerance and realism. The distinction to be made is between those principles or appeals which were either economically premature (Buchanan's), politically divisive and self-defeating (Brown's), or simply utopian (Merritt's), and those which tended (like Macdonald's generous attitude to the French, or Hincks' appeal to the desire for national economic development and the transcendence of colonial inferiority) to attract broadly-based non-partisan support.¹⁵⁹

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¹⁵⁷Ibid., vol. 4, p. 2553, Buchanan to George Brown, September 23, 1853.

¹⁵⁸Ibid.

¹⁵⁹As Buchanan remarked to Macdonald: "Agree with me about [protection] and I will try to agree with you about everything else" (Ibid., vol. 40, p. 32825, January 14, 1858). This was in a way, a most accommodating political attitude, if the one dominant issue could be agreed upon. In cases where it could not, as with Buchanan's call for protection and Merritt's insistence on economy, it was the ticket to secondary political status.

In another way, however, Buchanan is virtually the archetype of developmental behaviour during the 1850's. His involvement with the GWR was of course a typical example of the merger of personal with metropolitan ambitions.¹⁶⁰ Beyond this, his pursuit, during the middle and later years of the decade, of the idea of a Southern Railway in peninsular Upper Canada is a classic case of the irrational and obsessive character which was present, to a greater or lesser degree, in most railway projects.

The persistent attraction of the "southern" plan is nowhere better illustrated than in the complex intrigues and dealing which marked the attempt to charter and build such a line in the latter part of the decade.¹⁶¹ Isaac Buchanan stood at the very centre of this particular piece of developmental excess. His unceasing efforts to rescue the project from the near-comic circumstances into which it fell in the course of his struggle for control with

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¹⁶⁰As Michael Katz has noted, the business elite of Hamilton were active in all phases of the life of the city, "whose economic prospects they had made, through their investments, identical with their own. They invested the city's money in railroads and utilities, in which they were stockholders. They bought land which the coming of the railway would make more valuable. These leading citizens made the public interests of Hamilton and their private economic prospects the same." (Katz, Hamilton, p. 184).

¹⁶¹As noted above, ch.I, note 41, it is virtually impossible to summarize accurately the story of the Southern Railway in a brief reference. So far as Buchanan is concerned, the Southern affair was essentially a fight for control of the line with Samuel Zimmerman and (after the contractor's death in a train wreck in 1857) his successors.

J.C. Morrison's friend Samuel Zimmerman¹⁶² led Sir Allan MacNab to remark that he had never seen "such indomitable perseverance in any man."¹⁶³ MacNab's assessment actually puts Buchanan's behaviour in the best possible light, for the simple truth is that Buchanan, through his "pigheadedness" in seeking control of the line, had got himself so involved (partially through the outlay of bribes in order to gain control¹⁶⁴) that he could not afford to leave the project, and virtually ruined himself in the course of his exertions.¹⁶⁵ That he persisted in what he himself admitted had become "a great calamity" for him is testimony not only to his own commitment¹⁶⁶, but also to the sheer strength of the hold which the Southern Railway idea had on the business elites of southwestern Upper Canada, for Buchanan was joined in the morass

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¹⁶²Chief among these was the existence of two rival boards of directors for the Amherstburg and St. Thomas Railway (one of the projected component lines which was to form part of the Southern), each claiming to "be" the company. (Walter Neutel, From Southern Concept to Canada Southern, p. 52).

¹⁶³PAC, Buchanan papers, vol. 46, p. 37148, MacNab to Peter Buchanan, December 20, 1857.

¹⁶⁴Neutel, From Southern Concept to Canada Southern, p. 47, p. 53. Buchanan claimed to have put £60,000 into the project (PAC, Buchanan papers, vol. 40, p. 32849, Buchanan to Macdonald, June 15, 1858).

¹⁶⁵Baskerville, Boardroom and Beyond, p. 287.

¹⁶⁶PAC, Buchanan papers, vol. 51, p. 41202, Buchanan to Arthur Rankin, August 24, 1857. Michael Foley, who was also involved, looked ahead to "nothing... but continued confusion, disappointment, and ultimate ruin." (Ibid, vol. 26 p. 22005, Foley to Buchanan, August 25, 1859).

of the company's troubles by many prominent members of those elites.¹⁶⁷

While some businessmen, then, were unable to translate their political participation into realized developmental objectives, others simply refrained altogether from holding public office, and relied on their political friends to forward their interests. The two most prominent examples of this type were Samuel Zimmerman and Casimir Gzowski. Both were railway contractors, both were wealthy, and both used their political contacts most adroitly.

Zimmerman was an American who originally came to Upper Canada to work on the Welland Canal in the 1840's, and stayed to become the province's best-known contractor and its most prominent symbol of back-room influence.¹⁶⁸ He built one hundred and twenty-nine miles of MacNab's Great Western, as well as the Erie and Ontario, the Cobourg and Peterborough, the Port Hope and Lindsay, and the

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¹⁶⁷In addition to the big players such as Buchanan and Zimmerman, the cast of characters in the Southern story included, at one time or another John McLeod (Amherstburg), M.H. Foley (Simcoe), Arthur Rankin (Sandwich), George Macbeth (London), John Prince (Windsor), and Gilbert McMicken (Chippawa). Non-peninsular figures who got involved were J.C. Morrison and T.G. Ridout of Toronto, the Kingston businessman John Morton, and the latter's friend in high places, John A. Macdonald (Neutel, From Southern Concept to Canada Southern, *passim*). Macdonald's feelings were succinctly summed up in his reference to "the infernal Southern Railway" (PAC, Buchanan papers, vol. 40, p. 32563, Macdonald to J.H. Greer, September 10, 1859.)

¹⁶⁸One example of which is J.C. Morrison's comment that Zimmerman had taken "an active part in securing support from the members [of the legislature]" at the time of the chartering of the Hamilton and Toronto. (PAC, Buchanan papers, vol. 48, p. 38177, Morrison to Buchanan, January 12, 1853).

Niagara Suspension Bridge¹⁶⁹. At the time of his death in 1857 his interests also included hotels, foundries, mills, utilities, and his own bank¹⁷⁰, and his land holdings embraced a magnificent estate at Clifton (Niagara Falls), \$400,000 worth of property in Toronto, \$100,000 worth of property in Hamilton, and 18,000 acres of land elsewhere in Upper Canada.¹⁷¹

The source of much of this success was his position at the centre of a web of influence and corruption that touched many of the major, and several of the lesser railway projects of the day.¹⁷² Central to that role was his relationship with the premier, Hincks. As Allan MacNab, himself no stranger to the role of personal connections in the world of Canadian railways, noted, "he has a good deal of influence with Hincks...."¹⁷³ Supporting this major connection was the contractor's link to Joseph Curran Morrison, whom T.C. Keefer described as Zimmerman's "particular friend", and who, as Receiver-General in 1856, was highly

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¹⁶⁹R.W. Gearly, "Samuel Zimmerman", Welland County Historical Society, Papers and Records, 1927, p. 53.

¹⁷⁰Johnson, "Zimmerman", p. 1.

¹⁷¹H.J. Morgan, Sketches of Celebrated Canadians and Persons Connected with Canada, p. 730.

¹⁷²A web described in T.C. Keefer, The Philosophy of Railroads, pp. 159-61.

¹⁷³PAC, Buchanan papers, vol. 46, p. 37245, MacNab to Buchanan, December 14, 1852. The Canadian Merchant's Magazine, vo.1, no. 2 (May, 1857), p. 181, described Zimmerman as "an intimate" of Hincks.

supportive with public money of Zimmerman's banking affairs.¹⁷⁴

Zimmerman's only rival for the status of the province's most prominent contractor was Casimir Gzowski. The expatriate Pole had followed up a term as engineer with the Department of Public Works with the position of chief engineer on A.T. Galt's St. Lawrence and Atlantic Railway. This connection with Galt blossomed into the contracting partnership (along with Luther Holton of Montreal and David Macpherson of Toronto) of Gzowski and Company. Like Zimmerman, Gzowski and Galt were not slow to master the key lesson of British and American railway experience, which was that construction, rather than the actual ownership and operation of railways, was the real source of profits.¹⁷⁵

Nowhere was this lesson more thoroughly applied than in the Gzowski firm's construction of the Grand Trunk west of Toronto, which, as J.C. Dent noted, "was attended with the most gratifying pecuniary results to the contractors."¹⁷⁶ That section, which was an extension to the more modest original plans for the line, had been neatly engineered by Galt during the battle for the Grand

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¹⁷⁴Johnson "Zimmerman", p. 18, and above p. 66. Their connection is also suggested by the fact that when Isaac Buchanan, involved with Zimmerman in the struggle for control of the Southern Railway, wanted to contact his rival, he did so through Morrison. (PAC, Buchanan papers, vol. 48, p. 39219, Buchanan to Morrison, August 3, 1856.)

¹⁷⁵Pentland, "The Role of Capital", p. 467.

¹⁷⁶Dent, Canadian Portrait Gallery, vol. 3, p. 95.

Trunk charter, which was fought out in the 1852 session of Parliament.¹⁷⁷

Luther Holton noted of his partner Gzowski that he was "no politician"¹⁷⁸, but then he scarcely needed to be - in addition to his partnership with Galt, Gzowski was also connected to Macdonald, whose legal services the construction firm sometimes used.¹⁷⁹ The trio of Macdonald, Galt and Gzowski in fact outlasted Hincks, Morrison, and Zimmerman; in 1867 Gzowski looked ahead to future prospects, telling Galt that

You will be leader keeping a sharp lookout for good things and do "General tactics", etc, and Mac on the neigh side labour among the political (now made independent of popular elections) "altesse", with his eye steady to the main chance, and now and then perform a little practical and useful lobbying for the Trio. Your humble servant will be the off horse and do the grubbing and digging...the only big thing left in this new Confederated Continent in the shape of Railway Enterprise can I am sure if properly managed be made to fall into our hands.¹⁸⁰

If Zimmerman and Gzowski represent the fusion of business and politics in its behind-the-scenes form, no one better exemplified the open blending of enterprise and public life than Sir Allan MacNab. Although it has been argued that the late 1840's were the period of his greatest importance, and that during the 1850's he

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¹⁷⁷A process described in greater detail below, Chapter VI.

¹⁷⁸PAC, MG 27, I, C 6 (William McDougall papers), vol. 2, p. 175, L.H. Holton to McDougall, December 9, 1857.

¹⁷⁹Johnson, "Macdonald, the Young Non-Politician", p. 143.

¹⁸⁰PAC, Galt papers, vol. 7, p. 2737, Gzowski to Galt, June 2, 1867.

had more of the symbols than the substance of power¹⁸¹, he still cut a substantial figure in the developmental history of the decade.¹⁸² His much-quoted aphorism "My politics now are railroads" succinctly defined the political priorities of the day.¹⁸³ As chief promoter of Hamilton's Great Western Railroad he successfully fought off a long series of challenges to his road's monopoly of through traffic in the peninsula, succumbing only in 1853 to the combination of the Grand Trunk's overwhelming financial and political strength and Galt's clever manoeuvring. In so doing his frequent reliance on a "national" argument that was largely specious in the case of the GWR demonstrated the extent to which Laurentianism could be a purely rhetorical standard to which deference was paid more frequently in word than in deed.¹⁸⁴

His coalition with the defeated Hincksites in September, 1854 accurately reflected the realities of developmentally-based politics, which in this case were that moderate Conservatives, "railway Liberals", and Lower Canadian bleus were all prepared to dispose of contentious issues and get on with railways,

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¹⁸¹Baskerville, Boardroom and Beyond, p. 35.

¹⁸²As with the case of Francis Hincks, it may be said of MacNab that the 1840's constituted a period of "waiting". Again, this does not suggest inactivity on his part, but rather that it was not until the early years of the 1850's, with strong growth, ready money for development projects, and a political climate more receptive to commerce than ideology, that MacNab was really in his element.

¹⁸³Careless, Brown, I, p. 154, Quoted as "all my politics are railroads" in Peter Baskerville, "Sir Allan Napier MacNab", D.C.B., IX, p. 524.

¹⁸⁴See below, ch. III, pp. 138-40.

particularly the Grand Trunk, towards which MacNab had been gravitating for some time.¹⁸⁵ As Peter Baskerville has observed, MacNab's behaviour at this juncture was "entirely consistent with his past politics; commercial affinity always superseded ideological differences."¹⁸⁶

Like many of his co-developers, MacNab pursued his goals with high energy and a considerable sense of the importance of his own efforts. He reported from Parliament to Buchanan, one of his associates in the Great Western, that

we have now everything our own way...The greatness of Hamilton will be secured this session.

I have been very ill during the session, yet I have neglected nothing.¹⁸⁷

MacNab is also a representative figure in terms of the public morality of the day. As one English visitor remarked, his career was

characterized by anything but a high sense of political honour or even commercial probity. There were some ugly blemishes on his character....¹⁸⁸

At the risk of considerable understatement, the Gallant Knight does not appear to have been an efficient manager of money, either his own or other people's. Harried by his creditors, who included

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¹⁸⁵See Baskerville, Boardroom and Beyond, pp. 103-04.

¹⁸⁶Ibid., p. 23.

¹⁸⁷PAC, Buchanan papers, vol. 46, p. 37230, MacNab to Buchanan, October 15, 1852.

¹⁸⁸Samuel Philips Day, English America, or, Pictures of Canadian Places and People (2 vols., London, 1864), vol. 1, p. 290

Glyn, Mills, and Company of London (acting through T.G. Ridout)¹⁸⁹, and frequently "low spirited" over his "distracted affairs"¹⁹⁰, MacNab dipped his hands as frequently and as deeply as possible, confirming in the process an unsavoury reputation which antedated the railway era.¹⁹¹ For example, he used his position as President of the Great Western to get its line located through his property, despite the higher costs this entailed for the company.¹⁹² Later, as a director, he sold another part of his property to the road at an exorbitant price¹⁹³, prompting R.W. Harris, his successor as President (and also Isaac Buchanan's mercantile partner) to call the proposed transaction "a job". MacNab, he said, should be given a few hundred pounds, if that sum

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¹⁸⁹PAC, MG 24, D 36 (Glyn, Mills and Co. papers), file 1, n.p., Glyn, Mills and Co. to T.G. Ridout, April 20, July 20, 1849.

¹⁹⁰PAC, Buchanan papers, vol. 46, p. 37211, MacNab to Buchanan, September 17, 1850.

¹⁹¹For instance, R.W. Harris of the Great Western reported in 1853 that Samuel Zimmerman claimed finally to have understood the truth of Lord Sydenham's comment about "The Gallant Knight": "Oh, I could buy him cheap enough, but I would require to repeat the purchase once a fortnight, and he's not worth it." (Ibid., vol. 30, p. 25207, Harris to Peter Buchanan, November 26, 1853.)

¹⁹²R.D. Smith, "The Early Years of the Great Western Railway, 1833-57", Ontario History, LX, #4 (December 1968), p. 217.

¹⁹³Baskerville, "MacNab", p. 526. MacNab's request for the money was made to John Young of Hamilton, the Great Western's Vice-President. (PAC, Young papers, vol. 1, n.p., MacNab to young, December 5, 1851.)

was to be final,

but before I would give a larger sum I would risk any consequence... Sir Allan's name is even now a great obstacle with parties who are applied to take stock or bonds, but if it were generally known that he was asking twenty times the value of his frontage neither stock nor bonds would be looked at at any price.¹⁹⁴

MacNab's mendicant ways (and utter absence of shame) led to further appeals in 1853, and a similar response from Harris, who warned Buchanan that

It is a great point in any case to be independent with him. I do not approve of paying him any salary for the Great Western. If he got a sum for his Legislative doings I would not have so much objection, altho' I feel confident he would sell the concern any day for a price....¹⁹⁵

It is estimated that MacNab received £20,000 currency during the 1850's from his various railway manoeuvres,¹⁹⁶ yet his needs, apparently, were always greater. In 1858, he desperately sought £300 from Isaac Buchanan's brother (and the Great Western's former London agent) Peter - "In plain English, I cannot get on without it."¹⁹⁷ His upset over his "distracted affairs" spilled out in tirades against Macdonald, who had eased him out of the Conservative leadership in 1856. Calling Macdonald "without

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¹⁹⁴PAC, Young papers, vol. 1, n.p., Harris to Young, December 23, 1851.

¹⁹⁵PAC, Buchanan papers, vol. 30, p. 25193, Harris to Buchanan, May 6, 1853.

¹⁹⁶Baskerville, Boardroom and Beyond, p. 121.

¹⁹⁷PAC, Buchanan papers, vol. 46, p. 37456, MacNab to Peter Buchanan, April 19, 1858.

exception the most unprincipled man I ever met", the aging knight railed as well against those men like William Cayley and J.C.

Morrison who had retained their positions in the government:

I who have done more than all of them put together, turned off without a shilling - having been longer in public life than all of them put together.¹⁹⁸

Standing at the opposite end of the spectrum from MacNab's excesses was R.W. Harris of Hamilton, who complained so frequently of Sir Allan's devious ways. Despite his important work with the Great Western, he stands somewhat outside of the mainstream during the 1850's, "a moral man in an immoral world", who was eventually left broken and disgusted by his experience with Canadian railways.¹⁹⁹ As MacNab's successor as the line's President, Harris was responsible for the more complex task of organizing and operating, rather than merely promoting, the new company. A "taciturn, rather withdrawn individual", Harris was better able than his predecessor to handle such a job.²⁰⁰ He was, however, realistic enough to realize the need for professionalism in management; when Charles Brydges was hired from England as the Great Western's General Manager in 1852, Harris admitted that the appointment would "relieve the board of a great amount of business

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¹⁹⁸Ibid., p. 37503, MacNab to Peter Buchanan, February 25, 1859.

¹⁹⁹Baskerville, Boardroom and Beyond, pp. 356-57.

²⁰⁰D. McCalla, "Peter Buchanan, London Agent for the Great Western Railroad", in D. Macmillan, ed., Canadian Business History, Selected Studies, 1497-1972 (Toronto, 1972), p. 200.

of which we were and are very ignorant."²⁰¹ Even as the railroad made this move, it was getting involved in the complexities of launching its newly-chartered subsidiary, the Hamilton and Toronto. Harris told Buchanan that he was

very much inclined to have nothing further to do either in the management or emolument of the new line as I am very much sick of Railway matters.²⁰²

Such disgust with the hard stuff of enterprise was very much a part of the reality of development during the 1850's, as were the resentments of Cayley and MacNab, the unanswered concerns of Buchanan, the disillusionment of Merritt, and the continual fight to keep the Grand Trunk afloat waged by Galt and Ross. Yet such negative aspects were by and large omitted from the literature which promoted and celebrated the boom of the 1850's. There was, of course, no shortage of writers on developmental topics, but three men stand out as the primary philosophers and celebrants of progress. Among them they articulated the essence of the developmental outlook, and produced the truest examples of the literature of railways, Laurentianism and growth.

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²⁰¹PAC, Buchanan papers, vol. 30, p. 25171, Harris to Buchanan, November 5, 1852.

²⁰²Ibid., p. 27578, Harris to Buchanan, November 12, 1852. Harris was not alone in such feelings. Isaac Buchanan, in particular, suffered greatly through his involvement with the abortive and complex affairs of the Southern Railway. He assured W.L. Mackenzie that "Instead of profit I have had nothing but trouble and distress connected with railway matters." (Ibid., vol. 45, p. 36594, Buchanan to Mackenzie, August 24, 1857.)

The most important and in some ways the most interesting of these men was the engineer and writer T.C. Keefer. His father had been the first President of Merritt's Welland Canal,²⁰³ and as a boy of eight, the young Keefer had watched the first two ships, one British and one American, pass through the newly opened canal.²⁰⁴ In 1849 he published his well-known Philosophy of Railroads on behalf of the promoters of the Montreal and Lachine Railroad, which effectively and with considerable literary skill combined the general argument for the transformative power of the railway with the particular Laurentian vision to which the new technology quickly became wedded in Canada. In 1850 he published The Canals of Canada, the prize-winning essay in Lord Elgin's contest to celebrate the completion of the St. Lawrence canals. Both its nature and quality are evident in H.V. Nelles' comment that "One can find no better expression of the idea of a commercial empire of the Saint Lawrence."²⁰⁵ In a lesser known (and far shorter) work to which he contributed, The Toronto, Simcoe and Huron Railroad, Keefer did for the Upper Canadian metropolis what he had for Montreal. In his letter to Mayor Bowes of Toronto, which appeared in the pamphlet, Keefer advised Torontonians on the proper strategy of development for their city; once again, the formula was familiar - railways and Laurentianism. The trade of the American west, he warned, would reach the sea

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²⁰³H.V. Nelles, "Introduction", to Keefer, Philosophy, p. xiv.

²⁰⁴Keefer, Old Welland Canal, p. 13.

²⁰⁵Ibid., p. xvi.

either through New York or Canada, and Toronto was accordingly urged to connect with Montreal and ensure the success of the "Canada route". Until such time as that could be done, he said, the Queen City's railway energy should be focussed to the north, to tap its natural agricultural hinterland.²⁰⁶

What makes Keefer particularly interesting are his later writings. Prompted partly by his own ill-starred involvement in the preliminary surveys for the Toronto-Kingston and Kingston-Montreal roads which eventually were built as part of the Grand Trunk, Keefer published in 1856 his Sequel to the Philosophy of Railroads, in which he criticized the methods by which the Grand Trunk had been built.²⁰⁷ Seven years later, when the first railway boom had long since run its course, he contributed an essay on "Travel and Transportation" to the volume Eighty Years Progress of British North America. Here the erstwhile booster turned critic, savagely (and very accurately) dissecting the failings, both public and private, of Canadian railway development.²⁰⁸

These attacks on the shortcomings of the men responsible were fuelled by more than just Keefer's professional disappointment in the failed promise of the improvements he had once so strongly urged. In turning on the country's political and economic

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²⁰⁶[Keefer], Toronto, Simcoe and Huron Railroad, pp. 5-6.

²⁰⁷Nelles, "Introduction", pp. xlv-vi.

²⁰⁸Ibid. The article is partially reprinted in this volume. Nelles' comments are in the "Introduction", pp. li-lvi.

leadership in this way he was motivated as well by what he considered to be the lack of remuneration and recognition (and especially the latter, one suspects) accorded him for his role in assisting the American lobbyist I.D. Andrews to secure the passage of the Reciprocity Treaty. This was bad enough, but Keefer, like others, was also left resentful of the "golden boy" image which, even if somewhat tarnished, still surrounded Hincks. The ex-Premier, Keefer complained, had made no real contribution to the successful campaign, yet had received an inordinate share of the glory - "like a vowel in prosody - by virtue of his position".²⁰⁹

Keefer's editor on the occasion of his "Travel and Transportation" piece was the Trinity College professor, Henry Youle Hind. The English-born academic would be a figure of some interest if only because of his involvement with Eighty Years Progress of British North America, which has been called "perhaps the single most important elaboration of the idea of progress to appear in Canada...."²¹⁰ In addition to this, he was the first editor of the Canadian Journal (published by the Royal Canadian Institute) and took an active interest in several aspects of development.

In an 1855 article for Maclear and Company's Canadian Almanac, Hind produced a highly representative specimen of that

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²⁰⁹T.C. Keefer, A Sketch of the Rise and Progress of the Reciprocity Treaty with an explanation of the Services Rendered in Connection Therewith (Toronto, 1863), p. 14 and passim.

²¹⁰Fallis, the Idea of Progress, p. 171.

combination of Laurentian strategy and railway boosterism which marked the literature of progress in Canada. Taking his readers on a mind's-eye survey from atop a Blue Mountain summit, Hind invoked the geographical imperative of Canada's position astride the east-west trade routes linking Britain and the United States: "...herein lies our strength and our hopes for the future." Noting that "the region of the Great Lakes draws to itself a mighty traffic", Hind asked "What has high art and generous enterprise done to bring nearer to one another the fruitful west and the insatiable east?" The answer, of course, was the Great Western, Grand Trunk and Northern railways and the Welland Canal - "all these connecting links... will be insufficient to serve that vast commercial expansion which trends so rapidly upon, and fills to repletion the present artificial means of communication." That remarkable growth in contiguous regions held out to Canadians "much of promise ... for the future, much to induce us to be up and striving, in order to secure our position and render it immovable."²¹¹

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²¹¹Hind, "The Future of Western Canada", pp. 34-35. Hind's participation in the world of development in the 1850's was not limited to his literary efforts on behalf of the main thrust of developmental strategy. In his scientific capacity he served as geologist on the government's 1857 expedition to the Red River, thereby associating himself with the beginnings of Canada's advance to the North West. Along with Isaac Buchanan's urgings of industrialization through tariffs, this was one of the chief alternatives to the developmental mainstream of commercial Laurentianism focussed on the American mid-continent. In the following year he led the government expedition to the Assiniboine and Saskatchewan country (W.S. Wallace, ed., The Macmillan Dictionary of Canadian Biography (Fourth edition, Toronto, 1978, revised by W.A. Mackay), p. 360). In each case the final report of the expedition was ordered printed by the Imperial Parliament (G.M. Rose, A Cyclopaedia of Canadian Biography (2 vols., Toronto, 1886,

The year which saw "The Future of Western Canada" also is noteworthy for the publication of essays honouring Canada's participation in the Paris Exhibition of 1855. In a contest sponsored by the committee organizing Canada's appearance at that event, John Sheridan Hogan's Canada. An Essay was awarded the first prize.²¹² Hogan's involvement in the general ethos and particular

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²¹¹(cont.) 1888), vol. 2., p. 305.) Hind was joined in his interest in the North West by several members of the Toronto business community (see Donald Swainson, "The North West Transport Company: Personnel and Attitudes"). The most significant promotional efforts came from Allan Macdonell. As early as 1851 he had written Observations upon the Construction of a Railroad from Lake Superior to the Pacific, and followed this in 1858 with a plea for Canadian expansion to the prairies in The North West Transport Company: Its Purposes and Objects, which combined an attack on the position of the Hudson's Bay Company with an extended Laurentianism in which Canada was to be the conduit for east-west trade not only between Great Britain and the United States, but between Europe and Asia as well. The Transport Company was a rather thorough failure; like Buchanan's A.P.C.I. it was essentially a peripheral phenomenon in the 1850's. In both cases, however, it was simple prematurity, rather than real irrelevance, that made it so.

²¹²The process by which the two runners-up to Hogan were chosen affords a perfect example of Walter Houghton's observation that business (or we might say more broadly, developmental) principles elevated the useful and practical over "abstract speculation and imaginative perception" (W. Houghton, The Victorian Frame of Mind 1830-70 (New Haven, 1957), pp. 111-24). After selecting the three finalists, the committee found that they were unable to choose between Hogan, Alexander Morris, and the entry of J.C. Taché. They turned to Governor-General Head for the final choice, with the results noted. After giving the first prize to Hogan, Head too had difficulty - "The other two, though very different in character, he has had great difficulty in placing. The French essay is more readable, and in some way preferable...on the other hand, the English is more systematic and concise, and for purposes of reference conveys more information, and if it is impossible to treat them as equal...it seems proper to assign the second prize to the latter and the third to the French." ("Decision of the Judges", in Hogan, Canada, p. 6).

problems of progress had not just begun in 1855. After beginning the study of law with Allan MacNab, he had become a journalist, and one who kept up a correspondence with figures on both sides of the Atlantic. His views on development tended towards the sort of protectionism and broad North Atlantic focus advocated by Buchanan; his articles were printed by the Edinburgh Advertiser and were "reproduced in various ways by the [British] protectionists."²¹³ Such views, which extended as well to praise of Buchanan's currency opinions,²¹⁴ did not prevent him from corresponding with Free Traders like Merritt, with whom he at least shared a concern for the primacy of development. In the aftermath of the publication of the Annexation Manifesto in 1849, he observed that

While thunderclaps are heard at every moment, people pay but little attention to softer music nearer by, and this is somewhat like the political state of the Canadas. The discussion of great and useful principles will, I fear, give way to paroxysms and commotions....

Moreover, the effect in Britain, where articles about Canada's material prospects would be most useful, would be that potential writers on the subject would think "that writing about the colonies might be like hammering cold iron."²¹⁵

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²¹³PAC, Buchanan papers, vol. 31, p. 26025, Hogan to Buchanan, June 5, 1852. Hogan noted as well that his articles were reprinted in the Journal and the Post of Boston.

²¹⁴Ibid., p. 26037, Hogan to Buchanan, December 10, 1857.

²¹⁵PAC, Merritt papers, vol. 23, p. 3968, Hogan to Merritt, November 3, 1849.

Such fears had vanished by the time Hogan wrote his Canada, which must be considered the standard example of the literature of progress and boosterism which the buoyant mood of the early and mid-1850's produced. Nowhere was the hyperbole of optimism more thickly laid on, and nowhere were the main tenets of Upper Canada's progressive faith more fully displayed.

Socially, Canada was the land where "upwards of a million of the working classes had ... raised themselves to comparative affluence and independence."²¹⁶ Geographically, the richness of the land and its natural resources was equalled by the province's "vast means for water communications ... majestic rivers and inland seas, the most magnificent in the world."²¹⁷ In particular, of course, there was the mighty St. Lawrence, which was destined to become

the great highway to the Pacific and to the East ... on her waters alone can the western part of the continent find an outlet for its enormous traffic.²¹⁸

In its material development Canada, but especially Upper Canada, had demonstrated that "the great law of progress"²¹⁹ and "that boldness of thought and action which make a people great and a country prosperous"²²⁰ had been operating nowhere more

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²¹⁶Hogan, Canada, p. 9.

²¹⁷Ibid., p. 14.

²¹⁸Ibid., p. 24.

²¹⁹Ibid., p. 30.

²²⁰Ibid., p. 34.

efficaciously, and certainly not in the U.S., which served as Hogan's constant point of reference.²²¹

Such progress, according to Hogan, reflected not only natural wealth and human industry, for in Canada even the climate conspired to produce advance: "the lightness of the atmosphere has a most invigorating effect upon the spirits."²²² Hogan could easily have avoided such boosting and still produced an impressive account of the extent of Upper Canada's progress. In another way, however, such empty words are very appropriate, being representative of the excessive confidence and unrealistic attitude which the men discussed above brought to the problem of economic development.

It would be easy to read too much into the activities of these men, and to ascribe to them more unity of outlook and purpose than really existed. Yet they did, in Macdonald's words, "think alike" on certain subjects, and it was their agreement which both made those subjects the political priorities of the day, and shaped the course of development in Canada during the 1850's. As Allan MacNab argued in the Assembly when Hincks introduced his resolution on government aid to railways (which

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²²¹For any subject with a statistical basis, Hogan's heading was "____", and the same compared with the United States."

²²²Ibid., p. 53.

became law as the Guarantee Act), the measure was

not a political matter; every man who desired to see his country prosper and improve, must support it. In matters of this kind, there could be no difference of opinion....223

The outlook implicit in MacNab's assertion was widely shared. When W.H. Merritt complained that Canadian politicians, "call them what you may, reformers or Tory", were adding to the public debt at a reckless rate, he unwittingly singled out a fundamental harmony of approach which transcended the intense partisan differences characteristic of an older style of politics. For those for whom political participation was still essentially a means to achieving ideologically defined ends, the transition to the new politics could be traumatic. When Hincks' participation in the "£10,000 Job" became known, the Clear Grit politician and journalist William McDougall asked:

What in the name of heaven are we coming to as a party! Read the evidence in the £10,000 case and then tell me if you can [what?] move is best on the political chess board...Will the country abandon its government to a band of Railway speculators, hungry lawyers and stockjobbers[?] I for one am prepared to break up all present combinations in the presence of such a danger.224

223Gibbs, Debates, VIII, part iii, p. 1828 (April, 11, 1849).

224PAC, Chas. Clarke papers, n.p., McDougall to Clarke, September 17, 1853. Later, noting that the Reform politician J.S. Macdonald had received a lucrative sub-contract for a section of the GTR in eastern Upper Canada, McDougall exclaimed: "Talk to Sandfield about reform principles and reform obligations in the face of such a prize!" (Ibid., McDougall to Clarke, April 1, 1854). Similar sentiments came from W.L. Mackenzie: "It is indeed difficult to tell what one should do in these times. The legislature is utterly devoid of all moral principles: legislation is a vile scramble for personal gain at public

In the event, the repercussions of the Northern Railway scandal were insufficient to break up the Hincks government. When it did collapse one year later, it was replaced by a Liberal-Conservative coalition in which Hincksites and Hincksite policy were still very much present. This continuity in power of "Railway speculators, hungry lawyers and stockjobbers" is evidence of the extent to which the sort of issues which concerned McDougall were being replaced on the political agenda by a consensus on "the central issue of the progress of the nation".²²⁵ The primary expression of that consensus was the political importance accorded to development; secondarily it manifested itself in the relative uniformity in rhetoric and strategy which marked the various projects aimed at securing development.

While the existence of the developmental alternatives of industrialization and North West expansion are evidence of a diversity of approach, their manifest weakness testifies to the continuing commitment of business and government to an older strategy of development based on capturing the trade of the American mid-West. Reinvigorated by the promise of the railways and the boom which accompanied their construction, the Laurentian vision dominated the story of development during the 1850's.

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²²⁴(cont.) cost" (PAC, Buchanan papers, vol. 45, p. 36564, Mackenzie to Buchanan, June 19, 1856).

²²⁵Fallis, Idea of Progress, p. 31.

The concrete expression of that vision was of course the behaviour of Hincks, MacNab et.al. during and after the years of the railway boom. The attempt to funnel east-west trade through a Canadian corridor, and the financing of the necessary railways by British capital attracted through the under-writing of the Canadian state - the whole being pursued within a near-millennial conviction that the final victory was at hand - were the essential elements of orthodox developmental projects.

The primacy of this older approach was demonstrated generally in the frequency with which Laurentianism was either the actual strategy behind railway projects, or the rhetorical device which was used in an attempt to justify lines which actually had non-Laurentian goals. The best specific example of the old strategy was the Grand Trunk Railway of Canada. This latter endeavour was the apotheosis of Canadian developmental culture in the 1850's - in its fusion of economic with political decision-making, its reliance on British capital, its fiscal consequences for the Canadian state, and, not least, in its failure. More than any other major project it revealed the extent to which the railway programme had become the vehicle for the financial preoccupations and ambitions of Francis Hincks. Finally, the ease with which its original dimensions were expanded in 1852-53 demonstrated the excessive ambition and careless optimism characteristic of Laurentianism and rapid economic growth.

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CHAPTER III

Laurentianism

An examination of development in Canada in the 1850's must consider, first and foremost, the idea and the reality of Laurentianism. When members of the developmental elite spoke, wrote, or, more significantly, legislated about economic growth, they most often did so within the parameters and possibilities suggested by the St. Lawrence River - Great Lakes transportation system. As Donald Creighton noted long ago, the great river both "fired the ambitions and formed the policies of men."¹ The primary ambition of the 1850's, as it had been during the previous decades, was the capture by the Canadian trade route of the traffic between what were then the western United States and the eastern states and Great Britain and Europe. The policies adopted, like the goals, were not new - infrastructural improvements intended to ensure the victory of the St. Lawrence corridor over its American rivals.

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¹D. Creighton, "Conservatism and National Unity", in R. Flenley, ed., Essays in Canadian History (Toronto, 1939), p. 115.

Behind those ambitions and policies lay a variety of images, assumptions, and arguments which explained and supported this dominant strategy of development. In one sense, this body of perceptions and beliefs appears to be an example of what J.M. Bumsted has called "constellations of unsystematic mental equipment".² That is, the Laurentian approach to development lacked the rigour and internal consistency characteristic of rational intellectual constructions. It did, however, have a logic and structure of sorts; its various aspects, ideally, combined to form a coherent and triumphant whole. The power of the resultant vision made harmony of details unimportant and awareness of futility impossible. This disassociation from reality was characteristic of an idea which ultimately was not so much a policy option as it was a national faith.

The failure of Laurentianism to achieve its ends during the years before Confederation was largely the result, as were its earlier defeats, of the superiority of New York over Montreal as a commercial centre and ocean port. Secondly, the development efforts of the 1850's were not concentrated exclusively on the St. Lawrence route. The growing economic power of western Upper Canada and the attraction of American transportation connections acted to undermine the unity of the river system. The thoroughness of the resulting defeat is matched only by the persistence of the Laurentian dream itself, and by the deepness of the imprint which it left on the Canadian developmental culture.

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²J.M. Bumsted, "Canadian Intellectual History and the 'Buzzing Factuality'", Acadiensis, VIII, 1 (Autumn, 1977), p. 115.

The dominant image in the Laurentian outlook, with the exception of that of the river itself, was of the trade possibilities inherent in "the immense and exhaustless resources of the west".³ The products of the American states south and west of the great lakes formed the basis of "the most magnificent trade in the world".⁴ Canadians saw tremendous commercial potential in the "immense carrying trade"⁵ produced by the "wonderful wealth of the Great West".⁶ Moreover, the "enormous traffic"⁷ which would be funnelled through the Canadian route was growing, in the words of the Reverend James Williamson of Queen's University, "with a rapidity unexampled in the history of the world".⁸ The St. Lawrence canals and the major railway projects of the 1850's were intended as channels for "a Commerce to the growth of which it is impossible to assign limits."⁹ In seeking to secure that large and growing trade for their route, Canadians

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³Report of the Toronto Board of Trade, Received and Adopted at the Annual Meeting, February, 1856 (Toronto, 1856), p. 14.

⁴PAC, Buchanan papers, vol. 62, p. 49320, H.B. Willson to G.B. Symes, Quebec Board of Trade, April 13, 1851.

⁵John Boyd, A Summary of Canadian History (Toronto, 1860), p. 112.

⁶Hind, "Future of Western Canada", p. 14.

⁷Canada, Legislative Assembly, Journals, 1852-53, Appendix A. C.D. Archibald to Lord Elgin, June 21, 1851, enclosed with Elgin to Grey, Colonial Office, August 28, 1851.

⁸Rev. J. Williamson, The Inland Seas of North America (Kingston, 1854), p. 6.

⁹Gibbs, Debates, VIII, p. 9, Throne Speech, January 18, 1849. Merritt repeated this claim in 1857, in strikingly similar language, when he spoke of the St. Lawrence leading to "the seat of a commerce to which no limits can be assigned." Merritt, Lecture, p. 4.

were encouraged by western American businessmen resentful of the metropolitan power of New York.¹⁰ William Bross of Chicago encouraged the Toronto Board of Trade to press ahead with a canal linking Georgian Bay and Lake Ontario by arguing that the growth of the commerce of the upper lakes was "one of the most astonishing facts in the commercial history of the world, and forms an index by which we may judge what is likely to be its history hereafter."¹¹

The essential corollary to this image of a burgeoning trade, and itself a central aspect of Laurentianism since the days of New France, was the fact of American competition for control of the interior. Western products, as A.T. Galt noted, were a "prize to be contended for."¹² American canals and American railways - American enterprise generally - were seen as skilled and determined rivals in the battle for control of western trade. As

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¹⁰S. McKee, "Canada's Bid for the Traffic of the Middle West, 1849-74", C.H.A., Report, 1940, p. 27.

¹¹Report of the Toronto Board of Trade...1856, pp. 16-17; McKee, "Canada's Bid", p. 28, notes that Americans like Bross "seemed to be literally spellbound by the evidence of their astonishing growth." Canadians too came under that spell, as in the comment that the growth in the trade of the American North West was "a fact so astonishing that we are prepared to accept, without incredulity, the most startling speculations." (Appendix to the Annual Report of the Commissioner of Public Works, 1851, as quoted in Canadian Merchants' Magazine, vol. 2, #1 (October, 1857), p. 55. Such perceptions were accurate enough, even if they were couched in the hyperbole of boosterism. American scholars have suggested that "the continuing existence of a moving frontier and the maturing of regions rich in natural resources were factors which dominated American growth trends for much of the nineteenth century." (A. Johnson and B. Supple, Boston Capitalists and Western Railroads, A Study in the Nineteenth Century Railroad Investment Process (Cambridge, Mass., 1967), p. 2).

¹²A.T. Galt, Canada, 1849-1859 (London, 1860), p. 22.

one British visitor saw it, the "great inner world" of the lower lakes brought together "the everactive United States" and their "more youthful competitor", Upper Canada.¹³

In considering their chances in that competition, the promoters of Canadian transportation improvements looked, as ever, to geography, and were convinced thereby of the superiority and eventual victory of their system. The basis of this optimism was an unshakeable faith in the "natural advantages conferred upon Canada by the St. Lawrence River and the Great Lakes".¹⁴ The essence of that advantage was the shorter route which the river system provided between the "capital and skill" of the "consuming" East and the "rude industry" of the "producing" West.¹⁵ This latter factor - the "incomparable weapon"¹⁶ which gave Canada "natural superiority"¹⁷ over the United States - bulks so large in the developmental vision of the period that it would be difficult to overstress its importance. The "unrivalled" quality of the Canadian route "must be evident", wrote J.C. Taché in his contribution to Canada's appearance at the Paris Universal

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¹³Chamberlin, Things as they are in America, p. 97.

¹⁴William McDougall, Information for Immigrant Settlers, (Quebec 1864), p. 6.

¹⁵Hind, "Future of Western Canada", p. 33.

¹⁶T.C. Keefer, The Canals of Canada, (Toronto and Montreal, 1850), p. 108.

¹⁷W.H. Merritt, Letters, Addressed to the Inhabitants of the Niagara District, on Free Trade, etc., (Niagara, 1847), p. 32.

Exhibition of 1855.¹⁸ The Erie Canal, which H.B. Willson described as a "mere ditch" in comparison to the St. Lawrence¹⁹, had been "made little by progress". The Canadian river, by contrast, only required "an enormous use to test its greatness".²⁰ This "mighty and unexampled highway"²¹ provided Canada with the "natural outlet" to the Atlantic via the shortest and cheapest route from the interior of the continent.²²

This perception of the St. Lawrence route as a "natural" one (even if improved by canals and augmented by railways) formed an important part of the strategy based on "international" (as opposed to purely British North American) aspirations. As the journalist John Sheridan Hogan explained it,

the experience of America in relation to public improvements proves beyond perhaps the experience of any other part of the world, the fact, that the speediest, [most] convenient, and cheap[est] routes from one great source to another will in the end be adopted."²³

The tendency of trade to flow "in spite of all restraints... through the most natural and facile channel" clearly favoured the St. Lawrence.²⁴ Its shorter length and cheaper costs made the

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¹⁸Canada at the Universal Exhibition, p. 162. McDougall used similar language in describing the river-lakes system as "a means of communication of surpassing extent and unrivalled excellence", Information, p. 5.

¹⁹PAC, Buchanan papers, Willson to Symes, op. cit.

²⁰Hogan, Canada, p. 83.

²¹PAC, MG 24 I 8 (Macdonell papers), vol. 40, p. 295, n.d. Allan Macdonell, draft of speech or pamphlet.

²²Morris, Canada and her Resources, p. 80.

²³Hogan, Canada, p. 82.

²⁴Journals, 1852-53, Appendix A, Archibald to Elgin, op. cit.

Canadian river the "natural channel to the ocean" for both American and Canadian products²⁵, and the "natural laws that govern trade"²⁶ would therefore insure its success, once the river "had been brought up to the requisite level of technological sophistication. Initially, this had been the hope held out for the canals. Chiding Canadians for their flirtation with annexation, Lord Grey had predicted that the newly improved route (aided by the lower shipping costs resulting from the repeal of the Navigation Laws) would gradually win traffic away from the American channels. Trade might take some time to settle into the new channel thus created for it, "but it is not the less certain that in a little time it never fails to do so."²⁷

Once the technological ante had again been raised by the competition of American railways, the same argument appeared in a new guise. The construction of railways in aid of the Canadian system would inevitably "change entirely the channel of trade" and produce "an entire change in the Commerce and Travel of the Great

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²⁵Galt, Canada, p. 21.

²⁶R.G. Benedict, The Great Southern Railway of Canada, (Quebec, 1855). p. 6. As Benedict's use of the phrase indicates, the image of the St. Lawrence as a "natural" route was capable of extension to railways which had nothing to do with the river. It was, of course, applied to those lines, real and projected, which did connect with the Canadian water route. Claiming that his line would make Hamilton the "great reservoir" of the east-west trade, H.B. Willson warned against futile "attempts to force trade out of the natural and shortest routes", which "always end in the ruin of those who make them...." (H.B. Willson, Hamilton and Southwestern Railway, p. 9).

²⁷PAC, Elgin papers, file 3, n.p., Grey to Elgin, November 30, 1849.

West."²⁸ Virtually all the major Canadian railways drew on this imagery of natural channels of trade connecting east and west. The "single geographic fact" of western Canada having the form of a wedge "penetrating among the Southern states of the Lake region" secured to the northern route "a large share of the traffic between these States and the East"²⁹, and none of the major railway projects failed to claim that traffic for itself. MacNab's Great Western was sure to be "the great thoroughfare between East and West"³⁰, while Buchanan's Southern project, if but amalgamated with Ross' Grand Trunk would "at once bring all the American railways east and west to our feet."³¹ Macdonald described the Grand Trunk as "the avenue by which the whole West is connected with the whole East"³², and the Buffalo and Lake Huron was declared to be "of all others the best and shortest route between the east and west."³³

In addition to arguments from the natural (and assisted) superiority of their route, Canadian developers relied as well,

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²⁸[Casimir Gzowski, John Young], Report of the Committee on the Montreal and Kingston section of the Canada Grand Trunk Railway (Montreal, 1851), pp. 11-12; Gibbs, Debates, VII, p. 610 Second Report of the Railway Committee, March 22, 1848, quoting A.C. Morton, chief engineer on the St. Lawrence and Atlantic Railway.

²⁹Hind, "Future of Western Canada", p. 35.

³⁰PAC, Buchanan papers, vol. 26, p. 21942, John Fisk (Tanawanda Railway) to Buchanan, February 14, 1846.

³¹Ibid., vol. 52, p. 42406, Buchanan to Ross, August 19, 1859.

³²Macdonald, Address, p. 67.

³³Quoted in J. Talman, "The Development of the Railway Network of Southwestern Ontario" Canadian Historical Association, Report, 1953, p. 58.

although less frequently, on two other approaches, neither of which harmonized particularly well with their main tack. The first was especially useful when employed in conjunction with the image of very real and dangerous American competition. Instead of stressing the virtually providential nature of Canadian geography, that "natural advantage enjoyed by no other part of the World"³⁴, this approach laid emphasis on Canadians being first in the field with their railways, since trade, "once diverted, cannot easily be recalled."³⁵ That slogan might well have served as the epitaph for the developmental efforts of the 1850's, since the essence of the struggle in which Canadians were involved was not an equal competition with American routes for the carriage of as-yet-untapped trade, but rather an attempt to "divert" trade from the already-established pull of New York. As the backers of Toronto's abortive attempt to reach out to the prairies correctly pointed out, "it is no difficult matter to open a new channel for a new trade, but it is very difficult to change one that is already established."³⁶

The other lesser approach by which support for Canadian transportation projects was sought was one which was employed most naturally with the "burgeoning mid-West" image. With an excess of optimism and boosterism remarkable even in the context of the

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³⁴PAC, Merritt papers, vol. 24, p. 4078, Merritt to John Strachan, April 9, 1850.

³⁵Report of the Committee on the Montreal and Kingston, p. 15.

³⁶[Allan Macdonell], The North West Transportation Company, Its Purposes and Objects (Toronto, 1857), p. 34. See below, pp. 145-47, for a discussion of New York's prior advantages over Montreal.

1850's, this view simply transcended particular arguments as to natural superiority or successful enterprise and looked to "the overflowing of that vast western trade" to fill all existing routes.³⁷ Given the unprecedented growth of those regions contiguous to the Laurentian system, "every way of communication to the East and the seaboard will be loaded...."³⁸ American experience, it was claimed, had demonstrated that "all improvements and channels of business and traffic connected with the Western country and the Lakes...[had] far outstripped the most sanguine expectations."³⁹

This last argument departed, in one very important sense, from a truly Laurentian approach. The essence of that outlook was the rivalry of Canadian and American drainage basins, and in predicting, in effect, a victory for both sides, it clearly stepped outside of the classic Laurentian character. In another regard, however, the image of a "plethora of traffic"⁴⁰ filling

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³⁷Keefer, Canals, p. 108.

³⁸Williamson, Inland Seas, p. 41. For other examples of this argument, see Hind, "Future of Western Canada", p. 34; G.E. Boyce, Canada's Interest in the Northwest, 1856-60, (M.A. thesis, University of Manitoba, 1960), p. 46, (quoting Allan Macdonell before the Toronto Board of Trade); PAC, MG 24 I 106 (Keefer papers), p. 33, Samuel Keefer to Merritt, November 22, 1852 (reporting in his official capacity as Chief Engineer of Public Works, on the Niagara Suspension Bridge); and Canada, Legislative Assembly, Journals, 1849, Appendix N (report on the Halifax and Quebec Railway, August 31, 1848, enclosed in Grey to Elgin, November 17, 1848).

³⁹Gibbs, Debates, VII, p. 610, Second Report of the Railway Committee, March 22, 1848, quoting L. Clarke (New York) to Allan MacNab, March, 1848.

⁴⁰Canadian Merchants' Magazine, vol. 2, #1 (Oct., 1857), quoting T.C. Clarke, C.E., from the Appendix to the Report of the Commissioner of Public Works, 1851.

all available channels, being quintessentially "boom-ish", is very characteristic of the hyperbole which pervaded discussions of Canadian developmental prospects during the 1850's.

The heady atmosphere of the years of the railway boom must be held at least partially responsible for the excessive optimism which fills the literature of development and Laurentianism, but, in addition, such extremes were typical of the age. The Victorian frame of mind, as Walter Houghton has demonstrated, was marked by both a "vulgar enthusiasm for sheer size and quantity" and a taste for the "bland statement of possibilities as certainties and theories as facts."⁴¹ Typical of the latter is the assurance that "a few months on this continent will teach you that 'to contemplate' in such matters [railways] signifies 'to construct'".⁴²

The most common form which this propensity took was the prediction of enormous profits for projected railways. W.H. Merritt's Welland Railway was pushed at prospective English investors with the modest estimate that "when in full operation, it must prove the best railway stock in America."⁴³ An early

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⁴¹Houghton, Victorian Frame of Mind, p. 40, p. 137. No discussion of the hyperbolic would be complete without some reference to the wonderful speech made in 1856 by Joseph Hartman, Warden of the Counties of York and Peel, in which he proclaimed the proposed canal linking Georgian Bay and Lake Ontario to be "one of the most important undertakings that was ever in the country or in the world. He was satisfied that there was no canal in existence, or proposed, likely to do the amount of good which this one would...the whole of that vast...country west of Lake Michigan must come this way, and they could not estimate the wealth and resources of this far west...[the canal] will make the whole of the country one continuous city along its route." (Report of the Toronto Board of Trade...1856, p. 26).

⁴²Hind, "Future of Western Canada", p. 34.

⁴³PAC, Merritt papers, vol. 27, p.4786, Merritt to W.H. Merritt, jr., Sept. 2, 1858.

version of the "Southern Railway" idea, the Niagara and Detroit Rivers, was offered to Baring Brothers and Company as "the most profitable investment of any road in America", and likely to pay "at least" a ten per cent profit.⁴⁴ The Great Western, which unlike the Niagara and Detroit Rivers was actually built, was variously predicted to be "equal in value to any Railway Stock in America", or "the best-paying road on this continent".⁴⁵ Galt's St. Lawrence and Atlantic could not fail to be "one of the most profitable Roads yet commenced", while the traffic anticipated for Toronto's Northern Railroad "placed the certainty of a large profit to the Shareholders beyond all doubt."⁴⁶ Last, but by no means least, was the GTR, which confidently predicted (on the basis of the flimsiest of calculations) an annual profit of nearly 11 & 1/2%.^{47*}

The taste for "sheer size and quantity" manifested itself in a profusion of statistics demonstrating Canadian growth. Needless to say the extent of Canada's geography was a natural field of

*Such boosting was of course a staple feature of railway rhetoric, both before and after construction. In the former case it was most often done in engineer's reports designed to drum up enthusiasm and investment. Commenting on one such effort, the Globe (May 27, 1852) sounded a rare note of caution in its observation that the engineer's glowing report "may be perfectly right in this case, but did any one ever hear of engineers reporting unfavourably?"

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⁴⁴PAC, Baring Brothers papers, vol. 1, p. 92, Merritt to F. Ward, July 24, 1845.

⁴⁵Canada West, Great Western Railroad, (Hamilton, 1845), p. 10; Gilkison, Great Western Railroad, n.p.

⁴⁶Gibbs, Debates, VII, p. 610, op.cit.; PAC, Baring Brothers papers, vol. I, p. 394, n.d., prospectus of the Ontario, Simcoe and Huron Union Railroad.

⁴⁷Grand Trunk Railway, Prospectus (London, 1853), p. 3. See below, ch. VII, pp. 384-88 for a fuller discussion of the claims originally made for the Grand Trunk.

application for this tendency, but the dominant mode of expression was numerical comparisons of Canadian and American growth.

"Statistics", said Hogan, "are the milestones on [Canada's] road to prosperity"⁴⁸, and the tendency to measure national prosperity relative to the neighbouring republic was explored in every conceivable direction. The "pulse of national health and progress"⁴⁹ was checked in population growth (both nationally and in major urban centres), wheat production (overall and per capita), and imports and exports per capita.⁵⁰ Canadian progress, although "less ostentatious and vaunted", was clearly "susceptible, notwithstanding, of no unfavourable comparison with that of the adjoining republic."⁵¹

The glowing optimism of the literature of progress and promotion which elaborated the Laurentian vision was only the

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⁴⁸Hogan, Canada, p. 43.

⁴⁹"Educational Progress in Upper Canada, 1842 to 1853", in Maclear and Co.'s Canadian Almanac for the Year 1855, p. 74.

⁵⁰See Elgin, Conditions and Prospects of Canada, p. 66; Taché, A Sketch of Canada, p. 120; Hogan, Canada, pp. 37, 43, 44, 59 and 60; Morris, Canada, p. 61; and The Canadian Journal, ser. 1, vol. 2, (Sept., 1853), p. 21. As later commentators have observed, "Statistics of foreign trade are popularly regarded as among the most important indexes of a country's progress and well-being, and in a country like Canada this popular instinct is unusually sound." (Taylor and Michell, Statistical Contributions, vol. 2, p. 1).

⁵¹Elgin, Conditions and Prospects, p. 74.

background against which the harder realities of Canadian development were played out. Those realities related primarily to the relationship between canals and railways, and to the way in which the developmental aspirations and strategies of an important part of the province failed to harmonize with the classic Laurentianism of Montreal.

The extent to which canals were overshadowed by the new technology during the 1850's obscured both their continuing practical importance, and the way in which they had once borne similar high hopes. As with the railways which followed them, their object had been the trade of the growing American west:

All the Western World which is to be inhabited by its tens of millions of industrious peoples, is very much inclined to get on Lake Erie; and once there, it will show a great want of enterprise in the people of the two Canadas, if they do not compete for this great prize - they can do it, and will do it successfully... The New York Canals can never accommodate that World, even with all the auxiliary railroads which can be made. I may be enthusiastic in my views - I think I am not; and that Canada ought to be up and doing.⁵²

It was further claimed that once the "superior cheapness... and... much greater rapidity"⁵³ which the improved Canadian route

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⁵²Benjamin Wright to W.B. Robinson, October, 1833, quoted in W.H. Merritt, A Brief Review of the Origins, Progress, Present State, and Future Prospects of the Welland Canal, (St. Catharines, 1852), p. 11.

⁵³Minute Books, I, p. 406, Francis Hincks' memorandum on colonization and public works, December 20, 1848.

would offer began to have their inevitable affect on trade, Canada would be enabled

not merely to rival but to surpass the enterprising and active people of the neighbouring states, and to create amongst the inhabitants a corresponding degree of commercial greatness and prosperity.⁵⁴

Unfortunately, Canadian developers and their state were not unlike the French armies of 1914 and 1939 - always one war behind in their planning. Just when the long-awaited Laurentian water route was completed, it became apparent that the enemy was no longer just the Erie Canal but a growing American railway system, reaching out to tap the western regions of both the United States and Canada. The effect of those railways, as Galt pointed out, was to keep trade in its already established (that is, American) channels. This challenge to the Canadian investment in the northern canals "could only be met by similar efforts on the part of Canada."⁵⁵ The construction of railways to meet this higher level of competition thus became "an indispensable measure of self-preservation"⁵⁶ - all the more so as the spreading network of southern lines threatened not only the Canadian attempt to lure American traffic, but also the hold of the northern route on its own Upper Canadian hinterland.⁵⁷

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⁵⁴Minute Books, H, p. 460, May 12, 1848.

⁵⁵Galt, Canada, p. 23. This "self-defence" explanation of Canadian railway development was repeated by both foreign and Canadian writers. See S.P. Day, English America (2 vols., London, 1864), vol. 2, pp. 280-81, and Boyd, Summary of Canadian History, pp. 113-14.

⁵⁶Kohl, Travels in Canada, vol. 2, pp. 345-46.

⁵⁷Galt, Canada, p. 25.

The first such railway was the St. Lawrence and Atlantic (SLA) which connected Montreal, via Richmond in the Eastern Townships, with the Vermont border, where a sister line, the Atlantic and St. Lawrence (ASL), carried on to Portland, Maine. Although not originally conceived by Montrealers, let alone as an explicitly Laurentian project,⁵⁸ the SLA eventually came to fill precisely that role. The line's 1845 prospectus argued that it should be considered "as the completion of ... Canadian efforts to obtain the trade of the West."⁵⁹ The Laurentian element was stressed again in a petition for government aid in 1849, in which the road was described as "the link necessary to complete the chain of continuous communication by the Provincial Canals to

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⁵⁸The SLA originated in the metropolitan impulses of Boston and Portland. The former city, looking for a way to outflank New York City in the race to tap western trade, made the initial proposal for a rail connection with Montreal in 1843 (Skelton, Galt, p. 17). For Montreal, however, the object was to connect with an ice-free port while remaining independent of it (G. Tulchinsky, The River Barons, Montreal Businessmen and the Growth of Industry and Transportation (Toronto, 1977), p. 235), and this was unlikely, given the greater economic strength of Boston. The idea was then taken up by the Portland, Maine, promoter John Poor. His salesmanship, combined with the interest of Eastern Townships businessmen like Galt (and his British American Land Co.), and the threat posed to Laurentian trade by the American Drawback Act of 1845 convinced Montreal's traders of the necessity of action, and the line was chartered in March, 1845 (Skelton, Galt, pp. 18-19).

⁵⁹Skelton, Galt, p. 20. As one Toronto newspaper observed the following year, "the construction of this railroad seems to be regarded in Montreal as a question of life or death... the battleground upon which the fight for the trade of Upper Canada and the Western states is to be fought... it seems to be taken for granted that the trade of the West will flow in that direction, if the Railroad be completed...." (G.P. de T. Glazebrook), A History of Transportation in Canada (2 vols., Toronto, 1966), p. 161, quoting the Examiner, 1846).

compete successfully for the carrying trade of the West."⁶⁰ This suggestion quickly became the basis for the road's claim to national importance, and of its requests for public aid. As MacNab said in supporting that claim, the effect of the SLA would be to "draw a great deal of produce down our public improvements on the river St. Lawrence".⁶¹

It is significant to note that MacNab's reference to the SLA centred not on "produce" reaching Montreal, but rather on its use of the recently-completed "public improvements". In this he was giving voice to one of the basic considerations which motivated the railway programme in the years before the advent of a trunk line - that certain railways would reinforce the St. Lawrence canals, increase the revenue derived therefrom, and so ease the financial condition of the state, which was weak in the latter years of the 1840's⁶². As Hincks noted, Canada was

deeply interested in the success of Railway enterprise, as the productiveness of the public works must in a great measure depend on the products of the West being carried to the Seaboard by the St. Lawrence route.⁶³

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⁶⁰Gibbs, *Debates*, VIII, part i, p. 697. In Hincks' words, the Montreal-Portland line would be the avenue by which "a large quantity of the products of the West would find their way into the States." (*Ibid.*, part iii, p. 1825).

⁶¹Gibbs, *Debates*, VIII, part iii, p. 1828, April 11, 1849. MacNab was speaking in support of Hincks' resolutions on aid to railways. The engineer of the St. Lawrence and Atlantic, A.C. Morton, made the same point before the Railway Committee, arguing that such a line would "add vastly the business of the Public Works of the country...." (*Ibid.*, VII, 610, *op.cit.*)

⁶²See below, chapter IV, pp. 173-78 for a discussion of that situation.

⁶³Minute Books, J, p. 37, Hincks' memorandum on aid to railways, April 4, 1849.

What the Inspector-General meant by "productiveness" is plain from his earlier comment that the canals would already have yielded "a considerable revenue" but for the dismantling of the old "Colonial System", and that once completed, they would yet produce a revenue so great that the entire public debt would be repaid, the expenses of the government would be carried by the canal tolls, and that Canada would then be able to remove all import duties.⁶⁴ That this consideration of the revenue to be derived from canals was as much an object of government policy as the introduction of railways for their own sake is clear in another of Hincks' observations. Commenting on a plan to link the St. Lawrence and Lake Champlain by a canal, he argued that

its importance would be very great, like the Portland Rail Road, it would open an immense Market for western Produce, all of which would pass through the Provincial Canals.⁶⁵

Such considerations were to be expected, given the fiscal situation of the day, but they are also an early indication of the way in which the fiscal and transportation policies of the Canadian state could become so linked as to be virtually indistinguishable from one another - with railways supporting canals, canals producing revenue, and revenue permitting the construction of railways. Each of these connections was logical in itself, but when they are united, the distinction between means and ends becomes blurred. Such fuzzy thinking was also evident in 1851⁶⁶ with the advent of planning for a Canadian trunk line,

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⁶⁴Minute Books, I, p. 406, op.cit.

⁶⁵Ibid., p. 413.

running parallel to river and lake, and joining Montreal and Hamilton.

While such a road would make the St. Lawrence corridor a year-round route, the precise nature of its relationship to the waterway was but poorly explored. The backers of the Montreal to Kingston portion of the trunk line contented themselves with the vague assertion that their railway would "perfect the advantages of the magnificent navigation of the St. Lawrence, by ensuring constant and easy communication"⁶⁶, while Galt, later in the decade, concluded that canals and railways were "mutually sustaining each other."⁶⁷ Hincks, for his part, returned to the reassuring image of "overflowing trade" in assuring Baring Brothers that "the western trade is increasing with such rapidity that there is employment for both...."⁶⁸

Such easy confidence overlooked the fact that, during the navigation season, railways and the waterway in the Hamilton-Montreal corridor would be in competition with each other for traffic. The bulk of that traffic would consist of grain bound for Europe, grain which could be transported from Toronto to Montreal on the water at \$2.50 - \$3.00/ton, while the railway charged \$3.50/ton.⁶⁹ Hincks himself had noted this relationship, admitting that "for bulky

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⁶⁶Report of the Committee on the Montreal and Kingston, p. 12.

⁶⁷Galt, Canada, p. 25.

⁶⁸PAC, Baring Brothers papers, vol. 1, p. 519, Hincks to Baring Brothers, May 19, 1852.

⁶⁹S.J. Maclean, "National Highways Overland", in A. Shortt, ed., Canada and its Provinces, X, Industrial Development (Toronto, 1913), p. 413.

and cheap goods the canal will always be preferred."⁷⁰ The point was raised as well in the debates on the Grand Trunk charter which occupied the Assembly for much of the fall sitting of 1852. John Rose, in arguing for the location of the line in the back townships removed from the river, reminded the members that "for the transportation of freight", the improved St. Lawrence "must in all time to come be far superior to a Railway."⁷¹

This realization, which amounted in effect to the knowledge that a Canadian trunk railway was even less likely to attract American grain than the canals it was designed to assist in that goal, failed to break through the twin mystiques of the river and the railway, and their attendant mood of over-optimism. A more specific reason for the absence of caution, and the second of the "harder realities" referred to above, was that railway development in Canada, while very much a tool of "national" policy, was more specifically the expression of particular (and divergent) metropolitan urges - the most significant being those of Montreal, Toronto, and Hamilton.

The commercial elite of Canada's original metropolis had watched uneasily as their Upper Canadian hinterland had come under the sway of New York. The Erie Canal (1825), and its Oswego feeder (1828), had given Upper Canadian merchants and their farmer customers an alternative route to the sea, and an alternative ocean port, New York. The St. Lawrence canals were a case of "too

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⁷⁰PAC, Baring Brothers papers, vol. 1, p. 519, Hincks to Baring Brothers, op.cit.

⁷¹Gibbs, Debates, XI, p. 1251, October 27, 1852.

little, too late", especially when the American route was reinforced by railways in the 1840's. The result, as the Government noted in 1848, was that Montreal, "which [had] supplied the whole western country [was] being deserted by the Western Merchants."⁷² The response of the Montreal mercantile community was, first of all, the St. Lawrence and Atlantic, and then the Grand Trunk:

Looking at the geographic position of Canada, and the exertions which have been made, and are making, by the enterprising inhabitants of the neighbouring States, to divert trade and travel from the St. Lawrence, at points above all our Public Works, your committee believe that the time has come to construct...a Grand Trunk line of railway.⁷³

The Montreal traders were aided in their endeavour to sell the concept of a trunk line by Keefer, whose earlier Philosophy of Railroads had done so much to establish the general utility of the new technology. Called on by the promoters of Toronto's Northern Railway to produce an analysis of the situation favourable to their plans, Keefer responded with a letter which, while dutifully concluding with support for the idea of a northern line, first considered larger projects. Noting that the Great Western would

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⁷²Minute Books, H, p. 464, May 12, 1848.

⁷³~~Report of the Committee on the Montreal and Kingston, p. 11-12.~~
~~If built as originally envisaged, the Grand Trunk would have~~
connected Montreal with Toronto, leaving only the short distance between that city and Hamilton to be filled to complete a Canadian through line stretching from Windsor to Montreal and Portland. This was ambitious enough in itself, but in the frenzied atmosphere of the early 1850's such relative restraint in planning was impossible in practice, and the Grand Trunk, for a variety of reasons, ended up with a western extension to Sarnia from Toronto which duplicated the strategic intent of the GWR to Hamilton.

draw American traffic as far as Hamilton, he explicitly urged Toronto to cooperate with Montreal

in tapping this western stream at Hamilton and securing a portion of it for this main line through Canada, instead of allowing it (along with all Canadian exports west and north of Hamilton) to pass over the Niagara river to Albany.⁷⁴

Such a course would funnel American exports through Toronto, whereas a connection with the Niagara River would leave Toronto as "the head of navigation", without any entrepôt role to play.⁷⁵

This latter status was precisely the goal of Toronto's business elite. Strictly speaking, the entrepôt function itself was the primary aim, and whether it was between the west and Montreal or the west and New York was of lesser importance,⁷⁶ but a past history of commercial subservience to Montreal induced Toronto to favour the American metropolis, with which it had been building its connections since the Oswego feeder had freed it of a dependence on the Saint Lawrence.⁷⁷

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⁷⁴Toronto, Simcoe and Huron Union Railroad, p. 4. Keefer's comments reveal that the Grand Trunk, like the canals before it, needed more than just Canadian traffic to be successful. (Easterbrook and Aitken, Canadian Economic History, p. 301.)

⁷⁵Ibid., p. 5.

⁷⁶McCalla, "Commercial Politics of the Toronto Board of Trade", p. 55.

⁷⁷Jacob Spelt, Urban Development in South-Central Ontario (Toronto, 1972) p. 85. The preference for New York was clearly evident in the Toronto Board of Trade's angry reaction to Galt's attempt, in 1860, to tilt the balance in Montreal's favour via differential duties. (Masters, Rise of Toronto, p. 58.) The jealous guarding of a metropolitan prerogative emerged as well when delegates gathered in Toronto for a convention to discuss a Toronto-Georgian Bay Canal. When a delegate from Oswego suggested that a subsequent meeting be held in Montreal or Quebec, he was told that "Toronto must be the headquarters of this agitation." (Report of the Toronto Board of Trade...1856, p. 21.) The desire to be freed of subservient relationships

It is in the case of Hamilton and the GWR that the contradictions forced onto the Canadian railway system by the geographical position and growing ambitions of western Upper Canada are most clearly evident. With connections at Hamilton and Niagara Falls, to both the Canadian and American transportation systems, the GWR was in a position to serve either or both of the Canadian and American through routes. Actually the connection with Hamilton merely reflected the project's origins in the ambitions of the business elite of that city, and had little to do with funnelling trade towards the St. Lawrence. The GWR was for all intents and purposes a connecting link, on Canadian territory, in an American railway system stretching from Michigan to New York. While the connection with Burlington Bay made a Laurentian role plausible, statements by the company's board left little doubt as to their primary purpose. In their first piece of promotional literature they bowed in the Laurentian direction by noting that their road would "admit hereafter of an extension down the north shore of Lake Ontario to Toronto, and even to Montreal", but quickly stressed that

at the same time [the Board] considers that, in order to make railways profitable in Canada West at present, [they] must be laid down so as to connect with American railways....⁷⁸

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⁷⁷(cont.) which characterized the attitude of Toronto businessmen to Montreal was evident as well, and with more practical effect, in the Queen City's relationship to Hamilton. Toronto's "own" railway, the Northern, offered little in the way of participation in the primary east-west flow of economic life, and Toronto was determined to participate in such a line, when it was built, in a manner independent of Hamilton and the GWR. The result was the extension of the Grand Trunk to Sarnia. See below, p. 152, and ch. VI, pp. 362-72.

⁷⁸Canada West, Great Western Railroad (Hamilton, 1845), pp. 8-9.

Similarly, the prospectus issued in London in May of 1851, after the requisite mention of the GWR's potential as a section of a Canadian trunk line, asserted that

the principal feature, however, of the GREAT WESTERN RAILWAY OF CANADA, as a HIGHLY REMUNERATIVE COMMERCIAL ENTERPRISE - consists in its uniting this character of a main artery for the local and provincial traffic of Canada with that of a COMPLETING LINK in the great system of THROUGH COMMUNICATION between the [western states] on the one hand, and the [eastern states] on the other...

Once built, the line would thus become "the high road for the traffic of the Western states with the Atlantic. No competing line can be made to divert this traffic."⁷⁹

The 1851 prospectus was unusually frank as to the expectations held out for the Hamilton railway, and serves to put into proper perspective the various ritual claims which were made as to the line's role as a Laurentian feeder.⁸⁰ Such protestations should not have served to cover up the GWR's true nature; that they did is a reflection of the fact that before the appearance of the GTR, the important thing about the GWR was not

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⁷⁹PAC, MG 24 D80 (John Young papers), vol. 1, file 3, prospectus of the Great Western Railroad Co., London, April 1851.

⁸⁰For example, John Young's claim that "the passengers and freight must all pass over the head of Burlington Bay in this city where every facility will be afforded to carry them down Lake Ontario and the St. Lawrence canals." (PAC, Young papers, vol. 4, p. 6, Young to R.S. Atcheson, January 14, 1851.) See also PAC, Buchanan papers, vol. 31, p. 25776, R.W. Harris to Francis Hincks, August 10, 1849, in which Harris mentioned the possibility of grain being trans-shipped at Hamilton onto Lake Ontario boats. As the Canadian Journal observed, the GWR would pass most of its traffic over "the Niagara to the U.S. but "still, it must, to a certain extent, be a feeder to the Grand Trunk." (Canadian Journal, series I, vol. 1, #1, (December, 1852), p. 100. Emphasis added).

the degree to which it fulfilled Laurentian expectations, but rather the fact that it was a railway with a very good chance of being built, and this precisely because of its American character, the backers of connecting American lines having made clear their interest and willingness to secure investment.⁸¹

Another essentially American road in western Upper Canada was the Southern Railway, which, unlike the GWR, was not connected with the metropolitan impulse of any major centre; its "American" character was therefore freely expressed in an "air line" designed to link Amherstburg and Buffalo. If the GWR is the best expression of the increasingly limited meaning of Laurentianism the farther west one went from Montreal, then the Southern epitomizes its utter irrelevance in the peninsula of Upper Canada. Although not built until after Confederation, the oft-projected Southern is also a testimony to the consistent ability of businessmen in western Upper Canada to appreciate the realities of the economic situation, and specifically the fact that New York was in a strong position to win the struggle with Montreal, and that consequently the Southern road was likely to be a paying proposition.

That the attraction of the Southern was powerful may be seen in the fact that in 1845 no less a figure than William Hamilton Merritt, consistent promoter of the Laurentian ideal, tried to

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⁸¹Their support was made plain in two pamphlets published in 1851. Report upon the Merits of the Great Western Railway, Canada West, by a Committee of its American Friends (Boston, 1851), and An Appeal to the Citizens of Michigan showing the Necessity of the Early Completion of the Great Western Railway (Detroit, 1851).

interest British investors in a Southern project called the Niagara and Detroit Rivers Railroad (NDR). Writing to Baring Brothers and Company in London, he claimed that

As a Provincial work, it stands unrivalled, setting aside utility and profit - it is the only line which can successfully... draw the travelling through Canada without which it will pass around us.⁸²

Five years later, the ability of Canadian developers to divorce themselves from true Laurentian considerations and promote enterprises which were attractive on business rather than national grounds was demonstrated again when Francis Hincks attempted to charter an NDR company. The spectacle of the father of the province's railway programme publicly identifying himself with a project which was completely antithetical in its purpose to the main thrust of that programme was startling only in the stature of its central figure,⁸³ for Hincks' effort was simply the last instance of an annual Parliamentary exercise. In each year from 1847, the backers of the NDR applied for a charter, and the GWR attempted to prevent one being granted.⁸⁴ That the Great Western

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⁸²PAC, Baring Brothers & Co. papers, vol. 1, p. 116, November 6, 1845.

⁸³Hincks' involvement was presumably rooted in his private capacity as a businessman attracted by the NDR's potential, and his public capacity as the member for Oxford, through which riding the railway would pass. Beyond this, and to give him the benefit of the doubt on the Laurentian question, one must assume that Hincks did consider the "national" factor, and acted on the belief that a "plethora of traffic" would fill all lines. His explanation on introducing the charter to the House referred only to his "public" motives (Gibbs, Debates, IX, part i, p. 534.

⁸⁴Nothing more accurately reveals the essentially American character of the Great Western than the vigour which the Hamilton company brought to its fight against the purely American NDR.

was consistently successful in using the NDR's "American" character to prevent a charter being granted is a classic example of the strength which Laurentianism possessed as the "official" goal of development policy, and consequent standard against which would-be railways were assessed. The use of the Laurentian or national argument is also, of course, a prime case of the hypocrisy of which the Hamilton line's backers were capable.

Despite its fatal weakness on national grounds, a Southern through line made sufficient sense economically that its appeal persisted. In 1856, when the Southern was again being discussed, A.T. Galt of the GTR, which line by then was locked in a bitter rivalry with the GWR for supremacy in peninsular Upper Canada, proposed to the latter company that the two roads amalgamate and build the Southern themselves.⁸⁵ Although rejected out of hand, Galt's proposal was of great significance. It indicated again the sheer attractiveness, in business terms, of the Southern idea. More importantly, it demonstrated once more the interlocking of transportation and fiscal policy. As the official Laurentian project, it was absolutely heretical for the Grand Trunk to make such a proposal; as an extremely over-expensive project which was costing the government heavily, and showing few signs of attracting the traffic predicted for it, the GTR was fully prepared to sacrifice its strategic role for the traffic and revenue which it expected the Southern would generate.

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⁸⁵PAC, Buchanan papers, vol. 27, p. 22895, Galt to R.W. Harris, February 28, 1856. See below, Chap. VII, pp. 419-22, for details.

Just as Merritt's 1845 designation of the NDR as a "Provincial work" indicated the looseness with which Laurentian justifications were used in the region west of Toronto, so Galt's proposal ten years latter reaffirmed the way in which the necessary adoption of the principle of state aid to transportation improvements led ultimately to real confusion between means and ends in transportation and fiscal policy.

More generally, what the experience of Upper Canada demonstrated was the diversity of developmental options created by the growing economic strength of the province and the "pull" of American railways. Funnelling trade through Canada meant, for Hamilton, getting it on to the Great Western as far as that city. From there, it could go where it would (although the GWR's own business position would obviously be strongest if the traffic carried on down its rails to Niagara). In any case western trade would flow through Hamilton, but larger economic factors would determine whether the GWR served the Laurentian system fully, partially, or not at all. For Toronto, dreams of commercial empire consisted of getting western trade to the Queen City, from which place its subsequent route might or might not include the upper St. Lawrence and Montreal. For Kingston, the Laurentian vision translated into an entrepôt role for western freight reaching the former capital from the west by water or rail, and connecting via Wolfe Island to American railroads running to Cape Vincent, New York.⁸⁶ For Montreal, the dream, as it ever had

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⁸⁶D.L. McDowall, "Roads and Railways: Kingston's mid-century search for a hinterland", Historic Kingston, #23, (1974); A.L. Johnson, "The Transportation Revolution on Lake Ontario, 1817-67", Ontario History, LXVII, #4 (December, 1975), p. 199.

been, was of a western trade which rolled or sailed all the way down to its warehouses.

Given the many alternative Canadian routes open to American and western Canadian shippers (not to mention the various all-American channels) it is not surprising that the Laurentian dream failed to materialize. Some idea of both the magnitude and the early appearance of that failure may be gleaned from the idea's most consistent prophet, W.H. Merritt. Speaking in the Assembly in August, 1851, he pointed out that of all the vessels clearing the Welland Canal downwards during July 1850, fourteen went to Quebec or Montreal, seventeen went to Ogdensburg, while more than three hundred went to Oswego.⁸⁷

Advances in shipping technology only served to exacerbate the problem. Merritt complained in 1858 that of fifty ships owned in Buffalo, only two could pass through the Welland Canal's locks.⁸⁸ Two years later, D.L. Macpherson was complaining to Galt that the Welland would become a "second Rideau", taking the St. Lawrence canals with it, if it were not enlarged.⁸⁹ Merritt's answer to diminishing traffic, typically enough, was a railway - a short grain portage line, also called the Welland. Where the canal, he claimed, had succeeded in regaining trade diverted by the Erie

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⁸⁷Gibbs, Debate, X, p. 1283, August 8, 1851.. Five years earlier, of the 7.3 million bushels which had passed through the Welland Canal, 5 million bushels had gone to Oswego. Similarly, in the five years between 1856 and 1862, the port of Montreal received only ten per cent of all the grain shipped on the Great Lakes. (J.G. Clark, The Grain Trade in the Old Northwest (Urbana and London, 1966), pp. 112-113).

⁸⁸PAC, Merritt papers, vol. 27, p. 4794. Merritt to Merritt Jr., September 27, 1858

⁸⁹PAC, Galt papers, vol. 7, p. 2514, Macpherson to Galt, April 5, 1860.

canal, the railway, "from the same cause, [could] not fail" to recapture trade since diverted by the New York Central and Erie railways.⁹⁰

While beneficial in some measure in assisting the St. Lawrence route at the Niagara River, the Welland Railway was powerless to alter the fundamental trend in favour of New York. Even when successfully attracted as far as Lake Ontario, trade still favoured, in an overwhelming fashion, the New York route. By 1859 only two per cent of the wheat leaving Toronto went to Montreal; the remainder was shipped via American routes.⁹¹ In the year of Confederation, New York outdrew Montreal by 36.96 million bushels to 5.9 million in grain, and by 2.226 tons to .750 tons in goods.⁹² Even more dismal than the showing of the northern route as a whole was the performance of its primary land component, the Grand Trunk Railway. In 1862, it carried less than seven per cent of the grain and less than thirty-four per cent of the flour which managed to reach Montreal.⁹³

One important reason for New York's thorough victory was its clear superiority over Montreal as an ocean port, the simple basis of which was made clear in an Executive Council memorandum of 1848. The price of shipment for a barrel of flour from Cleveland to Montreal was 2s.9d; the same barrel cost 4s.6d. to get to New

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⁹⁰PAC, Baring Brothers papers, vol. 2, p. 1112, Merritt to Baring Brothers, December 10, 1857.

⁹¹Peter Goheen, "Currents of Change in Toronto, 1850-1900," in Stelter and Artibise, The Canadian City, p. 50.

⁹²Donald Creighton, British North America at Confederation, p. 14.

⁹³Keefer, "Travel and Transportation", pp. 206-14.

York. From New York to Liverpool, however, the cost was 2s.1d., whereas Montreal to Liverpool cost 5s.1d., giving an overall advantage to New York, over the entire Cleveland-Liverpool route, of 1s.3d. Canadians hoped initially that the repeal of the Navigation Laws would lower costs outwards from Montreal by providing a greater volume of shipping.⁹⁴ This appears to have been the case - in 1850 the cost of shipping a barrel of flour to Liverpool had dropped to 3s.1/2d. Unfortunately, the cost from New York had fallen as well, to 1s.3 and 1/2d., and the American port still enjoyed an overall advantage.⁹⁵ The memorandum of 1848 had concluded, quite correctly, that "if the disparity remains as it now exists, all the efforts of Canada will have been unavailing."⁹⁶

An attempt was made to equalize ocean freight rates, in the form of a regular contracted service of steamers to serve Quebec. The government entered into such an arrangement, but neither the original contractor nor his successor lived up to the terms of the agreement in such basic matters as the number, tonnage, and speed of the ships provided, and the service was terminated.⁹⁷

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⁹⁴A. Shortt, "Economic History, 1841-67", pp. 224-27.

⁹⁵Easterbrook and Aitken, Canadian Economic History, p. 295.

⁹⁶Minute Books, H, p. 465, May 12, 1848.

⁹⁷Ibid., O, p. 654, February 17, 1855. At the same time, the preoccupation with the competition for the carriage of overseas trade evident in the 1848 memo and the unsuccessful steamer service reveals that Canadian development planning overlooked a fundamental truth about the American crops which were so eagerly sought after. While the grain trade to Europe, and especially Great Britain, was of increasing importance in the 1840's and experienced strong growth in the following decade, it was the domestic American market which remained predominant among destinations for the grain of the Northwest. (Clark, Grain Trade in the Old Northwest, p. 6, and see also Johnson and Supple, Boston Capitalists and Western Railroads, p. 80.).

Thereafter the idea survived as an oft-mentioned and never-acted-upon staple of Laurentian strategy.⁹⁸

Having failed to overcome New York's maritime superiority, the government attempted to increase the inland price advantages of the Canadian route. In 1860 American vessels were offered a ninety per cent rebate of their Welland Canal tolls if they subsequently entered the St. Lawrence below Kingston.⁹⁹ Galt proclaimed this move a success in 1862, claiming that in the previous year the number of ships calling at Montreal had risen sharply.¹⁰⁰ The reinstating of the tolls in 1863 suggests, however, that either he was putting too rosy a glow on the situation, or that the revenue needs of the government were sufficiently intense that this improvement had to be sacrificed.¹⁰¹

The fundamental truth in all this, and the essential undoing of the Laurentian strategy, was, as some of its proponents had argued, that "trade, once diverted, cannot easily be recalled". In the context of the struggle between New York and Montreal, the American head start, the advantages of volume and cost enjoyed by

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⁹⁸Merritt, *A Lecture Delivered*, p. 11; Macdonald, *Address*, p. 68. The fact that this fundamental weakness remained uncorrected is an interesting comment on the limits of Canadian influence and importance, and on the relative attraction of Canadian and American connections to shipping companies.

⁹⁹McKee, "Canada's Bid", p. 32.

¹⁰⁰PAC, Glyn, Mills and Co. papers, vol. 10, p. 107, Galt to George Carr Glyn, February 7, 1862.

¹⁰¹McKee, "Canada's Bid", p. 32, suggests that both these elements were present in the decision. The latter factor was almost certainly involved - Hincks had long before pointed out that "a large portion of the revenue from the Welland Canal is paid by the American trade" (*Minute Books*, H, p. 461, May 12, 1848.)

New York, and the American Drawback Acts of the 1840's proved too strong.¹⁰² By the time the St. Lawrence canals had been completed and Canadian businessmen were preparing to strengthen them with a railway system, "the trading pattern had been irretrievably set" in favour of the American channel,¹⁰³ and the Canadian river and its backers were setting out to fight a battle which had already been lost.

That this basic fact became apparent is evident in the 1862 Report of the Chief Commissioner of Public Works, which admitted that the Canadian route had laboured under an immediate and a persistent disadvantage because trade had already been set in the American path.¹⁰⁴ Similarly, T.C. Keefer on surveying the situation concluded that

the dream of a great railway traffic through Canada, between the Atlantic and the West, except on the portage lines terminating on Lake Ontario and the Niagara frontier, must therefore be abandoned.¹⁰⁵

Such healthy realism was decidedly in the minority however, for, at least at the level of rhetoric, the "deep-seated nature" of the Laurentian concept continued to manifest itself in paeans to the river's greatness and its fundamental influence on the destiny of the nation.¹⁰⁶ Both Macdonald and Galt persisted in this vein,¹⁰⁷ and the Annual Report of the Commissioner of Public Works

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¹⁰²Ibid., p. 29; Smith, "Early Years of the Great Western", p. 207.

¹⁰³E. Jarvis, "The Georgian Bay Ship Canal: A Study of the Second Canal Age, 1850-1915", Ontario History, LXIX, #2 (June, 1977), p. 125.

¹⁰⁴Quoted in Masters, The Reciprocity Treaty, p. 215.

¹⁰⁵Keefer, "Travel and Transportation", p. 248.

¹⁰⁶Jarvis, "Georgian Bay Ship Canal", p. 147.

¹⁰⁷Macdonald, Address, p. 69; Galt, Speech on the Proposed Union of the British North American Provinces (Montreal, 1864), p. 7.

in 1867 referred to "the destiny of the people who inhabit the valley of the St. Lawrence to become...the chief carriers between the Eastern and Western states."¹⁰⁸ As late as 1870, the Royal Commission on Canals concluded that

Nature has given Montreal and Quebec the advantage of position and route, and it now only depends on enterprise and capital to determine whether they shall be left behind in the competition for an enormous traffic, the control of which will elevate them to the foremost position among commercial cities.¹⁰⁹

The possibilities of the St. Lawrence had worked their effects on generations of Canadian businessmen prior to 1850; thereafter, reinforced by the technological aura of the railway, the attraction continued as firm as ever, despite a consistent failure to outdraw the American channels of trade. Laurentianism's superficial simplicity produced a developmental strategy which was characterized by an excessive number of projects, a persistent confidence in the face of results which should have been discouraging, and, generally, a failure to indulge in the hard thinking necessary to make the system's chances even remotely favourable.

Two factors combined to reinforce these unfortunate tendencies. One was the atmosphere of the boom itself. Its frequent effect was the removal of competition as a factor in business calculations. When Allan MacNab, jealous of the monopoly

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¹⁰⁸McKee, "Canada's Bid", p. 34.

¹⁰⁹Jarvis, "Georgian Bay Ship Canal", p. 147.

enjoyed by his Great Western in the peninsula, attempted to prevent the extension of the Toronto and Guelph to Sarnia, he was told by George Brown that the trade of the west was sufficient to support half a dozen lines, and was, moreover, "every day increasing."¹¹⁰ Such haste to rush into competitive situations is evident as well in Isaac Buchanan's behaviour. He persisted, throughout the second half of the decade, in attempts to launch a Southern railway, even though the through traffic it sought was already the object of a fierce competition between the Grand Trunk and the Great Western (not to mention between the Canadian route generally and the American one). The sort of "over-sanguine views and imagination"¹¹¹ produced by boom possibilities were to be found, in varying degrees, in most of the key figures of the developmental elite. Even the normally shrewd Hincks was not immune. He realized, as early as 1852, that the attractions of New York as a port were not likely to be overcome, and that the route through the Welland Canal, Lake Ontario, and the Oswego feeder, and not the St. Lawrence canals, would remain the most popular channel for the conveyance of western produce to an ocean outlet. Despite the fact that his own government was just then embarking on the costly Grand Trunk project in an effort to support the Canadian route, Hincks returned to an earlier idea and advised Baring Brothers that all that was needed was another canal, to link the St. Lawrence at Montreal with Lake Champlain and the

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¹¹⁰Gibbs, Debates, XI, p. 1408, November 4, 1852.

¹¹¹PAC, Buchanan papers, vol. 30, p. 25237, Harris to Buchanan, August 27, 1856.

Hudson River. This novel idea, which conceded victory to New York, but still incorporated an entrepôt function for Montreal, would give the Canadian route the shortest channel to the Hudson River:

It is confidently expected that such navigation would be unrivalled and that consequently the income of the Canadian canals would be immense.¹¹²

It was typical of Hincks in particular and developmental thinking during the boom generally to allow the prospect of increased revenues to preclude any consideration of how this diversion of traffic to the St. Lawrence canals would affect the traffic of the new trunk railway.

The possibility of a Lake Champlain canal was repeated by Galt later in the decade, but by that time the Grand Trunk had become the primary vehicle for "over-sanguine views". Galt argued that the but recent completion of the road had to be considered - "reasonable time must be allowed for diverting traffic from other channels, but the result cannot be doubted...."¹¹³

Even had the dizzying effects of the boom not produced an over-expansion of the St. Lawrence transportation system during

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¹¹²PAC, Baring Brothers papers, vol. 1, p. 519, Hincks to Baring Brothers, May 19, 1852. A Lake Champlain canal was suggested as well in the Report of the Commissioner of Public Works for 1852. This neglect of the Saint Lawrence below Montreal greatly upset the Canadian Journal (although as "partial Laurentianism" went, it was pretty inclusive). "The St. Lawrence might be dammed at Lake St. Louis for all they seemed to care. No mention made or hope expressed for the lower water, no Gulf! no Ocean!...." (Canadian Journal, ser. 1, vol. 1 (November 1852), p. 92.)

¹¹³PAC, Glyn, Mills and Co. papers, vol. 1, p. 28, Galt to Thomas Brassey, February 13, 1859; Galt, Canada, p. 27.

the 1850's, it is likely that metropolitan rivalries would have, especially in the area west of Toronto. The decision to extend the Toronto and Guelph line to Sarnia, while a part of the larger process by which the Grand Trunk was launched, was also a function of Toronto's determination not to be overshadowed by Hamilton and the Great Western. Failure to extend, the Toronto and Guelph's directors argued, would have reduced Toronto's position to that of "a rank subordinate of a neighbouring city."¹¹⁴

Such considerations were of the essence in the calculations of business elites in Canada's major urban centres. The developmental culture imputed more to railway schemes, however, than just their local or metropolitan utility. The British capital they attracted was seen as proof of Canada's acceptance as an attractive investment by the financial markets of London. Moreover, at the heart of the Laurentian outlook lay the fundamental commercial rivalry between Canadian and American transportation systems, systems which were perceived to be "national" in their significance as well as their extent. As Governor Head put it,

I consider the life blood of Canada to be the St. Lawrence, and as the western trade grows this will be more and more the case.¹¹⁵

In a scheme of things dominated by this consideration, projects designed to strengthen the Canadian position in the contest for

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¹¹⁴Toronto and Guelph Railway Company, Second Annual Report of the Board of Directors, (Toronto, 1853) p. 29.

¹¹⁵PAC, Hincks papers, p. 60, Head to Hincks, September 5, 1858. D'Arcy McGee voiced similar sentiments in 1857 when he spoke of the river system as "a skeleton of an indissoluble nature holding us together and making us as one people; we may control the carrying trade of the Great West into the Atlantic." Quoted in R. Burns, "D'Arcy McGee and the Economic Aspects of the New Nationality", C.H.A., Report, 1967, p. 103.

the western trade were, ipso facto, "national" in their objects and significance. Assisting the St. Lawrence in assuming what the publicist and politician Alexander Morris called "its legitimate importance" in effect removed the major railways from the realm of pure business, just as earlier the Welland Canal had become a "national" project for the Tories of Upper Canada.¹¹⁶ Macdonald, in 1861, was fully prepared to admit that as a business enterprise,

the value of the Grand Trunk Railway is evinced by its dividends...It is, however, quite a different thing to say that the road is of no commercial value to the shareholders and that it is of no commercial value to the country.¹¹⁷

The bottom line in all this, of course, was that trunk or semi-trunk lines, as "national" projects, deserved the financial support of the government. Local lines, on the other hand, while "of great utility to their respective localities" were "generally of a limited extent" and therefore could be "safely left to private enterprise."¹¹⁸ Those larger lines "calculated materially to benefit [Canada's] general trade" not only deserved (according to the Laurentian outlook) government aid,¹¹⁹ but in fact needed it.

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¹¹⁶Morris, Canada, p. 75; Wise, "Upper Canada and the Conservative Tradition", p. 30.

¹¹⁷Macdonald, Address, p. 67.

¹¹⁸Gibbs, Debates, VII, p. 610. op.cit. This proved to be a highly inaccurate description of the process by which smaller Upper Canadian railways were financed. What actually happened was that "private enterprise" relied on the municipal level of government for financial support of local lines, and the municipalities, through the Municipal Loan Fund, relied on the provincial government.

¹¹⁹Elgin, Conditions and Prospects, p. 62.

The reality of a competition with a wealthier and more advanced American economy meant that the railway projects of the 1850's were undertaken before the Canadian economy was really sufficiently developed to support them. This "defensive expansion" in turn "intensified reliance upon the government as the pipeline to [the] foreign capital" which could finance such costly ventures.¹²⁰

This latter aspect of Laurentianism was absolutely fundamental to the process of development during the 1850's. Operating without the Imperial guarantee which had supported the financing of the St. Lawrence canals during the previous decade, the Canadian state ventured into the money markets of London to secure capital for the railways, the latest bearers of the Laurentian vision.

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¹²⁰Aitken, "Government and Business in Canada: an Interpretation", p. 497.

Chapter IV

British Capital and Canadian Credit, 1848-1851

To shift the focus from the continental to the Imperial aspect of Upper Canadian development is to move from the promise of opportunity to the limitations of dependence. Canada's colonial position vis à vis Great Britain was nowhere more clearly demonstrated than in the reliance of governments and businessmen on British capital to finance their development projects. This reliance reflected the simple fact that the "defensive expansion" of the transportation infrastructure was undertaken by an agricultural and commercial economy incapable of generating sufficient capital to support such expensive competition with American trade routes.¹ As Francis Hincks explained to a Halifax

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¹Easterbrook and Aitken, Canadian Economic History, p. 316. Canadian experience was, for the time, unique in this regard. In Great Britain railway construction had followed industrialization, while in the U.S. the two processes had been concurrent. In Canada, industrialization was to be more the result of than the base for railway development. The necessity of government financial assistance therefore represented the shifting to the state, from business, of the overhead costs of the economy as a whole. (Aitken, "Government and Business in Canada: An Interpretation", p. 511).

audience in 1852,

All the capital we had was wanted for the purposes of commerce, and if it were taken out of those channels it would cause great injury and depression. We must get capital elsewhere, or else go without railways.²

As going without railways was simply not perceived to be an option in the Canada of the 1850's, it was essential that foreign capital be attracted. This was successfully done (not least because of Hincks' efforts), and the result was an infusion of British capital which, in Donald Creighton's words, was "dynamic in its effects but brief in its duration."³ The ready

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²Hincks, Reminiscences, p. 220, quoting the Halifax Nova Scotian, February 9, 1852. He had earlier noted that the agricultural nature of the population had produced a tendency for acquired capital to be "invested in fixed property or in stock...instead of in those commercial enterprises in which the savings of other classes are more generally invested." (Minute Books, I, pp. 404-05, memo. on colonization and public works, December 20, 1848.) The same point was later made in "The Manufactures of Upper Canada", Canadian Merchants' Magazine vol. 3, #5, (September 1858), p. 409. Hincks' observations were factually correct, but overlooked the extent to which Upper Canada's agricultural prosperity underpinned the railway programme: "Until the 1860's Ontario wheat was the engine of economic growth ... Agriculture created both the means and the need for locally based transportation developments while for the country as a whole agricultural exports, which made up well over half of total exports after 1850, provided the traffic and credit-worthiness necessary for the larger transportation projects ... foreign capital [for railways] was forthcoming on the premise that railway-generated agricultural traffic would earn enough foreign exchange to service the debt. It was no accident, therefore, that construction was concentrated in the peak years of the wheat boom, for the traffic of these years fully supported the optimistic expectations on which the supply of foreign capital depended." (John McCallum, Unequal Beginnings, Agriculture and Economic Development in Ontario and Quebec (Toronto, 1980), p. 5, pp. 79-80.)

³Creighton, British North America at Confederation, p. 9.

availability of capital, especially before an increase in interest rates in late 1853, acted to reinforce not only the economic recovery which had begun in 1850, but also the boundless confidence associated with the promise of railway-based Laurentianism.

Success in this endeavour meant more than simply the availability of capital for railways. Psychologically, it represented an important element in the mid-century transition from colonial to national status. The recognition of Canada's current progress and future prospects implicit in the establishment of Canadian credit in the London market was a powerful antidote to the feelings of rejection and betrayal which the dismantling of the colonial trading system between 1846 and 1849 had occasioned. More specifically, it righted, in the eyes of those concerned with development, the wrong whereby the once-rebel former colonies to the south enjoyed higher credit ratings than the loyal province of the north.

The central figure in this narrative is Francis Hincks, who was Inspector-General from the time the Baldwin-Lafontaine government took office in 1848. The two years which followed were very much a time of economic dislocation and political trouble for the Canadian union, but the trials and difficulty were matched, as Hincks realized, by a situation of real opportunity. With the St. Lawrence canals approaching completion and promising, once open, to provide ample revenue to a government which was for the first

time solely responsible for managing its internal development, Hincks moved boldly to assert the province's position as a stable and growing region well-worth investing in.

What is particularly striking during the early years before success was achieved was the absolute conviction which permeates Hincks' approach. With a man capable of such confidence during the difficult years of the late 1840's, the developmental extravagance of the early 1850's (when the financial tide began to roll in and Hincks' earlier predictions of fiscal plenty seemed to be coming true) becomes more readily understandable.

The good years did not last long, however. The downturn in the economy which began in October of 1857 brought an end to the orgy of railway promotion and construction which had been the most prominent feature of the boom years, and revealed the legacy of provincial and municipal indebtedness upon which the expansion of the transportation system had rested. The unhappy story of the Grand Trunk Railway and Canadian government finances in the years immediately after 1857 exemplified the degree to which the building of Canadian railways with British capital attracted by the underwriting of the Canadian state had seriously compromised the financial health of the latter without achieving the economic goals of the former.⁴

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⁴For the most part, the literature on this subject has been rather weak. The best account remains R.S. Longley, Sir Francis Hincks, A Study of Canadian Politics, Railways and Finance in the Nineteenth Century (1943). Hincks' efforts in 1849-50, first to establish a working connection with British bankers and investors

The necessity of securing British financial support is a constant theme in the writings and activities of the developmental elite. R.W. Harris of the Great Western Railway asked Hincks to use his contacts with "the leading monied men of the Empire" to secure investment in the railway, and authorized the Inspector-General to promise "a very handsome bonus" to whichever of "the Financial Houses of the Metropolis" would join with the Hamilton railway in making "arrangements advantageous to all concerned".⁵ Several years later, when Isaac Buchanan and his

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⁴(cont). and then to protect that connection from the threat posed by the annexation movement, are well-covered. What Longley fails to treat adequately is subsequent developments, in 1851, when Hincks virtually placed the shaping of Canada's railway-assistance policy in the hands of the province's financial agents in London. Hincks' own Reminiscences of his Public Life (1884) contain nothing about his financial career after 1848, concentrating instead on the political, and particularly the inter-colonial aspect of the railway program. R.C. McIvor, Canadian Monetary, Banking, and Fiscal Development (1958) makes no reference whatsoever to either Hincks or the British financiers with whom he dealt, his focus being primarily domestic banking policy and practice. The most recent study of Hincks, by William Ormsby in J.M.S. Careless, ed. The Pre-confederation Premiers (1980) briefly discusses the events of 1849-50 already dealt with at greater length by Longley, but, like the earlier study, fails to note the degree of influence which Baring Brothers and Co. and Glyn, Mills, and Co. came to possess. D. McArthur, "History of Public Finance, 1850-1867" in A. Shortt, ed., Canada and Its Provinces (vol. 5, United Canada, 1913) gives a rather dry account of the subject, and manages to avoid any analysis of the roles of either Hincks or the bankers. A more detailed treatment may be found in Michael Piva, "The Canadian Financial Crisis, 1848-50" (unpublished paper, 1979) which examines Hincks' rehabilitation of the public credit while greatly increasing the public debt in the process. Also useful, at a more global level, is P. Baskerville, "The Pet Bank, the Local State, and the Imperial Centre".

⁵Buchanan papers, PAC, vol. 31, p. 25776, Harris to Hincks, August 11, 1849.

associates were struggling to launch the Southern Railway as a rival to the Great Western, an equally zealous search for funds was underway. Buchanan informed Arthur Rankin that the company could make arrangements with an American contractor which would be superior to any available in Britain, unless a British contractor could be found who had "large influence in the London Stock Exchange."⁶ Similarly, David Christie urged Buchanan to accept Buffalo interests in the company because their presence "would aid very much the success of the scheme in England."⁷

The perceived investing potential of the British economy was in fact a fundamental part of the whole notion of "British connection". It was present in the approach of the early moderate conservative William Draper,⁸ and may be seen as well in his successor as spokesman for that political tendency, John A. Macdonald. He lauded the 1860 visit of the Prince of Wales by arguing that it could prove to be the reason, "if much of the wealth of the Mother Country pours into Canada."⁹

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⁶Ibid., vol. 52, p. 41210; Buchanan to Rankin, August 29, 1857.

⁷Ibid., vol. 21, p. 18033, August 17, 1858. A further example may be found in the Macdonell papers, PAC, vol. 40, pp. 220-21, detailing the campaign by which the North West Transportation Company sought to attach some British financial weight to its rather slender frame.

⁸G. Metcalf, "William Draper", in Careless, Premiers, p. 40.

⁹Macdonald, Address, p. 28.

Making Canada better known in Britain was not sufficient in itself, however. It was essential that Canadian resources and finances be presented in the best possible light, and the Finance Ministers of this period all bent their energies to this end, producing in their turn pamphlets outlining the attractions and safety of Canadian investments. That such efforts were more than just gestures is apparent in John Ross' relieved report that the money article in The Times had pronounced favourably on William Cayley's effort of 1855.¹⁰

More tangible evidence of British opinion of Canada as a field for investment came in the performance of Canadian government securities, which were eagerly watched. The Globe reported in May, 1852, under the heading "Canadian Credit", that Canada's six per cent debentures were trading at 110-111, which premium matched that paid for the bonds of the U.S. federal government. Ten days later, under the less restrained heading of "Hurrah for Canada", the Toronto paper reported that the Canadian six per cents had moved ahead to 112-112 & 1/2, or more than the

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¹⁰PAC, Macdonald papers, vol. 260, p. 118112, Ross to Macdonald, August 23, 1855. A similar example was Ross' report to Galt on the favourable reception given his budget by Thomas Baring. PAC, Galt papers, vol. 2, p. 483, March 30, 1860.) By the same token, failure in endeavours relative to British capital were not taken lightly. Allan MacNab lost his position as President of the Great Western in July, 1849 because of the collapse of the financial arrangements which he had made in London. (Baskerville, Boardroom and Beyond, p. 79.)

American bonds. "Canada", the voice of George Brown remarked, "is beginning to be rated at her proper value."¹¹

At the time of these enthusiastic reports, the conjunction of political and economic events which determined the mood of the British money markets was particularly favourable, with results that are evident in the prices commanded by the Canadian issue. Naturally, Canada was equally susceptible to the opposite tendency as well, and when financial contractions occurred in London, whether momentary moods of caution or full-fledged panics, their effects radiated outwards to, at the least, complicate and delay, and at the worst, seriously damage the affairs of Canadian development projects.¹²

A good example of this linkage is the experience of the Great Western Railway in the mid-1840's, when Allan MacNab learned that all the financial arrangements which he had worked out with British investors were off, "due to the sudden and serious change which has taken place in the money markets...and to the menacing aspect of [Britain's] political relations with the United States,

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¹¹The Globe, May 15, 25, 1852. The figures 110-111 and 112-112 & 1/2 refer to percentage of face value, so that, in the former case, debentures with a face value of £25 would actually have been selling to investors for between £27.108. and £27.158.

¹²The general point here, that is, the contraction of investment abroad during financial crises in Britain, is made in McIvor, Canadian Monetary, Banking, and Fiscal Development, p. 46.

arising out of the Oregon question."¹³ This conjunction of internal and external stresses occurred again early in 1852, when the coming change of ministry in Britain, along with the "uncertainty" of French politics "rendered stocks and securities of all kinds slow of sale."¹⁴

The best example of the more serious effects which changes in the British market could have is afforded by the Grand Trunk. The company was launched in 1853, just as the easy money days of the early 1850's were beginning to wane, and Francis Hincks was warning Canadian promoters that "I hardly think much progress can be made on [new railroads] in the present state of the money market. The rate of interest will certainly be up to five, perhaps higher..."¹⁵ This change in the price of money, occasioned by the approach of the Crimean War, caught the Grand Trunk with only one-half of its stock issued, and the company was forced to complete its issue with investors seeking seven or eight per cent interest, instead of the three per cent rate which had

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¹³PAC, Buchanan papers, vol. 46, p. 37301, W.D. O'Brien to MacNab, November 29, 1845.

¹⁴PAC, John Young papers, vol. 1, n.p., R.W. Harris to Young, January 22, 1852. A further example was MacNab's attempts to sell City of Hamilton bonds in 1856. He was told flatly that nothing could be done by way of a sale "Until the financial condition of the continent [that is, Europe] has materially improved ...." (PAC, Glyn, Mills and Co. papers, outgoing correspondence, file 3, George Carr Glyn to MacNab, October 7, 1856).

¹⁵PAC, Buchanan papers, vol. 31, p. 25794, Hincks to A. Farmer (Woodstock and Lake Erie Railway), October 6, 1853.

prevailed at the time of the company's debut.¹⁶ Needless to say, the Canadian government itself was not immune from such forces - when the American Civil War, with its attendant Anglo-American tensions, raised the spectre of invasion and debt repudiation, the once-buoyant Canadian bonds plumbed the depths of confidence, and were at the bottom of the Colonial list by 1864.¹⁷

Such travails came later, however, after the essential outlines of the first Canadian railway system were complete. Its construction, as Hincks had argued was necessary, was financed primarily by British capital, the influx of which peaked during the early and mid-1850's. H.C. Pentland has calculated an order, by decades, of the amount of British capital entering Canada, which serves as "a measure of the intensity of development in difference periods."¹⁸ From 1827 to 1837, ten million dollars of British capital flowed into Canada, ~~to be followed by fifteen~~ million in the 1840's, one hundred million in the 1850's, and two hundred million in the period 1867-75. He notes that "with each dose the effect lessened proportionately as the economy grew and

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¹⁶O.D. Skelton, The Railway Builders (Chronicles of Canada. vol. 32, Toronto, 1916), p. 79; Galt, Canada, p. 27.

¹⁷Tom Naylor, The History of Canadian Business (2 vols., Toronto, 1976), vol. I, pp. 30-31.

¹⁸H.C. Pentland, "Further Observations on Canadian Development", Canadian Journal of Economics and Political Science, XIX, #3 (August 1953), p. 405.

broadened. The peak was experienced in the middle fifties.¹⁹ The height of that peak can be illustrated, as he says, by considering the fact that in the 1840's, the problem for Canadian developers was getting enough capital to build one railway. In the 1850's, the problem was how to prevent the abundance of capital from being wasted on two.²⁰

This turnaround in the attractiveness of Canadian railways to British investors should not be attributed simply to some sudden discovery of their profit-generating potential. It had only occurred after the active intervention of the Canadian government had effectively removed the railways from the category of speculations. From 1849, the government had committed itself to guarantee the payment of interest on the railways' bonded debt,²¹ and from 1851, it had gone further and sold its own debentures in London, turning the proceeds over to the railway companies in exchange for their bonds.²²

As the active phase of railway construction got underway in 1852 and 1853, the amount of Government of Canada debentures issued on account of railway companies quickly outstripped the

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¹⁹Pentland, "The Role of Capital", p. 465.

²⁰Ibid., pp. 470-71. Neither problem was successfully solved.

²¹This was the key element in Hincks' "Guarantee Act" of 1849, 12 VIC., c. 29. A fuller discussion can be found below, chapter V, pp. 225-29.

²²This scheme was adopted in Hincks' Main Trunk Line Act of 1851, 14 VIC., c. 74. See below, chapter V, p. 264.

sums being raised by the government for itself. For the Great Western Railway, in the three years 1852-54, the government issued debentures totalling £200,000, £400,000, and £175,000. The figures for the Northern Railway in the same years were £100,000, £175,000, and £200,000. For its major project, the Grand Trunk, the government indebted itself, during the period 1853-55, to the extent of £905,800, £905,700, and £900,000.²³ As one commentator has noted, "facility in borrowing often leads to extravagance in expenditure."²⁴ So great was the Canadian appetite for capital that the normal procedure in such operations, whereby the arrival of government bonds in England was followed by their sale, and then the remittance of the monies realized, was reversed, and drafts for funds were arriving before the bonds themselves.²⁵

In addition to this borrowing on behalf of the major railway companies, the government also assisted lesser projects by means of its Municipal Loan Fund. Created in 1852 for the municipalities of Canada West, and extended in 1853 to Canada East, it provided £1.5 million for each section, as a pool of credit upon which the municipalities could rely in order to float their own loans in England. Of 47 local governments which took

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²³R.W. Hidy, The House of Barings in American Trade and Finance, English Merchant Bankers at Work, 1763-1861 (Cambridge, Mass., 1949), p. 433.

²⁴G.E. Shortt, "The House of Barings in Canada", Queen's Quarterly, XXXVII, #4 (Autumn, 1930), p. 742.

²⁵Ibid.

advantage of the Fund, only 2 repaid their debts. Of the remaining 45, only 2 made the interest payments required by statute, and 43 were incapable of any payment whatever,²⁶ leaving the provincial government responsible, by 1859, for \$2.3 million of interest payments in arrears.²⁷

The rise in the public debt which resulted from all this borrowing came on top of an earlier flurry of debenture issues, in 1849, before the government had become actively involved in railway financing. The result may be seen in the following table:²⁸

<u>Year</u>	<u>Total Public Debt*</u>	<u>%age Increase</u>	<u>Indirect Debt</u>	<u>Indirect Debt as %age of Total</u>
1847	3.8	-	-	-
1850	4.5	18	-	-
1853	7.5	67	2.9	38.6
1856	12.2	63	7.5	61.5

*Figures are in £1 million cy.

²⁶D. MacArthur, "History of Public Finance", in A. Shortt, ed. Canada and its Provinces, vol. 5, United Canada, (Toronto, 1913), p. 176.

²⁷Easterbrook and Aitken, Canadian Economic History, p. 314.

²⁸Piva, "Financial Crisis", p. 4.

What is particularly striking is the increase in the indirect debt, which was almost entirely the result of the railway program.²⁹

As Michael Piya has remarked, the Canadian government

had weathered a financial crisis by increasing the public debt by nearly 20%. With the return of prosperity they proceeded to increase the debt by another 67%. The first six years of responsible government witnessed the doubling of an already large public debt; the provincial government had borrowed new money at higher rates to meet old debt charges and to give away to railway promoters. The lesson they apparently learned from the experience of the depression was that economic problems could be solved by borrowing yet more money.³⁰

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²⁹McArthur, "History of Public Finance", p. 178, gives comparable figures for 1858. Of a total indirect debt of \$30.5 million, \$20.3 million was directly on account of various railways and a further \$9.1 million was a result of the Municipal Loan Fund.

³⁰Piya, "Financial Crisis", p. 18.

The immediate agency through which this borrowing spree and its attendant debt were managed was the London investment bankers Baring Brothers and Company, and Glyn, Mills, and Company. The nature of their role was aptly, albeit unintentionally, summed up in the contemporary observation that England was to commerce "what the principle of gravitation is to the natural world - that which regulates and upholds all."³¹ The house of Barings in particular occupied this sort of central role. In addition to being the financial agents of the province of Canada, they acted in that capacity for the American federal government, several state governments, the colonies of New Brunswick and Nova Scotia, and the cities of Montreal and Quebec.³² In the era of responsible government, when direct British control over Canadian affairs was relaxed, the Barings, usually acting in concert with Glyn, Mills, and Co., supplied the guidance and control which had once come from Treasury officials.³³ The railway legislation of 1851, which stipulated that the debt of the province could not be increased without their consent,

placed the bankers in the same relationship to Canadian finance ministers that the Bank of England occupied towards the Chancellor of the Exchequer. They became unofficial controllers

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³¹Macdonell, The North West Transportation Company, Its Purposes and Objects, pp. 32-33.

³²Shortt, "Barings", pp. 732-33.

³³Creighton, British North America at Confederation, p. 62.

and regulators of the flow of Canadian credit and of public funds.³⁴

While the soaring debt of the 1850's suggests that the financial agents failed miserably in their role as "controllers and regulators of Canadian credit", it must in fairness be said that they did exercise a cautionary role in the fiscal affairs of the Canadian government, at least until the advent of the Grand Trunk Railway. There were two key elements in the process of safeguarding the fiscal health of Canada, both of which, naturally enough, related to maintaining investor confidence. The aspect in which the agents played the greatest role was in warning the government against allowing too many of their bonds to be in the market at any one time. This caution served to assure an orderliness and regularity in their sale.³⁵

The other aspect, and one in which Canadians seemed to need little instruction, was "keeping faith with the public creditor". In practical terms this meant meeting all financial obligations, such as the payment of interest owing on debentures, promptly and

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³⁴G.R. Stevens, Canadian National Railways, (2 vols., Toronto, 1960), vol. 1, p. 72. This official role was augmented by their importance as a contact for private Canadian ventures. When the Trust And Loan Company of Upper Canada was revived by John A. Macdonald in 1850, he was greatly aided by the agreement of Thomas Baring and George Carr Glyn to act as directors. (Creighton, Macdonald, vol. 1, p. 163). A similar but less fruitful attempt was made by J.C. Morrison in 1856 to secure assistance for his Colonial Bank. (PAC, Baring Brothers papers, vol. 2, p. 1017, Morrison to Baring Brothers, September 10, 1856.)

³⁵See below: p. 189, p. 191, p. 193.

fully. Francis Hincks made this principle the basis of one of his first acts as Inspector-General in 1848. Finding that his government was due to receive funds from Britain to cover the cost of dealing with the immigration of famine Irish, Hincks directed the Imperial government to instead divert the money to the Bank of England to cover the interest charges due on the last instalment of the Imperial guaranteed loan of 1841.³⁶ Even in 1851, when Canadian credit enjoyed a much higher rating than it had three years earlier, Hincks adhered to the same approach. While admitting that the government would enjoy a large revenue surplus, and could therefore afford to reduce its tolls and duties, Hincks reminded Canadians that

a great demand has been made that the public credit should be employed in aid of a great railway system, and in view of our having to seek the aid... of British capitalists to procure loans I am not of the opinion that it would be sound policy to reduce our import duties. Such a measure would alarm the public creditor at such a time.³⁷

Later in the decade the "incidental protection" of the Cayley-Galt tariffs resulted from similar concerns. Faced with a massive public debt and, due to the fall-off of trade during 1857-59, shrinking revenues with which to meet the interest

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³⁶Longley, Hincks, p. 163.

³⁷Hincks, Speech on the Financial Condition of the Province, (Toronto, 1851), p. 14.

charges, the Canadian government was forced to raise its tariffs. To the vehement objections which this move prompted from Free Traders in Great Britain, the government's spokesmen replied with a consistent argument. Higher taxes produced revenue, revenue was needed to meet debt charges, and some measure of incidental protection was therefore unavoidable, "in order that the Province might keep faith with the public creditor...."³⁸ As A.T. Galt explained it publicly, while higher tariffs did represent an "interference with the true principles of political economy", they were an inescapable result of a basic element of Canadian fiscal policy - to which all parties adhered - that "the public creditor should not suffer."³⁹

In the privacy of a letter to Thomas Baring, Galt reflected further on the significance of the government's policy-

the cheerfulness with which our community have submitted to increased taxation ought to give our British creditors increased confidence in our securities. Canada has thus shown her determination at whatever sacrifice to maintain her public credit - and I cannot doubt that a knowledge of this fact, coupled with her generous treatment of Grand Trunk Company will give increased stability to her financial position.⁴⁰

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³⁸Macdonald, Address, p. 70.

³⁹Galt, Canada, p. 39, p. 30.

⁴⁰PAC, Galt papers, vol.1, p. 4, August 16, 1858.

The concern of Hincks, Cayley, and Galt always to maintain the public credit by "keeping faith with the public creditor" may perhaps be explained by the extreme difficulty with which that credit had been established in the first place. Eight American states had repudiated their British debts in the wake of the financial collapse of 1837⁴¹, and Canada's proximity to the delinquents "had given a bad name to Canadian securities."⁴² The government attempted to sell £300,000 worth of debentures in 1842, but was dissuaded from the attempt by the Barings firm, which cited political strains between the Governor and the Assembly as a major impediment in the way of sufficient investor confidence to manage such a large offer in the English market.⁴³

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⁴¹A.W. Currie, "British Attitudes Towards Investment in North American Railroads", Business History Review, XXXIV, 2 (summer 1960), p. 195.

⁴²Hidy, The House of Barings, p. 292.

⁴³Shortt, "The House of Barings", p. 738.

In 1846, William Cayley, in his first of two incarnations as Inspector-General, tried to raise £200,000 in London, only to discover that his province's credit would only support a small temporary loan from the Bank of England.⁴⁴ Later in the decade the Great Western Railway experienced similar difficulties. The engineer Walter Shanley reported that

Of the Great Western I hear nothing but that English capitalists are unwilling to embark on it, not knowing how soon Canada may be a repudiating 'State'. That she is to be a state before long nobody seems to doubt.⁴⁵

In the case of the government the inability to secure funds in England was made all the more annoying by the trade depression of the late 1840's. Between 1847 and 1848 the government's revenue fell by a full twenty per cent,⁴⁶ and for the first time

⁴⁴Longley, Hincks, p. 159.

⁴⁵Quoted (n.d.) in Smith, "Early Years of the Great Western", p. 209.

⁴⁶Piva, "Financial Crisis", p. 2. The following table (Piva, p. 3) indicates the fiscal situation of the Canadian state as it moved through the slump of the late 1840's and into the mid-century boom:

<u>Year</u>	<u>Revenue*</u>	<u>Expenditure</u>	<u>deficit/ surplus</u>	<u>% of exp. on debt service</u>
1846	513.0	505.2	7.8	28.7
1847	506.8	458.0	48.8	32.4
1848	379.6	474.5	-95.0	35.0
1849	513.4	450.9	62.5	39.9
1850	704.2	523.1	181.1	37.0
1851	842.2	634.7	207.5	35.2
1852	880.5	651.1	229.4	33.1

*figures are in £1000 cy.

since the Union, the Canadian state was faced with a deficit.⁴⁷

The firm of Glyn, Mills, and Co. had agreed to offer Canadian debentures in the City, but even with their respected name behind them, the colonial securities were unsaleable - Glyn, Mills were holding £50,000 worth of 5% debentures in the spring of 1848.⁴⁸ As George Carr Glyn later reminded Hincks, the earlier Canadian bonds guaranteed by the Imperial government were "in fact an English security", precisely because of that guarantee.⁴⁹ Without it, they were very much the "risky" colonial issue, and were neglected accordingly.

Nonetheless, the government persisted in its efforts, arguing that the expected traffic on the Saint Lawrence canals justified another look at Canadian securities -

These Public Works when completed will add considerably to the funds of the Province. The security is undoubted and affords a favourable opportunity for safe and profitable investment.

The government even offered to take only a part of the £200,000 it was then seeking, leaving Baring Brothers to negotiate the remainder at a later date, "as opportunity may offer, upon the

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⁴⁷Ibid., p. 5.

⁴⁸Ibid., p. 12.

⁴⁹PAC, Glyn, Mills papers, outgoing correspondence, file 1, n.p., April 5, 1850.

best terms you are able to procure."⁵⁰ Such hopes were in vain, however. The truth of the matter, as the Barings confided to one of their agents in the United States, was that

there is no Government or State in the world that could at this time borrow money in London except those of Great Britain, the United States, Ohio, New York, and Massachusetts; all others apply in vain....⁵¹

In this situation, and for several months thereafter, the price of Canadian bonds remained "very low", with the quotations being "in fact...nearly nominal."⁵²

The resulting inability of the government to negotiate debentures led to some "temporary embarrassment", and in September of 1848 Hincks applied to Baring Brothers for a £40,000, sixty-day loan, to be secured by debentures worth £80,000 in the possession of Glyn, Mills.⁵³ Barings, on learning that Glyn, Mills were assisting the government, declined to take out a part of the loan, arguing that it was the other firm's "more immediate province" to do so, given their "more intimate relations...of late years" with

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⁵⁰PAC, Baring Brothers papers, vol. 1, p. 141, J.H. Dunn to Baring Brothers, April 22, 1848.

⁵¹Ibid., vol. 138, p. 69946, Baring Brothers to I.M. Forbes, May 26, 1848.

⁵²PAC, Glyn, Mills papers, op.cit., Glyn, Mills to Hincks, September 29, 1848.

⁵³PAC, Baring Brothers papers, vol. 1, p. 148, September 7, 1848.

the Canadas.⁵⁴ It seems that in fact Glyn, Mills were only prepared to offer half the £40,000 requested by Hincks, for in his reply to Barings he asked for a loan of £20,000, and in addition urged Baring Brothers to pay the January, 1849 dividends owed by the province. Having thus dealt with the necessities of Canada's immediate financial position, he considered some of the larger questions raised by the Barings' letter of October 13. Noting their reference to Glyn, Mills' "more intimate relations" with Canada, he insisted that there was

no ground for one being looked on more than the other as agents of the Province. I must confess, therefore, that I was much disappointed at finding that your House was unwilling, at a time when owing to unavoidable circumstances the Province is in temporary embarrassment to advance us £20,000 for a short period, and on the security of double the amount in debentures. It is mortifying to know, that at the very time that the Province of Canada is unable to obtain a small temporary loan, debentures of the United States, as well as of the city of Boston, have been disposed of to a large amount in London.⁵⁵

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⁵⁴Ibid., vol. 138, p. 70210, Baring Brothers to Hincks, October 13, 1848.

⁵⁵Ibid., vol. 1, p. 155, Hincks to Baring Brothers, November 10, 1848. Such anger at the success of American securities was not new. In 1839 T.G. Ridout had looked forward eagerly to an Anglo-American war which would ruin American commerce and humble their "insolence" - "as for the English capitalists who have been bolstering them up by immense loans of money, it will serve them right if they lose all..." (PAC, Ridout papers, n.p.; T.G. to Matilda Ridout, January 27, 1839.) Ten years later the same perception, albeit from a radically different perspective, was offered by T.C. Keefer's father, Jacob Keefer, then despairing over Canada's condition. "Annexation is the remedy... In the United States men feel themselves free and full-grown, and I don't blame them for boasting a little, for they have something

The Barings hastened, on receipt of this sharp rebuke, to set matters right with their Canadian clients. They first agreed to pay the January dividends as requested by Hincks, this advance to be repaid by April 1, 1849. They then suggested that

You will we hope see in this conduct a fresh proof of our anxiety to support the credit of Canada, and we can assure you that we regret as much as yourselves that the securities of the Province do not rank as high as the most favoured stocks with Capitalists here....

Such credit was only maintained, however,

by the public knowledge of ample power and constant regularity in meeting all money engagements. The debt of a colony always labours under some disadvantage in this regard....

Specifically, Canadian bonds lacking an Imperial guarantee were considered not better than the securities of individual American states, and many of these, even with revenue surpluses, were quoted below or only equal to the Canadian issues. After offering an explanation of their refusal to participate in the £40,000 loan to Canada, and of their perception of Glyn, Mills as the preferred agents of the Canadian government, Baring Brothers ended with a further reiteration of their "anxiety for the credit of Canada."⁵⁶

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⁵⁵(cont.) to be proud of, they go ahead and prosper...the Credit of almost any state of the Union would command capital before that of any of the poor cast-off British North American Provinces together. "(PAC, Merritt papers, vol. 23, p. 3905, J. Keefer to W.H. Merritt, May 5, 1849).

⁵⁶PAC, Baring Brothers papers, vol. 138, p. 70318, Baring Brothers to Hincks, December 1, 1848.

Hincks replied to this letter on December 20, and it is worth-while to consider at some length the nature of his comments, both because he offered them as "the views of this government on our fiscal affairs generally", and because the letter was reproduced in 1849 as a major part of the pamphlet which was the Canadian government's chief effort at self-promotion in that year. Hincks began by asserting that, whatever the Barings' perceptions of the relative positions of the two banking firms may have been, the Canadian government considered the two houses to occupy "precisely the same relative position towards the Government." Since assuming office, however, and especially since the confusion over the £40,000 loan, the Inspector-General had come to believe it necessary for Canada to secure,

without loss of time, the services of an eminent house in London, which should be its sole agent, and at whose office all its dividends should be payable.

For such services the Province of Canada is able and willing to pay, and they must be secured without loss of time.

Having implied then, without actually suggesting, a closer relationship between Canada and the Barings, Hincks next considered their parallel between Canada and an American state. The old province of Upper Canada, he claimed, lacking full control over import duties, was like an American state, but the united province "has ample powers of meeting her engagements, in fact, precisely the same powers as the Federal Government of the United States."

This brought Hincks to the question of whether Canada had not only the fiscal power, but also the will to meet its engagements. The answer, as evinced by the raising of the tariff in 1841 and 1846, and soon again, in 1849, was yes. Moreover, such will was not partisan property, and therefore likely to be overturned at the next election:

amid all our political disputes, which have occasionally run high, as they sometimes do in England, the members of our legislature, of all parties, have vied with one another in affirming the necessity of maintaining the public credit at all hazards.

Canada's recent financial difficulty, then,

arises from the fact, that British capitalists do not choose to place the same confidence in Canadian honour that they do in that of the people of the United States, whose bonds are saleable without difficulty.

To the extent that Canada's difficulties were of domestic origin, it was because her revenue was being strained to the limit to complete the canal system.

in the success of which, as a source of immense revenue, we have every confidence; every effort and sacrifice must be made to complete these works.

Similar revenue deficiencies in the English government would be met by an issue of Exchequer Bills. Canada, unfortunately, was

suffering severely from that want of credit which you described. Our want is now, and has been all along, an active agent of high standing, able to maintain our securities in

that credit to which they are entitled...I do not believe any house would be so likely to advance our interests as yours.⁵⁷

With this letter, Hincks staked out Canada's claim to the active assistance of Baring Brothers and Company in shoring up the province's sagging credit. He looked forward to 1849, the first really active year of the newly responsible Reform ministry, and of the newly completed canal system, with enthusiasm, and the hope of bigger financial things to come.

The Inspector General began the year with a letter to Barings containing statistics of Upper Canada "which show how rapid has been its advancement in wealth and prosperity. Believing that this information would be interesting to you..."⁵⁸ This "selling" of the province had to contend, however, with the growing and highly vocal dissent of the Montreal mercantile community, arising out of their recent economic and political setbacks. Hincks assured the Barings that the "strong language...and violent appeals" of the Montreal newspapers were simply the rhetoric of the recently-defeated Conservatives, and did not represent any real threat of separation from England:

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⁵⁷Hincks to Baring Brothers, 20 Dec., 1848, reproduced in Hincks, Canada, Its Financial Position and Resources, (London, 1849), pp. 6-12.

⁵⁸PAC, Baring Brothers papers, vol.1, p. 165, January 3, 1849.

I merely mention facts to you because I am aware that paragraphs in the London press copied from our papers have often a bad effect on our securities...I do trust that local and party quarrels here will not be allowed to produce any effect on the minds of British Capitalists injurious to our interests.⁵⁹

Hincks concern with the strength of Canadian securities did not arise solely from the necessities of every-day government finance. In 1849 the province of Canada stood poised on the edge of a major commitment to railway construction. As Inspector-General and chief architect of the government's railway policy, Francis Hincks was well-placed to know that even if Imperial aid were to be received, as seemed possible, for the proposed Halifax and Quebec Railway,⁶⁰ the lines currently projected in Canada, specifically the Great Western and the Saint Lawrence and Atlantic, would require the assistance of his government. Realizing that that assistance would most likely take the form of the provincial (rather than the Imperial) government guaranteeing the interest on loans negotiated by the railway companies⁶¹, Hincks knew that it was essential that the Canadian government be

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⁵⁹Ibid., vol.1 p. 175, February 29, 1849.

⁶⁰See below, ch. V, pp. 253-57.

⁶¹This mode of support had been suggested to the Railway Committee of the Assembly by representatives of the Great Western in 1848. The idea was presented to the Assembly in the Committee's Second Report, 22 March, 1848, in Gibbs, Debates, VII, pp. 610-15. It was later embodied in Hincks' memo on aid to construction of railways, (Minute Books, J, p. 37., April 4, 1849). In his earlier memo on colonization and public works (December 20, 1848) Hincks implicitly established the rationale for this indirect and theoretically limited form of aid, pointing out

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well-established in the London market, both as regarded the regular payment of interest and the general desirability of its securities.⁶²

To meet the first of these necessities, the government scrambled for cash during the first half of 1849, adopting various expedients to insure that its interest obligations were regularly and fully discharged.⁶³ To meet the second, Hincks began with 12 Vic., c. 5, "An Act for the Better Management of the Public Debt, Accounts, Revenue, and Property". In addition to retroactively authorizing the debenture issues of 1848, this legislation made provisions for allocating excess revenue to the Sinking Fund designed to retire the Imperial loan of 1841 (then in arrears), authorized the government to appoint "one or more fiscal Agents of

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⁶¹(cont.) that although the canals added a promising aspect to the revenue picture, their effect would not be immediate, and the province still had not retired the Imperial loan of 1841 by which they had been financed. Accordingly, his opinion was "that the Canadian legislature ought not, under existing circumstances, to undertake new works of any great magnitude." (Minute Books, I, p. 407).

⁶²As Piva, "Financial Crisis", p. 6, points out, this desire to be in a position to assist railways was probably the more immediate reason for the determination to meet all interest payments, rather than the more general "colonial mentality" referred to by Easterbrook and Aitken in their Canadian Economic History, p. 357.

⁶³Ibid., pp. 9-10. These included paying the country's military pensioners in debentures rather than in cash, and the taking of short-term loans from Canadian banks. It was the more accommodating attitude of T.G. Ridout and the Bank of Upper Canada at this juncture which resulted in that bank receiving the government's account in June of 1849. (Ibid., p. 21.)

the Province in the City of London", and, most significantly, permitted the government to exchange new debentures for old, that is, to renew, rather than repay, its maturing bonded debt.⁶⁴ Hincks was determined as well to attempt, with the assistance of the Barings, a major issue of debentures in London, in order to fully establish Canadian securities in the financial markets of the metropolis.

At this point, the financial and political needs of the government coincided. The opposition was sending William Cayley to London to petition the Imperial authorities for the disallowance of the Rebellion Losses Bill. Moreover, the excesses of the aggrieved Montreal tories were threatening to destroy whatever perceptions existed in Britain of Canadian stability, and with them, any hope of success in the upcoming debenture issue, by which Hincks hoped to realize the considerable sum of £500,000. Faced with these twin threats to his ministry's program (not to mention the credibility of his own stance on colonial self-government), Lord Elgin resolved on May 13 to send Hincks to London to counter the Cayley mission, and also to begin the campaign to establish Canadian credit.⁶⁵

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⁶⁴Piva, "Financial Crisis", p. 8-9.

⁶⁵Longley, Francis Hincks, p. 167. The Governor-General had earlier expressed the hope that the various proofs of their loyalty which Canadians might manifest during the year would "tend...to establish the credit of the Province on a firmer basis, and to promote its prosperity." (Throne Speech, January 18, 1849, in Gibbs, Debates, vol. VIII, p. 8.)

In his first report to Elgin, Hincks informed the Governor-General that their fears about the ill-effects of the "late disturbances" in Canada on the province's credit had been "too well-founded." Accordingly he had been advised (presumably by Baring, Brothers and/or Glyn, Mills) not to venture into print too quickly.⁶⁶ Characteristically, two days later he reported that he was busy preparing a pamphlet designed to shore up British confidence, and assured Elgin that it would be "entirely non-political".⁶⁷ To insure that this would be the case, the Inspector-General addressed a letter that same day to Sir Allan MacNab who was in London to oppose the Rebellion Losses Bill and, once again, to seek financing for the Great Western. By some fortuitous process of selection the note which Hincks wrote that day has survived, one of the relatively small number of his letters which were preserved. Whether the result of chance or intent, its survival is surely a happy event, for, though brief, the letter expresses almost perfectly the emerging sense of political priorities characteristic of Hincks and those who were to follow him.

The essential thrust of the letter was to warn MacNab that an excess of zeal in seeking his political object could have negative consequences for his developmental concerns. Assuming that MacNab and his followers were "disposed to cooperate with us in all

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⁶⁶PAC, Elgin papers, file 4a, n.p., June 6, 1849.

⁶⁷Ibid., June 8.

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objects of a non-political character", Hincks sought the assistance of the Gallant Knight in removing "the apprehension entertained by capitalists and others here as to the stability of our institutions", since

It is manifest that if want of confidence be felt in the public securities of the province, the stocks of our monied institutions and our railway enterprises will materially suffer.

Having stressed the importance of maintaining the public credit, Hincks then argued that this desirable end could be effected without MacNab or Cayley "in any way compromising [their] political opinions." That is, the Canadian opposition could make their points without hindering the larger necessity of proving

to the British public that however strong our opinions may be on questions of party politics, and however great may be the present excitement there are yet some points of agreement,

among which Hincks numbered loyalty, British connection, and

a firm determination to maintain faith with the public creditor under all circumstances, and a desire to develop the resources of the country by means of those communications which have now become almost indispensable in civilized countries, and which in our province would yield such handsome remuneration to the Capitalist.⁶⁸

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⁶⁸PAC, Hincks papers, p. 48, June 8, 1849. There is no record of any written response on MacNab's part, but the lack of any great agitation thereafter on his part regarding the Rebellion Losses Act, and more particularly, the avidity with which he plunged into the railway politics of subsequent years suggest that Hincks' advice was taken to heart.

This private evocation of the primacy of development and the appeal to MacNab's entrepreneurial role was followed by Hincks' public presentation to British investors, a pamphlet written in the form of a letter to the Colonial Secretary, Earl Grey, which was finished by the third week of June. Hincks was able to report to Elgin that

I have great hopes of being able to put our finances in a proper position. Mr. Baring is highly satisfied with my financial statements...Of course any further disturbances would be prejudicial to our credit.⁶⁹

Two weeks later the Inspector-General was still awaiting a definite reply⁷⁰, but by mid-July he was able to inform Lord Elgin that

I am sanguine of success in obtaining what we require, and I am satisfied in knowing that at all events my mission has been productive of much benefit to the Province by my being able to satisfy those who have the power to assist us of the stability of our institutions.⁷¹

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⁶⁹PAC, Elgin papers, op.cit., Hincks to Elgin, June 22, 1849. The object, contents, and tone of the pamphlet are readily discernible in Hincks' opening: "The object of this publication is to place before the Government and people of England, in as compact a shape as possible, the actual financial condition of one of the most important colonies of the Empire, and to give to those who take an interest in the subject, and especially to capitalists, some idea of the extent of its resources, the rapid increase of its wealth, the stability of its institutions and the perfect reliance which may be placed on its ability and determination to fulfil all its pecuniary engagements." (Hincks, Canada: Its Financial Position and Resources, p. 1).

⁷⁰Ibid., July 5.

⁷¹Ibid., July 14.

That is, Hincks had succeeded in his campaign, begun the previous autumn, to secure the complete support of the Baring Brothers for the financial program of the Canadian government. They had received official confirmation that Hincks was fully empowered by his government to enter into financial arrangements, but had also stated certain conditions under which they would consent to manage Canada's full-fledged debut in the London market.⁷²

Those conditions were that the government of Canada would give its assurances that its debt would not be increased beyond the level envisaged in the current debenture issue, and that it would not permit its securities to come onto the London market through any agency other than that of the Barings. Hincks assured them that

you may rely on it that no bonds will be placed in the London market through any other channel... the Canadian government will be guided entirely by your advice in its financial operations. As I have said, we shall not require more than the £500,000.⁷³

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⁷²This appears to have been done in a letter to Hincks of July 13, cited by Longley, p. 170, which I have been unable to locate in the outgoing correspondence of either Baring Brothers or Glyn, Mills. The confirmation of Hincks' status came in Herman Merivale (Under-Secretary of State for the Colonial Office) to Baring Brothers, July 12, 1849 (PAC, Baring Brothers papers, vol. 1, p. 200).

⁷³PAC, Baring Brothers papers, vol. 1, p. 206, Hincks to Baring Brothers, August 20, 1849. This last promise served to reinforce an earlier letter from the Canadian government which sought to remove "any doubt that might exist as to the policy of the present government on the intention of increasing the debt of the Province." (Ibid., vol. 1, p. 212, L.M. Viger to Baring Brothers, July 30, 1849.)

Canada's emissary was also able to report to Lord Elgin that his pamphlet had been "pretty well distributed", and that he had been assured that "it had done much good in the city, and that the credit of the province had been much improved."⁷⁴ The improvement in Canada's standing was, in fact, far from complete. On August 6, George Carr Glyn told Hincks that while gains had been made, they mainly enabled the two banking houses to "place some debentures with our immediate connections." What was proving more problematic was "the establishment of a market for them with the public."⁷⁵ The source of the difficulty was made clear in a letter of August 10, in which Glyn reported that his conversation with Baring, reinforced by some of the "best opinion in the stock market ", had ended with the conclusion that Canadian debentures still faced "comparative indifference" on the part of British investors:

Doubtless it is to be traced to the apprehensions created by recent events in that country and to the quotations from American newspapers bearing on the question of annexation, but a little time and a more general knowledge of the contrary feeling in Canada will tend to remove this impression...

In addition to this major obstacle, the new Canadian debenture issue faced the problem that the older issues of 5% debentures were still on the market, selling at a discount of 11%. This

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⁷⁴PAC, Elgin papers, op.cit., Hincks to Elgin, 22 July, 1849.

⁷⁵Glyn, Mills papers, op.cit.

quotation of 89 for a Canadian security⁷⁶ was "a positive hindrance", according to Glyn.⁷⁷

Seeing that his earlier successes were clearly being jeopardized by the persistence of political instability in Canada Hincks increased his pressure on the bankers, urging them to get the old five per cents off the market, and reiterating the necessity of negotiating the sale of the new issue, which was "the great object of my mission."⁷⁸ Baring Brothers and Glyn, Mills were unmoved by such pleading. In reply they stressed their concern "that the colonial engagements ought not to be augmented beyond their present limits", and added, for the first time, their fear that the bonds of Canadian railways, guaranteed by the government, would soon be competing with those of the province itself. They concluded with the flat statement that Hincks should not expect a sale of the new issue until "proper reliance here can be placed on the internal tranquility and future political position of the province."⁷⁹

Faced with this unambiguous reply, Hincks could only express his disappointment, assure the agents that there was "now no

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⁷⁶Ibid.

⁷⁷Ibid., August 10.

⁷⁸PAC, Baring Brothers papers, vol. 1, p. 234, Hincks to Baring Brothers/Glyn, Mills, enclosed in Hincks to Thomas Baring, September 13, 1849.

⁷⁹Ibid., p. 240, Baring Brothers/Glyn, Mills to Hincks, September 20, 1849.

probability of any further outrages" in Canada, and express the hope that the bankers would be able to place at least £50,000 or £100,000 of the new issue on the market.⁸⁰ Thus ended the financial campaign of 1849, with the Canadian government better connected than it had previously been, but still denied the complete confidence of the British investing public.

The year 1849 ended much as it had begun, with a Canadian official writing to a London banker, transmitting encouraging statistics of trade and revenue. J.H. Dunn, the Receiver-General, pointed to

the great improvement of Canada's finances and the confidence the holders of Canadian debentures will derive from knowing the facts...as to the perfect ability of Canada to sustain her money obligations; and next year I look forward to a vast increase of revenue, principally from the Public Works...I am also much pleased to state that matters in Canada have become quiet, and that the foolish and mischievous agitation of a few, on the subject of a union with the States, has called forth...a decided and hostile opposition.⁸¹

Dunn's arguments were only partly convincing to the English bankers. Glyn, Mills admitted, early in 1850, that "the prosperous state of the finances of the Province can no longer be doubted", but reported as well that "continued hesitation here as

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⁸⁰Ibid., p. 245, Hincks to Baring Brothers, September 22, 1849.

⁸¹Ibid., p. 248, J.H. Dunn to Thomas Baring, November 30, 1849.

to the political state of affairs in Canada" remained a hindrance to sales of Canadian securities.⁸² The government had therefore to rely once again on the short-term expedient of three-month loans from Canadian banks, taken out in April, 1850.⁸³

The breakthrough for the Canadian bonds came in May, 1850, and Glyn was able to report that £473,500 worth had been sold, or virtually the entire issue. Surprisingly enough, his letter conveying this good news attributed success to the fact that the public mind had finally been brought to bear upon "the satisfactory position of the financial state of the Province".⁸⁴ He made no mention of the removal of apprehensions about Canadian political stability, which had seemingly constituted the chief obstacle to success just one month earlier.

At the same time Glyn wrote to Hincks, Thomas Baring was warning that the purchasers of the 6% bonds had only done so after they had been assured that "no more would be offered in the market." For the Canadian government, of course, the whole point in establishing Canadian credit in the market was precisely to enable more securities, those of the railway companies, to be issued. Because no railway qualified for the guarantee assistance

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⁸²Glyn, Mills papers, op.cit., Glyn, Mills to Hincks, April 5, 1850.

⁸³Piva, "Financial Crisis", p. 11.

⁸⁴Glyn, Mills papers, op.cit., Glyn to Hincks, 3 May, 1850.

of the government until it was one-half built, the question of further issues did not arise for some months.

In October, 1850, Hincks was again in touch with the Barings, reporting that the Saint Lawrence and Atlantic would soon qualify for the guarantee, and that its bonds would be very secure:

The creditors of the Province can have no grounds for apprehension whatever that its guarantee of these securities will cause even the slightest embarrassment.

The road's directors had agreed to allow Hincks to control the release of their debentures, and the Inspector-General could therefore assure Barings that none would reach the market through irregular channels. Moreover, the province's finances were in a healthy state, with a large surplus expected:

Such being the case, I confidently hope that our great railways will not be embarrassed for want of means.⁸⁶

To this the Barings made only the rather terse response that "the moment is not so favourable for loan operations"⁸⁷, but when Hincks, seeking their suggestions, wrote officially announcing that the Saint Lawrence and Atlantic had qualified for the guarantee and that the bankers could expect a total of "about £400,000 sterling" of the road's debentures, they responded at

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⁸⁶Thomas Baring to J.C. Taché, May 3, 1850, quoted in Piva, "Financial Crisis", p. 14

⁸⁷PAC, Baring Brothers papers, vol. 139, p. 70912, Baring Brothers to Hincks, November 19, 1850.

greater length.⁸⁸ Having consulted with Glyn, Mills, the Baring firm cautioned that "much delicacy" would be required to handle financial operations in England involving bonds of the Canadian government, the Saint Lawrence and Atlantic, and the Great Western. Canadian credit

must no doubt be injured by a forced sale of these debentures and it is most desirable that the realisation should be gradual...

Such a deliberate and careful course could only be followed "by adopting one channel for sale." Even were that done, however, Canadian railways (and the government which supported them) would have to realize that

our capitalists will class a direct obligation of Canada both for principal and interest far above a debenture issued by a railway company which alone was responsible for the repayment.⁸⁹

The agents of the province followed this up with a more detailed letter early in the new year, wherein they cautioned that the current prices for the government bonds "are not such as to evince any great disposition to invest in Canadian securities on the part of the public here as to justify a further issue of £400,000 stock to be sold in this market." Beyond this general consideration there stood the basic fact that

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⁸⁸Ibid., vol. 1, p. 276, Hincks to Baring Brothers, November 28, 1850.

⁸⁹Ibid., vol. 139, p. 70698, Baring Brothers to Hincks, December 21, 1850.

any bond which does not bear the direct and distinct obligation of a Government but is only the guarantee of the obligation of another party never ranks so high in estimation or in price as the stock issued by the Government itself.

Any attempt to force the issue onto the market would be injurious to Canadian credit, and the two firms therefore agreed to purchase only £170,000 of the Saint Lawrence and Atlantic debentures, at 85, which price they declared fair relative to other issues, their example being the 90% paid for the 7% bonds of a New York railway, which was "considered good."⁹⁰

Realizing from this that "the character of the guarantee bonds" needed to be improved, Hincks suggested three alternatives to Baring Brothers, and invited their suggestions. As he saw it, the government could either restrict the guarantee to lines forming part of the trunk line, extend the guarantee to cover the principal as well as the interest on the bonds, or make the railway companies' bonds convertible into stock within five years of the completion of the road.⁹¹

In a subsequent letter, Hincks dropped the last suggestion and moved closer to the Barings' position by including a direct

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⁹⁰PAC, Glyn, Mills papers, op.cit., Baring Brothers/Glyn, Mills to Hincks, January 10, 1851.

⁹¹PAC, Baring Brothers papers, vol. 1, p. 281, Hincks to Baring Brothers, February 6, 1851.

issue of government bonds on behalf of the railways as an alternative to the existing guarantee system. He also suggested that the bankers' concerns might be met by placing an annual limit of £400,000 on the issue of bonds.⁹² By this time, Hincks in effect was simply waiting to be told which course to follow. Towards the end of April he wrote to Thomas Baring saying that the Canadian guarantee legislation would be amended (to provide for either a full guarantee of principal and interest, or a direct issue of government bonds) "as you and Messrs. Glyn may determine."⁹³

The problem for the English bankers at this point was that even though they had convinced Hincks that the railway bonds needed strengthening, there remained the problem of the overall size of the government debt which might result.⁹⁴ Despite Hincks'

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⁹²Ibid., vol. 1., p. 291, Hincks to Baring Brothers, April 17, 1851.

⁹³Ibid., vol. 1, p. 312., April 25, 1851. While it would be incorrect to downplay the extent to which Hincks was prepared to abdicate responsibility in order to secure the active support and cooperation of the bankers, it should also be noted that, in all likelihood, his attitude was rooted in the belief that, given the increasingly strong revenue position of the government, the details of the plan by which its credit would be made available to the railway companies were not really all that important (see table of revenue, above, note 46). As he remarked to Thomas Baring in the letter of April 25 cited above, "We shall have plenty of money here."

⁹⁴A concern expressed in a letter of May 16, 1851 (PAC, Baring Brothers papers, vol. 140, p. 71135), in which they pointed out to Hincks that his proposal for an annual limit of £400,000 in new issues "could excite an apprehension that an annual increase to that extent [would be] incurred".

assurances of the previous year that the debt would not be increased it was obvious that the effect of the Guarantee Act, whether amended or not, could very well be just that. They therefore recommended its repeal, and replacement with a new act limiting the government's total future liability on behalf of railways to £1 million sterling, on which the annual interest payments would be a manageable £60,000.⁹⁵

Hincks replied that these suggestions would be implemented in his government's upcoming railway legislation, and assured Baring Brothers that "your entire concurrence will be secured in whatever policy may be determined upon."⁹⁶ The policy finally adopted by the government was embodied in the Main Trunk Line of Railway Act of 1851 (14 Vic., c. 74). The government restricted its aid to the roads forming part of the trunk line (that is, the Great Western, the Saint Lawrence and Atlantic, and the as-yet-to-be undertaken Montreal and Kingston and Kingston and Toronto lines) and the Northern. To these companies the government gave "the direct Bonds of the Province, receiving from them their Bonds in

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⁹⁵PAC, Glyn, Mills papers, outgoing correspondence, file 2, Baring Brothers/Glyn, Mills to Hincks, May 23, 1851.

⁹⁶PAC, Baring Brothers papers, vol. 1, p. 326, Hincks to Baring Brothers, June 23, 1851.

exchange and also, a first mortgage on the Road[s]."⁹⁷ In addition, the act stipulated that the debt of the province could not be increased without the consent of its financial agents. In Hincks' words

We put ourselves at your mercy although I had a hard battle to fight on this point. We have again a large increase of revenue and our condition is as prosperous as any country in the world. We must however complete our lines of railroad and we hope to get the guarantee of the Imperial government...⁹⁸

The Imperial Guarantee referred to by Hincks was the result of a visit to London by Joseph Howe of Nova Scotia in 1850, which had elicited from the Colonial Office a promise of assistance in the construction of the projected Halifax and Quebec Railway.⁹⁹ Hincks had rather blithely assumed that the proposed loan of £7 million would also be sufficient to pay for a part, if not all, of the Canadian trunk line between Quebec and Hamilton.¹⁰⁰ This belief, together with the amended guarantee legislation of 1851,

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⁹⁷PAC, Glyn, Mills papers, vol. 1 (Letters Received), p. 131, Hincks and J.C. Taché to Baring Brothers/Glyn, Mills, January 14, 1853.

⁹⁸PAC, Baring Brothers papers, vol. 1, p. 381, Hincks to Thomas Baring, December 17, 1851.

⁹⁹See below, chapter V, for a discussion of this promise and its relation to the evolution of Canadian railway policy.

¹⁰⁰Gibbs, Debates, X, pp. 1278-79, 8 August, 1851.

formed the essential elements in what seemed for a time to be a finished structure upon which the further evolution of the government's financial affairs and the province's railway system could rest. Such was not to be the case.

The Imperial guarantee was not forthcoming, and the result was that Hincks concluded, early in 1852, an agreement with British contractors to build the Grand Trunk Railway. For a variety of reasons this centre-piece of the government's railway program quickly became a hopelessly over-expanded and costly failure, and whatever seeming stability had existed in provincial finances in 1851 was completely undermined by the middle of the decade, as the government poured hundreds of thousands of pounds into its major project.

The Grand Trunk eventually came to be not only the most blatant example of the excessive failures to which the Laurentian strategy was prone, but also the epitome of the role which British capital had come to play in Canadian development. When John Ross, Hincks' cabinet colleague and the line's first President, successfully lured Thomas Baring and George Carr Glyn, against their better judgement, into directorships with the new company, the rather unholy trinity of Canadian politics, British capital,

and Canadian railways was complete.¹⁰¹ Thereafter, when the Grand Trunk pleaded for aid from the government, the position of Baring and Glyn as the province's financial watchdogs was fatally compromised by the fact that the Grand Trunk, in a sense, was their railway. Any effective restraint on the increase in provincial indebtedness was thereby removed.¹⁰²

What must be borne in mind is that this loss of restraint came on top of the not inconsiderable borrowing which the government had undertaken prior to 1853. For the year ending January 31, 1853 fully one-third of the government's expenses were

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¹⁰¹Shortt, "House of Barings", p. 739, discusses this incident. Ross simply included their names in the prospectus, without their permission, and when they complained, he pleaded their role as the province's financial agents as the reason why they should serve as directors of the road, in which Canada was to have an interest. See below, chapter VII, for a more complete discussion.

¹⁰²In the short term it was obviously in the interests of the banking houses to sell more, rather than fewer, debentures of the Canadian government. On a typical sale of £100,000 in bonds earmarked for the GWR in 1852, the yield was £114,000 (this price reflecting the then premium obtaining on the issue). Glyn, Mills & Co., which handled the sale, took a commission of 1% (£1,140) and a brokerage fee of just under 1/4% (£250). (PAC, Glyn, Mills & Co. papers, outgoing correspondence, file 2, Glyn, Mills to Receiver-General E.P. Taché, November 12, 1852.) At the same time it should be stressed that it was most decidedly not in the firms' best interests to allow their clients to become too deeply indebted, as their frequent cautions to Hincks during these early years indicated.

made up of the cost of servicing the debt.¹⁰³ Six years later, although the weight of debt charges had fallen slightly to 27.2%, they were being exacerbated by the necessity of covering Municipal Loan Fund defaults.¹⁰⁴ These financial liabilities, incurred earlier in the decade during the optimistic years of the boom, were presenting themselves just as the government's revenue position was weakening because of the depression in trade which began late in 1857.

"Facility in borrowing" had indeed led to "extravagance in expenditure", and while this result must necessarily suggest questions as to the effectiveness, and even the disinterestedness of the financial agents, it points as well to certain basic characteristics of Canadian developmental culture of the 1850's. It is almost as if the twin mystiques of the railways and Laurentianism were reinforced, at a crucial moment early in the decade, by what is perhaps even more fundamental, the mystique of money. As Michael Piva has pointed out, Canadians in the first years of the 1850's were extravagant "both in terms of what they thought possible and in the way they pursued their objectives."¹⁰⁵ A booming economy supplied the government with ever-increasing revenues; the vision of yet more trade seeking the Canadian route

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¹⁰³Piva, "Financial Crisis", p. 17. This may be contrasted with the American figure of 9 per cent.

¹⁰⁴Canada, Assembly, Journals, 1859, Appendix 5, Public Accounts for 1858. More detailed information on the fiscal situation is provided below, in chapter VII.

¹⁰⁵Piva, "Financial Crisis", p. 18. Emphasis added.

as the Laurentian system achieved its inevitable triumph only reinforced the resulting perceptions of present and future wealth.

The altered conditions of the latter part of the decade ought quickly to have removed this illusion. Caught between the double pressures of falling revenue and heavy debt charges, the financial edifice erected by Hincks and his successors soon revealed its essential weakness - a reliance on a continued influx of British capital to support development projects, and on a high volume of trade to generate sufficient revenue to cover the cost of such borrowing. After 1857, the flow of both capital and revenue was contracted. The negative financial consequences for the government might have been partially palliated by some measure of success for the Grand Trunk, but here too the end of the decade brought only disappointment.

CHAPTER V

The Evolution of Railway Policy, 1848-51:

The Guarantee Act and the "£7 Million Promise"

The primary influences in the shaping of the railway policy of the Province of Canada in the years 1848-51 were Laurentianism and the lack, or availability, of British capital. The dominant position which the former occupied in the developmental vision dictated that those lines whose purposes were deemed to be consistent with national goals would be assisted by the state. Railways which neither contributed to nor hindered Laurentian goals would be left to their own devices, while lines which were clearly antithetical to those goals would face considerable political opposition in even securing a charter. Yet for all this political strength, real though it was, Laurentianism's ideological hegemony was out of proportion to its actual relevance to much of the province.

The availability of British capital was the independent variable which effectively determined the shape and extent of

policy. In the early years of the period its unavailability dictated that the government formulate a policy with specific measures to encourage foreign investment. At the same time, the weakness of the public finances and credit required that those measures be more potential than direct in their assistance. The result was the cautious and limited loan-guarantee legislation of 1849, commonly known as the Guarantee Act.

By 1851 the improvement in the public finances permitted a far more venturesome policy (one part of which was the deepening of the guarantee mechanism insisted on by Baring Brothers & Company¹). When news arrived in the spring of that year that the Imperial government was prepared to facilitate a large colonial loan to finance a Halifax - Quebec railway, the essential outlines of the policy framed in 1849 were discarded in favour of a far more ambitious program. Believing that the loan would in fact be large enough to pay for construction well to the west of Quebec, Francis Hincks added a publicly-owned trunk line to the government's railway strategy.

This extensive commitment in fact rested not only on the sudden availability of capital but also on the general enthusiasm, both political and public, for railway development; when the Imperial government withdrew its offer of a loan guarantee in November, 1851, this loss of financial support was not sufficient

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¹See above, ch. IV, pp. 195-98.

to kill the proposed trunk line. Politically committed to its construction, Hincks returned to the reliance on private enterprise which had originally informed his approach.

The years before 1849 were characterized by a poverty among Canadian railway companies which was quite the equal of the financial extravagance of the years after 1851. While the experience of Upper Canada with the Welland Canal had demonstrated that there was in the political culture a capacity for and indeed the tendency to involve the state in projects deemed to be of national importance, the railway ventures of the 1840's had not yet reached that privileged status (largely because of the still unfinished state of the Welland and St. Lawrence canals). They therefore limped along as best they could as truly private enterprises. The experiences of the Saint Lawrence and Atlantic and Great Western, in particular, illustrate the difficult financial environment within which the railways operated for most of the decade.

Not unaware of the likely difficulties in promoting an unknown and remote company in England, where most of its capital would have to be raised, the Directors of the Saint Lawrence and Atlantic appealed to the government for a guarantee of three per cent interest on twenty-year bonds for the estimated cost of £500,000. This March, 1845 request met an unfavourable response

from a ministry which had already committed all its surplus revenues to the canal system, and which, in addition, felt no pressing political need to conciliate opinion in the Eastern Townships, where the company's chief backers were located.² Alexander Tilloch Galt, one of the Directors, accordingly sought funds in England, and succeeded in getting subscriptions for the bulk of the capital during the summer of 1845, but the collapse of the English railway mania left much of it cancelled. A subsequent attempt at a bond issue in December of 1846 was also unsuccessful, not only because of a continued reaction in English railway markets, but also because of the Anglo-American war scare arising out of the Oregon dispute.³ Further appeals to the government in June of 1847 and February of 1848 produced no results⁴, and although the company was able to open a thirty mile section between Longueuil and St. Hyacinthe in December of 1848, the ultimate completion of the railway was still in doubt, as less than one third of the capital had been subscribed, and not even all that paid in.⁵

The early history of the Great Western presents a similar picture. Like Galt (and possibly as a result of the initial success which the Sherbrooke promoter had enjoyed),⁶ Allan

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²Skelton, Galt, p. 20.

³Ibid., pp. 21-24.

⁴Tulchinsky, River Barons, p. 154.

⁵Skelton, Galt pp. 22-23.

⁶Ibid., p. 20.

MacNab journeyed to London at the height of the mania in 1845 to secure English backing, enlisting Isaac Buchanan's brother Peter in the operation.⁷ The Great Western was taken up by a group of prominent railway promoters and speculators in London, including the "Railway King", George Hudson.⁸ Unfortunately for the Canadian railway, this "London Corresponding Committee" was primarily interested in the purchase and quick resale, at a profit, of Great Western stock, the object of the exercise being the initial premium paid by its purchasers. So long as a speculative market continued to force prices up, the sellers (including Buchanan and MacNab)⁹ were not concerned with the ability of the purchaser to meet subsequent calls for payment. Such self-interested participation in the railway was not intended to survive any downturn in the market, and this initial venture of the Great Western into the English capital markets did not survive the collapse of the railway mania.¹⁰ While MacNab was eventually able, in December of 1846, to arrive at a new arrangement with the

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⁷Peter Buchanan was the British end of the Buchanan, Harris, and Co. commercial firm, and served as the GWR's sole or joint agent in London from 1846 to 1855.

⁸Baskerville, Boardroom and Beyond, p. 66. It should be noted that the GWR's predecessor, the London and Gore, chartered in 1834, received in 1837 the promise of a £200,000 government loan. Not surprisingly, given the economic collapse of that year, and the subsequent emphasis on canal development, the loan never materialized. (Smith, "Early Years of the GWR", p. 206.)

⁹As Baskerville has noted, "both men succumbed to the temptation of immediate personal gain at the expense of the railway's interest..." (Ibid., p. 68.)

¹⁰Ibid. p. 70. Frederick Widder of the rival Toronto and Lake Huron line noted in December of 1845 that "stock exchange speculations brought the Great Western Company into existence, and the same power with irresistible force destroys it."

Corresponding Committee, the capital realized was relatively insignificant;¹¹ in addition, the efforts of the Great Western's detractors, in revealing the undue speculation involved in its debut, had given the company a suspect image in Canada.¹²

Unsuccessful in the private sphere, MacNab and the Hamilton railway turned to the state, as had the SLA. In March of 1847 the company approached the government with the proposal that it purchase, "at a reasonable price", one million acres of land between the Huron Tract and Lake Huron. This land was then to be made available to pauper immigrants, totalling 50,000 in number, from the United Kingdom. In addition to supplying the company with a labour force of 10,000 men, this would greatly assist the British government, which was to acknowledge the favour with a loan of up to £800,000. The Executive Council declined the request.¹³ A memorial to 'Lord Elgin later the same year, again seeking aid, met a similar response.¹⁴

Like the Saint Lawrence and Atlantic, then, the Great Western was still in 1848 much more a projected than an actual railway.

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¹¹Ibid. pp. 75-77. The new agreement allowed the Corresponding Committee to return the majority of the 55,000 shares they had originally subscribed for, in return for paying the initial deposit on the 10,000 they still held.

¹²Ibid., pp. 42-44.

¹³Minute Books, F, p. 433, March 24, 1847.

¹⁴Journals, 1847, Appendix Q. Memorial of the GWR's Directors, December 3, 1847.

Unlike the Lower Canadian company, MacNab's line had yet to commence construction, and had as well to face the challenge of competing lines in western Upper Canada. In Toronto, a group headed by William Allan, and generally representative of that city's older business elite, was promoting a Toronto and Lake Huron line to Sarnia.¹⁵ Overly scrupulous, and unable to counter MacNab's political influence in the Assembly (where he succeeded in having their bill set aside in 1847), this group failed to advance their project.¹⁶

The failure resulted in a second Toronto company, the Toronto and Goderich Railway, which was the vehicle for the entrepreneurial ambitions of a younger group of businessmen, among them John Wellington Gwynne, Joseph Curran Morrison, and A.T. Galt's brother Thomas. Although supported by George Brown's Globe, this group was as yet outside the solid core of Toronto's business and professional elite, and was unsuccessful in its attempt to launch the Toronto and Goderich as an alternative to either the Great Western or the Toronto and Lake Huron.¹⁷

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¹⁵Baskerville, Boardroom and Beyond, p. 38. The one significant exception was Frederick Widder, a younger man, and an officer of the Canada Company, through whose lands the Toronto and Lake Huron would pass.

¹⁶Ibid., p. 50, pp. 147-53. For example, Allan expressly forbade Widder to interfere with the attempts of competing lines to become established.

¹⁷Ibid., pp. 153-54.

The Great Western faced a challenge to the south as well. Businessmen in Essex County, like John Prince, and in the Niagara peninsula, like W.H. Merritt, were promoting a Niagara and Detroit Rivers Railway to connect Michigan and New York by a line more direct than that of the Great Western. Originally chartered, like the Great Western, in the previous decade, the Niagara and Detroit Rivers sought to have its charter renewed in 1847, as nothing had been done on the basis of its original incorporation. This attempt was abruptly dropped when the company came to an agreement with the Great Western.¹⁸ Temporarily safe from competition, the Great Western still faced the fundamental problem of financing its construction, as did the Saint Lawrence and Atlantic. During the session of 1848 MacNab, with Galt's encouragement, resolved to try once again to enlist the support of the government.¹⁹

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¹⁸The House appeared to be ready to proceed, as was the Railway Committee, despite "national" or "Laurentian" objections such as Malcolm Cameron's that the NDR was really "an American line on Canadian territory" (Gibbs, Debates, VI, p. 504, June 25, 1847), but on the day assigned for third reading Prince suddenly withdrew his bill. In explanation he told the House that he now realized that "the great object after all was to secure one great Railroad through Upper Canada", and that accordingly the two rival lines had reached an agreement. In return for withdrawing its bill, the NDR was to have all its expenses paid, its shareholders were to be allowed to purchase equal amounts of GWR stock, and the company was to be free to reestablish itself, without GWR opposition, if the latter company had not commenced construction by Jan. 1, 1850. Prince further noted that, although his line enjoyed support in the House, it faced "fearful odds" in the Legislative Council. (Gibbs, Debates, VI, pp. 834-35). The details of the agreement are in the Journals of the Assembly, 1849, Appendix Q. Baskerville, Boardroom and Beyond, p. 55, also suggests that Prince was paid \$1,000 for his withdrawal.

¹⁹Skelton, Galt, p. 24, suggests that the GWR and SLA "joined forces" at this point to secure government aid.

The logical arena for such an effort was the Standing Committee on Railway and Telegraph Lines, which was established (although only by a vote of 33-31) on March 14 on a motion by MacNab.²⁰ While the vote to establish the Committee was close enough to suggest that not all the members shared MacNab's concern to see railways on the public agenda, and despite his fears that the several additions to the original membership were attempts "to prevent the Committee from reporting at all",²¹ the committee proved to be a useful instrument for the railway companies.

In less than a week, under the direction of its Chairman, MacNab, the committee had produced (as its Second Report to the Assembly) an analysis of the subject of railways in Canada, and of the best means of seeing them constructed. In its general approach to the subject the Committee revealed the largely

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²⁰Gibbs, *Debates*, VII, pp. 335-36. The Gallant Knight's fellow Committee members included J.A. Macdonald and W.H. Merritt.

²¹Ibid., pp. 422-31.

uncritical climate of unanimity in which the new technology was to be approached, arguing that the construction of railways was

a subject whose importance cannot be overrated and in favour of which the public voice has conclusively declared itself. That Railways are of the greatest assistance in developing the resources of a country, both agricultural and commercial, has been too fully established in Great Britain and the United States, to require discussion.

Canada, by virtue of her particular situation, stood to benefit to "an equal, if not greater, degree" than other countries from the introduction of the new technology:

With great facilities for foreign and internal commerce during the summer season, by means of its magnificent chain of water communications, Canada labours under great disadvantages from the complete cessation of business and exclusion from the markets of Europe, during its long winters.

These disadvantages can only be overcome by a comprehensive and well-arranged system of Railroads, which would allow of an active and uninterrupted trade, both foreign and domestic, being carried on for the whole year, and in that respect would put it upon a par with the neighbouring States.²²

In thus stressing the competition with American trade routes which was such an important part of the rationale for the major lines, the Committee touched on the basic criterion which was to be employed in determining which railway companies ought to be

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²²Ibid., p. 610.

recipients of government aid. The "three lines of Railway which at present press themselves on the public attention, as being of primary importance, and connected with the general prosperity of the Province", according to the Committee, were the SLA, a Canadian trunk line uniting Quebec, Montreal, and Toronto with Hamilton and the GWR, and a Halifax and Quebec railway. In each of these cases, the road was a major east-west through line with Laurentian potential. Just to make plain the importance of a connection to "the general prosperity of the Province," the Committee noted as well the existence of several other projects, all of which were "of great utility to their respective localities." Such lines, however, were beyond the Committee's concern, since they were "generally of a limited extent, and may safely be left to private enterprise."²³ The point here was not so much that smaller lines were likely to be built with unaided private enterprise as their sole developers, but that the major lines, like the Welland Canal before them, were national in their significance and could not therefore be left to the vagaries of private fortune.

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²³Ibid., The Committee posited this rather absolute distinction despite the presence of a number of backbench members who might have been expected to speak up for government assistance to local lines. That they failed (and none of them was among the few members who did challenge the distinction when it was given legal sanction in the following year's Guarantee Act) suggests that they agreed with the Laurentian emphasis in the report, although the smooth handling of the Committee's agenda and direction by MacNab ought not to be discounted as a factor.

The Halifax and Quebec, being a "great national undertaking", was likely to be taken up by the Imperial government.²⁴ Some sections of the Canadian trunk line had not even been chartered, while those that had existed primarily on paper (although some preliminary surveys had been done between Montreal and Kingston.)²⁵ This being the case, the committee concentrated its attention on the prospects for the Great Western and the Saint Lawrence and Atlantic. The procedure employed, although transparent, served the purposes of the railway companies. MacNab arranged to have introduced before the Committee reports produced by the Chief Engineers of the two companies. This display of "evidence" from the "technical experts" was clearly promotional in intent, but it made the two points necessary to a justification of government assistance. Domestically, the roads were virtual monopolies in their respective territories, and therefore safe from competition, and likely to prosper. Internationally, their effect on larger trading patterns would be to attract the products

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²⁴Ibid., pp. 614-15. The Committee's discussion of the HQR was not quite as dismissive as this brief reference might suggest. The Report cited "the great vigour and enthusiasm which New Brunswick and Nova Scotia were bringing to the project, and expressed confidence that Canada would "meet the views of the other Provinces in the most liberal spirit and...heartily concur" in any intercolonial measure to aid the construction of the railway.

²⁵Ibid., pp. 610-11.

of the far West into the Canadian channel, and thereby to contribute to "the general prosperity" of the province.²⁶

This latter claim, of course, was intended to establish the SLA and GWR as "national" works, and therefore essential to the provincial welfare. This being done, there remained only the observation that the cost of their construction, given the "want of capital in the province", meant that these railways were not likely to be built "within any definite period" if left to unaided private enterprise. The obvious solution, which would be the investment of British capital, was unlikely to occur, given the demand for railway capital in Europe and "the present depression of the money market in England". Faced with this situation,

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²⁶The GWR (Allan MacNab, President) presented to the Railway Committee (Allan MacNab, Chairman) the September, 1847 report submitted by C.B. Stuart. The GWR, Stuart argued, ran through "a district of country highly favoured by nature, and occupying a site, which for the attainment of speed and the future economy of working is unsurpassed in this country or Europe." It seemed "destined to absorb the traffic of a wider region than often falls to the share of any single enterprise." Moreover, in traversing "the most populous and fertile portions of Canada West", the GWR would carry a locally-generated traffic which it "must control, without rival, or the probability of future rivalry...there is no appropriate ground on which to place a competition on either side." (*Ibid*, pp. 611-13). The promoters of the NDR, which planned to build to the south, obviously would have disagreed with the latter point.

For the SLA, A.C. Morton pointed to the road's "most remarkable location" and cautiously predicted that "it cannot fail to be one of the most important and profitable Roads yet commenced. From its peculiar position, it never can be subject to competition. It is the shortest and cheapest channel...the completion of the last link will change entirely the channel of trade, open new resources, and add vastly to the Public Works of the country, and to the wealth and enterprise of the district through which it passes." (*Ibid.*, p. 613).

"distant enterprises" like the Great Western and the Saint Lawrence and Atlantic could not expect to attract British investment "on the unaided credit of the Works alone, however favourable may be the prospects for a profitable return":

Unless, therefore, some assistance is afforded by the Provincial Government, your Committee are apprehensive that the completion of these works will be postponed to an indefinite period...

In considering the likely effects of such a delay, the Committee's report demonstrated again the absolutely fundamental importance which was being attached to the railways. What was at stake was not merely the material question of economic development, important, though that was, for failure to embrace immediately the advantages offered by the new technology would mean virtual second-class status. Without railways, Canada would be forced

to see itself fall behind the world in the great march of improvement, and with all its natural advantages, to sink into a hopeless inferiority in comparison with the neighbouring States.²⁷

This reference touched on two of the most fundamental of Canadian intellectual activators - the general belief in the necessity of

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²⁷Ibid., p. 615.

progress, and its more specific North American context which stressed the real and potential superiority of the dynamic society to the south.

Having thus satisfactorily established the absolute necessity for railway development, and of government aid, the Report concluded with a consideration of how such aid was to be dispensed. At the suggestion of the Great Western's directors, the committee noted and considered three different modes of government assistance - a direct loan to the companies on the security of their roads and property, the taking of stock in the company by the government, or, a guarantee of 6% interest "to any capitalists taking the stock and completing the Works."²⁸ The first option ran the risk, by increasing the debt of the province, of damaging the public credit. Of the idea of the government becoming a stockholder in railway companies, "in connection with private capitalists", the committee only observed that the objections to such a course were "also obvious".²⁹ This left the

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²⁸The notion of guaranteeing interest payments was not new. The previous year, Grey had informed Elgin that the GWR would be unable to attract British capital without just such an added inducement. After being approached by Galt seeking assistance for his road, Grey expanded the observation to include the SLA. (PAC, Elgin papers, file 3, n.p., Grey to Elgin, Feb. 2 and April 2, 1847.)

²⁹Presumably, the objection here was that partial government ownership would lead to the railway companies' policy being subject to political considerations which might not necessarily be consistent with their best interests.

third option as the "least objectionable mode", especially as

It is confidently expected that these two Railroads will, when completed, return an ample revenue, and that the province will never be called upon to advance a farthing on their guarantee.³⁰

In support of this modest contention, the committee (or, more properly, its Chairman) enclosed a copy of a letter to MacNab from a New York businessman, "shewing to what extent and in what manner similar enterprises have been aided by the States of the neighbouring Union." The letter began by praising the "reliable Character" of the Great Western's Chief Engineer's report, adding only that American experience had tended to show that, where the western trade was concerned, even "the most sanguine anticipations" were "far outstripped". The Great Western was praised as a valuable, and indeed the principal, connector between the Eastern and Western American states, and as a line "which embraces an interest general enough to command the attention and patronage of Government...." Such aid could be given "without any public injury, or the most remote hazard of loss", as had been the case with Massachusetts, where guarantees totalling \$8 million

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³⁰Gibbs, Debates, op.cit., pp. 615-16. The Committee added that if, from some highly unlikely cause, the railways failed to earn a profit, the deficiency would not be more than 3%, which, on the total estimated cost of the two lines (£1,000,000), would not cost the government more than £30,000/year - "a sum of no importance when compared with the great objects obtained."

had not resulted in even one dollar of expense to the state government.³¹

Although the demonstration of a need for, and the recommendation of means of, government aid was the sole purpose of the Second Report of the Railway Committee in 1848, one of its most striking features had nothing to do with the question of government aid to railways. On that issue, the Committee's argument was logical, and based on a genuine shortage of native capital, even if one of its key assumptions (that the railways in question would be successful and therefore cost the government nothing) was mistaken. In another area, however, the Committee operated with a larger blind spot. Although the Report stressed the Laurentian utility of the SLA and the GWR, it completely overlooked the extent to which the latter line would divert traffic from the Canadian route. Not only was the Hamilton line featured prominently in the Report, but its essentially American character received no adverse comment, whereas its chief rival, the Niagara and Detroit Rivers, had faced, and would continue to face, this very objection. This was the case despite the fact that the "evidence" cited by the Great Western tended to stress its "American" as much as its Laurentian character.³²

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³¹Ibid., pp. 616-21. Given the comparison (implicit and explicit) with the U.S. which informs the Report, it is entirely appropriate that its authors backed the idea of loan guarantees with an American example of their successful employment.

³²Ibid., p. 618.

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The committee, under MacNab's direction, overlooked the contradiction in testimony which saw the flood of western trade somehow reaching New York state at the Niagara River and the Saint Lawrence and Atlantic at Montreal, perhaps assuming that shippers would opt for the Great Western's line only as far as Hamilton, at which point the combined attractions of the Saint Lawrence canals and the railway to Portland would induce them to continue their goods in the all-Canadian channel.

Despite MacNab's confidence (he had told Peter Buchanan even before the session began that the ministry had "promised their assistance"), the concrete effects of his efforts were negligible. In September, 1848, after the session, Hincks informed a correspondent that while "all of my sympathies are with the Great Western Road... it will not be in the power of the Government to aid any of the roads."³³

This inability to translate sympathy into active support arose of course from the government's financial position in the fall of 1848, when it had neither the revenue on hand nor

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³³Baskerville, Boardroom and Beyond, pp. 56-57, quoting Hincks to Thomas Shenston, September, 1848. MacNab added that the assistance would either be by way of loan guarantees or by the government taking stock.

sufficient credit to enable it to commit its resources to the would-be railways of Galt and MacNab.³⁴

The attraction of British capital was nonetheless fundamental - the one factor upon which all else hinged - and Hincks accordingly attempted to come up with a method by which British investors might be attracted to Canadian railways without the Canadian government assuming any intermediary role. The basic obstacle standing in the way of railway development, as the Railway Committee had suggested, was that the nascent Canadian companies were unable to secure investment on the basis of their own unaided credit. One general means of improving the situation was by means of improving the credit standing of the Canadian government, and this was to be the focus of Hincks' endeavours in 1849.³⁵ The process was likely to be relatively time-consuming, however, and in the meantime, it was therefore essential that the government somehow remove the railways from the hard pounds and shillings context of pure business and place them in a context in which the larger non-monetary aspects of their development could be stressed.

This was what Hincks sought in his "Memorandum on colonization and the public works connected therewith", which was

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³⁴See above, chapter IV, pp. 174-76.

³⁵Ibid., pp. 167-77.

accepted by the Executive Council and presented to Lord Elgin on December 20, 1848. Pointing out that the government's investment in the canal system had created a debt which

though not by any means so large as to create embarrassments, is sufficiently so to render it inexpedient that [the government] should embark at present in any further speculation, 36

Hincks proposed that investment in Canadian railways should come from "parties in England who are friendly to Emigration", since the construction of railways in Canada "would lead to the employment of a considerable amount of Immigrant Labour."³⁷

Perhaps because he realized that this idea was too dependent on shifts in social and business opinion in the United Kingdom, Hincks included a second proposal in his memorandum. Recalling Lord Grey's promise of assistance to British North American ventures which were likely to ease the problem of redundant population in Great Britain, Hincks proposed that the British government "obtain the money required" for Canadian railways.³⁸ The Canadian government, for its part, would devote the revenues

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³⁶Minute Books, I, p. 405, Dec. 20, 1848.

³⁷Ibid., p. 424.

³⁸Ibid., pp. 415-16.

realized from the sale of Crown Lands to the creation of a sinking fund for the redemption of the debt so realized.³⁹

Such reliance on the interposition of the British Treasury between Canada and her creditors was the more conventional of the two ideas advanced by Hincks in his December, 1848 memorandum, and one suspects that it was his preferred option. Whereas the notion of "parties friendly...to Emigration" providing capital seems to have made no impression, Hincks' second proposal was repeated in the Throne Speech of January 18, 1849.⁴⁰

These plans were essentially an attempt on Hincks' part to get railway construction underway without having to wait for the improvements in revenue and credit rating which he was expecting once the canal system was open, and once he had succeeded in his wooing of Baring Brothers and Company. There was no positive Imperial response, however;⁴¹ the Inspector-General was therefore

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³⁹Ibid., pp. 416-18.

⁴⁰Gibbs, Debates, VIII, part i, p. 10.

⁴¹Lord Grey commented specifically on another Hincks memo. of the same date, on the Halifax and Quebec Railway, but said nothing of the Imperial loan/Crown Lands idea in his correspondence with Elgin early in 1849. (Elgin papers, PAC, file 3, n.p., Grey to Elgin, January 12 and 25, 1849.) Elgin's own response was decidedly negative. He found in Hincks' proposal "much that is impractical...which no ingenuity of statement can entirely remove." Specifically, he found that the scheme would leave all the expenses with Britain and all the control with colonial politicians. (Ibid., file 4a, undated memorandum) Of more general interest is the comment in the Colonial Secretary's January 25 letter that "If I am not much deceived by the style of the minutes of your present Council it consists of much abler men than the last."

left with two options - either to implement the suggestions for assistance made by MacNab's Railway Committee, or to do nothing, admitting in the process that the Province of Canada could not keep pace with "the great march of improvement" and that those who stood to benefit from that march would have to wait. This was really no choice at all, and in opting for the former, even though the government was not then capable of assistance, Hincks was simply admitting as much.

Early in April, 1849, he prepared another memorandum, this time on "aid to construction of railways"⁴², the contents of which he presented to the House as a series of resolutions on April 11. He introduced them with the observation that Lord Elgin recommended them to the consideration of the House, and that "it did not appear that there was any probability" of the money for Canadian railways being raised on the security of the province's lands. Having consulted with the railway companies, the government had decided on the approach outlined in the resolutions.⁴³

With one significant exception, the resolutions flowed directly from the previous year's recommendation of the Railway Committee, both in their general argument and their specific proposals. Hincks introduced them by noting that railways had become "not merely advantageous but essential to

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⁴²Minute Books, J, p. 35, April 4, 1849.

⁴³Gibbs, Debates, VIII, part iii, p. 1824.

advancement and prosperity", and that government assistance was essential in "new and thinly-peopled" countries like Canada, "in which capital was scarce." The Laurentian expectations which were being placed on the new ventures had already been made plain in Hincks' memorandum. There he had claimed that

a large portion of this [western] trade can only be secured by the construction of Railroads to communicate with the Eastern States; and it will most assuredly be diverted into other channels unless energetic means be employed to secure the construction of leading and important lines of railway.⁴⁴

Accordingly, and following the suggestion made by MacNab's Committee the previous year, the government came out in favour of guaranteeing the payment of interest on loans raised by the companies.

Specifically, what Hincks proposed was that the payment of interest of up to 6% should be guaranteed on loans taken by lines 75 miles in length or longer, once that railway was one-half completed. This latter restriction was reinforced by the provision that the sum so guaranteed was not to exceed the amount already expended by the company. The repayment of the guaranteed interest was to be the first charge on the company's revenue, and no dividends were to be declared until the interest had been repaid. Dividends were to be limited to 6% until the principal had also

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⁴⁴Minute Books, J, p. 35.

been repaid, and the province was to have a first mortgage and lien "for any sum paid or guaranteed by the government." Finally the fifth resolution committed the province to assist in the construction of a Halifax and Quebec Railway, if such a project were taken up by the Imperial government.⁴⁵

What distinguished the resolutions from the report of the Railway Committee was the provision whereby the guarantee would not come into effect until a railway was half-finished. While this was sensible in itself, in that it was logical to assume that the promise of government assistance with the completion of the line would be a help in securing initial investment, it probably reflected as well the fact that, in 1849, the state's credit was simply not strong enough to make the guarantee of any real value to railway companies attempting to borrow on the London market.

The other aspect of the plan which requires comment is the minimum length of seventy-five miles which the government required

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⁴⁵Ibid., pp. 1824-25. The 5th resolution proposed grants of right of way, all station lands, and up to £20,000/yr. towards the deficiency, if any, in the railway's income, so as to enable the interest on the capital to be paid. This proposal was the culmination of several years of discussion, in both British and British North American circles, of the HQR. In the spring of 1846 the legislatures of Canada, New Brunswick, and Nova Scotia had passed resolutions calling on the British government to begin surveys, and offering to pay the cost, a proposal to which Grey responded positively (Longley, Hincks, p. 188). The result was a thorough exploration of alternative routes by Major William Robinson of the Royal Engineers, who in September of 1848 recommended a route along the eastern shore of New Brunswick.

of companies seeking the guarantee. In setting this limit, Hincks' plan followed the dichotomy established in 1848 by the Railway Committee - between those major lines "connected with the general prosperity of the Province" and local lines "of a limited extent" which could "safely be left to private enterprise". The meaning of "safely" in that regard, as noted above, was exclusionary. That is, local lines were sufficiently unimportant that their fate could be left to unaided private enterprise. Hincks used the word in a different context in introducing his resolutions, when he asserted that government aid could "safely be given to lines of Railway of considerable extent".⁴⁶ Although he did acknowledge that, in principle, some degree of caution was appropriate where "the public interest incurred certain liability", Hincks went on to agree that in the actual circumstances there was "no risk of the railways not paying", and that "it must be obvious that the province at large was deeply interested in the carrying out of these undertakings."⁴⁷

In effect then, Hincks was insisting, as had the Railway Committee the previous year, that the major east-west lines which were to form part of the Laurentian system were certain to be profitable, and that the guarantee mechanism was nothing more than a confidence-inspiring gesture on behalf of ventures whose harmony with the naturally superior St. Lawrence route insured their

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⁴⁶Ibid., p. 1824.

⁴⁷Ibid.

success. That most members were prepared to accept this is indicated by the fact that the possibility of the roads not paying, and the province having therefore actually to pay the interest charges on their loans, did not play any substantive part in the discussion of the measure.⁴⁸

The debate which followed the introduction of the Resolutions was, like Hincks' opening statement, very consistent with the assumptions and arguments expressed by the Railway Committee in the report which had laid the foundations of the guarantee scheme. Where the report had argued that the importance of railways was "too fully established... to require discussion", MacNab led off the debate with the assertion that "in matters of this kind there could be no difference of opinion..."⁴⁹ Subsequent speakers were equally repetitive.

In the process of endorsing Hincks' plans, they revealed again the attitudinal climate in which the Province of Canada

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⁴⁸This may have been partially because of Hincks' announcement that, just in case, the Customs Act would be amended so as to empower the Governor-General, on three month's notice, to increase duties by 10%, in order to provide sufficient revenue to meet its guarantee obligations. (Ibid., p. 1827. The idea was originally broached in Hincks' memo. on aid to construction of railways, Minute Book, J, p. 38). At the same time, it is more likely that a general confidence in the railways' prospects was a stronger factor. As Hincks expressed it (Ibid., p. 1827), "the Ministry did not anticipate the possibility of the guarantee afforded by the resolutions involving the consolidated revenue in any charge whatever, yet they had thought it advisable to prevent all risk."

⁴⁹Ibid., p. 1828.

embarked on its commitment to the new technology. The three key elements in that climate were the belief in the general utility of railways, their more specific value as the engines by which the pace of development might keep up with that in the neighbouring states, and, finally, their particular role in the primary aspect of that struggle - the contest for western trade. The first of these may be seen in William B. Robinson's claim that "no country can be prosperous nowadays without railways", the second in G.E. Cartier's explicit reference to the American republic, "where every improvement was adopted"⁵⁰, and the third in Premier Lafontaine's reminder to the House that

our neighbours are exerting every effort to
attract the traffic of the Continent from Lake
Superior to the ocean through their
territories.⁵¹

Such non-critical parroting of the received wisdom on the subject of railways, development, and Laurentianism was typical of the majority of speakers who took part in the debate.⁵² There was, however, a measure of dissent, which took four forms.

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⁵⁰Ibid., p. 1828, p. 1830.

⁵¹Ibid., p. 1831.

⁵²Eighteen speakers took part in the debate. Of these, fourteen spoke unequivocally in favour of the measure (although in four of these cases the reporter present noted their remarks in only the most general way, such as "_____ expressed his full support of the resolutions." Of the four dissenters, only one expressed doubts about the principle of the guarantee plan (Ibid., pp. 1823-35, 1857-61).

The first was a simple doubt which questioned the likelihood of Hincks' plan succeeding. This fear was expressed by Dr. Laterrière, the member for Saguenay, who found it paradoxical that

any people should attempt to borrow money for the Railroad on the responsibility of the Province, when on that same responsibility it was impossible for the government to borrow a single sou to complete the Public Works.

This constituted a direct challenge to the credibility of Hincks' attempts to establish the provincial credit in London, and drew an immediate response from the Inspector-General, who argued that while the money markets in England had been "very depressed" at the time of William Cayley's failure to raise loans, "the prospect was much more favourable at the present." Neglecting to mention that his optimism was only partially supported by the current assessments of the Baring Brothers firm, Hincks' assured the House that there was "every reason to believe that they would now be able to negotiate loans without difficulty."⁵³

A second objection came from the spokesmen for local interests, who saw their pet projects excluded by the distance conditions laid down in the resolutions. In particular this complaint was made by members representing ridings in which were

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⁵³Ibid., p. 1829.

situated the north-south railways of the province's "other economy". The lead was taken by J. Scott of Bytown who challenged Hincks to specify which companies the government was prepared to assist and which it was not. Scott's particular interest was the Prescott and Bytown, which was too short to qualify for the guarantee. The restriction of assistance to lines 75 miles in length or longer made it appear to him that the guarantee was only intended to be applied to "Great Lines along the frontier." This was precisely the government's intention - to commit its support to those lines which would harmonize with the river system, and leave "local" lines to their own devices. Characteristically, Hincks' reply managed to both admit and obscure this essential fact. He argued that while "it was not the intention of government to exclude any Line or Road, nor...[to support] any particular line of Road...it was necessary to fix some limit." The ministry had decided "to endeavour to perfect great trunk lines" and had accordingly concluded that "75 miles was as short a length as it was proper or safe to adopt."⁵⁴

The third objection, like the first two, did not quarrel with the principle or necessity of the measure. Rather it expressed the fear, most commonly associated with W.H. Merritt, that the advent of the railway age meant a decline in support for the river

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⁵⁴Ibid., p. 1833.

system. In some cases, as with Laterrière, this criticism actually was but a general expression of aggrieved local interests:

There was a better road than all these [railroads]...the great highway of the River St. Lawrence. The truth was however, that...though means were always to be found for gigantic works... for the river side in the District of Quebec nothing could be found.⁵⁵

Similarly, James Smith of Durham expressed his view that the Prescott and Bytown and Peterborough and Port Hope were worthy of government assistance by asking Hincks if it was the government's intention to aid railways running parallel to the lake and river route, when such "more legitimate objects of assistance" were in need of support.⁵⁶

The other, and most thorough objection to the resolutions came from Solicitor-General W.H. Blake, whose comments place him in the same tradition as the reformers of the 1830's in their denunciations of the Welland Canal. Blake saw the measure as "one pregnant with the most evil consequences to the country", and was afraid "that it would lead to calamities that none of them dreamt of";⁵⁷ he also reminded the House that "there were laws in the

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⁵⁵Ibid., p. 1829.

⁵⁶Ibid., p. 1859.

⁵⁷Ibid., p. 1832.

States prohibiting legislation of that kind, which had been passed in consequence of the immense sums of money they had lost."⁵⁸

Despite his prescient fears, Blake voted in favour of the resolutions, as did every other member of the House. This surprising unanimity seems to have come about as a result of the arguments used by Hincks in his reply to Blake. Those arguments proceeded from the conjunction of two factors - the proposed Halifax and Quebec Railway, and the necessity of attracting foreign capital. The key to their relationship, as both Hincks⁵⁹ and Lafontaine⁶⁰ stressed, was to induce Great Britain to undertake the construction of the Halifax and Quebec Railway. Their reasoning was quite direct - as Hincks put it, "If the works were to go on, they must depend on the English capitalist", and the best way to attract the investment of private English capital to Canadian railways was to have the Imperial government lead the way by undertaking, on its own responsibility, the Halifax and Quebec. But initial attraction might be cooled by dissent within Canada, and therefore "it was desirable to have unanimity...We ought to show the English capitalists that the whole country has confidence in the scheme."⁶¹

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⁵⁸Ibid., p. 1834. He may have been referring to the State of New York, where the experience with loan guarantees had not been as positive as that in Massachusetts. (Skelton, Railway Builders, p. 52.)

⁵⁹Ibid., p. 1838.

⁶⁰Ibid., p. 1831-32.

⁶¹Ibid., p. 1832-33.

In unanimously adopting the plan outlined in Hincks' resolutions the House expressed the general acceptance in the political culture of certain basic assumptions about railways, Laurentianism and British capital. At the same time (and especially as the railway program was later to become most incautious) it is significant to note that political support for the guarantee scheme probably also rested on the more specific belief that the plan was prudent and well-arranged.⁶²

One objection which had been made in debate was that, since the government was incurring a measure of risk, there ought to have been some provision in the plan whereby the state would share in the profits if the railways were as successful as the backers of the guarantee claimed they would be.⁶³ This completely overlooked the ways in which Hincks had included provisions which limited the risk to the government. The provision for a 10% increase in import duties would provide additional revenue should the interest guarantee actually come into effect. The restrictions on the railway company's profits until any debts

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⁶²The final vote on the Bill was 62-4 in favour, the dissenters being Papineau, Scott of Bytown, Malloch of Carleton, and Lyon of Russell. The negative votes of the last three were presumably a protest against the 75 mile limit excluding eastern Ontario's lumber railways, particularly the Prescott and Bytown. (*Ibid.*, p. 1861.)

⁶³*Ibid.*, p. 1830 (William Buell Richards). He enquired as well as to why there was no government "control over the road and the charges on it."

realized had been paid ensured, in theory, that the fears expressed by Richards would not materialize.⁶⁴

Moreover, the cautious approach typified by the Guarantee Act was reflected more generally in the assumptions about future growth of the railway system which appeared in the debate. When asked if it was the government's intention to assist lines which might be built parallel to Lake Ontario and the St. Lawrence (that is, a Toronto-Montreal or Hamilton-Montreal through line), Hincks replied that, in theory, yes, parallel lines would qualify, "although he thought the House would be chary in establishing such companies."⁶⁵ This assumption (which was to prove most erroneous) having dealt with Smith's objections, Hincks then confronted the argument raised by Papineau, that it was folly to "[give] the credit of the province in advance", assuring him that personal inquiries had revealed that "it was impossible for any great number of companies to avail themselves" of the guarantee and that in any case "it was for Parliament to consider if it would grant charters for every scheme."⁶⁶

The notes of realism and political control over the process of railway development implicit in those responses by Hincks were

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⁶⁴Richards had in fact noted that, with Hincks' proposal being "so guarded", it was unlikely that the united province would experience with its railways the financial debacle which the Welland Canal had been for Upper Canada.

⁶⁵Ibid., p. 1859.

⁶⁶Ibid., p. 1860.

to prove chimerical. Yet at that time, in the spring of 1849, it appeared that the government had arrived at a responsible and limited program. The SLA and GWR were the foci of the strategy, with little thought given to the possibility of linking them by rail as well as by water. The attraction of British capital to Canadian railway enterprises was to be a two-pronged operation, with the government guarantee of interest repayment as the most direct form of assistance. At least as important was the government's offer of an effective guarantee of the payment of interest on the Halifax and Quebec's capital. This was designed as a broader action which would, if successful in attracting official British investment, bring to Canada the imprimatur of the Imperial Treasury. In its train would come the confidence and money of private British investors.

The following year, another level was added to the financing mechanism which was being established to bring Canada into the railway age. As with the Guarantee Act, the lead was taken by MacNab. He introduced into the House a bill allowing the province's municipal corporations to subscribe for stock in the GWR. What ensued was revealing of both the nature and limited strength of the opposition to the financial entanglement of governments with railways. Just as W.H. Blake had earlier warned of financial "calamities" arising out of the relationship, so in 1850 the claim was made that the bill "would enable a few rash or speculating men, in a small neighbourhood, to plunge their

localities into inextricable embarrassments."⁶⁷ As might be expected, Baldwin spoke for financial caution, warning the members that

If the door were now opened, through this Act, for [municipalities] to get into debt, they would in a short time be in the same position that some American towns were in, a few years since, when they were sold out, stock and barrel, by the Sherriff.

He urged the House to amend the bill so as to require any municipality subscribing for stock to make provisions, by assessment, for paying off the debt within twenty years.⁶⁸

No doubt realizing that such views were those of a distinct minority, MacNab agreed to postpone third reading of his bill until the House had discussed the matter in Committee of the Whole. That debate ranged between the fears already noted and the optimism of those who believed that "municipal authorities would take good care not to subject themselves to taxation by taking railway stock, unless they were convinced that it would be for their benefit."⁶⁹

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⁶⁷Ibid., X, part i, p. 509. The speakers expressing the fear were Richards of Leeds and D. Thompson of Welland, whom Paul Cornell, The Alignment of Political Groups in Canada, 1841-61 (Toronto, 1962), p. 102, identifies as supporters of the Reform government.

⁶⁸Ibid..

⁶⁹Ibid. Proponents of this view failed to realize that such conviction could come very easily in a climate of opinion which held, as did the Solicitor-General East, L.T. Drummond, that "the very existence of Canada depended upon our carrying out railroads." (Ibid.)

Baldwin's amendment in any case posed no threat to the main principle of the bill, and was passed accordingly. A significant extension to its principle came in the form of another proposed amendment, this time from Hincks, who saw an opportunity to broaden the capital base on which the financing of the province's railways would rest. He proposed that the phrase "other railways" be added to the designation of the GWR in the bill's preamble. This opening up of the bill to include all railways effectively added a new source of capital to the British investors which the previous year's legislation had been designed to attract, and passed by a large majority, Baldwin being the only Upper Canadian member voting in the negative. As Peter Baskerville has observed, "by 1850, an institutional structure favourable to foreign investment was in place."⁷⁰

While its financial supports appeared to have been completed, the physical form and Laurentian purposes of the system were by no means as set as the proceedings revolving around the Guarantee Act suggested. In both committee and House, the assumption made in the recommendation and approval of government aid had been that the two major lines actually to be benefitted were the GWR and the

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⁷⁰Peter Baskerville, "Americans in Britain's Backyard: The Railway Era in Upper Canada, 1850-1880", Business History Review, LV, 3 (Autumn, 1981), p. 317.

SLA, and that both were essentially Laurentian in their purposes and likely effects. In fact, other railway events in 1849 and 1850 were to show that, in parts of western Upper Canada, there was little inclination to accept the GWR as the area's established road, and that the Hamilton railway's Laurentian status was more a useful tool with which to fend off competitors than an accurate reflection of the company's primary purpose.

The issue which brought these aspects of the developmental culture into focus was the rivalry of would-be through lines in the western peninsula. In 1849 a revived Niagara and Detroit Rivers Company again came before the House seeking a charter. The 1847 agreement between the two lines had been but a temporary lull in the struggle, as it turned out. An 1848 attempt to recharter the more southerly road had made no headway at all, largely because John Prince had declined, in no uncertain terms, to take up the question again,⁷¹ but in 1849 the challenge to MacNab's company was more serious. The subject was brought before the Railway Committee by the efforts of Duncan Macfarland, the member for Welland,⁷² and on March 21, the Committee presented as its

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⁷¹Prince denounced the charter petition as "impudent" and its authors as "two or three petty shopkeepers in a paltry little village called Bertie....a parcel of whiskey makers and fishers of black bass" who had no right to dictate to him how to proceed with "my own Bill." (Gibbs, Debates, VII, p. 323, March 13, 1848.)

⁷²Ibid., VIII, part 1, p. 365, January 30, 1849

Second Report, the evidence which it had gathered on the question, and its recommendation that the NDR be granted a charter.⁷³ The nature of the testimony which the Committee heard, together with the conditions which it imposed on the new line, are indicative of the curious mixture of transportation realities and deference to Laurentianism which characterized railway development in peninsular Upper Canada.

In their appearances before the Committee the backers of both the GWR and NDR, by insisting that their line was the most likely to receive American investment, made plain that their primary purpose was to serve as a link between Michigan and New York.⁷⁴ This question of capital was of course absolutely fundamental, since an initial investment would allow the building to begin, and thus set the company on the way towards qualifying for the guarantee. At this level of discussion, where larger national strategies were not considered, and which turned on the general desire that railway development begin as quickly as possible, the NDR was in the stronger position. As a true direct line between eastern Michigan and western New York, without the extra mileage involved in connecting with Hamilton, it was the logical line for American purposes.

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⁷³Ibid., p. 1465.

⁷⁴The following account of the Committee's investigations into the NDR is taken from the Journals of the Assembly, 1849, Appendix QQQ, n.p.

This business strength, however, was its fatal political weakness. The promoters of the GWR were quick to point out that since their road was the more "Provincial" of the two, it was therefore less open to "unjust legislation" and therefore more likely actually to receive American investment.⁷⁵ This was a somewhat mixed argument, relying as it did on the GWR's Laurentian possibilities, but only relatively, and still emphasizing its American connections.

Such claims, necessary though they were as a means of countering the NDR on its own ground, were secondary to the main thrust of the GWR's attack on its rival, which took the form of direct and absolute claims as to the Hamilton road's Laurentian utility. Casimir Gzowski argued that the line to Hamilton would add materially to the trade of Lake Ontario, and the St. Lawrence; the construction of the NDR can have no such effect... in fact the latter cannot be looked on as any other than an American Road....

This was a classic statement of the GWR'S Laurentian rationale, to which Gzowski added, in response to another question from the Committee, an equally clear expression of the looseness with which it was employed. Arguing again that the tendency of the NDR would be to divert trade from the Canadian channel, Gzowski claimed that

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⁷⁵Baskerville, Boardroom and Beyond, pp. 60-62.

the GWR running to the Niagara River could not have the same effect,

for having an extensive terminus at Hamilton on Lake Ontario, it would leave there all passengers and freight which would pass on to the Lake and the St. Lawrence, and carry to its terminus at the Suspension Bridge the freight and passengers for New York and Boston.

While technically correct, in that the connection with Lake Ontario provided the GWR with Laurentian possibilities that its more southerly rival lacked, this argument rested on what may be termed the "Laurentian assumption", that is, that once reinforced by railways, the sheer natural superiority of the St. Lawrence would assert itself and the "flood" of western trade would finally flow through the Canadian channel. In fact, traffic which made it onto Lake Ontario overwhelmingly favoured a return to American transportation routes at Oswego and Ogdensburg;⁷⁶ Gzowski's claim about traffic passing "on to the Lake and the St. Lawrence" was therefore inaccurate. The fact that no one on the Committee saw fit to challenge this rather glaring weakness in his Laurentian claims demonstrates the lack of hard thinking which marked developmental "planning" in the political process.

Another example is provided by the Railway Committee's approval of the charter application of the NDR. While they thus gave their approval to an "American" through line,

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⁷⁶See above, chapter III, p. 144.

the members imposed restrictions which were clearly based on the belief that if a "Laurentian" connection were required of the NDR the challenge which it presented to the Canadian transportation system would effectively be defused. The Committee stipulated that if both the NDR and GWR were actually constructed, the latter company would be empowered to build a branch to its rival, thereby connecting it to the Laurentian system at Hamilton. Further, even if the GWR were not built, the NDR would have been required to build a branch to Hamilton within two years of its main line being finished. This was purely hypothetical in the event, since the House (apparently accepting the GWR's Laurentian arguments) approved MacNab's motion to give the bill the six months hoist.⁷⁷ This rejection by the House serves to illustrate the dominance of the Laurentian vision in the developmental culture, as does the fact that the Committee felt compelled to impose certain restrictions on the NDR charter. Nonetheless, the attempt by the Committee to make the NDR into that which it was not, like the fragility of the GWR's Laurentian claims, says much about the somewhat hollow quality of that dominance.

The underlying weakness of Laurentianism in Upper Canada may be seen as well, although in a different sense, in the Northern Railway. The Toronto road was both result and cause of the other

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⁷⁷Gibbs, *Debates*, VIII, part iii, pp. 2267-68, May 12, 1849. Joining MacNab in derailing the NDR were Galt, Hincks, and Macdonald. Merritt voted with the minority.

development by which the GWR had become the established railway venture in Upper Canada without even having started construction. Not only had MacNab's company successfully blocked the NDR, but it had benefitted as well from the removal of its more northerly rival, the Toronto and Lake Huron. Partially as a result of the split between its promoters over Sarnia vs. Goderich as a western terminus,⁷⁸ and partially because of the enthusiastic promotion of Frederick Chase Capreol in favour of a "Northern" railway,⁷⁹ the Toronto and Lake Huron line effectively disappeared as a challenge to the GWR.⁸⁰ Its place as the main expression of railway enthusiasm in Toronto was taken by the Toronto, Simcoe, and Lake Huron Union Railway, which was chartered in April, 1849.

This deflection of Toronto's metropolitan outreach from the west to the north which the new line represented ought to have brought with it a lessening of ambitions, but it took a decade of failure before the company realized that its proper role was as a local line linking Toronto with its natural hinterland to the north, and not as a link in the chain of communications connecting

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⁷⁸Dyster, Toronto, p. 235.

⁷⁹Baskerville, Boardroom and Beyond, pp. 157-62. The Toronto, Simcoe and Huron Union Railroad officially became the Ontario, Simcoe and Huron Union in 1850, but was frequently called the Northern from early in its existence. (R.D. Smith, "The Northern Railway, Its Origins and Construction", Ontario History, XLVIII, #1 (Winter, 1956), p. 27.)

⁸⁰The Toronto and Lake Huron was actually rechartered the following year, but to no effect. When Toronto did resume its search for a connection to the west, it was not the Toronto and Lake Huron but its truncated reincarnation, the Toronto and Guelph, which carried the city's ambitions.

east and west. Prior to that realization the appeal of the supposedly vast western trade was too strong to be ignored, and the Northern confidently spoke of "a large share of the immense products of the Great West" being "diverted into this line."⁸¹ Such pretensions were of course a staple element in Laurentian rhetoric. What distinguished the Northern from the classic Laurentianism of Montreal was its partial quality. Like the GWR and the transportation projects of Kingston, the Northern indulged in the basic rhetoric of Laurentianism, of diverting "western trade" into the Canadian route, but that route effectively ended at the city involved. The likely destination of that traffic, were it to materialize, was not the St. Lawrence and Montreal but the American channels and New York. In the case of the Northern this is made clear by the fact that prominent among those petitioning the House in favour of its charter were the mayor and leading citizens of Oswego, at which point the Erie Canal was connected to Lake Ontario by a feeder canal.⁸²

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⁸¹Included under this head were "thousands of tons of copper annually produced along the shores of Lake Superior", a venture in which Allan Macdonell, the proponent of a Pacific railway, was involved. (PAC, Baring Brothers papers, vol. 1, p. 394. untitled prospectus or promotional document, Ontario, Simcoe and Huron Union Railroad, n.d.) . Malcolm Cameron made a similar prediction in the debate on the Northern's charter, arguing that "he did not think that there was any road in the province that would have a more beneficial effect in improving the North Western part of the Province, and affecting the trade of the United States to Canada." (Gibbs, Debates, VIII, part iii, p. 1901)

⁸²Gibbs, Debates, VIII, part i, p. 778, (February 19, 1849).

Like any Upper Canadian railway with an ostensible connection to the "Great West" (in this case via Lakes Huron, Michigan, and Superior) and a modicum of pretension the Northern spoke the language of Laurentianism, but its primary effect, as T.C. Keefer was to suggest,⁸³ was more local. It involved not the shipment of American goods over a Canadian channel, but rather the opening and development of the local agricultural hinterland, and of Canadian resources for American markets, particularly the timber of Simcoe County and Georgian Bay.⁸⁴

When the House met in May, 1850, the railway situation had not changed significantly since the end of previous year's session. No major new projects had been proposed. With the Guarantee Act in place, the government brought forward no new legislation in support of railway development and simply waited for either or both of the SLA and GWR to qualify for the guarantee. The former company was closing in on the half-way point in its construction,⁸⁵ but the GWR remained unable to

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⁸³See above, chapter III, pp. 136-37.

⁸⁴Smith, "Northern Railway", pp. 35-36. This development was facilitated by the Reciprocity Treaty of 1854. (Careless, Union, pp. 41-42).

⁸⁵The SLA qualified for the guarantee in the autumn of 1850.

generate the start-up capital which would permit construction to begin.

The GWR's inability to commence construction was in part due to the fact that the appeal of a southern through line continued strong, unsettling the railway situation in western Upper Canada and preventing the American lines who were interested in a Canadian link from committing their investment to one road or the other. The result was that in 1850, in what was becoming almost a Parliamentary annual event, the NDR again attempted to secure a charter; once again the proceedings served to illustrate both the weakness of the Laurentian strategy and the potency of its rhetoric.

As in the previous year, the Railway Committee approved the NDR's application⁸⁶. Almost as if this were not a sufficient demonstration of the weakness of Laurentianism, there was the remarkable fact that the charter was introduced to the House not by Duncan Macfarland, or even John Prince, but by the powerful Hincks himself.⁸⁷ This dramatic demonstration of the ascendancy of his personal business considerations over the public policy of his own government is further proof of the extent to which the Laurentian ideal was deferred to rhetorically but not actually, as is the fact that not one member saw fit to point out the

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⁸⁶Gibbs, Debates, IX, p. 1409.

⁸⁷Macfarland had presented not only the 1849 charter bill but also the bill which Prince had rejected so completely in 1848.

contradictory position in which Hincks had placed himself through his involvement.⁸⁸

In its appearance before the Committee the new line argued, through the testimony of J.W. Brooks and James F. Joy of the Michigan Central, that because of its lower costs and better combination of through and local traffic, the NDR, and not the GWR, would enjoy "the confidence of capitalists...on this side", and thus be certain of early construction.⁸⁹ This was essentially the same claim as the NDR had made previously, but in 1850 it was supplemented by Canadian testimony on the same point, testimony which clearly demonstrates the prevailing belief in those sections of the peninsula not served by the GWR that the availability of capital, and not Laurentian utility, ought to be the determining factor in the contest between the two would-be through lines. John G. Vansittart of Woodstock told the Committee that the common belief in his region was

that the Great Western are unequal to the task of building the road, that we, as a people are

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⁸⁸Ibid., pp. 534-35. Hincks attempted to portray himself merely as the voice through which his constituents spoke to Parliament: "he had opposed the bill of last session because a very large majority of his constituents...were in favour of the GWR, while now the same majority were in favour of the NDR...He had been asked to take charge of the bill by the parties interested...who had sent strong petitions in its favour and he could not refuse doing so."

⁸⁹Legislative Assembly Journals, 1850, Appendix EE, Fifth Report of the Committee on Railways and Telegraph Lines, July 15, 1850, n.p.

unable to construct it from our own resources, and that if we desire to avail ourselves of the capital of the Americans we must afford them the opportunity of coming to our aid, without subjecting them to any great additional cost for our own peculiar advantage or convenience.⁹⁰

By this latter reference, Vansittart meant any condition requiring the NDR to build a branch to Hamilton, such as had been imposed by the previous year's committee. His thrust overall was to play on the desire for immediate construction of railways, without the long delays in securing capital which the GWR had faced, and was continuing to encounter, as well as on the resentment of towns like Brantford, which the GWR intended to bypass. As George S. Wilkes of that town argued:

we should have a railroad with a certainty of completion...accommodating a large population, who ought not to be deprived of the benefits of a Railway, merely because it does not pass through the City of Hamilton.⁹¹

This testimony serves to illustrate both the small-town reaction to Hamilton's attempts to monopolize through traffic for itself, and the assumption natural to the region that through lines in the peninsula ought properly to be built as parts of the American railway system without reference to Canada's "peculiar advantage or convenience." Yet when the charter bill finally came

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⁹⁰Ibid.

⁹¹Ibid.

to a vote in the House, the basic and seemingly irresistible appeal of Laurentianism asserted itself once again and the bill was rejected. Unfortunately, the debate was not fully reported, but it seems that MacNab's arguments on the twin grounds of the justice due the GWR as the region's established line and its Laurentian character swung the issue, for just before the vote on his motion was taken, Hincks offered a compromise whereby the NDR was prepared "to build the road from Detroit to Hamilton", and his supporters moved that the question be put off till the following day. This was defeated, and in the subsequent vote on MacNab's "this day six months" motion, the NDR was once again beaten back by a close vote of 34-32.⁹²

The NDR, finally, did not reappear in 1851. In that same year the GWR finalized an arrangement under which it was to be partially financed by the American railways with which it was to connect, and was also recognized, in the railway legislation of the 1851 session, as the western end of any Canadian main line.

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⁹²Gibbs, Debates, IX, part ii, pp. 1409-11, July 29, 1850. The Parliamentary reporters had little use for either side of the debate. MacNab's "most pitiful... tale of the prevailing scarcity of money, ever since [the GWR's] contemplation, glanced lightly over the want of vigour in its management of late years", and his case concluded with "the old story about its rival Road, being an American job, and tending to divert the Western Trade from Canada." (Kent Advertiser, Aug. 8, 1850). Of Hincks' last-minute attempt at a compromise, another reporter noted that it abandoned "all [the NDR's] objections to the expensive portion of the route, and actually [offered] to surmount difficulties which they had from the outset declared insurmountable!" (Hamilton Spectator, July 31, 1850).

For a time, then, the threat posed by Hincks' NDR bill in 1850, that the developmental priorities of the government, and especially of its most powerful minister, would run counter to the GWR's interests, was removed. But the GWR would have to face the same threat again, in a different guise, as a result of the changes in government policy which occurred during the following year.

The developments in the railway situation in 1851, and in the financial connections between the state and the railway companies, are a perfect example of the way in which the pace and direction of development in Canada, as expressed in the railway policy of the state, was often determined by the availability and influence of British capital rather than by the actual transportation needs of the Canadian economy.⁹³ Prior to 1851, the GWR, the SLA, and, to a lesser extent, the HQR had been the railways most central to the government's development strategy. The two Canadian railways would assist the canals in their original goal of capturing the import/export trade of the mid-continent. The HQR, if undertaken by the British government, would be the confidence-inspiring project which would attract British capital to the Canadian

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⁹³Or, in the words of Steven Langdon, "the critical importance of external factors in the internal dynamics of periphery societies", Political Economy of Capitalist Transformation, p. 18.

railways, a goal which would also be furthered by the operation of the Guarantee Act, once the lines were half-built. There was in this scheme no particular thought given to a Canadian trunk line railway to connect the GWR at Hamilton with the SLA at Montreal. Hincks' comment in 1849 to the effect that the House would be cautious when considering the question of chartering railways parallel to the canal system is indicative of the relatively low priority which the project enjoyed with the government, while the total lack of any significant agitation for or discussion of the idea suggests that it was not much more important to the business community.⁹⁴

All this changed in 1851. From a project considered natural but only likely to be built at some future date, a Canadian trunk line became the major object of government policy, the chief financial plume in Hincks' cap, and the object of bitter contention amongst the rival aspirants for its construction. The basis for this fundamental change was laid not by any action of the Canadian government or Canadian businessmen, but by the energetic and development-minded Nova Scotian, Joseph Howe. As in Canada and its principal cities, so in Nova Scotia and New Brunswick railways were seen as the key weapon in the struggle for a bright commercial future. Nova Scotia had once looked to the

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⁹⁴As the Railway Committee had argued in 1848, immediate aid should be given to the GWR and SLA. A Quebec and Hamilton line "might afterwards be assisted as circumstances would permit," and the certain success of those two companies "when finished, will be so decided as to induce capitalists by degrees to undertake the whole line." (Gibbs, Debates, VII, p. 615, emphasis added).

HQR to fulfill that role, especially after the enthusiastic preliminary report of the British engineer, Major William Robinson, which was presented to the Imperial government in 1848, had made it seem a project likely to be built.⁹⁵

In June of 1850, however, the Imperial authorities announced that they would not proceed with the HQR.⁹⁶ An attractive alternative was on hand, as it happened, in the form of a European and North American Railway (ENA). John Poor, the Portland, Maine promoter who had earlier convinced Montreal to connect with his city via the SLA, organized a conference in Portland in July of 1850 at which he successfully sold, to representatives of both New Brunswick and Nova Scotia, the idea of a railway connecting Portland with Saint John and Halifax. The ENA held out to both cities the prospect of increased trade and commercial stature, and seemed a more than adequate replacement for the HQR. Accordingly Howe went to London in the fall of 1850, determined to secure

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⁹⁵The Report was reprinted as Appendix N of the Journals for 1849. Robinson praised the military value of the line ~~as the~~ means whereby the B.N.A. colonies could be secured to Great Britain in the event of a war with the United States. This was to be expected of a military man; more significant is the fact that Robinson, in turning to the commercial prospects for the HQR, came under the spell of a sort of "extended Laurentianism", praising the HQR as the final link in a channel reaching to the "most important and still-increasing trade" of the "vast and extensive...Far West". Typically, he predicted that the trade would be "so gigantic" that both the SLA to Portland and the HQR to Halifax would be fully employed in carrying it.

⁹⁶There were two reasons for this negative decision. The British Board of Railway commissioners had questioned the validity of Robinson's conclusions about the road's commercial viability, while the annexation movement in Canada made it politically difficult for the British government to proceed. (Longley, Hincks, pp. 188-89.)

Imperial assistance for the line through his province, which would form part of not only the ENA but also the HQR, were it ever built.⁹⁷

Howe's enthusiastic promotion of the project had the desired result, and in March of 1851 Lord Grey informed Elgin that the British government had decided, after all, to assist in the construction of the HQR.⁹⁸ He urged the Canadian government to

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⁹⁷Howe supported his mission with a letter of introduction from Hincks to the Baring Brothers which noted the "most satisfactory state" of Nova Scotian affairs, and the "perfect confidence" which could be placed in its representative. (PAC, Baring Brothers papers, vol. 1, p. 278, December 10, 1850.) Howe's letters to Grey at the Colonial Office are reprinted in the Journals, 1851, Appendix N. Howe's primary interest, as he made plain in his letter to Grey of November 25, 1850, was the ENA, which, by connecting with the American railway system at Portland, would make Halifax the "common terminus" for all the railways in the United States. But he was careful to praise the potential for the HQR as well, realizing that Great Britain was not likely to assist Nova Scotia if her only interest were a connection with the United States.

⁹⁸Journals, 1851, Appendix N, Grey to Elgin, March 14, 1851. The change of heart in London may be traced to several factors. Grey had been "greatly bit" with Robinson's plan in 1848, and had had "a very strong desire to carry it into effect", but the "economical fever" which was "very strong upon John Bull" late in the decade had proved to be too great an obstacle. (PAC, Elgin papers, file 3, n.p., Grey to Elgin, November 16, 1848.) The "improved financial prospects" which prevailed by early in 1851 were thus a major change in the situation. (Ibid., Grey to Elgin, January 17, 1851). To this must be added the "very energetic" endeavours of Howe on behalf of the HQR and ENA, which generated considerable public opinion in favour of the project. (Ibid., and Longley, Hincks, pp. 197-98.) Howe was able to convince Grey that the ENA was "an absolute certainty", from which the Colonial Secretary deduced that it was "absolutely necessary" to have a line exclusively in British territory, "if we are to keep our North American dominions." (Ibid., Grey to Elgin, January 31, 1851). Finally, Imperial authorities had long believed that an inter-colonial railway was a "necessary preliminary" to the larger colonial union that would allow them to reduce their British North American

meet with with representatives of New Brunswick and Nova Scotia and to work out a plan whereby they would jointly build the line from Halifax to Quebec or Montreal. The Imperial government, for its part, would guarantee the interest on loans raised by the colonies, enabling them to qualify for very favourable rates.⁹⁹

There was in this plan nothing which was particularly new or different. Great Britain simply proposed, by means of a method already used in financing the construction of the Canadian canals, to assist in the building of a line of railway from its chief Atlantic port in British North America to the main seats of commerce in its inland colony of Canada. The offer of loan guarantees was precisely the type of Imperial recognition and support which Francis Hincks had earlier looked to as the necessary stimulus for greater private British investment in Canadian railways. Yet the ultimate result was quite different, for Grey's offer in the spring of 1851 initiated a series of events which culminated not in a rail link between Canada and the Maritime colonies, but rather in the Grand Trunk Railway of Canada.

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⁹⁸(cont.) expenses. (Elgin papers, op. cit., Grey to Elgin, Aug. 8, 1849; Grey to Elgin, March 14, 1851, op. cit.; and A.G. Doughty, ed., Elgin-Grey Papers, II (Ottawa, 1937), p. 812, Grey to Elgin, March 13, 1851.)

⁹⁹Grey to Elgin, March 14, 1851, op. cit.

Grey's dispatch to Elgin informing him of the proposed aid did not mention any specific sum of money - the only figure which appears in the official record is the £800,000 promised to Howe for the Nova Scotia portion of the line, with "like assistance" to be given to New Brunswick and Canada.¹⁰⁰ The estimated total cost of the HQR, in Robinson's report, had been £5 million,¹⁰¹ and this is presumably the amount for which the Imperial government was prepared to stand guarantor. When Joseph Howe returned from England, however, the total, somehow, had risen to £7 million.¹⁰²

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¹⁰⁰Journals, 1851, Appendix N, Grey to Elgin, March 14, 1851, and Benjamin Hawes (Colonial Office) to Howe, March 10, 1851. The letter to Howe, which actually contained the offer, concluded with the observation that the final plan for the HQR, once it was worked out among the colonies, would not be submitted to the British Parliament without consideration of "some other questions affecting the pecuniary relations between the Mother country and the Colonies."

¹⁰¹Journals, 1849, Appendix N, n.p. This was a "round numbers" estimate. Robinson had computed the actual cost to be £4,445,000 and then added 10% for contingencies, for a total of £4,889,000.

¹⁰²Hamilton Spectator, June 11, 1851, quoting Howe speaking in Halifax, n.d. It is hard to imagine that the British government would be prepared to guarantee a loan almost one third larger than that which their own engineers had deemed necessary (especially as the HQR was seen as part of a larger "economizing" approach to the North American colonies), but we may give Howe the benefit of the doubt in this apparent alteration, since there is no record of any British correction being issued. The reference in the Spectator may not have been the first "announcement" of the projected size of the guarantee, but if it was, it quickly entered into railway discussions as a given. See the Toronto British Colonist, June 20, 1851, letter of T.C. Keefer to W.H. Merritt, June 12, in which Keefer referred to the £7 million figure.

The effect of this transformation was direct and simple - in Canada the proposed assistance came to be seen as the means whereby all or part of a Canadian trunk line between Quebec and the GWR at Hamilton, as well as the HQR, could be built. This represented a distinct enlargement in the scope of Canada's railway ambitions, and the rather automatic quality of the change is indicative of an instinct to jump, without much consideration, at any offer of foreign investment.

As Grey had suggested, representatives of the two lower provinces came to Toronto in June of 1851 to confer with the Canadian government as to how the Imperial offer might best be taken up.¹⁰³ Howe for Nova Scotia and E.B. Chandler for New Brunswick met with the Executive Council on June 21. Realizing that it was "scarcely probable" that money could be raised on a

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¹⁰³The Toronto conference only came about after an initial rejection of Grey's offer by the government of New Brunswick, a refusal that was rooted in the fact the HQR along Robinson's eastern route was of little interest to the city of Saint John, where the power of the New Brunswick commercial elite was centred. The ENA was the project which most appealed to southern New Brunswick, and there were doubts about the validity of Howe's claim that it was included in the proposed guarantee. The change of heart came about because: Howe was able to persuade the doubters that the ENA was included; Grey, in London, withheld his approval, ostensibly on technical grounds, of the facility bills by which the government was preparing to assist the ENA; that same government became aware of the political risks involved in summarily dismissing an offer which was definitely attractive to the eastern shore and the northern region of the province, and finally, fears arose concerning the financial reliability of John A. Poor and his Maine associates in the ENA. (W.S. MacNutt, New Brunswick, A History (Toronto, 1963), pp. 336-37, and Longley, Hincks, p. 200.)

more favourable basis than with the Imperial loan guarantee, the three provinces agreed to undertake the road from Halifax to Quebec "on joint account" and to share its receipts as "common property" until the construction costs had been paid, after which each province was to own that portion of the road which passed through its territory. It was also agreed that New Brunswick would build the ENA using the Imperially-guaranteed funds, but at her own risk, and that Canada should build west from Quebec, as far as the remainder of those same funds would permit, and also at her own risk. Ten miles of Crown Land on each side of the line were to be vested in a joint commission, which would put the proceeds of their sale towards the cost of the road.¹⁰⁴

The successful conclusion of the conference was celebrated at a "Great Railroad Dinner" at St. Lawrence Hall on June 28, at which both the tone and proceedings reflected the greater emphasis which was being placed on development and railways; equally obvious was the perception that those subjects might become the primary basis for political behaviour, taking the place of the bitter disputes associated with ideological politics.

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¹⁰⁴Minute Books, L, pp. 390-93, June 21, 1851. The conference also produced memoranda on a common currency (whereby Howe and Chandler agreed to urge their governments to adopt a decimal system), and on joint protection of the fishery in the Gulf of the St. Lawrence.

The dominant tone was set by Lord Elgin in his speech. He told the crowd, which included almost the entire membership of the ~~the~~ Legislative Assembly, that

differences of opinion there might be between parties, and differences of principle that could not be waived, even among generous opponents, but he believed that all could agree upon the need for internal improvements.¹⁰⁵

Following toasts to the Army and Navy, the guest of honour was introduced with "Joseph Howe and Railway Enterprise". The Nova Scotian thereupon took the floor and proceeded to engage in an unnecessary and tasteless oration on Lord Elgin's part in the responsible government crisis of 1849,¹⁰⁶ but ultimately managed to reach the safer ground of railway development. He pointed out that the offer of an Imperial guarantee meant that the capital required could be borrowed at 3 1/2%, instead of 6%. He suggested as well, by means of quoting from a letter which he had received while in England, that the proper builders for the line had made their services available. The letter was from the firm of Peto, Betts, Brassey, and Jackson, the leading railway contractors in the United Kingdom, and the firm which eventually built the Grand

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¹⁰⁵Toronto British Colonist, July 1, 1851.

¹⁰⁶As the Governor-General noted, Howe "introduced into his speech a great deal which he had better left out." (Doughty, Elgin-Grey Papers, II, p. 834, Elgin to Grey, July 5, 1851.)

Trunk.¹⁰⁷ The long-winded Howe may have been trying his auditors' patience by this time, for the reception to this speech was somewhat mixed,¹⁰⁸ and after the band of the 71st Regiment had played the "Railway Gallop", it was left to MacNab to restore the harmonious tone originally established by Lord Elgin.

This he did, praising the value of a trunk line railway, noting that it would be of benefit to both Upper and Lower Canadians, and concluding with remarks which provided not only a measure of the man, but also the period's most representative aphorism:

when a man got one or two bottles of good port or champagne wine under his vest, it showed the kind of material he was made of. With regard to his politics, he stated that all his politics were Railroads, and he would support whoever supported Railroads. It might be alleged against him that this was a new fancy of his. That was not his fault. He had had a touch at nearly every thing that was going in the Province, but there were no railroads in

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¹⁰⁷British Colonist, July 1. The firm directed Howe's attention to "the amount of capital at our command, the extent and value of our connections, the amount of plant at our disposal, and skilled labour, with which we have been accustomed to form large combinations and execute great works."

¹⁰⁸Ibid. It is interesting, but somewhat puzzling, that "during the reading of this letter the noise in the room was so loud that Mr. Howe sat down and did not resume his remarks until the Mayor had, with some difficulty, restored order." Howe resumed speaking with the observation that "I pass entirely over anything that may be felt tonight by gentlemen who for a great public undertaking cannot forget their private feelings", and argued that the participation of the Peto firm would "save us from being at the mercy of speculators from beyond the lines". This was both correct and very ironic, given the later history of the Grand Trunk Railway.

former days' in this country, nor until now. Oliver Cromwell was forty years old before he handled a sword, and yet he became a great soldier. He derived much hope from this instance in history, for he was a young man still... and he thought it quite possible, although he had begun late, that he might yet live to be a great Railway King.¹⁰⁹

Apart from the unfortunate (although personally appropriate) reference to the notorious "Railway King", George Hudson, whose dealings epitomized the unscrupulous nature of British railway promotion during the mania, MacNab's remarks struck the proper chord of harmony and progress, and his behaviour is a good example of the way in which the era of railway progress was tending to blunt some of the sharper edges of political discord which were the legacy of the 1830's and 1840's, and particularly of 1849. Elgin informed Grey that MacNab had entertained a large party of guests at his Dundurn estate prior to the dinner and that Joseph Howe had been "much surprised at the quiet and good feelings which he finds in Canada." MacNab had proposed the Governor-General's health "in very appropriate terms", and had toasted the Reform ministry as well, "coupling the toast with the name of Lafontaine, who was present, and passing a high encomium on him."¹¹⁰

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¹⁰⁹Ibid.

¹¹⁰Doughty, ed., Elgin-Grey Papers, II, p. 830, June 21, 1851.

Less than a week later the phenomenon received Parliamentary attention, when David Christie inquired whether any coalition proposals had passed between the Ministry and the Opposition or any of its members, and whether MacNab in particular had been offered any position. Lafontaine replied in a jocular manner, but MacNab "said he did not consider this a laughing matter at all", and categorically denied the rumours. He added by way of explanation that "perhaps the rumours were owing to the manner in which he had been mixed up with the gentlemen opposite in the matter of railways; and because of that he would give the gentlemen all the support in his power to enable them to carry out their plans in regard to railways."¹¹¹

If there was to be a "Railway King" in Upper Canada, that man was not Allan MacNab but Francis Hincks. It was the Inspector-General who was in the proper position to seize on the Imperial promise and make it part of an expanded Canadian railway policy. Constitutionally incapable of saying no to an offer of British capital, especially as that offer could be interpreted as a further recognition of Canadian credit in the English money markets, Hincks took the figure of £7 million and used it to make

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¹¹¹Gibbs, Debates, X, part ii, p. 575, June 26, 1851.

a trunk line between Quebec and Hamilton the centrepiece of his railway program.

Before considering the legislative implementation of this major alteration, it must be recalled that by the spring of 1851 Hincks had already decided on another change - the amendment of the Guarantee Act in the manner suggested by the province's financial agents in London, Baring Brothers and Co.¹¹² This other instance of the influence which the financial metropolis could have on Canadian policy is significant not just for the fiscal consequences it eventually produced, but for the light which it casts, as does MacNab's speech, on the emerging culture of development.

In committing the government to a guarantee of principal as well as interest (by offering government bonds in the market, and taking the bonds of the railway companies in exchange), Hincks was greatly increasing the financial risks undertaken by the state, even if such assistance was thereafter to be restricted to the main line.¹¹³ While based on the irrefutable fact that, as the

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¹¹²See above, chapter IV, pp. 195-98.

¹¹³Experience was to demonstrate that this really was the key step in the process by which the public credit became deeply entangled with that of the railway companies. The Guarantee Act was not only cautious but in fact committed the government only to the relatively light burden of interest payments. The 1851 measure, in contrast, made the state responsible for the whole bonded debt of the companies, since the government would have to redeem its bonds, sold on behalf of the railways, and had in return only the bonds of the companies, which eventually proved to be worthless.

bankers had argued, government securities were looked on much more favourably by investors, this whole-hearted commitment of the state's resources to railway development was very much characteristic of the new style of developmental leadership. The older, more cautious approach typified by Robert Baldwin was highly suspicious of the tendency of Hincks' policy, 114 and the Attorney-General stubbornly resisted several aspects of the new policy in Cabinet, to the point where Hincks threatened to resign, and implied that he might take a majority of the ministers with him. Finding Baldwin's opposition to his "proposition for facilitating the construction of Canadian railways" unabated, Hincks pointed out to Lafontaine

the utter impossibility of my sustaining in Parliament a thoroughly stand still policy on this question... I of course understand that many of my colleagues concur in my advice but as I am well aware that Mr. Baldwin's resignation from the government would be fatal to it, and as no other member is placed in a position at all similar to my own, I do not suppose that an irreconcilable difference of opinion would in any other case lead to a break up of the government.¹¹⁵

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¹¹⁴This is clear from Baldwin's dissent on the question of municipal investment in railways (see above pp. 223-24). See also Gibbs, *Debates*, VIII, part iii, pp. 1901-02, for his rejection of the provision in the charter of the Northern Railway whereby the company would have been allowed to raise capital via a lottery. As Peter Baskerville has commented, the debate in Toronto on the issue served as a touchstone for the business and moral precepts of the day (*Boardroom & Beyond*, pp. 162-63) and there is no doubt on which side of the issue Baldwin stood.

¹¹⁵Elgin papers, PAC, file 4a, n.p., Hincks to Lafontaine, April 30, 1851, emphasis added.

Hincks' language here is somewhat ambiguous, but most effective. He seems to be saying that he will resign, since if Baldwin were the one to leave, the consequences would be "fatal" to the government. He then implies however, that his own resignation will "break up" the ministry. This left Baldwin with the choice of relenting in his opposition or ruining the ministry.

Faced with this virtual ultimatum, and under pressure from Lafontaine to acquiesce, the Attorney-General did so, extracting an insignificant concession from Hincks as quid pro quo.¹¹⁶ His response to Lafontaine stressed that

it must however be distinctly understood between us that it is not that I concur in the expediency of the adoption of the proposals, but that I shrink from being in any way instrumental in bringing about the results which you stated strongly as more than probable in the event of my resignation on the present occasion.

I therefore acquiesce though I do not concur, that appearing to me upon the whole as the least of two evils.¹¹⁷

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¹¹⁶Baldwin was also opposed to two other measures suggested by his Inspector-General, one dealing with a proposal to "receive Municipal Bonds as Deposits for Bank issues under the Free Banking Act", and the other with a proposed issue of government debentures bearing interest at 7%. Neither of these was as fundamentally important as the railway measures, and Hincks had little difficulty dropping the former. (Ibid., Baldwin to Lafontaine, May 2, 1851.)

¹¹⁷Ibid.

Baldwin, of course, was not essential to the continuance of the Reform ministry, as was demonstrated by his resignation the following month over the rejection by a majority of Upper Canadian members of his proposed Court of Chancery, following which the government, and its new leader, Francis Hincks, continued undisturbed on its developmental course. While the Chancery vote, and the renewed streak of Upper Canadian radicalism which it represented, undoubtedly played a role, it seems likely that the growing strength of the risk-taking developmental outlook championed by Hincks had more than a little to do with Baldwin's growing disenchantment with political life.¹¹⁸

With the Toronto Conference successfully concluded, and Baldwin's doubts removed to the private sphere, it remained for Hincks to take the agreement reached with the Maritime colonies, the financial good fortune which had made it possible, and the changes agreed to with the Barings, and convert them into law. The result was 14 and 15 Vic., c. 73, "An Act to make provision

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¹¹⁸On Baldwin's departure, Elgin noted that it removed from the Government "the most Conservative public man in Upper Canada." (Doughty, Elgin-Grey Papers, II, p. 832, Elgin to Grey, June 28, 1851.) The most recent study of Baldwin by J.M.S. Careless (Pre-Confederation Premiers, pp. 140-48), makes no reference at all to the disagreement with Hincks over the railway programme concentrating instead on Baldwin's general weariness, the Chancery vote, and the not inconsiderable fact that the achievement of responsible government had effectively removed the raison d'être of his political career.

for the construction of a Main-Trunk Line of Railway throughout the whole length of this province", which began its Legislative passage in August when the Inspector-General introduced into the House a series of resolutions embodying his proposals.

In the first resolution, the government proposed that, in justice to the holders of provincial securities,

and as the best means of sustaining the credit of the province, and of readily commanding such further pecuniary assistance as may from time to time become necessary for our Great Works of internal communication,

the legislature should pledge itself not to increase the "Public debt and liabilities" of the province "without the consent of the Agents through whom loans have been negotiated in England."¹¹⁹ The Barings' influence was further recognized in the proposal which, on their urging, restricted assistance to roads forming part of the main line. In practice this meant the Windsor-Hamilton section of the GWR and the SLA, which the resolutions expressly recognized as parts of the trunk line,¹²⁰ and the Northern,

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¹¹⁹In effect, this resolution was the culmination of the correspondence between Hincks and the financial agents during the winter and spring of 1851, wherein were discussed the changes in the guarantee mechanism which finally led Hincks to admit that the government had "put ourselves at your mercy." (See above, ch. IV, pp. 199)

¹²⁰The recognition that the Windsor-Hamilton section of the GWR had Laurentian potential while the complete line to Niagara Falls did not was recognized in law by 14 & 15 Vic, c. 74, which stipulated that it was only the former section of the GWR which was to qualify for the guarantee.

"for the construction of which certain arrangements have been made in anticipation of the ... guarantee". As also suggested by the Barings the guarantee of the government was extended to the payment of principal as well as interest by means of the bond exchange with the railway companies. Finally, the whole process by which the government rendered this assistance was to be overseen by a newly-created body, effectively a committee of the Executive Council, to be called the Board of Railway Commissioners.¹²¹

These measures were designed to bring the government's programme into conformity with the suggestions of Baring Brothers and Company. The remainder of the resolutions dealt with the ministry's plans for the construction of the HQR, and laid out three alternative strategies. The first of these, and the mode by which the government of course proposed to proceed, was with the Imperial guarantee. It was expressly stated in the resolution that a "Main Trunk line of Railroad from Quebec to the City of Hamilton, or some convenient point on the GWR" would be part of the project, and would be "constructed by the Province as a Provincial Work".

This was Hincks' preferred plan, with the Imperial guarantee underwriting construction all the way from Halifax to Hamilton.

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¹²¹Gibbs, *Debates*, X, part ii, pp. 1366-70. The Board of Railway Commissioners was to consist of the Receiver-, Inspector-, and PostMasters-General, along with the Commissioner and Assistant Commissioner of Public Works.

Indeed, it is probable that had Howe's visit to England not elicited the "£7 million promise", there would have been no trunk line legislation in 1851. But having embraced the project, Hincks laid out two alternative means by which the Canadian main line could be built, in the event that the Imperial guarantee failed to cover all or part of its cost. The first option, which retained the idea of public ownership, was to have one-half the necessary funds raised "on the credit of the Province, on the best terms on which it can be obtained, provided the remaining half shall have been subscribed for by the Municipal Corporations in this Province."

Only if both the Imperial guarantee and joint provincial-municipal options were found "impracticable", then as a last resort the trunk line could be constructed by "Private Companies" assisted by the amended guarantee legislation. This third proposal was qualified by the observation that "there is every reason to believe" that the road would be built by one of the other two options, and therefore included the stipulation that the charters of any private trunk line companies should include a clause suspending their operation until they were specifically declared by Order-in-Council to be in force.¹²²

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¹²²Ibid., pp. 1367-68. That is, private companies could go ahead and obtain charters for portions of the trunk line, but they would not come into effect until it had become apparent that public construction was not viable. In terms of subsequent developments, the significance of this partial allowance of private companies was that Hincks unwittingly restricted his freedom of manoeuvre for the future, when he attempted to import English contractors-owners, and found the way blocked by Canadian companies already chartered under the 1851 legislation. See below, ch. VI, pp. 312-15

Hincks presented these plans to the House on August 8 with the assertion that

no subject could be more important to the province than a good system of Railroads ... the experience of other countries warranted the conclusion that the best method of constructing and managing railroads was by placing them under the control and management of the State...In Belgium the railroads were entirely the property of the State, and their management was unquestionably the best with which he was acquainted, and he therefore proposed to apply this principle to this province.

This was an entirely misleading statement of the reasoning which had induced Hincks to opt for public ownership. The Belgian experience was essentially irrelevant (as critics were to point out); what mattered was capital. The Imperial loan to the British North American colonies not only made possible a Canadian trunk line (as it seemed), but also was predicated on the assumption that the railway would be built and operated by the government. The fact that the Imperial authorities looked on the HQR as a national work facilitating a lessening of their commitment to the colonies meant that private construction and ownership were unacceptable, and Hincks simply seized the chance to incorporate Canada's railway ambitions into the larger Imperial strategy. Had the source of capital for the HQR been private British capital, it is almost certain that the Premier would have instructed the House on the virtues of private ownership. That the question of public vs. private ownership of the Canadian trunk line was actually rooted in this basically pragmatic consideration may be seen in the fact that Hincks quickly left behind his reference to Belgium,

and moved to more conventional arguments which demonstrated his actual reasons for preferring public ownership. Canadians could not hope to compete successfully with "their neighbours on the other side of the line in regard to the Western traffic and travel" without a main trunk line, and, with money at 7%, that line was not likely to be built by private companies. The province itself normally had to pay 6% for capital, but the "most liberal offers" of the Imperial government had greatly changed the situation, and there was now "no just ground" for failing to undertake "this great and most important work".¹²³

Hincks' ordering of these two justifications for the project may be questioned. The Laurentian reference to "Western traffic and travel" and the great need for a trunk railway to secure that trade must be seen as essentially rhetorical in nature, given the Premier's previous lack of interest. The reference to capital, on the other hand, goes to the very heart of the project's origins, as Hincks' analysis of the financial details makes clear. He estimated the costs for which Canada would be responsible (that is, from Hamilton to Montreal, Melbourne on the SLA to Quebec, and one third of the line between Quebec and Halifax) as £4 million,¹²⁴ on which the interest charges at 3½%/year would amount

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¹²³Ibid., p. 1278.

¹²⁴Ibid., p. 1279. As Hincks explained it to the House, this equal division of costs had been agreed to by Nova Scotia (whose section was obviously considerably shorter than those in New Brunswick and Canada) because she derived "a peculiar advantage" from the fact that her section of track would be common to both the HQR and the ENA.

to £140,000. To this he contrasted the figure of £150,000/year which the province would be required to pay as interest on the lesser sum of money necessary to build just the line between Hamilton and Quebec if it rejected the offer of assistance and raised the money itself at higher rates.¹²⁵ Even this was somewhat misleading, in that Hincks' contrast seemed to imply that a main line would have been built in either case, when in fact there would have been no public trunk line without the "£7 million promise".

Hincks continued by asserting that Halifax was the "most important port of the East", to which traffic would flow as the North American city closest to Europe. This, somehow, was "enough to prove the advantages of reaching it by a British road." Moreover, Hincks assured the House, "the least saving" of distance in Major Robinson's proposed route for the HQR would make the "British road" to Halifax, via Quebec, shorter than the alternative via the SLA and ENA through Portland.¹²⁶

The debate which followed Hincks' introduction of the resolutions is revealing in several ways. In broadening the railway program to include the intercolonial line, Hincks explicitly placed his plans in the context of an enlarged Laurentianism, in which Halifax's position as the "most import

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¹²⁵Ibid., p. 1280.

¹²⁶Ibid., p. 1279-80.

port of the East" would be clearly established by the construction of the railway connecting it to the waters of the great river of Canada and to the Canadian trunk line. Yet that same expansion of horizons removed the project from the realm of certitude in which purely Canadian projects with Laurentian goals were considered. The result was that there was a greater measure of realism in the discussion of the HQR's prospects.

Hincks' confident but totally non-specific claims about the relative distances to Halifax via the SLA/ENA and the HQR were immediately challenged by Henry Boulton:

He had always understood that the Portland road to Halifax was very much shorter than the one going round by Quebec. This was a point that deserved the most careful attention, for if there is a much nearer road to Halifax than by Quebec, it is as illusive to imagine that we can attract the trade of the West to Halifax in that way, as it would be to imagine that the shortest way to Quebec would be by going round by Detroit.¹²⁷

Other speakers also doubted Hincks' unverified assertions about relative mileage; were the route via Portland actually shorter, they pointed out that the ENA would be "a most successful rival to

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¹²⁷Ibid., pp. 1281-82. He also argued that a government road would be a monopoly with no restraint on its prices, and in fact an incentive to boost them in order to increase the revenue, but did not explain how the road in private hands would be any different.

the Quebec and Halifax road",¹²⁸ and that its inclusion in the project was therefore "a grant to cut the throat" of the latter line.¹²⁹

To this objection Upper Canadian members added the argument that there was "no probability" that the Imperial funds for the HQR would in fact permit of construction west of Quebec, and even less west of Montreal.¹³⁰ The result, as Henry Sherwood, the member for Toronto, argued, was the real possibility of Nova Scotia being "aggrandized at the expense of Upper Canada interests."¹³¹ Hincks attempted condescension in his reply, expressing his regret that Sherwood "had discussed this important question on purely local grounds, and in a spirit of jealousy to Lower Canada,"¹³² but the opposition sensed that here was a valid weapon with which to attack the plan without attacking railway development generally, and moved to exploit their advantage. William Cayley, doubtless eager to deflate somewhat the railway wind which had been billowing Hincks' sails (which were of course already full as a result of his financial successes) noted that

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¹²⁸Ibid., p. 1342.

¹²⁹Ibid., pp. 1371-72.

¹³⁰Ibid., p. 1342.

¹³¹Ibid., pp. 1336-37. The suggestion has been made that Hincks anticipated this objection and therefore made sure, in his negotiations with Howe and Chandler, that the Toronto agreement included the provision for Canada to extend the road west of Quebec and Montreal. (Longley, Hincks, p. 201.)

¹³²Ibid., p. 1339.

Upper Canada had been accused of selfishness,

but if she were selfish she would refuse to enter upon this line at all, because she already had the Portland line, which would answer every purpose. It was said that Nova Scotia had come forward with great frankness and liberality in this matter; but...was she not to obtain the entire traffic of the colonies by it? And had not New Brunswick, in like manner, very much to gain by establishing not only this road but a rival road, and that at the expense of this colony?¹³³

John A. Macdonald, for his part, made essentially the same point, but also returned to the questionable solidity of the scheme's origins in the Imperial offer. He managed as well to make a trenchant observation on the overconfident assumptions which made such grandiose plans possible: Upper Canada

had been completely sold, for the advantage of Lower Canada, New Brunswick and Nova Scotia. We are to have more than our share of the liabilities, and but a fraction of the profits... Besides, where was the assurance that we should get the £7 million? The British government did not say so... all that was said was that the money would be given to construct the road from Halifax to Quebec. So that if that road cost only £4.5 million, that was all that would be granted... He was surprised that the Inspector-General, with all his experience and financial skill, should have been so completely entrapped. The sincerity of that Hon. gentleman could not be questioned, but in this instance his sanguine temperament had outrun his ordinary judgement.¹³⁴

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¹³³Ibid., p. 1343.

¹³⁴Ibid., pp. 1344-45.

Such realistic scepticism was voiced as well in the claim, first made in the debate on the Guarantee Act, that a trunk railway would not be compatible with the already existing canal system. In Henry Boulton's words, the effect of a trunk line between Hamilton and Montreal would be to "render useless and nugatory our canals and water communications, constructed at great expense."¹³⁵ Not surprisingly, he was joined on this point by Merritt. The whole idea of a trunk line, for western trade at least, was in fact "illusory", and the resources of the Imperial government might better be spent in supporting the attempt of the water route to capture that trade. New York, not Halifax, was the "spot where all the trade to Europe is centred", and Canada ought to be emulating New York State, which was drawing the western trade by increasing the volume of its canals rather than by placing railways beside them.¹³⁶

Hincks and his supporters met these attacks with a variety of arguments. To the claim that the ENA route, being shorter, would out-draw the HQR, the Premier echoed Major Robinson's report, falling back on the standard claim about the vast western trade, and insisting that "there was enough for all these roads"¹³⁷. This type of vague optimism had already been evident in the debate on the Guarantee Act; indeed, it was of the essence in the general

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¹³⁵Ibid., pp. 1281-82.

¹³⁶Ibid., p. 1283.

¹³⁷Ibid., p. 1339.

faith in progress and technology which made the railway program possible.

In 1851, as it had ever since the subject of railway development had first received official attention in the Railway Committee of 1848, this general aspect of the Anglo-American mindset was given its particular Canadian colouring by means of an explicit comparison with the United States. G.E. Cartier supported Hincks' new plan by reminding the House that "now-a-days, we are accustomed to judge of the degree of prosperity and civilization of any country by the extent of its railroads", a standard by which Canada compared "disadvantageously" with the U.S.¹³⁸ In a similar vein, John Prince argued that Hincks' project "would do more than everything else to raise the province from its present insignificant position to a position of the highest importance".¹³⁹

To meet the doubting about the certainty of the £7 million actually being available, Hincks also relied on simple assertion. The road between Quebec and Montreal "was clearly included in the guarantee", and there was "no reason why the Imperial government should not give further guarantee for the line west of Montreal."¹⁴⁰

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¹³⁸Ibid., p. 1341.

¹³⁹Ibid., p. 1345.

¹⁴⁰Ibid., p. 1345. It is significant, however, that Hincks admitted later in the debate that "all he knew was that Mr. Howe said the British government would go to the extent of £7 million...." (Ibid., p. 1579, emphasis added.)

virtually unchallengeable aspect of Hincks' plan, and one which says much about the non-ideological outlook with which the political elite approached the question of the state's proper role in railway development.

It is important first to note that the question of public vs. private ownership played a relatively insignificant part in the debates, and that public ownership, apart from Hincks' throwaway reference to the experience of Belgium, was not defended on general or ideological grounds by any of the speakers. Henry Boulton's critique of the resolutions included the claim that the history of the Welland Canal and the provincial roads demonstrated that public construction was always more expensive.¹⁴³ Merritt also claimed that private capital was intrinsically preferable:

the example indeed of Belgium had been cited, of which country the House knew nothing; but the Michigan Railway, undertaken by the government, had lost money until the Government had been obliged to sell it, and then it immediately began to pay 8%. So it would be in this case.¹⁴⁴

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¹⁴²Gibbs, Debates, X, part iii, p. 1374.

¹⁴³Ibid., pp. 1281-82.

¹⁴⁴Ibid., p. 1283.

It was at this point that Hincks revealed the wholly pragmatic basis on which the choice of public ownership rested. In his reply he accepted the force of Merritt's argument in principle, but asked "where could they get capitalists who would subscribe four millions?"¹⁴⁵ As he had said when first introducing the resolutions,

there was an evident inability or unwillingness on the part of private individuals to carry out undertakings which had long been before the public.

Even then, Hincks had told the House, he would have hesitated to involve the province in the place of private companies, had capital only been available at 6%. But the offer of an Imperial guarantee had changed all that, and with money available at 3½%, the province could go ahead.¹⁴⁶

In the end, then, the case for a publicly-owned trunk line and HQR boiled down to this: an unyielding insistence on the superior virtues of private enterprise meant private companies trying (and presumably failing) to raise capital at 6%, and no

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¹⁴⁵Ibid., p. 1284. He was echoed in this retort by John Prince, who also pointed out (p. 1339) that private enterprise was simply unequal to the task of raising the capital required. The only other speaker to refer to the question was, W.L. Mackenzie, who, like Hincks, claimed to be ideologically in favour of private development, but prepared to accept the Imperial offer and public construction rather than do without the trunk line altogether (p. 1378).

¹⁴⁶Ibid., p. 1278

railway; a pragmatic acceptance of the benefits offered by the Imperial government meant the state securing funds at 3½% and construction of the railway. The Canadian "tradition" of public enterprise is thus revealed, in this instance, to be a non-ideological reaction to a marked change in the availability of capital.

That the state, and not private companies, was therefore to assume the risks involved in the project did not go unnoticed in the debates. John Hillyard Cameron informed the House that he was "prepared to forego a railway, rather than have it on the terms offered by the Government",¹⁴⁷ but this statement of priorities was virtually the reverse of that of the majority of members, for whom John Prince presumably spoke when he countered:

Gentlemen may conjure up phantoms of increased taxation, but they would have no effect with the great body of the people, who looked upon railways as worth having at almost any cost.¹⁴⁸

That such views were in the majority may be seen in the fact that the House adopted Hincks' resolutions by a vote of 29-19.¹⁴⁹

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¹⁴⁷Ibid., p. 1372

¹⁴⁸Ibid., p. 1377.

¹⁴⁹Ibid., p. 1345.

At the same time, the relative closeness of the vote, as compared to that in favour of the guarantee resolutions in 1849, which were approved unanimously, suggests that the considerable growth in the railway program which the resolutions envisaged had taken some members beyond the point of largely noncritical acceptance characteristic of those who were most vocal in the plan's support, such as Hincks, Cartier, and Prince.

Consideration of the resolutions individually allowed more specific criticisms to be made, in the form of proposed amendments. The most notable of these were Macdonald's attempt, which was defeated, to specify £7 million as the amount to be covered by the Imperial guarantee, and $3\frac{1}{2}\%$ as the rate of interest which the guarantee would secure, and various attempts, also unsuccessful, to reduce the powers proposed to be given to the Baring Brothers by the first resolution.¹⁵⁰ This was the end of substantive debate on the measure, and following the adoption of the resolutions, Hincks immediately reintroduced them in the form of a bill, which completed its passage through the House on the 26th of August.¹⁵¹ It was accompanied through the

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¹⁵⁰Ibid., pp. 1378-81.

¹⁵¹Ibid., p. 1582. As with the vote on the resolutions, the bill passed third reading comfortably, but with a significant measure of opposition, the final count being 38-23 (Ibid., p. 1374)

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legislature by a companion bill which authorized the government to raise by loans the £4 million which Hincks had estimated as Canada's share, "such amount to be raised on the security of Consolidated Revenue Fund, with or without the guarantee of the Imperial Parliament, or on the security of local taxes."¹⁵² This bill received much less attention from the House, but critics focussed again on the security of the Imperial promise, and on the impossibility of Canada proceeding without the guarantee. Henry Sherwood attempted to amend the bill so as to strike out the words "or without", but failed,¹⁵³ and the bill eventually passed third reading one day after the main trunk line legislation.¹⁵⁴

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¹⁵²Ibid., pp. 1418-19.

¹⁵³Ibid., p. 1425.

¹⁵⁴Ibid., p. 1615. A puzzling aspect of this vote is that MacNab was counted among the Nays. His companions included Merritt and Macdonald, both of whom had resisted Hincks' scheme in debate, but MacNab had said little, and his general stance would suggest a positive rather than a negative vote, especially as the bill proposed to strengthen the government's commitment to the GWR.

With the passage of the main line legislation in August, 1851, Hincks' alteration of the province's railway programme was complete. The promise of Imperial assistance had led the Inspector-General to expand greatly the scope of the government's objectives, by including a trunk line, while pressure from the Baring Brothers had induced him to deepen the state's financial commitment to those lines (the GWR, SLA, and Northern) which would be built independently of the government-owned trunk line. This amended and much more generous guarantee process was also to be available to other private companies, in the event of their building the main line. Of less general significance, but also worthy of note, the 1851 legislation had recognized the GWR as the western part of the trunk line.

For the GWR, this was a major achievement, given the constant necessity in previous years of fighting off the phoenix-like NDR. In fact, for both the government and the private companies it appeared that the final outlines of both the physical form and the financial underpinnings of the provincial railway system had emerged. This sense of permanence proved to be illusory.

Hincks' critics had suggested that Canada could not be certain that the Imperial guarantee would be given to construction west of Quebec. In this they were proven to be correct, but for reasons they could not have anticipated. In the event, the promised Imperial aid was not forthcoming for any part of either the HQR or the Canadian trunk line. In November of 1851, Hincks' explanations of the previous summer, to the effect that the

British loan guarantee would provide for the construction of the HQR, the ENA, and all or part of the Canadian trunk line, were repeated by the Lt.-Governor of Nova Scotia in his Throne Speech to the Provincial Legislature.¹⁵⁵ When this intelligence reached Grey at the Colonial Office, he immediately let it be known that there had been a misunderstanding, that it had never been intended that the British Treasury should guarantee loans for the construction of the ENA, and that it was still not prepared to do so.¹⁵⁶

The line to Portland was of course the railway which primarily appealed to New Brunswick, and that province responded to Grey's clarification by withdrawing from the HQR agreement which had been negotiated at Toronto in June. This effectively killed the HQR project, and at one stroke the railway situation in Canada was very nearly returned to what it had been before the arrival of the British offer in March, 1851. The status quo ante had not been entirely restored, however, for the Canadian government now stood committed, as a consequence of its recent

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¹⁵⁵Stevens, Canadian National Railways, vol. 1, p. 70.

¹⁵⁶Journals, 1852, Appendix Z, Grey to Sir John Harvey, November 27, 1851. Howe's "ENA included" interpretation of the Imperial offer should not have been a surprise to Grey, since it had been included in at least one memo sent to the Colonial Office. (H.A. Lovett, Canada and the Grand Trunk, 1829-1924...., (Toronto, 1924), p. 20). Grey explained his oversight with the complaint that "The colonial newspapers and dispatches are so intolerably lengthy, and I have so little time to devote to them." (Longley, Hincks, p. 200.)

legislation, and "with or without the guarantee of the Imperial Parliament", to the construction of a main trunk line railway between Quebec and Hamilton.

The effect of the "£7 million promise" had been to unite more fully the new technology, the Laurentian aspirations of the Canadian elite, and the fiscal position of the Canadian state. . These factors had of course always been connected, but the railway legislation of 1851 finalized and indeed formalized their union. Once united they proved to be extremely difficult to separate.

Chapter VI

Railway Policy, 1852-53: The Genesis and Growth of the Grand Trunk

The collapse of the financial support which had underlaid the 1851 plans for the HQR and the Canadian trunk line was to have far-reaching effects. Although the British North American provinces were able to put together an alternative scheme for the HQR with which they planned to revive the Imperial aid strategy, the effort proved unsuccessful. One result was that the HQR effectively died as a current project, and the Canadians were left to focus their developmental energies on their own main line. The other was the abandonment of public construction in favour of the use of private enterprise. This in turn meant that, after the spring of 1852, the pace and scope of Canadian railway policy was subject to a new set of expansive influences.

✓ Prior to 1852, the tantalizing goal of success in the Laurentian strategy, and the faith that such success was still

attainable, together with the growing financial confidence associated with Hincks' rehabilitation of the public credit, had produced a railway policy characterized by a potentially heavy commitment of the state's resources. In 1852 the already ambitious character of this approach was reinforced by the introduction of the aggressive and inherently expansive tendencies of private enterprise.

The immediate result of Lord Grey's announcement that the ENA was not included in the Imperial guarantee was to reverse the colonial railway situation as it had existed since March of 1851. New Brunswick's unwillingness to proceed with a plan from which its preferred line was to be excluded meant that, instead of the prospect of Imperial assistance being the stimulus for the provinces to reach an agreement, the provinces had now, and as an initial step, to formulate a mutually acceptable plan for the HQR. Assuming that their various interests could be reconciled by one line of railway, it would then be necessary to convince the Imperial government to re-table its offer of financial support.

The lead in this process was taken by the Canadian government, and more especially by Hincks, whose legislative programme relative to the main line had been firmly rooted in the original "£ seven million promise". The Inspector-General and Premier, accompanied by two of his ministers, left for Fredericton on January 15, 1852¹ to attempt to revive the HQR project and, more importantly, the ready access to British capital which was expected to go with it.

The key to gaining New Brunswick's acquiescence in any new plan for the HQR was to replace the banished ENA with some new routing of the HQR more favourable than Major Robinson's route. The obvious alternative, and also the Canadian preference, since it would enter Lower Canada through a more settled territory, was a line via the valley of the Saint John River, and this proposal was agreed to by the New Brunswick government.²

When Hincks and Co. left Fredericton for Halifax on January 24, they were probably aware that the basis of their success in New Brunswick could well be the reason for failure in Nova Scotia. The problem there was that her interests would be best served by

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¹Doughty, Elgin-Grey Papers, III, p. 987, Elgin to Grey, 16 January, 1852.

²Journals, 1852-53, Appendix Z, n.p., Hincks to Grey, 5 February, 1852. New Brunswick's agreement was based on the fact that an HQR line via the Saint John River, would, like the ENA, funnel trade through the province's commercial centre, Saint John.

the original, eastern line of the HQR, which it was expected, would give her "a monopoly of the Canada trade, which might be diverted by the Valley of the Saint John line to the City of Saint John." Nova Scotia was therefore willing to pay for the construction of her section of the HQR, but unwilling to assume one third of the cost overall, as per the original agreement, if the HQR were to run by the more central route.³

Hincks immediately turned back to the New Brunswickers, arguing that by the adoption of the new route, they would "obtain many advantages", and were therefore "in a position to grant increased aid to the construction of the main line." By "increased aid", he meant that New Brunswick should undertake to pay five-twelfths of the cost of the HQR, instead of the originally-agreed-upon one-third, which would remain Canada's share, while Nova Scotia's was accordingly reduced to one-quarter.⁴ New Brunswick's acceptance of this increased burden,⁵ as the price necessary to be paid for the continuance of the project, and with it, Imperial assistance to railway

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³The government of Nova Scotia described the new plan as "scarcely reasonable". (*Ibid.*, Minute of the Executive Council, January 28, 1852, enclosed in Lt.-Gov. Harvey to Grey, February 5, 1852.)

⁴*Ibid.*, Hincks to Chandler, January 29, 1852, enclosed in Harvey to Grey, op.cit.

⁵*Ibid.*, Chandler to Hincks, January 30, 1852, enclosed in Hincks et. al. to Joseph Howe, January 31, 1852, enclosed in Harvey to Grey, op.cit.

development in the provinces, left the Canadian party with the task of convincing the Nova Scotians to accept the central New Brunswick route in return for a lesser portion of the financial burden.

Although the effort began with a formal letter to Joseph Howe and the government on January 31,⁶ it was not until a public meeting in Halifax on February 4 that the Canadian delegates, with Hincks in the lead, were able to persuade the Nova Scotians to accept the new plan. In fact, the visiting delegates "had fully made up their minds that the mission was a failure" before they were invited by the Mayor and "some influential gentlemen" to discuss the matter publicly.⁷ Hincks gave a masterful performance as the chief spokesman for the new plan, conveniently forgetting his Parliamentary praise of Major Robinson's route of the previous summer, and claiming that Canada had adopted it "solely as a great national work". In any case, he argued, "the question of route

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⁶Ibid., Hincks et al. to Howe, op.cit. The government of Nova Scotia was urged to view the question in the context of the larger interests involved, and warned that it would bear the responsibility for failure, failure which would "materially injure the British North American colonies in the estimation of the Imperial Government and of the people of the United Kingdom." Left unstated was the obvious result of that injured estimation - greater difficulty in securing British investment for railways.

⁷Hincks, Reminiscences, p. 203. Longley, Hincks, p. 208, suggests that in fact Hincks made an initial private approach to the Halifax business community, and thereby prompted the call for a public meeting.

had been "left an open one altogether" at the Toronto conference, and regardless of route, Halifax could never lose her position as the North American port closest to Europe. She ought therefore to take "her legitimate share" of the advantages offered by the HQR, and allow Saint John to enjoy hers.⁸

The Inspector-General's facility with figures was next employed, as he demonstrated that, under the new scheme, (which would involve an extra 35 miles of track in Nova Scotia,) that province's liabilities would be increased by £6135 per year.⁹ The groundwork thus established, Hincks began the plea in earnest with the observation that failure to join with her sister provinces in the new plan would leave Nova Scotia responsible for the failure of the project:

You will cast these splendid anticipations to the winds. You will defeat the grand object these three colonies have set their hopes on for years - all for the paltry sum of 6,000 a year? (Hear, hear, cheers). Gentlemen, I should be sorry to think so. What a picture we shall present to the United States who have had their eyes upon our movements in the construction of this work. Why, we shall be looked upon as a parcel of children. (Cheers) As a British North American, Sir, I should be ashamed of myself, if we allow this project to fail. (Cheers) If we do not now here unite on some feasible plan our hopes must be abandoned forever! And I ask if, when gentlemen come

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⁸Ibid., pp. 218-19, quoting the Halifax Nova Scotian, February 9, 1852.

⁹Ibid., p. 220.

from sister colonies staking their political reputations, if not their political existence on the success of the mission, and are willing to cooperate in any reasonable scheme that may be suggested, I ask if it is fair...to give a blank refusal? If so no other minister will ever undertake the same task again - at all events I will not be the man to undertake it.¹⁰

This combination of threat and the ego-goading comparison with the United States had a marked effect on the crowd as a whole, but was only partially successful with Joseph Howe. No doubt still smarting from the embarrassing foul-up of the previous November, and sensing the leadership of the HQR project as a whole shifting to Hincks, the Provincial Secretary made a friendly but guarded reply to the speech.¹¹ This prompted the Canadian to rise afterwards and complain about Howe's insinuation that "New Brunswick and Canada were engaged in some sort of conspiracy against Nova Scotia"; Hincks then produced, to good effect, a copy of a telegram received from Howe before the start of the Canadian mission proclaiming "let Canada and New Brunswick agree to some proposition, on the new state of things, and Nova Scotia will not be unreasonable."¹² This successful riposte sealed the popular verdict in favour of the altered plan, and Hincks was able to report to Grey that Nova Scotia's acceptance was "now a matter of certainty."¹³

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¹⁰Ibid., p. 221.

¹¹Ibid., pp. 225-26.

¹²Ibid., pp. 226-27.

¹³Journals, 1852-53, Appendix Z, n.p., Hincks to Grey, February 5, 1852.

The primary, or colonial, phase of the revival of the HQR completed, Hincks and his colleagues arrived back in Canada on February 14, and set about planning the Imperial phase of their project.¹⁴ It was decided that an official delegation from the three colonies should visit London to secure the assistance of the Imperial government. Specifically, the approval of the Imperial government was to be sought for the Saint John route, but the delegate of the Canadian government was also to "use his best endeavours to obtain the Imperial aid in such a manner as that it shall apply to the Main Trunk line as far westward past Quebec as possible...and consistent with the Act of Parliament relating to the Main Trunk Line of Railway."¹⁵

Equipped with these directions, Hincks left for London on February 27,¹⁶ where, in company with the representatives of Nova Scotia and New Brunswick, he would attempt to revive the railway strategy which he had developed during the previous year.

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¹⁴PAC, Elgin papers, file 2, n.p., Elgin to Grey, February 14, 1852.

¹⁵Minute Books, L, p. 593, February 20, 1852.

¹⁶PAC, Elgin papers, file 2, n.p., Elgin to Grey, February 27, 1852.

The events of March-May, 1852 in London resulted not in the realization of the railway scheme envisioned in Hincks' 1851 legislation but rather in a privately-owned trunk line, and ultimately in the Grand Trunk. This basic alteration in the course of the railway programme, arose out of a conjunction of influences and tendencies which may be reduced to a single factor: the need for, and influence of, British capital. The connections between private interests in Britain and the Canadian railway program may be traced back to Joseph Howe's visit to London late in 1850, which had resulted in the "£7,000,000 promise". From that time, the English railway contracting firm of Peto, Betts, Brassey, and Jackson had been keenly interested in British North American possibilities. Initially they had approached Howe with the letter which he introduced to the Toronto railway conference dinner, and, following New Brunswick's rejection in June of 1851 of the HQR scheme, they had contacted the Colonial Office and then Lord Elgin with a concrete offer. After a personal meeting in Toronto with Lord Elgin, C.D. Archibald of the firm had presented their proposal in writing on June 21.¹⁷ As in its letter to Howe, the Peto firm was not overly modest. Archibald described the company as "an association of British capitalists, limited in point of numbers, but powerful from their influences, combinations and means...." Such men, he pointed out, were under no necessity

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¹⁷Journals, 1852-53, Appendix Z, n.p., Elgin to Grey, August 28, 1851, enclosing Archibald to Elgin, June 21, 1851.

of seeking North American operations,¹⁸ and had in fact been on the verge of committing themselves in France when

certain influences were brought to bear ... which induced them to turn their attention to British North America... Upon certain conditions, which I do not think will appear at all unreasonable, those parties are willing to make these countries, upon which British capitalists have hitherto turned their backs, the exclusive field of their future operations, and to transfer there the whole of that disciplined force which has carried them triumphantly through so many great undertakings."

This blatant, and highly accurate, appeal to the colonial desire for recognition and financial approval by the metropolis was reinforced by Archibald's observation that such an opportunity "may never occur again, and ought not to be left unimproved."

In its details, the Peto offer included the construction of the ENA, the HQR and the Canadian trunk line, with the provinces supplying assistance to the HQR at a level considerably higher than that envisaged in the Canadian legislation of 1849.¹⁹ The ENA was to be built according to the terms of the New Brunswick facility legislation, and the Canadian trunk line within the provisions of the 1849 Guarantee Act.

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¹⁸This was not strictly true. Currie, Grand Trunk Railway, p. 6, points out that the railway construction business in Britain had become more competitive and less profitable, while the approaching completion of a contract in France was about to leave the company with idle equipment.

¹⁹That is, the provinces were to pledge, as per the original scheme, up to £20,000/year each towards the interest payments on

What was singular about the offer made by Archibald in June of 1851 was that the British parties whom he represented were not only offering their services as contractors, but also as investors. For the ENA, the "association" proposed to subscribe for all the stock not taken up by private parties in New Brunswick, and similar offers were made with regard to the HQR and the Canadian trunk line. Archibald added, however, that this offer was made with the expectation of "liberal aid and encouragement on the part of the Imperial government", given the "great national objects" served by the HQR.

Despite this magnanimous offer not only to construct British North American railways but also to assist in their financing, the Peto firm's vision of private ownership gained no place in the Toronto agreement for the construction of the HQR/ENA, and but a very small corner in Hincks' Main Trunk Line Act of 1851, which envisaged construction by private companies only as a last-ditch alternative, should provincial or joint provincial-municipal construction fall through. Had the original plans for the HQR/ENA not collapsed over the question of the inclusion of the latter line, it seems probable that the role of the Peto firm, if any, in

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19 (cont.) the road's capital, and to provide all rights of way and station lands, as well as all ungranted lands within ten miles of each side of the line. The British contractors suggested that, in addition, the provinces provide £250,000 towards the capital of the HQR (or £125,000 each to the HQR and ENA), plus an extra ten miles of land on each side of the line. (Archibald to Elgin, June 21, 1851, op.cit.)

the development of British North American railways would have been limited to actual construction.

The events of November, 1851, however, provided another opportunity, and the contractors again approached the Colonial Office, this time employing one of the partners, William Mather Jackson, to present "further suggestions and proposals."²⁰ The inspiration for this initiative was apparently a new plan received by the contractors from the New Brunswick government, which was obviously seeking to keep the ENA alive. Jackson informed Grey that

There is good reason to believe that [New Brunswick] will liberally increase [the] grants of money and lands [originally offered to the ENA and HQR] to ensure the completion of both the main lines.

Assuming that Nova Scotia and Canada would also be prepared to sweeten their offers, Jackson concluded that the question was therefore simply whether the British government would "superadd such encouragement as would make it worthwhile for British capitalists and contractors to employ their resources in North America."

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²⁰Journals, 1852-53, Appendix Z, n.p., Jackson to F. Peel, M.P., (Colonial Office), January 12, 1852.

Without such encouragement, British capital and skill would be invested in Europe,²¹ and British North American railways would be built by Americans, with the twin result that they would not serve as the "base and support of a well-regulated system of colonization", and the financial assistance provided by colonial governments would "pass into the hands of foreign contractors."

The Peto firm proposed that it would build both the HQR and ENA on its own account and at its own risk, provided that the British government guaranteed the association's debentures for one half the total cost of construction and equipment, in return for a first mortgage on the line. New Brunswick was to provide £30,000 per year for 25 years, the right of way and station lands, and 4,000,000 acres of land for colonization, while Nova Scotia and Canada would give "such aid in money and lands as may hereafter be agreed upon."²²

At the same time as Jackson was putting this offer to the Imperial authorities, the Peto firm seems to have been following

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²¹Especially, Jackson noted, in "those states which commenced upon the mistaken system of attempting to construct and manage their railways as Government works."

²²The response of the Imperial government was largely non-committal, except to stress to Jackson that the ENA would receive no aid. (*Ibid.*, Peel to Jackson, January 27, 1852.) It is interesting to note that, in approaching the Imperial government, the contractors relied on a "colonization" argument similar to that which Hincks had developed in his 1848 memorandum on "Colonization and the public works associated therewith".

up the New Brunswick initiative at its source. When Hincks wrote to E.B. Chandler of the New Brunswick government with the 5/12, 4/12, 3/12 financing formula which was eventually accepted, Chandler's initial response was, in effect, a counter-proposal - he drew Hincks' attention to "a proposition", which was likely to arrive by the next mail,

from eminent capitalists in England (who have been largely engaged in railway contracts), the basis of which will, in substance, be that the Quebec and Halifax and European and North American lines be constructed by a private company, under an Imperial charter.²³

Hincks' response, in the light of subsequent events in London, is most interesting. He informed Chandler that he had already heard of such a proposal, and, having discussed it with his colleagues and the Nova Scotians, was certain that "it would not be entertained for a moment."²⁴ This support of public construction was reiterated at the public meeting in Halifax, where Hincks went out of his way, in his reply to Howe, to deny that there had been any "intriguing with the capitalists in England, as has been intimated out of doors, or anything of the sort."²⁵ Although not

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²³Ibid., Chandler to Hincks, January 29, 1852

²⁴Ibid., Hincks to Chandler, January 29, 1852. Hincks' reference to previous awareness presumably refers to the approach made by Archibald at Toronto in June, 1851.

²⁵Hincks, Reminiscences, p. 227. He was supported in this by John Young, who argued that "To give the control of the main trunk line to a company would...be giving too great a power, the effect would be that the Government would be controlled by the company, instead of [vice-versa]." (Ibid., p. 223.)

strictly true, because it seems clear that the opening for the renewed initiative by the English contractors had been provided by the government of New Brunswick, the statement was true insofar^o as it applied to the Canadian government, and as such is a good yardstick by which to measure Hincks' later actions.

Despite the firmness of Hincks' denial, it is clear that by the time the Premier departed for England, in late February,²⁶ the overtures made by Peto, Betts, Brassey, and Jackson had succeeded in winning them a place in Canadian railway plans. Hincks left on his mission with the authorization of Elgin and the Cabinet to deal with the Peto company for preliminary surveys for the HQR and Canadian trunk line, "with a view, if possible, to a contract."²⁷ This development was not in any way unusual - there is no reason to doubt Hincks' later claim that his

own opinion from the first was that as the money for the railway would have to be furnished by England under any circumstances, it was most desirable to secure its construction by eminent English contractors.²⁸

Peto, Betts, Brassey, and Jackson were to railway construction what the Baring Brothers and Glyn, Mills houses were to investment banking, that is, "eminent", and it is therefore entirely understandable that they would become connected with the construction of British North American railways, particularly

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²⁶Journals, 1852-53, Appendix, P, n.p., Elgin to Grey, February 26, 1852.

²⁷Hincks, Reminiscences, p. 245.

²⁸Ibid.

because, as Hincks implied, their solid reputation as contractors would help in garnering British investment.

What is more problematic is the question of how their natural and proper involvement, as contractors, for a publicly-owned railway, became a much more complex and central role in the privately-owned Grand Trunk. The superficial reason is not hard to locate - the British government of Lord John Russell, with Earl Grey in the Colonial Office, had fallen and been replaced by a minority ministry under Lord Derby, with Sir John Pakington, "an inexperienced and ineffective official, singularly unsympathetic with colonial aspirations", as Colonial Secretary.²⁹ This new government, after a delay of several months, finally refused to consider an Imperial guarantee of HQR loans for any route other than that via Major Robinson's survey.³⁰ The primary object of his mission a failure, and his own political position requiring that he return to Canada with some finalized scheme by which a trunk line could be constructed,³¹ Hincks came to an alternative arrangement with the English contracting firm, which included the financial role which they had been seeking for themselves.

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²⁹Currie, Grand Trunk, p. 8. Longley, Hincks, p. 217, offers a similar view of Pakington. The nature of the new Colonial Secretary was reflected in the Cabinet as a whole, which, with the exception of Disraeli as Chancellor of the Exchequer, was composed of "nonentities so obscure that the aging Duke of Wellington had to ask that their names be repeated and explained to him as they were read out in the Lords, an incident which tagged the ministers as the 'Who? Who? cabinet'". (R.K. Webb, Modern England, From the Eighteenth Century to the Present (New York, 1968), pp. 301-02.)

³⁰Journals, 1852-53, Appendix P, Pakington to Elgin, May 20, 1852.

³¹Longley, Hincks, p. 220; Stevens, CNR, I, p. 70.

An exclusive focus on the change in British government as the reason for the alteration of Canada's railway policy is a plausible explanation, and one which has been adopted in at least one study,³² but it overlooks several factors which suggest that changed political conditions in Great Britain were more the occasion for than the cause of the change in approach by Hincks. An equally important, if perhaps less direct, factor making for a change was the relationship between the British contractors, the British bankers, and the Canadian Premier. Well before 1852 Hincks had established a close working relationship with Thomas Baring and George Carr Glyn, a relationship rooted first in the establishment of Canadian securities as attractive commodities in the London money markets, and then in the direct policy input of the British bankers in Hincks' 1851 railway legislation.

On the purely British side of the triangle, G.C. Glyn and Sir Morton Peto of the contracting firm were old friends.³³ More than this, it seems clear that even as Glyn and Baring had been guiding

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³²D.G.G. Kerr, Sir Edmund Head, p. 96, argues that the change of ministry doomed the project, since the new Colonial Secretary, Pakington, lacked Grey's "keen interest" in the HQR, and therefore failed to argue it particularly forcibly in cabinet. This is probably correct, at least in its estimation of Grey, whose correspondence does reveal a willingness to be persuaded on the subject. See PAC, Elgin papers, file 4, n.p., Grey to Elgin, February 6, 1852, and Journals 1852-53, App. P, Grey to Elgin, February 19, 1852. Currie, Grand Trunk, pp. 7-8, takes a similar view of Pakington.

³³Currie, Grand Trunk, p. 10.

the Canadian government in the amendment of its guarantee legislation in the winter and spring of 1851, they were also joining with the Peto firm in bidding for a much more direct role in Canadian railway development. While Hincks was proceeding within the framework of financial opportunity provided by the Imperial guarantee, a framework which led most naturally to public ownership of the Canadian main line, his government's financial agents in London were approaching the Colonial Office with an offer to build the line by a private company.

C.D. Archibald's letter to Lord Elgin of June 21, 1851 had referred to the group he represented as "an association of British capitalists and contractors"; Jackson's letter to Earl Grey of January 12, 1852 had referred to "well known British capitalists with associated contractors of great eminence."³⁴ While neither of these letters referred to Baring Brothers or Glyn, Mills by name, it is hard to imagine which other "well known British capitalists" might have been meant, given the Glyn-Peto friendship and the already close association of the two banking houses with the fiscal and railway policy of the Canadian state.

These connections, together with the Barings' desire for new Canadian investments³⁵ were a sufficient impetus from the British

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³⁴Journals, 1852-53, Appendix Z.

³⁵Longley, Hincks p. 220.

side for a reorientation of Canadian railway policy. But what of Francis Hincks? Having learned, "from several reliable sources", that the new British ministry was likely to refuse a guarantee for the HQR via the central route,³⁶ and having been approached by Thomas Baring with the suggestion that he consider private construction,³⁷ Hincks took up the question with the British interests and had in fact actually concluded a deal with Peto, Betts, Brassey and Jackson before the official announcement of the Imperial authorities that they would not renew the offer of a loan guarantee.³⁸

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³⁶Hincks, Reminiscences, p. 440.

³⁷Longley, Hincks, p.220

³⁸This must have been the case, because Hincks and William Jackson exchanged letters agreeing to terms on the same day as the Colonial Office sent official notice to Lord Elgin of their refusal to guarantee the HQR by the new line. (Journals, 1852-5, App. Z, Hincks to Jackson, Jackson to Hincks, May 20, 1852, Pakington to Elgin, May 20, 1852,). Pakington, in his letter to Elgin, argued that Imperial assistance could only be given to projects which served "some distinct Imperial interest." Such interest "suffers materially" by the proposed route change in New Brunswick, which removed the military and colonization advantages offered by Robinson's survey. The Premier had actually done more than simply proceed to deal with the British contractors before the Imperial decision was announced. In a letter to Pakington of May 1 Hincks had issued a virtual ultimatum, telling him that British indecision had already involved [Canada] in much expense and trouble, and ... retarded other arrangements which can be made...It seems to me far from improbable that, on some ground or other, this negotiation will prove a failure. If so, it is of the highest importance to Canada that the fact should be known as soon as possible. I have reason to believe that I can effect arrangements on the spot with eminent capitalists, to construct all the railroads necessary for Canada, with our own unaided credit.

This, again, is quite straightforward. In the absence of Imperial assistance, Hincks had made alternative arrangements with the leading railway contractors of the day. In doing this however, he deviated significantly from the railway policy which he himself had formulated the previous year. His Main Trunk Line Act had stipulated that private construction was to be the third alternative. In coming to terms with the British contractors, Hincks had completely bypassed the second option, joint provincial/municipal public construction. While his critics were quick to see corruption and the direct application of British money at work, such explanations are not really necessary.³⁹ The Premier's actions were entirely consistent with his overall approach to Canadian development, in which the recognition of Canadian prospects by British investors played a leading role. In this scheme of things, the participation of the Peto firm was recognition of the highest order, which would "inspire confidence

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³⁸(cont.) A reply was requested by May 15, at which time Canada would withdraw from the negotiations in any case. (Journals, 1852-53, App. Z, Hincks to Pakington, May 1, 1852, emphasis added) It seems clear from both the tone and substance of this letter that Hincks had already unofficially concluded a deal with the Peto firm, and was simply looking for the official freedom to formalize it.

³⁹Ormsby, "Hincks", p. 185. Hincks was subsequently cleared of these and other charges by a Parliamentary Committee. It should be noted as well that in his Halifax speech, while referring to the joint municipal/provincial strategy, Hincks had placed it last, after the private option, which was available "if the propositions we are now making are not accepted." (Hincks, Reminiscences, p. 222)

and secure the support of capitalists."⁴⁰ As Hincks explained it to Lord Elgin's secretary after his ultimatum to Pakington:

I have the satisfaction of believing that my mission will have done good. 112 was offered and refused for our bonds and there never was so good a feeling towards Canada in the City. I am satisfied that a most advantageous bargain can be made with eminent English contractors for the entire road that we want and from Halifax to the Maine frontier.⁴¹

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⁴⁰Hincks, Reminiscences, p. 440.

⁴¹PAC, Elgin papers, file 4a, n.p., Hincks to Colonel Bruce, May 7, 1852, emphasis added. The importance of the flattering attention paid to Hincks by London financial and railway society in bringing about the ultimate result is noted in L.H. Jenks, The Migration of British Capital to 1875, (New York, 1926), p. 200. It should also be remembered, as Hincks pointed out in his Reminiscences, p. 245, that the British contractors "could have had no interest in preventing the guarantee." It will be recalled that both the June, 1851 and January, 1852 approaches made by Peto, Betts, Brassey, and Jackson had included Imperial participation in the financing.

As soon as the refusal of the Colonial Office to offer a loan guarantee was made official, Hincks finalized the terms of a tentative contract with Peto, Betts, Brassey, and Jackson, putting in writing the scheme which had been developed during several meetings which he had had with Jackson.⁴² The English contractors were to build "the Great Trunk Line of Railroad between Montreal and Hamilton", estimating their profits "on the same scale" as they were accustomed to in their British and European operations. The funds for constructing and equipping the line were to be raised as follows: one-tenth was to be stock of the company, taken by the contractors in lieu of payment, one-tenth was to be raised by the sale of stock to individuals or governments in Canada, three-tenths was to be in the form of 6% twenty year bonds of the company, taken by the contractors, and the remaining one-half was to be raised on the sale of provincially-guaranteed company bonds. With this last point, Hincks may have been trying to avoid the necessity of issuing government bonds directly on behalf of the railway, and taking their bonds in return, as provided for in the 1851 legislation; if so, he was caught up by Jackson, whose immediate reply to Hincks' letter stipulated that the contractors could choose either government-guaranteed or direct government bonds for the 50% share of the financing. He also suggested that the bonds bear 7% interest, to insure their competitiveness.⁴³

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⁴²Journals, 1982-53, Appendix Z, Hincks to Jackson, May 20, 1852.

⁴³Ibid., Jackson to Hincks, May 20, 1852. He added however, that any surplus deriving from the contractors' sale of company bonds above par would pass to the credit of the company, not the contractors.

Hincks agreed to these modifications, adding only "it being understood that if the 6% bonds can be negotiated at par, you will endeavour to do so."⁴⁴ The Premier evidently feared that the activities of the "contractors-turned-promoters"⁴⁵ would incite political opposition to the deal in Canada, for Jackson replied in his note which ended the correspondence:

You seem to think that the 7% payable to be issued by the Company may be an obstacle to your progress. Do not let it be made one. If the Company do not find it in their interest to make the Bonds bear that rate, their interest being ours, we must do the best we can.⁴⁶

While Jackson's response posited a clear distinction between the contractors and "the Company", his admission of the mutuality of their interests was a more pertinent statement, and one which went right to the heart of the new arrangement which Hincks had undertaken. The contractors were not only to accept stock in part payment for their services, but were also to be potentially responsible for another 40% of the total financing of the company.⁴⁷

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⁴⁴Ibid., Hincks to Jackson, May 20, 1852 (#2)

⁴⁵Stevens, CNR, I, p. 73.

⁴⁶Journals, 1852-53, Appendix Z, Jackson to Hincks, May 21, 1852.

⁴⁷The contract called not only for 30% of the funds to be raised by the sale of company bonds taken by the contractors; it also stipulated that in the 10% of the financing reserved for the sale of stock in Canada, the subscriptions, if made by public bodies (i.e., municipal or provincial government), were to be paid for in bonds to be taken by the contractors. The

For Francis Hincks, this plan was not only a workable alternative to an Imperial loan guarantee for a publicly-owned company - it was the ultimate connection with the highest levels of British finance. Under the new scheme, one-half the necessary funds were to be raised through the sale of Canadian government bonds by the Baring Brothers firm, and the other half through the promotional efforts of the greatest railway contractors in the world. In this sense, the new plan was superior to the old one, for it represented a further step in the process to which Hincks had dedicated himself since assuming office early in 1848 - the establishment of Canadian credit in the London market. The Peto firm's undertaking to promote the Canadian trunk line in London was, to Francis Hincks, the crowning achievement in his wooing of British capital.

While there may never have been "so good a feeling towards Canada in the City", Hincks' new plan was not received in all quarters as the "most advantageous bargain" he claimed it to be. The switch to private construction by a firm of British contractor/promoters opened the scheme to the opposition of those Canadian interests which had taken advantage of the 1851 legislation to secure squatter's rights on sections of the main line. It will be recalled that the Main Trunk Line Act, in

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⁴⁷(cont.) contractors-turned-promoters would thus be responsible for the sale of a mixture of company stock (10%), provincial or municipal bonds (10%), and company bonds (30%) amounting to one half the total cost of the road.

anticipating the possibility of private construction, had allowed the chartering of main line companies, with suspending clauses preventing their^o operation until it became apparent that private construction was the only alternative remaining.

It is likely that, in forming this part of the legislation, Hincks had given little thought to the problems which might arise with this approach.⁴⁸ It is almost certain that he neglected to reckon with the acquisitive instincts and business/political skills of A.T. Galt, the Lower Canadian Scot who had taken advantage of the previous year's Act to charter the Montreal and Kingston Railway (MK).

The switch in railway policy was formally recognized in a Minute of the Executive Council on July 30, 1852. It noted that "under existing circumstances", the best means of constructing the main line was "through the instrumentality of the companies already incorporated for that purpose by the legislature."⁴⁹ This meant, in practice, the Toronto and Kingston and Montreal and Kingston companies, which had both been chartered, with suspending clauses, immediately after the passage of the Main Line Act in 1851.

Hincks' assumption seems to have been that once the charters were proclaimed in effect, the Peto firm would simply step in and

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⁴⁸See above, chapter V, p. 270.

⁴⁹Minute Books, M. p. 356.

subscribe sufficient stock to get control of the companies.⁵⁰ In the case of the Toronto and Kingston he was correct. Its original incorporators were a rather lacklustre group with little real business stature,⁵¹ and with Hincks' assistance, William Jackson of the contracting firm was able to get control of the entire stock.⁵² In the backers of the MK, however, Hincks and Jackson were up against men of a more formidable character.

Alexander Tilloch Galt and his partners were men who represented the cream of Montreal's industrial and transportation leadership.⁵³ Aggressive, confident of their own abilities, and already involved in the new technology via the SLA, these men saw in the advent of a privately-owned main line the opportunity to extend their participation to what was the major project of their

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⁵⁰Skelton, Galt, p. 31; Longley, Hincks, pp. 223-24.

⁵¹The group consisted entirely of mayors and wardens from the towns and counties along the route, of whom the most prominent was J.G. Bowes, the Mayor of Toronto. (Canada, Statutes, 1851, 14 and 15 Vic., c. 146.)

⁵²H. Klassen, Luther H. Holton: Montreal businessman and politician, 1817-1867 (Ph.D., University of Toronto, 1970), p. 132.

⁵³Galt was of course the President of the SLA and a major figure in the British American Land Company. His chief partners were Luther Holton, active in several Montreal businesses, of which the most significant was Hooker, Holton and Co., one of the largest forwarding firms on the river and D.L. Macpherson, whose Macpherson, Crane and Co. was the largest such firm (Tulchinsky, River Barons, p. 40). Other Montreal figures involved were John Torrance, William Molson, and John Rose.

day - a Canadian trunk line system which would stretch from Windsor in the west to Portland and Quebec in the east.⁵⁴ Such ambitions, if realized, would have left Galt and his associates in control of a major portion of the Laurentian trade route, both water and land; moreover, those ambitions placed them squarely in the way of Hincks' plan to see the trunk line built by the British contractors, whose financial connections he valued so highly.

The necessary proclamation of the Governor-in-Council was issued on August 7, bringing the charters of the MK and TK companies into effect.⁵⁵ The stock of the MK was advertised for sale on August 9 and on August 16 stock books were opened in Kingston, Brockville, and Montreal. On August 23 Galt and his partners subscribed the entire stock of £600,000. They also entered into an agreement whereby none of the three major shareholders would dispose of any stock without permission of the other two.⁵⁶ This bald-faced attempt to exclude Hincks' chosen

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⁵⁴The extension to Quebec was to be via the Quebec and Richmond Railway, which had been chartered in 1851 to connect Quebec with the SLA at Richmond in the Eastern Townships. It would thus serve as the connection between the already-planned elements of the Canadian trunk line and the (anticipated) HQR.

⁵⁵Minutes Books, M, pp. 369-71. This minute also noted, without elaboration, that it had been found "inexpedient and impracticable" to undertake the main line as a joint municipal-provincial public work.

⁵⁶The major shareholders were Holton and Macpherson with 7960 shares (£199,000) each, and Galt with 7940 (£198,500). Seven other investors took 20 shares (£500) each. (Skelton, Galt, p. 31; Journals, 1852-53, Appendix XX, "Articles of Agreement [between Galt, Holton, and Macpherson]", enclosed in Holton to MacNab, October 12, 1852.) Young, Cartier, p. 113 (citing La Minerve, October 24, 1852) claims that the MK stock book was opened in March, 1852. This hardly seems possible - as noted above, the company's charter was not proclaimed in force until August 7. Prior to that date, the MK had no legal existence. At a more general level Young is correct in suggesting that the main impetus to action on the part of the promoters of the MK was the threat posed by Hincks' connection with the British contractors.

agents precipitated a two-month long struggle for control of the main line project. While the combination of the Premier's political strength with the financial reputation of the Peto firm eventually triumphed, it was not until after a hard fight with the incorporators of the MK. The course of the struggle casts a revealing light on the perceived importance of British capital in the developmental culture, while its result was an extravagant and wholly inappropriate railway policy of which the centre piece was the Grand Trunk Railway Company of Canada.

Initially, during the late summer of 1852, there was no talk of a "Grand Trunk Railway Company". The MK and TK were simply to be taken over by the British contractors, and Hincks seems to have assumed that their participation would be as welcome to Canadians generally as it was to himself. What at least some Canadians saw however, was the prospect of foreign control of an important Canadian development, and the shouldering aside of native enterprise. This latter point of course had particular force with

Galt et.al in Montreal,⁵⁷ but it seems to have taken more generally, for, after several days of open stock books, the 10% of the stock which had been reserved for individual Canadians and/or their governments, had not been subscribed. Whether this was because (as Galt, Holton and Macpherson claimed) Canadian investors could see that Hincks' plan effectively deprived them of "their proper interest in the management of their own funds" is hard to determine,⁵⁸ but in any case it was a sufficiently negative response to force Hincks to modify his arrangements with Jackson. Typically, his alteration involved a greater rather than a lesser role for the British company - they were to take all the stock of the MK. At the same time, to put a better face on the package, the terms of the government guarantee were changed from one-half the total cost to a flat rate of £3,000/mile.⁵⁹

When it became known that this was to be the case, Galt, Holton and Macpherson responded with their subscription of the entire stock. Their "Articles of Agreement", signed at the same time, laid out the rationale for their action. In addition to citing their belief that Hincks' plan would lead to the overall cost being "greatly augmented to the profit of strangers" and the claim that Canadian investors could finance the work themselves,

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⁵⁷Galt had been in London on SLA business in the spring of 1852, when Hincks had come to terms with Jackson, and had made his disapproval clear. (Skelton, Galt, pp. 30-31.)

⁵⁸Journals, 1852-53, Appendix XX, "Articles of Agreement".

⁵⁹Ibid., Hincks to MacNab, October 15, 1852.

the Montreal businessmen noted that even if they were permitted some share of the stock, majority control by others would leave them vulnerable to a demand for immediate full payment of their subscriptions. In these circumstances they had been advised that

their personal security could only be obtained through the immediate and simultaneous subscription of the whole capital ... by which they will have full power to act as may be consistent with the public interest, without involving themselves in any undue pecuniary responsibility...and...under this advice it is manifest to the undersigned that their own individual safety dictates the necessity of confining the subscription to the fewest possible number of persons in whom mutual confidence exists...

Lest anyone mistake their motives, the trio also stressed that their objective was

to secure the immediate prosecution of the Railroad on the most advantageous terms to be obtained in [their] judgement...without the design of depriving the public generally of the right of obtaining shares in the company at par. It is therefore further agreed that whenever it is possible to do so with safety to the undersigned, the public shall be invited [to purchase shares]; the undersigned regarding themselves as Trustees charged with the further issue of Stock.⁶⁰

Whatever their motives, (and there is certainly no mutual exclusivity between those stated and the desire of Galt and Co. to

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⁶⁰Ibid., "Articles of Agreement".

retain their potentially profitable association with the MK), the sudden action of the Montreal promoters completely upset Hincks' plans. Although he was later to claim that he had anticipated a large measure of public approval for his coup in persuading the British contractors both to build and promote the main line,⁶¹ Hincks' behaviour once challenged suggested a man not entirely confident that the details of his plan would stand up to public scrutiny. His entire Parliamentary demeanour from late August, when the struggle began, to early November, when the Grand Trunk charter passed, was characterized by haste and evasion.

On the same day as the sudden "grab" of the MK stock was frustrating his arrangements with Jackson, Hincks reported to the House, then just four days into its new session, presenting to the members the proposed assignment of places in the various committees, including that charged with investigating railway bills.⁶² When he moved that the House concur in the selections for the Railway Committee, William Lyon Mackenzie at once objected to any "hasty passage" of the motion, and a debate ensued, with several members complaining of the non-representative nature of the proposed membership. The selection was soon enough accepted however, and without alterations, but not before Hincks had made

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⁶¹Gibbs, Debates, XI, p. 1353, November 2, 1852.

⁶²The prominent members of the Committee were Hincks, MacNab, John Young, G.E. Cartier, David Christie, Joseph Cauchon, E.P. Taché, and John A. Macdonald.

several revealing statements. First, in a ploy which he and his supporters were to use frequently during the session, he pressured the House by intimating that he only urged quick approval of the Committee because of the presence in Quebec of "an important witness who could not be examined after tomorrow."⁶³ This veiled allusion to Jackson was made somewhat more explicit by Sir Allan MacNab, who explained that he didn't care,

for his own part, when the Report was adopted, but he understood there were gentlemen from England who wished to take the Railway contracts, and he wanted to hear what they had to say.⁶⁴

This typically forthright declaration from MacNab elicited from Hincks a response characterized by the second chief element of his behaviour during the struggle over the main line - evasion and denial. At the first opportunity he made a point of stating,

as a matter of justice, that he knew of no gentlemen who wished to go before the Committee; but there was a gentleman about to go out of town whom many gentlemen desired to hear.⁶⁵

While subsequent events were to prove that there were indeed "many gentlemen" desirous of hearing Jackson's proposals, it was pure

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⁶³Ibid., p. 22, August 23, 1852.

⁶⁴Ibid., p. 24.

⁶⁵Ibid.

semanticism for Hincks to imply that the English contractors had no particular interest in going before the Committee. Strictly speaking this was true, as Jackson had come out to Canada expecting a virtual fait accompli, and not a situation where he would have to sell his participation in the face of colonial opposition. But as a response to MacNab's reference to "gentlemen from England" wishing "to take the Railway contracts", Hincks' statement completely misled the House.

This contention, that Jackson was the party sought, and not the seeker, was for public consumption. In the privacy of the Railway Committee, Hincks could be more direct. On August 24 Galt and Holton were called for, and at their appearance on the 25th, they were bluntly informed by the Premier that Jackson wished to purchase the entire stock of the MK, and asked whether they would simply place it at his disposal.

On the same day, George Brown, who was to be Hincks' most inveterate opponent in the House on the trunk line issue, moved for copies of the agreement between the Peto firm and the Quebec and Richmond Railway and between the contracting firm and the government. In reply Hincks stated that the government had not entered into any agreements with the British contractors, and promised that the "correspondence" on the subject would be sent down.⁶⁶ Again, Hincks' reply was misleadingly true - his correspondence of May 20 with Jackson did not constitute a legal

contract on the part of his government, but it would be hard to describe it as other than an "agreement".

This charade continued on August 27, when Jackson published a letter in the Montreal Herald, and Galt and Holton replied in writing to the Railway Committee's question of August 25.

Jackson's letter was a moderately-phrased piece of understatement which began by giving the lie to Hincks' "no agreement" claim:

I came out to Canada to carry out an agreement into which I had entered with Mr. Hincks, on behalf of my associates and myself, the basis of which is well known in the province.

On arriving he found that the 10% of the financing reserved for the sale of stock had not been raised, and "it was therefore proposed to us to take the whole stock, and to this arrangement I

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⁶⁶Ibid., p. 83, August 25, 1852. The Quebec and Richmond had, with Hincks' encouragement, negotiated with the Peto firm in London during the same period when Hincks was concluding his deal with Jackson (Journals, 1852-53, Appendix XX, Hincks' statement, October 15, 1852). Their contract reveals, like Hincks' agreement with Jackson, the heavy promotional role being given to the "contractors". Peto et.al. were to be paid entirely in a specified mix of QR stock, City of Quebec bonds, QR debentures, and government-guaranteed QR bonds. The first three of these modes of payment could be switched to straight cash by the railway, but with a 5% premium added. (Journals, 1852-53, Appendix Z, n.p.)

was induced to consent". The sudden stock subscription of August 23 had prevented this however, and consequently

I am no longer wanted, as Canadian enterprise is equal to the occasion. I cannot refrain from expressing my satisfaction at discovering that the only element wanted to develop the magnificent resources of this immense country exists within itself, and while I might make many remarks, as to the policy of bringing as much foreign capital as possible into the country, reserving for domestic enterprise the task of bringing the more distant municipalities and settlements into direct communication with the Trunk Line, that its labour might be employed ... and its capabilities developed, I shall content myself with taking the warmest interest in the welfare of the Province.⁶⁷

This retiring posture, which nonetheless successfully rang all the right changes on the desire for foreign investment, was balanced by Hincks' performance in the Railway Committee. Galt and Holton's written response to the question of August 25 was submitted and replied to, and the initial battle lines between the government and contractors on the one hand, and the MK on the other, were thus drawn.

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⁶⁷Montreal Herald, August 27, 1852, reproduced in the Quebec Morning Chronicle, August 30. Jackson's reference to his "agreement" with Hincks enable Brown to ask again for the correspondence on August 31, noting that while Hincks had "formerly chosen to laugh at the idea", Jackson's letter confirmed popular suspicion - "It was therefore not wonderful that the public should have supposed there was an agreement, when Mr. Jackson thought so too." (Gibbs, Debates, XI, p. 225)

For their part, Galt and Holton argued that it was

a singular proposition to ask those parties who up to this moment have been the most active promoters of the Railroad to forego all their own plans....

While admitting that it had been "generally known" that Hincks would propose the construction of the road by English contractors, they had believed that "the machinery through which the scheme was to be worked was that of chartered companies", and this was the spirit in which they had subscribed the stock,

in the manner supposed to be desired by the government ... never for one instant [supposing] that the organization of the Company was a mere pretence to give the colour of legality, to what in fact was a bargain between the Government and the English Contractors.

Rather than the MK being a "sham company", created "merely to homologate a foregone bargain with Messrs. Jackson and Co.", their subscription of the stock had insured the possibility of the work being done by others, "if Messrs' Jackson's offer was not deemed satisfactory." Being thus genuinely prepared to direct the project, Galt and Holton questioned the propriety of the Committee's having approached them on behalf of "extra-Provincialists", without those parties having even stated their prices for construction. This last point touched on the essence of the MK's position - while they did not categorically deny the possibility of their surrendering the stock to Jackson,

the MK promoters absolutely refused to do so until the British contractors' terms for the construction of the road had been made known.⁶⁸

While this response was not without its disingenuous touches, such as the assertion that they had believed that their grab of the entire stock was "in the manner supposed to be desired by the government", and their emphasis being on Jackson's failure to state his prices, instead of on their own prospective loss of control of the project, Galt and Holton's reply was reasonable enough. It left the door open for further movement, while recognizing the basic weakness in Hincks' position - the fact that he was seeking to take the work away from parties legally chartered and prepared to undertake it, in order to give it to non-Canadians who refused even to discuss the stock transfer, or their prices, with the original incorporators.

Hincks' reply took the form of a motion that the Committee inform Galt and Holton of the basic nature of the situation, which he then described as follows: the government had parties who were ready to take the stock of the MK and build the line. Those parties wished to have the guarantee of the government confirmed to them before proceeding, which necessarily involved their

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⁶⁸Journals, 1852-53, App. XX, Galt and Holton to MacNab, August 26, 1852.

submitting their prices. This they had been prepared to do, until they found that the entire stock had been taken. The Committee simply wished to know, therefore, whether or not the MK group were prepared to abandon the stock of the company "in case the new stockholders can satisfy the Government that the prices are such as to warrant the latter in advancing [the guarantee]". Hincks' use here of the conditional "in case" was a mere formality, as his next sentence revealed - once the government and the British contractors had agreed on the details, the original backers of the MK would have "no interest whatever in the work." This being the likely outcome of the present situation, it would of course be "most objectionable for the proposed new Stockholders to submit any proposition to them."⁶⁹ Reduced to its essentials, Hincks' motion, with its circular argument, simply said that the government was determined to give the contract to Jackson, and that the Montreal promoters ought just as well to give way sooner as later. Although somewhat convoluted in its statement, it was an accurate portrayal of the government's intentions, and was approved by the Committee by a vote of 11-0. This vote likely confirmed Hincks in his initial hard-line approach to the MK, for he continued to proceed on the assumption that the MK would eventually give way and leave the field to Jackson and his partners. This was in spite of Holton's reply to the Committee's resolution defining the situation. In response to Hincks'

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⁶⁹Ibid., Hincks' motion, August 27.

statement he argued that it was "extraordinary" to demand that the MK's chartered rights should be "unconditionally surrendered" and its incorporators and stockholders forced to undergo "a species of personal, if not provincial degradation." Holton insisted that the current stockholders were perfectly able to complete the work, adding that "the propriety of such surrender becomes the more questionable from the apparent absence of all necessity for it" - there was "no reason to assume" that Jackson would not come to terms with the MK in the same way that he had with the QR, and the committee could be certain that any reasonable offer would receive "prompt and liberal consideration."⁷⁰ Perhaps because of the lack of give apparent in this statement, Hincks was forced to go through the appropriate motions before the Committee.

Accordingly, on the 4th of September, George Benjamin of the Toronto and Kingston appeared before the Committee and testified that the company stood ready to place its charter and stock at the disposal of the Committee "or of parties indicated by them".⁷¹ On the 7th, Jackson, his company's engineer, Alexander Ross, the

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⁷⁰Ibid., Holton's letter to the Committee, September 3, 1852. His comment reveals that he was unaware of the details of the QR contracts. See above, note 66.

⁷¹Ibid., September 4. Benjamin was the Warden of the County of Hastings. His only argument to the Committee was his "decided conviction" that the road should be located "on the front", that is, along the line surveyed by T.C. Keefer, near the shore of Lake Ontario.

President of the Board of Works, H.H. Killaly, and T.C. Keefer all testified before the Committee. It is both significant and unfortunate that the day's testimony was not reprinted in the proceedings of the committee. Unfortunate, because it would be most interesting to know what sort of arguments Jackson relied on in addressing the members; significant, because this was one of only two days for which the published proceedings of the committee merely noted the identity of those appearing before it, without indicating the nature of their evidence.⁷² Whether or not this indicates that Jackson adopted an approach to the problem which the government did not wish to make public is impossible to determine;⁷³ the very fact of Jackson appearing does suggest though, that by the 7th of September Hincks had realized that it would take more than his own insistence to remove the obstacles which Galt and Holton had thrown in his path.

For reasons that are unclear, the Committee's next step was to ask Galt and Holton, on September 8, to state the maximum amount of

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⁷²Ibid., September 7. On days when no witnesses appeared, the record notes simply that "the Committee deliberated", or "took into their consideration the bill to...." The other occasion was Galt's appearance on October 15, when the MK was making a last attempt to stave off defeat.

⁷³Such as, for instance, threats that a rebuff to Peto et.al would lead to the cancellation of the contract with the QR, or to more general difficulties in raising money in London.

guarantee they were prepared to accept.⁷⁴ Holton's written response to the question was delivered on September 14. He noted that the proceedings to that date, together with the particular question he had been asked, implied a change in government policy. It appeared as if a fixed guarantee was to be substituted for a general one, and that the main line was to be

owned by the parties undertaking to construct it for the lowest amount of public aid. If the latter is really the policy which it is desired or intended to adopt, a plain intimation to this effect might tend to simplify this whole question.

Having landed this dig at Hincks' somewhat indirect attempts to put into effect the new scheme, Holton turned to the specifics of the question. Quoting Hincks' claims in the Trunk Line debate of the previous year,⁷⁵ and citing Keefer's estimate of £5430/mile, he concluded that the MK would be prepared to accept a guarantee of £ 2500/mile. This constituted a sufficient answer to the question posed to him by the Committee, but Holton was not

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⁷⁴Journals, 1852-53, App. XX. Holton appeared alone before the Committee to receive the question, explaining that business had taken Galt away to New York. It does not seem correct that the Committee asked for a maximum guarantee figure, as Holton, in reply, argued that the question implied that the government was preparing to give the work to the parties requiring "the lowest amount" of assistance. It is likely, therefore, that "maximum" in the printed proceedings is a misprint for "minimum".

⁷⁵See above, chapter V, pp. 272-73.

prepared to let pass an opportunity to question the general implications of the new plan. First, he denounced the "fallacy" which suggested that, because he and his associates did not see the employment of Jackson "on his own terms" as essential to the construction of the main line, they were generally inimical to the attraction of British capital to Canada:

nothing could be more unfounded, nothing more unjust. It is admitted on all hands that it is not only desirable, but absolutely necessary, that English or foreign capital be obtained for the construction of all our great public works. The question is mainly one of the instrumentalities. Is the instrumentality of Mr. Jackson and his associates so essential for procuring loans of English capital that they should be paid from 30-50% over the cash value of their work, merely for the facilities they are supposed to possess as money brokers? or is it pretended that a little knot of railway jobbers hold the key of the great money market of the world?⁷⁶

This challenge to the very heart of Hincks' rationale for the connection with Jackson was followed by the assertion that, regardless of the outcome of the struggle, the opposition of the MK had forced Jackson to lower his prices.⁷⁷ Indeed, Holton

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⁷⁶The reference to Jackson's prices suggests that the English contractor had at least specified the range within which they fell in his appearance before the Committee. If we take Keefer's estimate of £ 5430/mile as Holton's likely standard, it follows that Jackson had quoted a price range from £7060 to £8145/mile.

⁷⁷Holton was presumably referring to the substitution of a fixed guarantee of £ 3000/mile for the earlier "one half the total cost" standard.

asked, who could guess how high the price might have been,

had no obstacle been interposed to the realization of his golden visions ... But apart from economical considerations, there can be no doubt that a great leading thoroughfare, such as the Trunk Line...would be managed more in consonance with the wants, the habits, and the whole genius of our people, by a local company, than by any association of speculators residing abroad, having no interest in the country beyond the punctual receipt of the largest dividends that can be wrung from it.

Holton's letter effectively enunciated the two main themes which Hincks' opponents were to play on during the remainder of the struggle - the suggestion that Jackson's vaunted connections to the capital resources of Great Britain, even if unique, were being purchased at too dear a price, and that control of a major Canadian enterprise was being given to foreigners for whom its national role would have no special meaning. The letter also effectively signalled the end of what proved to be only the first phase of the contest. Hincks' intention that his prior arrangement with Jackson would be quietly and quickly cemented by the takeover of the two main line companies had been thwarted, first by the stock grab of August 23, and then by Galt and Holton's intransigence in response to the demand that they surrender their shares. Unable to realize his arrangement with Jackson, Hincks concluded, as had Holton, that the problem was "one of Instrumentalities". Denied access to the MK, Hincks was forced to adopt another vehicle for his plan, in the form of an entirely new corporate entity, the Grand Trunk Railway Company of Canada.

The Premier was aided in this second phase of the trunk line issue by the apparent realization on the part of the backers of the MK that their position would ultimately prove to be untenable, even if the legal fact of their charter and their possession of the stock did constitute a sizeable obstacle in the path of Hincks and Jackson. On September 16, just four day before a petition for a GTR charter was placed before the House,⁷⁹ and perhaps aware of this coming change in Hincks' strategy, Holton communicated with John Young of Montreal.⁸⁰ Young was a businessman and supporter of the MK, an MPP and member of the Railway Committee, and Commissioner of Public Works in Hincks' government. It seems that in his conversation with Holton he was acting as a liaison between his Montreal friends and his political associate Hincks,⁸¹ for the subject was nothing less than the terms on which the MK would be prepared to drop its opposition to Jackson. Citing the "determined hostility evinced by prominent members of the Government to any attempt to effect the Provincial objects by Provincial men and means", Holton acknowledged that the MK would be prepared to waive its chartered rights as soon as the government received certain proposals from Jackson. Their terms

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⁷⁸Journals, 1852-53, App. XX, September 14, 1852, Holton to MacNab, September 13, 1852.

⁷⁹Gibbs, Debates, XI, p. 585, September 20, 1852.

⁸⁰Journals, 1852-53, App. XX, October 12, 1852.

were to be: that Jackson was to build the main line with the assistance of a guarantee of not more than £3,000/mile, such assistance not being greater than one-half the total of stocks and securities issued by the company, and that the government was to secure a sufficient control over the future management of the road to protect the Province from the evils incident to "extra-Provincial ownership and control".⁸² In addition, and clearly the chief inducement leading the MK group to surrender, was the provision that Jackson would also build a railway bridge, open to all lines, to link Montreal with the south shore of the St. Lawrence. This would materially benefit Galt's SLA, and, as Holton acknowledged, was beyond the means of the MK, which could not finance both railway and bridge.⁸³

At this point, the focus shifted to the Assembly, where a bill to charter the Grand Trunk Railway Company of Canada was introduced and given first reading on September 24.⁸⁴ Shortly

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⁸¹The political association was soon to end. Young left the ministry on September 18 after disagreeing with Hincks on several issues, the most important of which was that of retaliatory measures against the U.S. (higher tolls on the Welland Canal, higher import duties on some items) for its failure to adopt Reciprocity. For Young, a convinced free trader, such measures were unacceptable.

⁸²This extremely vague provision was reinforced by Holton's insistence that the agreement with Jackson include a clause giving the government the right to purchase the road in return for an advance of 10% of its actual costs of construction.

⁸³Journals, 1852-53, App. XX, Holton to Young, September 16, 1852, enclosed in Holton to MacNab, September 27, 1852.

⁸⁴Those who had petitioned for the charter included, in addition to Jackson, Peter McGill and G.E. Cartier of Montreal, T.G. Ridout and J.G. Bowes of Toronto, David Roblin and John Counter of Kingston, and Wm. Price, Henry Lemesurier, and J.B. Forsyth of Quebec. (Canada Statutes, 1852-53, 16 Vic., c. 37). Young,

thereafter, the first signs of contention began to appear. On September 30, George Brown inquired why the government had failed to bring forward the correspondence with Jackson, as promised. Hincks' co-Premier, A.N. Morin, in his reply, referred to delays caused by some unanticipated and "trivial" difficulties, but assured the House that they would be cleared up when Jackson arrived in Quebec the following day.⁸⁵ While one can only guess at the precise nature of those difficulties, it may be that some knowledge of them was partially responsible for a revival of spirit in the MK camp, for on the same day as Morin's statement, the Montreal company presented a petition to the House, praying that no other company be allowed to construct the trunk line between Montreal and Kingston.⁸⁶ If they in fact needed encouragement, more was provided the following day, when the GTR bill came up for second reading, and George Brown immediately

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⁸⁴cont. Cartier, p. 115 notes that it was Cartier who introduced the bill in the House, but then incorrectly characterizes it as "the bill granting the Montreal-Toronto route to the Grand Trunk", and subsequently refers to the Cartier presenting "the main Grand Trunk charter" in 1854. The 1852 act was the primary charter of the GTR, and the question of which company should have the Montreal-Toronto route was decided in the Railway Committee, not the House (see below, pp. 347-51). The 1854 legislation (18 Vic., c. 33) was certainly a significant piece of legislation, but it did not authorize the union of the various companies which joined to form the Grand Trunk - this had already been effected (as 18 Vic., c. 33 noted) under the terms of the 1852 Amalgamation Act. A more accurate characterization of the 1854 legislation would be "the first significant piece of government aid". (See below, chapter VII, pp. 414-15).

⁸⁵Gibbs, Debates, XI, p. 766.

⁸⁶Ibid., p. 744. It could be that the difficulties in the contract were indeed "trivial". On the other hand, Morin's reply may have covered up the fact that Hincks' promise of the railway bridge was being balked at by Jackson. There is no direct evidence on this question, but circumstantial evidence like the later withdrawal of the bridge offer is suggestive.

objected. Pointing to the absence of the requested information, Brown argued that Hincks was asking the House

to adopt the principle of the bill and sweep away at one stroke Companies established in good faith by himself - which have complied with the requirements of the law and are prepared to go on with the work.

Moreover, second reading had been moved by Joseph Cauchon, rather than by a minister of the government:

And how was it that this important measure was in the hands of a private member? The government were the real authors of the movement, and they ought to be responsible for it - why do they shirk responsibility in this underhanded manner?⁸⁷

Hincks' response was to state the obvious - that there was "no question as to the expediency of making the road by some company", and to suggest, quite unfairly, that Brown was opposed to the idea of a trunk line per se. His attempt to force the Premier out into the open having thus remained unanswered, the editor of the Globe tried again, charging that the GTR was the product of "secret wirepulling", and urging the House "to resist all new scheming, until a full explanation of the past was before them."⁸⁸

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⁸⁷Ibid., pp. 786-87.

⁸⁸Ibid., pp. 787-88. Hincks had again promised a speedy delivery of the correspondence with Jackson, pleading "hurry of business" to explain the delay, and arguing that, in any case, the documents "had no bearing on the question whatever." Once again, his reply was strictly true, since the original arrangement had been made without reference to the GTR, but misleading, since it implied that his connection with Jackson was not really linked with the advent of the GTR.

In the end it was neither Brown's vigorous doubting nor the economic arguments of John Young⁸⁹ but a procedural wrangle which temporarily put the brakes to Hincks' attempt to get the bill through second reading and into the Railway Committee.⁹⁰ In the course of the ensuing discussion, Hincks again attempted to disassociate the GTR and Jackson, assuring the House that the "arrangements which he had made with Mr. Jackson in England had nothing whatever to do with the railroad in question."⁹¹

Such verbal slipperiness, while both characteristic of Hincks generally and understandable enough as a response to Brown's determined efforts to get to the bottom of the GTR affair, is curious in another regard. The real origins of the GTR must have

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⁸⁹Ibid., pp. 788-89. Young argued that 5-6 years of experience with the SLA qualified the backers of the MK to build the line more cheaply than Jackson, and pointed out that the proposed GTR stock issue of £3.5 million was equivalent to £ 12,000/mile, which higher cost of construction would necessarily translate into higher fares for passengers and freight.

⁹⁰Ibid., pp. 790-95. Wm. Henry Boulton pointed out that applicants for the GTR charter had failed to comply with the requirements of the previous year's Railway Clauses Consolidation Act, which stipulated that 25% of the stock had to be subscribed, and 10% of that paid for, before a charter could be requested. Hincks somehow attempted to argue that the clauses were "not binding on Parliament", but quickly realized that the objection was valid. After a brief debate, it was agreed that the clauses should be repealed, and a bill to that effect was given first reading. George Brown noted that had the charter in question been one of his, "there would have been precious little anxiety to repeal an Act of Parliament."

⁹¹Ibid., p. 794.

been obvious to any member willing to take the time to find out what had transpired in the Railway Committee, and were therefore hardly worth the trouble of denying. In any case, and more to the point, Hincks must have known that he could command a majority on the GTR question. Just as in the previous year, the prospect of ready capital and the completion of a major transportation project appealed to both the economic desires and the national ego of the Canadian business/political elite, regardless of "instrumentalities".⁹² The following, even allowing somewhat for the overstatement of a critic of the GTR, conveys something of the attitudinal background to the consideration of the GTR bill:

Speeches in Parliament, the public press and the tongues of chattering people now rang with laudations to the "capitalists" who, without trouble to ourselves, were generously to invest their immense wealth in building our railways. To doubt was rank heresy.⁹³

⁹²Longley, Hincks, p. 226, adopts this interpretation of the support for the GTR charter. A good example of the phenomenon is provided by G.E. Cartier, who had been one of the original incorporators of the MK in 1851. At the same time he had been a vociferous supporter of Hincks' main line programme. One year later the support for Hincks remained, being then applied to the GTR, while the MK had become "a sham". (Gibbs, Debates, XI, p. 1170, October 21, 1852). As Cartier explained his actions, he had been one of the few who had actually signed the MK stock book on August 10, when it was still expected that one-half of the stock would be taken by Jackson. The failure of the public at large to respond as expected left him "in a state of despair, for there was no one more anxious than he to connect Montreal with Western Canada by means of a Railway." He then attempted to "obviate the difficulty" via discussions with his "friends... and members of the Government." This suggests that he may have had a hand in the negotiations which led to Jackson taking the entire stock. This plan, as noted above, was undermined by the stock grab of Galt et.al., and Cartier was left regretting "ever having lent himself to the formation of the company."

⁹³Thomas Storror Brown, A History of the Grand Trunk Railway of Canada, compiled from public documents (Quebec, 1864), p. 11. Brown had been a member of the radical wing of the parti patriote in Lower Canada in the 1830's and later a small merchant in Montreal. He was a civil servant with the Financial and Departmental Commission when he wrote his attack on the GTR.

This view, as succinctly stated by Malcolm Cameron, was simply that it was "absurd to send foreign capital out of the country."⁹⁴ Given the presence and apparent strength of this view, it seems unnecessary that Hincks should have attempted so completely to deny the connection with Jackson. Perhaps he actually feared that Brown's rather lonely opposition would throw his majority into doubt; perhaps he was constitutionally incapable of a straight answer when challenged. At all events, the GTR bill progressed through the House without real difficulties he actually feared that reading on October 7.⁹⁵

The debate on second reading consisted of a brief exchange between Brown, still demanding more information, and Hincks, still insisting that none need be given, because the GTR was not a government measure

more than any other for the construction of a railway on which the Provincial guarantee was to be given...the bill was to incorporate a private railway company, and it was not the custom to give explanations when such charters were asked. The bill would be read pro forma and referred to the Railway Committee and they would decide upon conflicting claims, but he would state that the other company had waived their opposition.⁹⁶

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⁹⁴Gibbs, *Debates*, XI, pp. 1172-73, October 21, 1852. Such attitudes were reinforced by Jackson's action in placing notices in all the provincial journals, offering liberal terms to sub-contractors and labourers, "in order to make himself popular". (*Globe*, September 4, 1852)

⁹⁵Gibbs, *Debates*, XI, p. 901. There was a slight delay caused by Brown's insistence that the GTR bill not go to second reading until the bill repealing the 5th and 6th clauses of the Railway Clauses Act had passed through the Legislative Council (pp. 836-41)

⁹⁶*Ibid.*, p. 900.

Brown found this explanation unsatisfactory, noting that the House had yet to hear any account of Hincks' trip to England, where he had gone "expressly for the purpose of securing money to carry out a grand scheme of railroads."⁹⁷

It is probable that the Premier would have preferred to avoid the necessity of such an explanation, or, if forced into one, to have given it after the GTR bill had returned for third reading with the approval of the Railway Committee. In the event, however, he discussed his policy before the Committee ever resumed its sittings. The occasion was provided by Joseph Cauchon's motion, on October 11, that the HQR be build as part of and simultaneously with, the Canadian trunk line, and that the latter include the NSR. The actual goad, as might be expected, was George Brown's seizure of the opportunity to again demand information.⁹⁸

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⁹⁷Ibid., p. 901.

⁹⁸Ibid., pp. 976-78. Hincks tried to parry Cauchon's motion by offering vague assurance of his personal support for the project, and of the likelihood of its eventual construction with Imperial assistance, along Major Robinson's route. Brown quickly pointed out that it was provincial refusal to consider that route which underlay the loss of the Imperial guarantee, and asked how the Premier could now speak of it as an accepted route. This led to his demand for a full explanation of what had transpired in London. It should be noted that Cauchon's motion made no reference to Laurentianism, despite the fact that, geographically, the NSR could very easily have adapted the idea to its purposes. On the occasion of another attempt to have the NSR included in the main line, he argued merely that this would "remove just apprehensions and guarantee to all parties in the country the full benefit of the possession of a Provincial Railway." (Ibid., p. 1204) He was joined in the point by George O'Kill Stuart, one of the members for Quebec City, who asserted that the proposed routing of the main line "would be an act of injustice to a large population on the north shore, whom it would place outside the pale of civilization." (Ibid., p. 1205). This was the classic plea of the elites of secondary centres, who saw their locales passed by as railway development was focussed elsewhere.

Once launched into his account, Hincks spoke at some length. He began with an account of his dealings in London the previous spring. Here again he misled the House. Referring to the failure to convince the Imperial authorities to support the central New Brunswick line for the HQR, and his subsequent letter breaking off negotiations,⁹⁹ the Premier said:

It was then, that he got introductions to gentlemen who have been frequently referred to of late, represented in this country by Mr. Jackson...and who are known to every person, acquainted with the state of English affairs, as the strongest railroad company in the world, beyond all comparison.¹⁰⁰

This laudatory reference conveniently overlooked the fact that Hincks in all likelihood had already commenced bargaining with Peto, Betts, Brassey and Jackson before writing the letter to Pakington as his reference therein to the probability of a deal with "eminent capitalists" suggests.¹⁰¹

This reinforcement of the notion that the British contractors had come into the picture only after the collapse of the Imperial negotiations, and that they had been sought out by Hincks, rather

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⁹⁹See above, note 38.

¹⁰⁰Gibbs, Debates, XI, p. 981.

¹⁰¹It also overlooked, of course, the fact that the British contractors had been attempting to get in on British North American railway development since early in 1851.

than vice-versa, was followed by the assertion that "as the question now stands, it is admitted by everyone that the Province incurs no risk whatever",¹⁰² since the "sole responsibility" undertaken was the guarantee for £3,000/mile.¹⁰³ As for the charge that the high cost of construction would necessarily lead to exorbitant fares, Hincks pointed out that the competition of Canadian canals and American railways would force the GTR to keep its rates low. If the company did choose to build too dearly,

that was their affair. He should be satisfied with knowing that the Province is secure from risk, and that the names of the contractors are a guarantee for the speedy construction of a good road.¹⁰⁴

While Hincks kept the debate on this vague but positive level, his co-Premier Morin complemented his upbeat approach with ad hominem attacks on Cauchon, for his HQR resolution, and Brown, for his persistent opposition, arguing that they wished to "destroy all railway improvement", since "everything they do has that tendency."¹⁰⁵

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¹⁰²Ibid., p. 981.

¹⁰³Ibid., p. 912.

¹⁰⁴Ibid., p. 983.

¹⁰⁵Ibid., pp. 984-5.

This forced Brown to proclaim his zeal for railway development, and to argue that his questions were rooted in his desire to prevent

the perpetration of a monstrous job. I repeat it, a job...there are reasons, Mr. Speaker, why proceedings in this matter have been forced on us in such violent haste; there are reasons why the contract must be given to this English firm in preference to Canadian contractors, and those reasons are to be found not in England, but in Canada.¹⁰⁶

Brown in fact had this pretty much backwards - the reasons for the GTR were primarily English and financial, rather than Canadian and personal, but the implication of corruption forced Hincks onto that ground. He pointed out that, if anything, motives of friendship would have led him to favour the MK group, and then added the remarkable assertion that, so far as the GTR bill itself was concerned, "he knew nothing of it until he saw it in print."¹⁰⁷ This absolutely strains credulity, but somehow was not

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¹⁰⁶Ibid., p. 985. Brown's implication of personal corruption, that is, that the GTR bill was being "greased" through the House on the lubricant of British money, is a common assumption, although hard evidence is lacking. Most references, therefore, are allusive rather than direct. See, for example, Keefer, "Travel and Transportation", p. 201; and Longley, Hincks, p. 226. While it is far from impossible that they are correct, such claims overlook the fact that, with most members, payoffs were not likely necessary; since the promise of a substantial trunk line and abundant British capital were sufficient inducements in themselves.

¹⁰⁷Ibid., p. 986.

challenged by Brown, who got in the last word before Cauchon withdrew his motion. The member for Kent pointed to the "amazing earnestness" with which the scheme was being promoted, and argued that

so many lawyers, contractors, and other people would not be engaged in pushing this bill through, which was to cost double what it was well known a road should cost, unless there was some good reason for it.¹⁰⁸

Such suggestions, while they probably overstressed immediate and direct personal factors to the neglect of larger and more general perceptions of the benefits of a connection with Jackson, did have the potential, if pursued, to lead the House into a consideration of the motivations for support of the GTR. This was not to be however, for the debate of October 11 was the last on the GTR bill for several days; when the Railway Committee began consideration of the bill the next day, the focus returned to the question of the MK, and the relative merits of the two rivals for the charter.

When Hincks informed the House on October 7 that the MK had agreed to drop their opposition, he neglected to mention certain conditions which had been added since Holton had written to John Young on September 16. The Montreal promoter of the MK had sent a copy of that letter to MacNab on September 27, and it was immediately produced for the Committee when it resumed sitting on

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¹⁰⁸Ibid., p. 987.

October 12. Holton's covering letter to MacNab as well as his original letter to Young make it clear that until late in September the MK's only condition for waiving its chartered rights (apart from the bridge and specified terms for Jackson's participation) was the stipulation that the government would assist the Montreal company in building the line in the event of negotiations with Jackson failing.

To this point, the dealing, officially at least, had been between just Holton and Young. The latter showed Holton's letter to Hincks on September 17. The Premier then, after a delay of several weeks during which he presumably consulted with Jackson, replied directly to Holton. This note, while gratefully accepting the MK's surrender and offering assurances of government solicitude for the public good, included the unfortunate news that the railway bridge at Montreal could not be included in present arrangements.¹⁰⁹ Holton, in his reply, formally accepted the deletion, but added a change of his own - in addition to the previously stated conditions, the charter of the MK was to remain in force until the negotiations with Jackson were completed, and

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¹⁰⁹Journals, 1852-53, App. XX, October 12, 1852, Hincks to Holton, October 2, 1852. The Premier explained, rather lamely, that no Parliamentary authorization existed for such a bridge, and no data had been collected to establish the propriety of government aid. Nevertheless, he was certain that such a bridge would be build "at no distant time", and claimed that Jackson was "most anxious to undertake it."

the company was to have the right of continued representation before the Railway Committee.¹¹⁰

This correspondence having been presented to the Committee by Hincks on October 12 as evidence that the MK had waived its legal rights in the matter, Holton reiterated that the bargain outlined therein contained for the MK the "privilege of urging our views upon the whole subject before the Committee." As a first step in that direction, he then presented the text of a letter he had written the previous day to MacNab, "indicating the line of investigation which should in our judgement be pursued."¹¹¹

The contents of this letter showed clearly, that the MK's "surrender" had either been more symbolic than real from the beginning, or, if originally genuine, had been rendered temporary by the loss of the promised bridge, and the signs of anti-GTR sentiment in the House. In addition to a reasoned presentation of his company's case,¹¹² Holton, while denying any desire "to assert that the intended bill is a most flagrant violation of our vested rights", indulged freely in that line of argument:

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¹¹⁰Ibid., Holton to Hincks, October 4, 1852.

¹¹¹Ibid., Holton to MacNab, October 11, 1852.

¹¹²Ibid. Holton argued that his company would begin the main line sooner, build it more cheaply, and finish it faster than Jackson's company.

Our credit as a company has been sought to be damaged - our very existence has been ignored - and we are now brought before your Committee to resist an attempt to give to others that which they might have had once, had they chosen to take the stock...when it was publicly offered...to resist an attempt to incorporate a parallel line...which is to be moved into existence through Provincial credit, while Provincial enterprise is to be blighted and ignored,...Is the fact of our being residents of Canada sufficient to condemn us before our own Legislature and Government?113

To this highly emotional plea he added the more precise charge that

the applicants for the GTR charter are not the parties by whom the Road is really intended to be built, the stock notoriously will never be held by them, the design is to sell the whole to persons now utterly ignorant of the whole affair, the real actors and contractors do not appear....114

Holton was of course quite right in the charge implicit here-that the GTR, although chartered in Canada, was to be primarily owned in Britain, because that was where Jackson would finance its construction through the sale of stock and Canadian government bonds. This English connection worked both ways however, as was demonstrated by Hincks' choice of a witness. He called Henry LeMesurier, the President of the Quebec and Richmond,

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113 Ibid.

114 Ibid. The last part of this assertion ("the real actors....") was not strictly true, since Jackson was one of those applying for the charter.

who testified that his company had found it "impossible to raise funds" until the Peto firm had been hired as contractors. He further added, in response to one of the few critical questions asked by members of the Committee, that the HQR had "no security [from Jackson for the faithful performance of the contract] because our agent in London represented the parties in question as being undoubted."¹¹⁵

This implicit faith in the benefits of a connection with the English contractors was the one aspect of Hincks' plan which the MK could not attack. It may have been the realization that it was this unassailable conviction that was pushing the GTR project inexorably forward that induced Galt and Holton to write yet another letter to MacNab immediately after their appearance before the Committee on the 12th.¹¹⁶ Seeing that Hincks was not about to "consult the Railroad Committee on the whole details of the proposed contract", but was continuing to offer only the non-critical assurances of parties who had already thrown their lot in with Jackson, the promoters of the MK angrily charged Hincks with a "distinct breach of faith" and withdrew from their waiver of their rights. Their warning that the overturning of vested rights by "the high hand of executive power" would set such a negative example to potential investors that "we may bid

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¹¹⁵Ibid., October 12, 1852.

¹¹⁶Ibid., October 13, 1852, Galt and Holton to MacNab, October 12, 1852.

farewell even to the flattering visions of foreign aid with which our mind's eye is now sought to be dazzled" carried little weight though;¹¹⁷ after they had left the committee room Hincks moved and carried a motion that there were no "existing private or corporate rights to prevent the Committee from considering the bill before them", and that the GTR need not produce any evidence in support of its application for a charter.¹¹⁸

From this point events moved swiftly to a climax. Galt made a last appearance on behalf of the MK on October 15,¹¹⁹ after which, the committee room having been ordered cleared, Hincks introduced into the Minutes a lengthy statement reviewing the course of government railway policy since 1849 and defending his actions of recent months. Holton, he said, had been made perfectly aware of the government's intentions upon Hincks' arrival home from London, and had admitted that "without the cooperation and sanction of the Government, the arrangement which he desired to effect could not be carried out." The sudden subscription of the stock on August 23 was therefore an attempt "to defeat the well known policy of the government." It was not the government, but rather the MK which was guilty of "a gross breach of faith" in the reassertion of its legal position.

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¹¹⁷Ibid.

¹¹⁸Ibid., October 13, 1852

¹¹⁹His testimony was not recorded.

More generally, Hincks defended his course by reference to the central and controlling position of government in the whole process of railway development. The Guarantee Act, he argued, "contemplated that the Government should have a controlling influence in the arrangements...[in order to] protect the public interests from improvident contracts on the part of companies."¹²⁰ The suspending clauses in the 1851 charters of the TK and MK were similarly designed "to enable the Government to carry out that policy which might be most advantageous to the public."¹²¹ Neither of these assertions had much force as critiques of the MK, since the company had entered into no contracts, improvident or otherwise, and had only acted after the government itself had revoked the suspending clauses. The Premier's basic claim, that it was for the government to determine what approach best served the public good referred specifically to the three alternative modes of proceeding laid out in the 1851 legislation. Left unstated were the criteria by which the government made this assessment.

It is clear that had Hincks gone more fully and honestly into this point, the result would have been an admission that, at all points since 1849, "the public's advantage" had meant simply the attraction, on the most favourable terms possible, of British capital. In 1849, when the Province was just beginning its

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¹²⁰Ibid., Hincks to MacNab, October 15, 1852.

¹²¹Ibid.

commitment to railways, this meant loan guarantees for private companies, and especially those with "Laurentian" value, the GWR and SLA. In 1851, with the financial agents raising questions about both the extent and the attractiveness of the government's guarantee, the policy was changed accordingly, limiting aid to the main line, and substituting government for company bonds. In the same year, the prospect of Imperial assistance opened the prospect of the state being able to raise capital at most favourable rates, and consequently the trunk line which that Imperial guarantee seemed to make possible was to be built as a public project. One year later, the Imperial guarantee had vanished, and with it the prospect of the government raising funds at 3½%. As a result, the best policy for the Canadian state became not just private construction with the aid of a provincial guarantee, but private construction by those parties most capable of financing the work themselves. For Hincks and his supporters, this meant that Peto, Betts, Brassey, and Jackson, and not the MK company, were "most advantageous to the public."¹²²

This primary financial rationale was conspicuously absent from the resolution which was eventually adopted in the Railway Committee to defeat the opposition of the MK. Introduced by George Crawford of Brockville, immediately after Hincks had

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¹²²Hincks made this point himself, although without drawing great attention to it, in debate on November 2. (Gibbs, XI Debates, p. 1349).

finished his statement, it stated that the MK had failed to establish its case against the GTR bill because:

1. The August 23 stock subscription was not bona fide but had been undertaken with "a design of controlling the Legislature and Government of the country."
2. Holton had, in his letters to Young and Hincks, voluntarily agreed to surrender the MK's chartered rights.
3. Hincks' agreement with Jackson clearly limited the amount of government aid to £3,000/mile, and
4. The previous year's legislation had "contemplated that the Government...acting with a view to protect the interest of the public at large, should have a controlling influence over the construction of the Grand Trunk Line of Railway." In particular, this meant, assuring that the Canadian trunk line should as much as possible, be under the same influence and management as the sections in New Brunswick and Nova Scotia [where the Peto firm was also likely to undertake the work], and constructed in a manner superior to American roads, so as to afford it every chance of obtaining the through traffic from the West.¹²³

The following day the Committee considered the resolution.

John Young attempted an amendment supporting the MK's claim,¹²⁴

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¹²³Journals, 1852-53, App. XX, October 15, 1852.

¹²⁴Ibid., October 16, 1852. Young's amendment reiterated Holton's argument and added a legal element, in the form of three opinions (L.H. Lafontaine, Henry Black, and John Rose) to the effect that the August 23 agreement between Galt, Holton and Macpherson was quite legal, but that Holton's offer to waive the MK's chartered rights was without legal effect, since it had not been ratified by the MK's directors.

but could only get John A. Macdonald to vote with him. The subsequent vote on the original motion went 7-5 in favour,¹²⁵ and the MK was finally removed from the trunk line picture. This freed the Committee to proceed with its consideration of the GTR bill, which was dispatched quite quickly, the only change of note being the (quite humorous, in view of the subsequent fate of the GTR) provision enabling the company to renounce the government guarantee "if they see fit at any future time."

MacNab returned the amended GTR bill to the House on October 18. Debate on the Committee's report, and then third reading, was not completed until November 2, with the bill passing by a vote of 28-7. While both this outcome and the specific content of the debate were predictable, the latter in particular being quite repetitive of the course already taken by Brown and Hincks in the House and by Holton and Hincks in the Committee,¹²⁶ the

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¹²⁵In addition to Young and Macdonald, the MK was supported by Christie, Stuart and Robinson.

¹²⁶For example, on the government's side, the references to the reputation of the contracting firm being security in itself (Hincks, October 25, Gibbs, Debates, XI, p. 1214) and to their "standing in the money market of England which enables them at once to procure...the money they require" (Hincks, October 20, p. 1138). Also typical was MacNab's assertion that trunk line prospects would be at an end were the deal with Jackson not accepted (October 21, p. 1165), and Hincks' claim that the English contractors would build a road "superior to any...on this continent", and that the fact of competition would force them to keep their rates low (November 2, p. 1353, p. 1354).

For the opponents of the bill, W.H. Boulton wondered at the "hot haste" with which the government was proceeding (October 25, p. 1209), and Brown claimed that Hincks' "puffing", of the contractors "looked very like an attempt to make out a case." (October 20, p. 1141). Echoing Holton, Brown also asked if the

proceedings were not without their unique, and illuminating, moments. The first of these came on October 20, when the House was due to begin considering the Railway Committee's report on the GTR bill. From the moment MacNab had returned the bill, Hincks had been urging haste in its consideration, citing Jackson's imminent departure for England, and the greater ease of finalizing the charter's terms while the principal figure was still in the country. Various procedural tactics had foiled him on the 18th however, and were raised again on the 20th.¹²⁷ Hincks' response was to return to his claim that Jackson should be accommodated because the Peto firm had "never sought to interfere in the construction of our Canadian railroads", and had only involved themselves after much pressure. This was an outright lie, given the Peto firm's record of interest dating back to Joseph Howe's visit to London late in 1850, but hardly uncharacteristic of Hincks' performance in debate. What made it particularly interesting was his claim that the reluctant contractors had been "sought out by

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¹²⁶(cont.) government was contending that Canadians were incapable of building a 300 mile railway (October 21, p. 1171), and pointed out that under the GTR scheme, the control of the stock and the road was "to be left practically in the hands of strangers" (October 25, pp. 1217-18), since the Canadians listed in the bill were "mere dummies" (October 25, p. 1214) and "men of straw" (October 25, p. 1217) for Jackson.

¹²⁷Gibbs, Debates, XI, p. 1066. Hincks argued that it would be "highly inexpedient" to delay consideration, and assured the House that the printed report of the Railway Committee's proceedings would be available to members the next day. Some members demanded to see the report first, however (pp. 1066-67); this caused the first delay. The second delay came on October 20, when it was pointed out that the report was printed only in English. The Speaker sustained the view that it needed to be available in both languages.

parties interested in the welfare of loans."¹²⁸ This oblique reference must have been to the Barings and Glynns, since they were the managers of Canada's bonded debt. Given their subsequent miseries with the GTR,¹²⁹ it is interesting to note that they had been, in this initial sense at least, the authors of their own misfortunes. More importantly, Hincks' remark hinted at the extent to which the railway policy of Canada, because of its basic orientation towards the attraction of British capital, had become subject to the influence of the British bankers.

Despite the Premier's arguments, and his plea that the House take up the GTR bill not later than Saturday, October 22, when Jackson was due to leave, consideration was fixed for Monday, October 24. This was hardly a major setback, as Hincks himself had argued that consideration of the bill before Jackson left was primarily a matter of convenience. Yet the Premier responded in a highly emotional manner, as if the House had actually rejected the scheme rather than merely delaying its consideration of it. He rose the following day to make an announcement. Jackson had informed him that he would be leaving on Saturday, and Hincks was

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¹²⁸Ibid., p. 1136, October, 20, 1852: This reference complements Archibald's explanation to Elgin in June, 1851, that "certain influences" had been "brought to bear" on the contractors. (See above, p. 297.)

¹²⁹See below, chapter VII, p. 384, p. 418.

therefore in a position to inform the members that he was

relieved from a load of responsibility which
... had pressed upon him for some time past,
and had been discharged from all obligations
with regard to the bill.

Why Jackson's departure had this result, Hincks did not explain.

This curious announcement he followed with the news that Jackson

had pronounced himself satisfied with Hincks' course in the affair
and that

after consulting with his colleagues and seeing
what was the feeling of the House, the
Government have no further desire to have
anything to do with the bill whatever, and
should treat it merely as one for the
incorporation of a private company. He had
not, however, altered his opinion in the
slightest degree, but should cease to feel that
interest in the success of the measure, by
which he had previously been actuated. He felt
no particular interest in railroads; and cared
as little whether they had them in Canada or
not.¹³⁰

How is this petulant outburst to be accounted for? To a certain
extent, it may have been simply a tactical move on Hincks' part, a
further effort to put some distance between the government and the
bill, despite its implicit admission that prior to that time, and
contrary to Hincks' earlier statements, the government had not
considered the GTR charter as "merely one for the incorporation of
a private company."

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¹³⁰Gibbs, Debates, p. 1163, October 21, 1852. Emphasis added.

This, if correct, is at best a very partial explanation, for it fails to account for the almost hurt quality of Hincks' statement. The strong note of exasperation which he sounded can only have been the result of a very real frustration on the Premier's part - frustration which must have begun with the stock grab on August 23, and continued through the persistent questionings of George Brown, and the abortive "agreement" with Luther Holton. And finally, behind these immediate difficulties which he had encountered in his attempt to connect the Canadian trunk line to the very centre of British railway power, Hincks must have sensed a basic failure to convince the business-political community of his own conviction of the primary value of that connection.

To the extent that he had thus failed (and his "failure", of course, consisted of his getting only majority, rather than unanimous support for his plan), the mistakes were his alone. As Brown instructed him in the debate which followed his annoyed outburst, "it is the mystery he has maintained about the matter which has caused it to be looked upon with suspicion."¹³¹ Moreover, the Premier's rather care~~less~~ assumption that his arrangement with Jackson would be enthusiastically welcomed, and that there would therefore be no difficulty in taking over the MK, had precipitated the lengthy and acrimonious dispute with the original promoters of that line. That, in turn, did more than

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¹³¹Ibid., pp. 1171-72.

merely retard the progress of the trunk line question and force the creation of the GTR - it brought Galt and Holton, with all their ambitions and resources, into the picture, with consequences that eventually extended far beyond mere delay and the necessity of creating a new corporate vehicle for the English contractor-promoters.

The GTR, for all the controversy surrounding its birth, was originally intended as nothing more than a replacement for the TK and MK lines, to fill in the last gap in the Canadian system already underway with the GWR, SLA, and QR. The report of the Railway Committee of October 18 had clearly decided the original contest in favour of the new company. The MK, although still legally alive, had been put in a position where it would be virtually impossible to raise funds in England. The Montreal company did not have to struggle alone, however, and it was at this point, when it seemed that Hincks and Jackson were finally about to have their way, that the larger implications of A.T. Galt's involvement became apparent. Acting immediately after Jackson's departure on October 23, Galt approached the directors of the SLA with the suggestion that their line should amalgamate

with the MK, which proposal was quickly agreed to.¹³² With this one stroke, the trunk line picture took on a new complexion, for Galt's coup raised the spectre of an alternate main line company, one in which the winter outlet at Portland would be denied to the GTR. Hincks reacted at once, telegraphing Galt to come to Quebec, and there the rivalry of competing interests was truly and finally ended.¹³³ Presumably operating without Jackson's approval, but also determined to neutralize his persistent opponents once and for all, Hincks offered (or Galt negotiated) a most favourable deal - in return for an end to the MK's opposition and the surrender of its charter, the GTR would build the railway bridge at Montreal to connect with the SLA. In addition, this physical joining of the two lines was to be formalized by a business amalgamation whereby the SLA was to be merged into the GTR, and Galt and Holton included as directors of the new company.¹³⁴

This settlement reflected not only the tenacity and skill of those who had been associated with the MK, and who had parlayed their 1851 charter into concessions, both corporate and personal,

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¹³²Skelton, Galt, p. 31; Longley, Hincks, p. 227; Currie, GTR, p. 11

¹³³Skelton, Galt, p. 31.

¹³⁴Ibid., pp. 36-37, notes that this last provision was essentially "a token of reconciliation", and that neither man ever took his seat.

from the GTR.¹³⁵ For Jackson and Hincks, the decision to re-include the railway bridge at Montreal, and to absorb the SLA, was indicative of the recklessness which was to characterize the behaviour of the government and the railway throughout the main line's formative period. From being but a section of the trunk road, the GTR had become a much bigger undertaking, comprising not only a major construction project at Montreal, but also the completion of the SLA to the Vermont border.¹³⁶ To this must be added the QR, since Jackson's company had also undertaken to construct that line.

While these commitments were to prove costly to the GTR, they had at least some roots in logic and necessity. The contract with the QR seems to have been sought out by the Peto firm, with the encouragement of the government, as the leading edge of the contractors' involvement in Canadian railways, which would establish their financial reputation and so legitimize the

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¹³⁵The personal advantages were tentative, depending on what sort of financial arrangements accompanied the merger, but the corporate ones were clear from the beginning. In addition to the bridge, a major gain in itself, the connection with the GTR meant that the final steps in the financing of the SLA would be taken in company with the financial strength of the Peto firm. Hincks' primary argument had taken after all. (Skelton, Galt, p. 36).

¹³⁶This latter was a project which would require considerable outlay, according to Henry LeMesurier's testimony before the Railway Committee on October 13. (Journals, 1852-53, App. XX) Events were to prove him completely correct. See below, chapter VII, pp. 400.

assumption of the central portion of the main line.¹³⁷ The railway bridge at Montreal and the absorption of the SLA were the necessary, if somewhat dear, price of peace with Galt and his Montreal associates. Somewhat harder to understand is the decision, apparently taken late in the session, to extend the GTR east from Quebec City.¹³⁸

On November 2, Hincks moved that the House consider the repeal of those sections of the Guarantee Act which had contemplated government assistance to the HQR, and their replacement with specific provisions for aid to a line between Quebec and Trois Pistoles on the lower St. Lawrence. This prompted a lengthy debate with, not surprisingly, George Brown, in which the entire course of railway policy was once again rehashed, but to little effect.¹³⁹ Hincks' resolution was approved¹⁴⁰, a bill to charter the Grand Trunk Railway Company (Canada East) was

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¹³⁷This was certainly the chief point of the testimony which Hincks drew from Lemésurier of the QR in his initial appearance before the Railway Committee on October 12:

¹³⁸It seems that such a road, which could in itself have only marginal traffic prospects, was undertaken more as a minimal Canadian effort which would serve to keep the HQR from becoming a dead letter altogether. See, for example, Hincks' comments to this effect on October 20 (Gibbs, Debates, XI, p. 1131) and November 2 (p. 1353). Reinforcing this notion was the view, expressed by Merritt (October 27, pp. 1253-54) that the GTR should be forced to undertake such less remunerative sections of the trunk line, since they were being given the valuable sections in the heart of the province. Finally, the bill served a political purpose for Hincks in meeting the desires of Quebec members who probably feared that, without the HQR, the trade route to their city via the SLA and QR would prove less attractive than that to Portland via the SLA and Atlantic and St. Lawrence.

¹³⁹Ibid., pp. 1327-58.

¹⁴⁰Ibid., pp. 1358.

immediately introduced, and passed third reading on November 6.¹⁴¹

This "unmitigated folly", as Brown styled it, was the last step but one in the process by which the GTR had expanded far beyond Hincks' original intentions. The whole process was wrapped up in 16 Vic., c.39, which provided for the amalgamation, or union by purchase, of any companies forming part of the main line, and for the repeal of the charters of the TK and MK once their promoters had been reimbursed by the GTR for their expenses.¹⁴²

To this point, all the expansion had been in the eastern part of the province, and had its origins in the talents of Holton and

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¹⁴¹Ibid., p. 1466. The Act, 16 Vic., c. 38, authorized the formation of a company (not identified, but expected to be Peto et.al.) to build east from Quebec to Trois Pistoles. The line would be considered as part of the trunk line, and would therefore qualify for the provincial guarantee. The company was also empowered to extend itself to the provincial boundary within three years, although this section would not be eligible for the guarantee, and would be supported instead by the grant of one million acres of public land.

¹⁴²This Act, while intended to be general in its application, made specific reference to the SLA. It passed third reading on November 6, after a debate marked by Hincks' claim that he had introduced the measure at the request of Galt and Holton, (Gibbs, Debates, XI p. 1438), and Brown's accurate claim that the political and commercial influence of such a "great monopoly" could "hardly be overestimated" (p. 1467). To those who decried the lack of competition entailed in the measure, Hincks pointed out that the competition, in the case of the trunk line, was with American trade routes, and that Canada would benefit from having hers under a single management (p. 1467).

Galt. Their efforts eventually placed Hincks and Jackson in the position of having either to buy off the opposition by including it in the deal, or to live with the real possibility of a competing line. That they chose the former is highly revealing of the mental climate in which developmental decisions were taken. A description of their behaviour as optimistic, while not incorrect, lacks the dimension of excess which was surely the most marked characteristic of the story of the trunk line in the autumn of 1852. The apparent equanimity with which the original plans for a Montreal-Hamilton line were expanded was the mark of an approach to development which relied not so much on reflection as on reflex. Just as Hincks had more or less automatically included a trunk line in his plans when it had appeared, in 1851, that the necessary capital was at hand, so in 1852 the willingness to allow the GTR to expand unreasonably arose out of the instinctive and careless assumption that the burgeoning growth which made such projects conceivable would continue indefinitely and make them realizable and profitable as well.

If such assumptions could be made about the region east of Montreal, they were doubly applicable to the western peninsula of Upper Canada, where economic growth was strongest. While the chartering of the GTR, with its attendant complications, was the primary focus of railway interest during the fall session of 1852, it was by no means the only development. One interested spectator of Hincks' struggle with Galt and Holton was Sir Allan MacNab. The GWR could afford to tolerate, and indeed assist in, the abrogation of the MK's chartered rights because its own corporate position did not seem to be involved.¹⁴³ The Hamilton line had been explicitly recognized, in both the 1851 Main Line Act and the 1852 Order-in-Council authorizing private construction, as the western end of the Canadian trunk line. Thus protected, the GWR, through its Parliamentary spokesman, MacNab, was able to be condescending to both sides in the GTR fight:

My opinion is that the contract will not be given to the English contractors - and I am sorry for it - the contending parties are composed of a set of speculators in England with money, and a set of speculators in Montreal without money - and between them the road is likely to fall through for the session.¹⁴⁴

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¹⁴³MacNab had taken Hincks' side very consistently during the debates, citing, at one point, his "conviction that the Province ought to seize upon the present auspicious moment, and that if they did do not so, five or six years might elapse before another such opportunity presented itself." (Gibbs, Debates, p. 788, October 1). See also p. 786 and p. 794 (October 1), p. 977 (October 11), p. 1134 (October 20), p. 1165 (October 21), and p. 1468 (November 6).

¹⁴⁴PAC, Buchanan papers, vol. 46, p. 37226, MacNab to Buchanan, August 10, 1852.

Although accurate enough in his characterizations, MacNab was less so in his predictions, and the chartering of the GTR left only the short distance between Toronto and Hamilton to be filled in to complete a Canadian trunk line system stretching from Windsor in the west to Portland, Quebec, and beyond in the east. Although the GWR was taking steps to close this gap with a subsidiary line chartered during the fall session¹⁴⁵, this did not mean that the trunk line picture in western Upper Canada was settled. As MacNab observed to Isaac Buchanan,

the Toronto people will unite with any party to prevent the Toronto road [that is, the trunk line] from intersecting the Great Western at Hamilton - but we shall beat them - you will see they could not get a Toronto man on the [Railway] Committee.¹⁴⁶

Such optimism proved to be ill-founded. After years of aggressively defending the Hamilton company's monopoly of through

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¹⁴⁵The Hamilton and Toronto was the GWR's attempt to make good on its Laurentian pretensions, and to forestall the attempt of Toronto to route the main line west to Sarnia instead of to Hamilton. Although such a line had been authorized by the company's 1845 charter, it had not been undertaken, until the perceived challenge from Toronto made it necessary, because of an agreement with the American connections "not to go into any branches until the main line is open." (PAC, Buchanan papers, vol. 52, p. 41727, Buchanan to T.G. Ridout, December 25, 1852). The main line of the GWR was not open in 1852, which made it necessary for the Hamilton and Toronto to be nominally independent. To this end, and also perhaps to prevent Toronto business from completely uniting behind the proposed road to Sarnia, the GWR was "anxious to enlist Toronto as much as possible behind the line...." (Ibid. The effort produced two "recruits" - J.C. Morrison and T.G. Ridout.)

¹⁴⁶MacNab to Buchanan, August 30, 1852, op. cit.

traffic in the peninsula, MacNab had a number of enemies eager to break his hold. The pressure on the GWR's privileged position came from distinct but complementary directions. On one side was the business community of Toronto which previously had focussed its railway interest more to the north than to the west, but which chafed, as MacNab noted, at the realization that the city's only through route to the west would be through Hamilton, its ambitious rival. On the other side were the town of Sarnia and the counties to the north of the GWR's line, all of which had been bypassed by the GWR's decision to make Windsor its western terminus.

In the years prior to 1852, Toronto's attempts to reach westward had failed because of the inability of the city's business elite to cooperate and channel their energies towards one venture¹⁴⁷, but by that year the Toronto and Guelph company, chartered in 1851, had become the city's alternative to the GWR.¹⁴⁸

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¹⁴⁷See above, chapter V, p. 245.

¹⁴⁸The City of Toronto took \$100,000 stock in the company, and its Mayor, J.G. Bowes, became the company's first President (Dyster, Toronto, p. 310). The road also benefited from the fact that, if extended, its line would pass through the lands of the Canada Company. Not surprisingly, Frederick Widder, the Commissioner of the land company, was a director of the Toronto and Guelph. After the Toronto railway was granted its extension, his company assisted in the sale of bonds in London (Klassen, Holton, p. 141). That the road would eventually be extended was a commonplace assumption. The Globe (April 19, 1852) assured its readers, in typical Laurentian language, that the Toronto and Guelph would "ultimately form a part of the shortest route from the east to the great north-west."

The necessary counterpart to this process was a weakening in the position of the Hamilton company. Ironically, after repeatedly making use of Laurentian arguments to defeat the attempts of the NDR to establish itself, the GWR was hoist by its own petard in 1852, when its American connections were called into question. There had been general acceptance of the fact that MacNab's line was essentially an American road with Laurentian possibilities¹⁴⁹, but when the concrete implications of this became apparent, acceptance changed to hesitation.

The crux of the matter was the question of gauge. Largely to accommodate the American connections of the SLA, the provincial gauge had been set at 5'6" in 1851¹⁵⁰, but the GWR, because of its American connections, was to be built at 4'8½"¹⁵¹. When its

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¹⁴⁹See above, chapter V, p. 241.

¹⁵⁰For the SLA itself, the province had agreed to a 5'6" gauge in 1847, after representations from the company drew attention to its April, 1846, agreement with the Atlantic and St. Lawrence stipulating the large gauge. (Minute Books, G, p. 471; October 1, 1847). When the trunk line became a practical possibility in 1851, the Railway Committee held hearings on the subject, and confirmed 5'6" as the provincial gauge. (Journals, 1851, Appendix VV, 8th Report of the Rwy. Committee).

¹⁵¹The choice of the American gauge of course reflected the fact that the GWR was a Canadian link in an American through system. This in fact was its major selling point, once removed from the "Laurentian" atmosphere of the Railway Committee and the House. The American investment which went with those connections was central to the company's financial appeals in London, where it "formed a powerful feature in [the] prospectus and [was] the groundwork of the pledges held out to the public" (PAC, Young papers, vol. 1, n.p., Peter Buchanan to Young, January 2, 1851)

American arrangements were completed early in 1852¹⁵², then, the possibility existed that there would be a break in gauge in the Canadian trunk line, a break which would of course favour the uniform-gauge American lines in the contest for western trade. The government's reaction was swift and predictable. Hincks reminded MacNab of his past defences of the GWR as "a Canadian Railroad", and urged that "we cannot allow the Yankees to settle the gauge of this most important Canada Work ....let me for God's sake have this line independent of the Yankees."¹⁵³ This conveniently overlooked the fact that "the Yankees" of the Atlantic and Saint Lawrence (and their associates in the SLA) had originally set the Canadian gauge, but was otherwise well-founded, touching as it did on the absolutely fundamental question of whether the GWR would funnel trade through Niagara Falls and the transportation system of New York, or through the Saint Lawrence corridor.¹⁵⁴

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¹⁵²PAC, Young papers, vol. 4, n.p. Young to Hincks, February 25, 1852.

¹⁵³*Ibid.*, vol. 1, n.p., Hincks to MacNab, January 16, 1852. On January 26 the company received an official communication from the Board of Railway Commissioners stating that the road had to be built on 5'6" in order to qualify for the provincial guarantee. PAC, Young papers, vol. 1 n.p., T.A. Begley (Secretary, BRC) to J.T. Gilkison (Secretary, GWR).

¹⁵⁴As Hincks put it to Young, "If [a uniform gauge] is important to the Americans, it is equally so to us." (*Ibid.* vol. 1, n.p., March 3, 1852.) The correspondence with Hincks produced an interesting contrast between Laurentian hopes and transportation realities. After meeting with Hincks in London in March, R.W. Harris informed Young in Hamilton that the Premier's view was that a 5'6" gauge would ensure that all Canadian and some American trade would come over the Canadian route below Hamilton. The GWR's view, as expressed by Harris,

If gauge was an important question for the government, it was equally so for the company. For the railway the problem boiled down to this: while its American financial connections at least permitted the possibility of doing without the government guarantee, the "American" gauge also meant "that the Government might be induced to charter a line to run parallel to the Great Western to some extent."¹⁵⁵ Hincks made no bones about the likely consequences of adhering to the narrower gauge:

Depend upon it the Toronto and Guelph will be made the Trunk line and it will be extended to the Detroit River. This will damage you a great deal and all for a paltry million which if you take courage will not be wanting.¹⁵⁶

Such blunt warnings had their effect - John Young was moved to write Erastus Corning, pleading that a rival line would be

a great injury to the Great Western...if such a thing could be avoided, it should be done...it is in the interest of all those who hold stock in it to prevent a competing line being chartered[,] by acceding to the wishes of the Government.¹⁵⁷

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¹⁵⁴(cont.) was that there was little chance, regardless of gauge, of much American traffic coming via Canada east of Hamilton. (Ibid., Harris to Young, March 18, 1852.)

¹⁵⁵Ibid., vol. 4, n.p., Young to Harris, February 6, 1852.

¹⁵⁶Ibid., vol. 4, n.p., Hincks to Young, March 3, 1852, op.cit.

¹⁵⁷Ibid., vol. 4, n.p., Young to Corning, April 1, 1852. Corning was a powerful Albany businessman and politician who led the merger which created the New York Central in 1853, which line was to be led by the GWR. (T.C. Cochran, Railroad Leaders, 1840-1890, The Business Mind in Action (Cambridge, 1953), p. 24.)

This fear of a rival line induced the GWR to give way - the road was built on a 5'6" gauge, the government guarantee remained in place, and the Americans, although not happy, continued their investment in the company. This action, unfortunately for the Hamilton road, only removed the threat of direct government action to charter and assist another road as the western end of the main line. It did nothing to remove the various private motives for a rival through company. Of this the GWR was not unaware - Young warned Corning that the choice of Windsor over Port Sarnia as western terminus had permanently alienated Malcolm Cameron, M.P. for Huron and President of the Council in the government. He had already successfully interfered in the GWR's American financing operations¹⁵⁸, and would "do everything in his power" to get a line to Sarnia - "he can unite some powerful interests about Toronto in favour of his scheme."¹⁵⁹

In spite of this danger, MacNab was characteristically confident. On September 30 the House began consideration of a bill to amend the Toronto and Guelph's charter to permit its extension to Sarnia. MacNab was sure that "the Government...will

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¹⁵⁸Ibid., vol. 5, n.p., Young to Corning, March 18, 1852. Cameron had lobbied successfully against a bill in the Michigan Assembly empowering the Michigan Central Railway to take stock in the GWR, thereby forcing those associated with the road to take stock individually.

¹⁵⁹Ibid. As Hincks informed Harris in London, it would be "very acceptable to some members of the government" were the GWR to keep the American gauge and forsake the guarantee. (Ibid., vol. 1, n.p., Harris to Young, March 18, 1852.)

go with me and my friends" and give the bill the three months hoist.¹⁶⁰ In this he was mistaken, although the Railway Committee did return the bill with an amendment limiting the extension to Stratford. The Committee's report argued that lack of traffic and the fact of prior government aid to the Hamilton company made it "unjust and impolitic to grant a competing line to the GWR."¹⁶¹ Once reported back to the House, however, the bill was less liable to the influence which MacNab was (apparently) still able to wield in the Committee.¹⁶² On the motion for the House to take up the Committee's report, he objected vigorously to the "folly and rank injustice" of chartering a parallel line which could not but have "a most injurious effect" on the GWR, but with the exception of

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¹⁶⁰PAC, Buchanan papers, vol. 46, p. 37230, MacNab to Buchanan, October 15, 1852.

¹⁶¹Gibbs, Debates, p. 1315.

¹⁶²"Apparently", because I have not been able to locate the Railway Committee's Fourth Report, which presented its proceedings on this subject. As MacNab himself implied, however (see above, at note 146), the question may not have been so much influenced within the Committee as by its composition. Gibbs, Debates, XI, pp. 22-26, reveals that Toronto members did indeed try to get a Toronto man, John Gamble, onto the Committee, but failed to do so. The other Upper Canadian members were Hincks, Macdonald, J. Egan of Ottawa County, J. Smith of Durham County, W.B. Robinson of Simcoe County, T.H. Johnson of Prescott County. None of these ridings were along the projected line of the Toronto and Guelph. Christie was one member who sided with MacNab, which ought not to have been surprising, given the proximity of his riding to Hamilton, but William McDougall, unable to see beyond traditional party divisions, complained to Malcolm Cameron: "I hope you have succeeded with the Guelph and Sarnia line for really I cannot see on what principle of public or party policy Mr. Christie acts when he coalesces with the Tories to defeat a charter for a great public work...." (PAC, Buchanan papers vol. 42, p. 34020, October 29, 1852, emphasis added).

T.C. Street's support, MacNab stood alone.¹⁶³ Street introduced into the debate a rare note of caution, urging that a second line should not be built until a sufficiency of traffic had been demonstrated, and warning that a "reaction [would] take place at no distant day...very disastrous results may follow if the legislature does not exercise a sound discretion."¹⁶⁴

The rest of the House, however, was in no mood to appease MacNab, whether his case was founded on the GWR's particular interest or the larger question of the wisdom of chartering a second through line. Every speaker but Street supported the extension to Sarnia.¹⁶⁵ The GWR's opponents pointed out that although empowered by its 1845 charter to build to Sarnia, the company had done nothing¹⁶⁶, and that the Toronto line to Sarnia would be built without government support, even though it deserved the guarantee more than the "American" GWR.¹⁶⁷ To these specific

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¹⁶³Gibbs, Debates, XI, pp. 1405-06.

¹⁶⁴Ibid., pp. 1410-11. There is a striking similarity, both in language and absence of specifics, between this caution and that expressed in 1848 in response to the Guarantee Act by W.H. Blake. Of greater significance is the fact that Street's warning, like Blake's before it, went largely unheeded.

¹⁶⁵Ibid., pp. 1405-11.

¹⁶⁶Ibid., p. 1406-07 (M. Cameron), p. 1408 (G. Brown), p. 1410 (Hincks).

¹⁶⁷Ibid., p. 1407 (A.J. Fergusson), p. 1410 (J. Prince), p. 1411 (J.A. Macdonald).

arguments they added several more general comments. Brown, no doubt giving voice to the feelings of several members, argued that

there ought to be some limit to the monopoly claimed by [MacNab] of the whole western traffic for his favourite road. For years back the Gallant Knight had claimed the western peninsula as his own, and had managed to make or mar every railroad scheme as he thought fit...but there were other places and other interests besides those of the city of Hamilton to be considered.¹⁶⁸

Hincks, too, considered the larger question of whether the GWR should hold a monopoly, arguing that there had never been any understanding that the GWR was intended to be the only through line in the western section of the province. His own particular opinion, though, was that

we are going too fast with regard to railways. He was in favour first of all of a Main Line and would wish to see that in operation from east to west before extending any of these branch parallel lines. That of course was a matter of opinion, but he could scarcely expect that the country would sustain the House in refusing charters to companies...merely because it was argued that it was intended to construct a competing line.¹⁶⁹

The affirmation of a laissez-faire approach, after the (in the circumstances of the session) rather unconvincing hesitation, was

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¹⁶⁸Ibid., p. 1407.

¹⁶⁹Ibid., p. 1410.

reinforced by the speech of John A. Macdonald, who stressed that the people interested in the Toronto and Guelph

had a right to the road; every municipality and every man in Canada had a right to this privilege from the Parliament. Every man had a right to build a road wherever he pleased, if he built it with his own money.¹⁷⁰

Not surprisingly, given the tone of the debate, the motion for the House to go into committee to consider the Toronto and Guelph extension was carried. This done, the bill was then amended to permit extension to Sarnia, rather than just to Stratford, and passed third reading the following day, November 5.¹⁷¹

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¹⁷⁰Ibid., p. 1411. This absolute assertion of the laissez-faire approach was employed several years later by the journalist and promoter H.B. Willson of Hamilton. Arguing for a Hamilton and South Western Railway, he insisted that "if Railways are the highways of civilization - the one great necessity of the age - the Government should act on the enlightened principle of affording to every section of the country the right to build them, and leave it to those concerned to find the means" (Willson, The Hamilton and SouthWestern Railway, op. cit., p. 7.)

¹⁷¹Ibid., p. 1412, simply records the House going into committee and returning the bill with "some amendments". Since Ibid., p. 1450 reports on third reading without reference to any debate, motions for amendment, or even a vote, it must be assumed that it was at the House committee stage before third reading that the Railway committee's recommended limit of Stratford was overturned in favour of extension to Sarnia.

The changes wrought in the scope and form of the Canadian railway policy in 1852, while extensive, were still largely potential, rather than real, when the fall sitting ended on November 10.¹⁷² The extensions east of Quebec and west of Guelph, the railway bridge at Montreal, and the amalgamation of the SLA and GTR, had been authorized, but not effected. The necessary political sanction having been obtained, the consummation of the process was left in the hands of the private interests involved. Their various concerns and strategies gave the last expansive push towards the emergence, in its final overblown form, of the Grand Trunk Railway.

The organization of the company took place in London during the winter and spring of 1853. The principals involved were Sir Morton Peto, the financial partner in the contracting firm, Thomas Baring and George Carr Glyn, who were to be bankers to the new

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¹⁷²The final passage of all the railway legislation was hastened by an outbreak of cholera in Quebec. (Careless, Union, p. 180)

company, John Ross, the Solicitor-General in Hincks' ministry and the GTR's President-elect, and A.T. Galt.¹⁷³ Galt was wearing several hats while in London. He was of course present in his capacity as President of the SLA, to negotiate the terms of its merger into the GTR. At the same time he had made the trip to arrange the last step in the company's financing.¹⁷⁴ Unofficially, Galt was also present to assist with the financing of the Toronto and Sarnia. This task had fallen to him because the newly extended company had given the construction of the road to the contracting firm in which Galt was partners with Luther Holton, David Macpherson, and Casimir Gzowski.¹⁷⁵

Some of the results of the London meeting were entirely predictable. The financial arrangements under which the SLA, QR, and GTR (Canada East) were to be merged with the Grand Trunk proper were completed, on terms which spoke well of Galt's skill

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¹⁷³Skelton, Galt, p. 37. Ross had been chosen as President by the contractors, whom he had impressed with his abilities. (Paul Cornell, "John Ross", D.C.B., X, pp. 632-33.)

¹⁷⁴PAC, Glyn, Mills papers, vol. 1, p. 131, Hincks and Taché to Glyn, Mills, & Co. and Baring Brothers Company, January 14, 1852.

¹⁷⁵See above, chapter II, p. 97. The Toronto and Sarnia's choice of the Gzowski company was understandable. Once Galt and Holton had dropped their opposition to the GTR and accepted director's chairs, they were seen to be in a powerful position to assist the railway company in several ways: by using their London financial connections to secure investment, and possibly to steer the GTR towards a union with the Toronto company, thereby making the latter part of the government-assisted main line. (Klassen, Holton, p. 142).

as a negotiator.¹⁷⁶ It was the Montreal promoter's business ability too, which was partially responsible for the other, and less anticipated, aspect of the GTR's organization.

Being forced into the takeover of the SLA seems to have precipitated in the British interests behind the GTR a considerable appetite for expansion. The only through company remaining outside the trunk system as the negotiations progressed was the GWR, and this was not for lack of effort. The backers of the GTR realized that, in a promotional sense, if a large railway looked good, a larger one looked better - specifically a "lakes-to-coast" line which could be trumpeted in the prospectus.¹⁷⁷ The established line in western Canada was of course the GWR, but the respective business positions of the two companies precluded any agreement. The GTR, having been forced into an expensive arrangement with Galt in the east, tried to strike a hard bargain with the GWR in the west.¹⁷⁸ More importantly perhaps, the latter company's American connections presented the possibility of traffic problems should it be officially merged into the Canadian trunk line.¹⁷⁹ In these

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¹⁷⁶Skelton, Galt, p. 38. See below, chapter VII, pp. 383-84, for details.

¹⁷⁷Lovett, Canada and the Grand Trunk, p. 35.

¹⁷⁸Stevens, CNR, vol. I, p. 81-82. Or, put the other way around the GWR's price was too high. This is the line taken by Skelton, Galt, p. 38, and Longley, Hincks, p. 228.

¹⁷⁹Skelton, Galt, p. 38.

circumstances no deal was reached, thereby opening the door for Galt to execute "another brilliant stroke of railway strategy."¹⁸⁰

Seeing that the GWR's "American" character was effectively preventing its union with the GTR, Galt and Alexander Gillespie, the London agent for the Toronto and Sarnia, simply proposed that the new line be taken in as the western end of the trunk line.¹⁸¹ Unable or unwilling to come to terms with the GWR, the GTR accepted the proposal, thereby laying the seeds of a bitter rivalry in the years ahead.¹⁸²

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¹⁸⁰Skelton, Railway Builders, p. 77. In the absence of any primary sources which bear directly on this question, it is difficult to assess exactly why the GTR and GWR failed to come to terms. There was certainly a willingness to deal on the part of the GWR. When MacNab travelled to London in November of 1852 to launch the Hamilton and Toronto, it was hoped that "he could (by going to London and seeing Mr. Jackson and others with our friends) have arranged that the same parties take up the [Great Western's] Sarnia branch and thus consolidate the railway from Toronto west as one great venture" (PAC, Buchanan papers, vol. 52, p. 41727, Buchanan to T.G. Ridout, December 25, 1852). Presumably, the fact that the GWR could offer only the Sarnia branch to Jackson (the main line already being contracted to Zimmerman), plus the attractions of a connection with the purely Canadian Toronto and Sarnia, induced the British contractors to spurn the GWR's advances.

¹⁸¹Skelton, Galt, p. 38.

¹⁸²See below, chapter VII, pp. 403-08.

¹⁸³With the exception of the Belleville-Peterborough-Port Hope "loop" line, chartered as the Grand Junction in 1852, which the GTR also absorbed at this time, (Stevens, CNR, I, P. 84; Currie GTR, p. 293)

With this final extension to the west, the GTR scheme was complete¹⁸³, as was the whole process of change in Canadian railway policy which had been set in motion by the news of November, 1851, that the Imperial guarantee would not be extended to the ENA. From that small beginning, major change had flowed, although initially little had altered. A central New Brunswick route and a slight shift in the financial arrangements, and the Imperial guarantee would be revived, or so Francis Hincks had thought. The change in the British government, however, had created a situation in which other factors were free to operate, of which two were primary. There was first the desire of Peto, Betts, Brassey and Jackson to involve themselves in British North American railways, as contractors and promoters. There was as well, and following directly from the first, Hincks' determination that, in the absence of the financial advantages of an Imperial guarantee, the work should be put in the hands of those best able to generate the capital themselves.

When the Premier returned from London, then, in the spring of 1852, two basic decisions had been reached. The Canadian trunk line would be built by a private company, and that company would be British, not Canadian. Of these two changes, the latter was probably the more significant, in terms of the growth of the project. The rejection of Canadian enterprise brought Galt and Holton into the issue with the expansive results detailed above. Once the gates had thus been opened, as it were, the process continued. When the lingering desires for the HQR line were

added, the system was expanded eastwards to Trois Pistoles. Laurentian and laissez-faire arguments underpinned a further expansion in the west, and the precedent of the SLA's absorption, along with the desire to see the work under unified management, produced the Amalgamation Act: The final result, by April, 1853, when all the details had been arranged, was that the £ 3 million, 330 mile road which Hincks had originally imported Jackson to build had grown into an 1100 mile system with a capitalization of £ 9.5 million.¹⁸⁴

While it may be argued that each of the various components of this transformation had its particular "cause" (and each did), there lies behind those specific reasons two more general or environmental factors. One of these of course, was that raison d'etre of a Canadian trunk line, the Laurentian strategy of development. The GTR, which virtually reproduced, in iron, the lower Great Lakes-St. Lawrence transportation system, was the ultimate expression of the Laurentian idea. In particular it represented, even though a private company, the national aspects of that strategy.

This does not mean simply the sense of national definition or national economic destiny which the Laurentian ideal represented to Canadians. The GTR's origins in Hinck's determination to

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¹⁸⁴Currie, GTR, p. 12-13. The exact mileage, according to Stevens, CNR, I, p. 84 was 1, 112.

connect the trunk line as directly as possible to British capital sources places it squarely in the tradition whereby the "national" importance of Laurentian projects manifested itself primarily in the state's intervention in aid of capital accumulation.¹⁸⁵ Moreover, the implicit faith in its ultimate success which marked the Laurentian strategy was a necessary precondition for the kind of reckless expansion which characterized the railway activity of August, 1852 - April, 1853.

Laurentianism, in itself, does not provide a full explanation for that recklessness; while it presented the broad developmental rationale under which the GTR could be undertaken, it operated as the background into which more immediate factors could harmoniously be fitted. Chief among these, and the second of the environmental factors referred to above, was the optimism bred of economic success. In Canada this was particularly keenly felt because of the gloom which had characterized the late 1840's. This optimism expressed itself variously as Hincks' reference to "a paltry million", or George Brown's argument that the Toronto and Guelph extension was justified because there would soon be enough traffic to support "half a dozen" through lines in western Upper Canada.¹⁸⁶ On the British side, this confidence was manifested,

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¹⁸⁵R. Whitaker, "Images of the State in Canada", p. 42 and passim, in L. Panitch, ed. The Canadian State: political economy and political power, (Toronto, 1977).

¹⁸⁶See above, p. 352 (Hincks), and Gibbs, XI, Debates, p. 1408. (Brown). The similarity between Hincks' words and those of another developmentally-minded politician, of our own century, is too striking to require comment.

initially, in the boasting words with which the contractors had made their services available,¹⁸⁷ and then in their willingness, which was shared by the bankers, to see the project nearly quadrupled in mileage, and more than tripled in cost.

What followed after the organization of the GTR had been completed in the spring of 1853 was essentially dénouement, the playing out of a scenario of which the broad outlines were already determined. While the fluctuations of the London money market and the international economy were to have decided effects on the fortunes of the new enterprise, the subsequent course of events was shaped largely by the interplay of two essentially contradictory factors - on the one hand the basic weakness of the Laurentian system, and on the other the state's inability to do other than support the major enterprise which expressed the intent of that system.

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¹⁸⁷See above, pp. 296-98.

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Chapter VII

DENOUEMENT

With the necessary legislation in place by November, 1852, it remained only for the actual corporate organization of the Grand Trunk to take place before the final edifice in Hincks' financial/transportation structure was complete. When the company was actually launched in April 1853, it represented the culmination of the process begun in 1848 with Hincks' first attempts at establishing the credit of the Canadian state in London, and the Railway Committee's recommendation of a positive state role in the developmental process. As the last major project undertaken before the Intercolonial and Pacific railways, both of which had to await Confederation to get under way, the Grand Trunk stands as the final statement of the nature and intent of the Canadian developmental culture at the mid-century. The ultimate shape and dimensions of the GTR project revealed how much Canadian developmental ambition had grown since the relatively humble beginnings of the late 1840's, while its eventual fate, failure both strategic and corporate, revealed the basic flaws underlying the Laurentian strategy on which the project was based.

Like the political process which had led to the creation of the Grand Trunk, the company's organization and launching in London during the early months of 1853 was characterized by a reckless unwillingness to set realistic limits on the road's ambitions and commitments. This harmony between the two phases of the GTR's genesis¹ was particularly marked in the financial aspects of the arrangement. In the autumn of 1852, glib assumptions about the financial strength of Peto, Betts, Brassey, and Jackson had led to, or at least made possible, a considerable expansion of Hincks' original scheme. In the winter and spring of 1853 the same casual confidence led the new company into a situation in which the line's success was dependent to an unhealthy degree upon a most unlikely set of contingencies.

Foremost among these was the necessity of continued buoyancy in British financial markets, since the expanded and amalgamated GTR needed vast sums of capital. On the basis of fixed contracts at specified rates for the various unbuilt portions of the line,¹ plus money already expended on the SLA and QR, the total capital of the company was set at £9,500,000.² Of this amount £1,416,000 had already been raised and spent on the SLA and QR. A further £837,000 was specifically reserved for Canadian investors who

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¹The central portion was budgeted at £9,000/mile. The sections between Toronto and Sarnia and Quebec and Trois Pistoles were to cost £8,000/mile, while the contract of the Peto firm with the Quebec and Richmond had already been set at £6,500/mile. (Skelton, Galt, p. 39.)

²Currie, GTR, p. 18.

might wish to be part of the grand scheme. This left £7,246,000 to be raised in England. At £3,000/mile, the portion to be raised with the guarantee of the Canadian government was £1,494,000. The SLA was due a final £67,500 on its guarantee, while the QR had been promised £250,000. Together these three sums came to a total government commitment of £1,811,500.³ The remainder was to be raised by the sale of GTR debentures having a face value of £1,811,500, and by the issue of common stock to the extent of £3,623,000.⁴

This basic capitalization was in itself a considerable undertaking, but the GTR burdened itself further by the arrangements it made with the SLA and ASL. The latter line, which provided the final link in the vital outlet to a winter port at Portland, was leased in perpetuity at 6% on its cost,⁵ which, as Keefer noted, proved to be far higher than the rate at which the company could generate profits.⁶ The former line, which Galt had already successfully used as the trump in the dispute between the GTR and the MK, was made to pay further dividends when the trunk line company agreed to a share-for-share exchange of SLA and GTR

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³Brown, History of the Grand Trunk, p. 16.

⁴Currie, GTR, p. 18.

⁵Ibid., p. 14.

⁶Keefer, "Travel and Transportation", p. 203.

stock, even though the former was trading at a discount of 30-40%⁷. As if this were not enough, Galt insisted that extra compensation was due to his line because its traffic potential supposedly was greater than that of the QR, for which the GTR had also made a share-for-share exchange. The new company accordingly, not to mention most obligingly, agreed to a further payment of £75,000 to the already fortunate shareholders of the SLA.⁸

The overconfidence which produced such "reckless use of its financial resources" was given full voice in the Grand Trunk's prospectus, which was issued on 12 April, 1853. This document represented the final statement of the approach adopted in London one year earlier, when Hincks had committed himself to a reliance

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⁷As Currie, GTR, pp. 14-15 notes, such terms were so generous that the SLA shares rose nearly to par, and investors who had got in at the bottom were able to reap large profits. Those who held on to their SLA shares and accepted GTR stock in the conversion were "so to speak, paid in their own coin", for the new shares were soon trading at discounts similar to those of the SLA before the terms of the amalgamation were announced.

⁸Skelton, Galt, p. 38; Currie, GTR, p. 15. This payment was ostensibly to cover interest charges on capital during the period of construction, a fairly standard commitment which the GTR had already made in the contracts for new work. The extension of this provision to the SLA, as Currie, pp. 14-15 notes, was indicative of Galt's skills, the GTR's absolute need for the winter outlet at Portland, its tendency to a "reckless use of its financial resources", and its "ignorance of the physical condition and traffic possibilities" of the SLA/ASL. The GTR's dealings with the SLA at this stage provided a good example, in reverse, of Brown's observation during the GTR debate of October, 1852. Referring to the British contractors he noted that "if they undertook the work, it would be with a view to make a good profit from it, and if the people of Canada were fools enough to give them more than it was worth, they would, of course, take it." (Gibbs, Debates, XI, p. 1216.)

on private British capital to finance the main line. The union of the developmental goals of the Canadian state with the highest levels of the British financial world was made explicit in the directors named in the prospectus. The six directors in England were "the best names in London", with Thomas Baring and George Carr Glyn heading the list.⁹ The twelve Canadian directors were split evenly between prominent members of the government and leading private citizens. The provision in the Company's charter which called for six "Government Directors" was fulfilled with the naming of Hincks, John Ross, E.P. Taché, James Morris, Malcolm Cameron and R.E. Caron to the Canadian board. Their colleagues included Peter McGill, the President of the Bank of Montreal, Benjamin Holmes, former Vice-President of the SLA, and one leading citizen from each of four towns along the main line.¹⁰

The union of the railway and the state, which was especially marked in the case of Ross, who was both Solicitor-General of Canada and President of the GTR, formed a prominent aspect of the prospectus, with the offices of the government directors fully listed beside their names. Attention was called to the "large

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⁹Skelton, Galt, p. 40. The others were Henry Blake, Robert McCalmont, Kirkman Hodgson, and Alderman Thompson.

¹⁰The four other members of the Canadian board were E.F. Whittemore of Toronto, George Crawford of Brockville, W.N. Ponton of Belleville, and William Rhodes of Quebec. (Skelton, Galt, p. 40.) These men, although prominent in their own right, were of course of much less significance in the company's debut than the government directors, and were in fact "really nominees of the English contractors". (Keefer, "Travel and Transportation", p. 211.)

amount of Government guarantee and of Canadian capital invested" in the venture. This evidence of the high esteem in which the project was held by "the most intelligent and far-sighted men in Canada" was followed by the standard Laurentian claim that the new line's undoubted sources of traffic included

arterial lines to the Great West and the Mississippi, a region whose advance in population and wealth has been regarded as almost fabulous, and yet whose resources are still very partially developed.¹¹

The great extent of the company's line was also turned into a virtue by the prospectus writers:

a conviction of the great benefits of unanimous action has provided a combination of railway interests probably never before seen, and ensuring such an energetic and harmonious working of the entire line, as cannot but produce the most satisfactory results.

Those results were spelled out in the projections of revenue, expenses and profits, with the return on share capital computed at nearly 11 & 1/2%.¹² Such glowing prospects had little connection

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¹¹Grand Trunk Railway, Prospectus, (London, 1853), p. 1.

¹²Ibid., p. 3. The profit figure was arrived at by estimating gross annual revenue at £1,479,660 (see below, note 13), deducting 40% for working expenses, £278,100 for interest payments to debenture holders, and £60,000 in rent for the ASL. This left a net profit of £549,696/year, which, on the share capital of £4,864,800, worked out to a rate of return of 11 & 1/2%. (see below, note 13).

with reality - the prospectus was in fact rife with arithmetical errors¹³, totally unwarranted assumptions¹⁴, and blatant contradictions.¹⁵ Moreover, and obviously with a view to furthering the image of the GTR as the "state railway" of Canada, there was appended to the prospectus a copy of a despatch from Lord Elgin to the Colonial Office.¹⁶ This document was nothing

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¹³Currie, GTR, pp. 19-20. The general calculation of gross revenue, a simple matter of multiplication, was in error by some £34,000, an amount sufficient to reduce the projected profit from 11 & 1/2% to just under 11%. More detailed revenue calculations, based on the amount of business likely to be generated by the line's "tributary population" were also incorrectly done. To give A.T. Galt the benefit of the doubt, we must assume that he was unaware of these errors when he later wrote that railways were best left in private hands because their success "is almost wholly dependent on attention to details." (Canada, 1849-1859, p. 25).

¹⁴The general calculation of gross revenue was based on the gross earnings (£25/mile/week) of the Boston-Ogdensburg line in the U.S., even though the GTR, for much of its route, would be traversing a far less developed territory. A more detailed calculation of gross revenue, based on "tributary population", immigrant business, and freight traffic was similarly fanciful, with no substantiation being offered for the figures used. Finally, the estimate of working expenses as 40% of gross revenue was far too low - a figure "wholly unsupported, and low even for well-established railways in Britain and New England." (Currie, GTR, p. 20)

¹⁵Ibid., pp. 19-21. After calculating the company's profits on the basis of the expected gross revenue of £1,479,660, the prospectus' more detailed accounting of traffic arrived at a gross revenue of £887,500. No explanation was offered for this discrepancy, which, at £592,160, was greater than the projected profit. A contradiction stood out between the reference to the line's being "protected from the possibility of injurious competition" and the claim that the GTR could reasonably expect to secure traffic currently using other routes. It is hardly surprising that Keefer ("Travel and Transportation", p. 202) later referred to the prospectus as "that preposterous document".

¹⁶Grand Trunk Railway, Prospectus, p. 3, Elgin to Sir John Pakington, December 22, 1852, enclosing the Blue Book for 1851.

more than a regular communication, several months old at that, and one which made no direct reference to the new railway, but its language and contents had precisely the boosterish tone which the company required to float its undertaking. According to Elgin, the documents enclosed (giving for the most part statistical evidence of the growth of population, trade and revenue) "furnish much gratifying evidence of the progress and prosperity of the colony", progress "susceptible of no unfavourable comparison with that of the adjoining republic."¹⁷

The fact that the Governor allowed himself to be associated with the new venture in such a directly promotional way speaks volumes, both about his own keen commitment to economic development, and about the extent to which the Grand Trunk had in fact become the developmental standard-bearer for the Canadian state and its Laurentian strategy.¹⁸

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¹⁷Ibid., p. 5, p. 14. As Currie, GTR, pp. 20-21, points out, "At no point did Elgin refer to the Grand Trunk, but his general optimism would tend, in the mind of an uncritical reader, to confirm the railway's potentialities."

¹⁸The Governor-General's motives or reasoning in permitting such a direct personal association with the new project are unclear. On the one hand it was entirely consistent with his own genuine interest in economic development and progress, both as major aspects of the age and as particular antidotes to the political and national strife which had marked Canadian life during the first years of his term. On the other hand, he may have assisted the GTR "either to immortalize his administration, or acted upon, however inadvertently, by those influences in London which control appointments and peerages." (Keefer, "Travel and Transportation", pp. 204-05.)

That role was further emphasized by the inclusion of Baring and Glyn, the Province's bankers and guardians of her credit, on the London board of the GTR. This was not an aspect of the company's debut which just happened in the natural course of things: Baring, at least, had virtually been forced into the position by the unauthorized inclusion of his name in the prospectus. As he explained it to John Ross, a "highly respectable gentleman connected with the stock exchange" had presented a draft of the prospectus before its release, asking if any of the partners in Baring Brothers were interested in directorships with the GTR. Baring had declined the offer, citing the bankers' present responsibilities, and his belief that the Canadian government was already quite satisfied with the arrangements for the new company:

We therefore regarded the overture made to us as one amongst many of a similar character from a private Company, a connection with which would be somewhat foreign to our usual business.

The appearance of the prospectus, however, "in which my name is included without my previous knowledge", together with a letter from Ross disposed Baring to "take the subject into more serious consideration as we understand that the request to give our names and attention to this railway undertaking proceeds [now?] from the Canada government."¹⁹ Given the dual role which Ross had assumed, it is hard to say whether the pressure to see the bankers on the

board (which must have been the object of his letter) emanated more from the government or the company - in any case, the blatant manoeuvre was successful, and Baring and Glyn joined the GTR, bringing their valuable financial reputations with them.

If his entrapment gave Baring any pause about the venture he was associating himself with, it was certainly reinforced by his assessment of the company's financial requirements. Cautious as ever (and determined that the demand for shares and bonds should be sufficient to keep prices at par or above), he and Glyn worried over the size of the share issue (£3.623 million), and feared that the company would have difficulty raising such a large sum in one offering. They therefore advised that only one half the stock, to be known as the "A" shares, should be issued in the spring of 1853, along with all the debentures.²⁰ The remaining, "B", stock was to be taken by the contractors and held until July, 1854.²¹ Sir Morton Peto, who was the chief financial talent in the

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¹⁹PAC, Baring Brothers papers, vol. 143, p. 72310, Thomas Baring to John Ross, April 8, 1853. The reference to the GTR prospectus as being "one amongst many of a similar character" offered to the Barings is evidence of the pre-eminent position which the firm occupied in the London investment community.

²⁰Currie, GTR, p. 17, Skelton, Galt, p. 40.

contracting firm, "strongly objected" to this provision, but the bankers prevailed²², and, in a nicely ironic turn, Peto, Betts, Brassey, and Jackson, who had boasted of their ability to raise capital, were left holding £1.8 million in shares of the company which their own ambition had done so much to create.

Peto's fears, if such they were, about the likely future value of GTR shares were highly prescient, but in the spring of 1853 such negative feelings were lost in the general euphoria surrounding the launching. "Buoyant upon wind of their own raising", the promoters of the line too easily overlooked the fact that the company was very heavily capitalized and therefore completely dependent on continued vigour in the financial markets

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²¹Currie, GTR, p. 17, Brown, History of the Grand Trunk, p. 15. This decision, which reflected in a general way the caution of the English bankers, was also directly connected with the circumstances of the company's birth. The exuberant profit projections in the prospectus were necessary to ensure that the "A" stock could be moved quickly and the "B" stock then unloaded in a still-buoyant market. (Currie, GTR, pp.21-22). A more cynical view would extend this from the simple necessity of seeing the stock taken to the desire for speculative profit: it may have been that the GTR's backers, "buoyant upon wind of their own raising...preferred putting out just enough stock to whet the public appetite, and make profit by the premium to which that reserved would rise." (Brown, History of the Grand Trunk, p. 17.) This seems less plausible, however, in the light of Sir Morton Peto's reaction to the partial issue (see text, note 21.)

²²Skelton, Galt, p. 40.

for its success. Any perception of this large potential area of vulnerability was further obscured by the initial success of the "A" shares. Galt's report to Benjamin Holmes, Vice-President of the late SLA, serves as an accurate summary of the feeling at the GTR's debut:

The reception of the scheme by the public has been marked by the most perfect success. The shares are already at a large premium, and a perfect rush exists to get them....²³

The late President of the SLA continued his account of events in London with comments which indicate the extent to which he, the erstwhile opponent of Jackson and Hincks, had been won over to the view which the Premier had made the basis of his policy since the spring of 1852:

I am gratified to state that I have been met in the most honourable and open manner by...Mr. Ross... and also by Messrs. Jackson, Peto, Betts and Brassey, to whose influential position and admirable arrangement it is only fair to say that the successful introduction of this scheme is...mainly attributable.²⁴

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²³Galt to Holmes, April 15, 1853, quoted in Skelton, Galt, p. 41. Galt was not exaggerating - the entire issue of £1,811,500 of £25 "A" shares "sold immediately and more was demanded than could be supplied." (Longley, Hincks, p. 230). This success raises serious questions about Baring's and Glyn's wisdom in holding back the other half of the shares.

²⁴Ibid. It is reasonable to speculate that Galt was not only impressed with the GTR's successful debut but had also, like Hincks twelve months earlier, come under the spell of the wealth and power of the financial and railway society of the metropolis.

Such praise stands as implicit recognition of Hincks' constant, if equally implicit claim of the previous year, that the British contractors were capable of playing the same role in Canadian development as had originally been reserved for the Imperial government.

That the Premier himself continued to see the situation in this light is made plain by his remarks some months after the GTR had been launched. He reported to the Governor's Secretary that the company was prepared to proceed with the HQR, on the original terms, except that the railway would take the place of the Imperial government in securing the funds:

The Grand Trunk Co. is now a powerful corporation able to carry through a great work of this character and I think that the several [British North American] governments should endeavour to secure its cooperation.²⁵

So "powerful" did Hincks believe his new developmental instrument to be that, during the period of the GTR's organization in London, he had even been prepared to countenance reports from Ross that

There is every probability that this guarantee [of GTR debentures by the Canadian government] will not be claimed by the Company, and that a proposal to abandon it has already informally and will be formally made.²⁶

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²⁵PAC, Elgin papers, file 4a, n.p., Hincks to Colonel Bruce, September 23, 1853.

²⁶PAC, Glyn, Mills, and Co. papers, vol. 1, p. 131, Hincks and Taché to Baring Brothers and Glyn, Mills, January 14, 1853. The

Such a proposal may in fact have been made at some point during the London discussions, and doubtless would have been most attractive politically to Hincks and Ross, but it ought to have been treated somewhat sceptically. That it wasn't speaks well for the sincerity of the Premier's high opinion of the financial strength of the English contractors.

The confidence and optimism which Hincks felt personally was sought to be reinforced at the public level by continued promotional efforts on the part of the company. Company officials, their numbers augmented by the presence of the famous railway engineer Robert Stephenson, toured the Province of Canada in the late summer and early fall of 1853. They returned to London with glowing reports of the line's traffic prospects. Stephenson's stature as the father of the locomotive age was put to good use in a circular issued by the London board in November, in which the noted authority offered his conclusion that the realization of the prospectus' claims was "reasonably certain".

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²⁶(cont.) Premier had already made such a claim publicly, during the GTR debates of 1852 when he asserted that the company "may not want [the guarantee] at all." (Gibbs, Debates, XI, p. 1354.) Such confidence (which is almost comic given the ultimate fate of the GTR) probably reflected not only Hincks' perceptions of the financial strength of the contractors but also the more general optimism typical of the early part of the decade. MacNab voiced a similar feeling, although with a greater degree of realism, when he told Buchanan that the GWR might "not want [the guarantee] at present but such a source of capital may be useful when capital is not so abundant" (PAC, Buchanan papers, vol. 46, p. 37245, December 14, 1852).

Such official confidence carried over into the report issued to the semi-annual meeting in July, 1854, in which the company admitted that higher-than-expected costs had been encountered, but assured investors that the line's future continued promising.²⁷

That the Grand Trunk was successful in its initial promotional efforts, and that the inclusion of Baring on the board had been well worth the effort, was clear from the tone of public comment. As late as September, 1854, or almost a year and a half after the company's birth, the leading British railway journal assured its readers that

Nothing short of culpable mis-management apparently can prevent the Grand Trunk realizing all the prospects held out [for it] by the London Board of Directors, of which it is well-known Mr. Baring is chairman.²⁸

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²⁷Currie, GTR, p. 33-35. There were cracks in the facade however. One feature of the promotional tour of 1853 had been the discordant note sounded by the great Stephenson, who warned of undue competition, and offered, at a banquet in Toronto, "severe criticism" of the emerging rivalry between the GTR and GWR (Longley, Hincks, p. 271).

²⁸Herapath's Railway Journal, quoted in Ibid, p. 35.

The situation of the GTR in fact was such that statements such as the above could only be the result of simple ignorance or willful neglect of the facts. Almost from the beginning of its existence the company had to cope with a radically altered financial climate which made its size and attendant heavy capitalization a major drawback. From mid-1845 to the end of 1852, the Bank of England's interest rate had never gone above 2 & 1/2%.²⁹ The approach of the Crimean War, however, began to affect the price of money from the summer of 1853, or immediately after the GTR's launching.³⁰ By September, interest rates were up to 5% and still climbing, and eventually settled in the 6-8% range. Even at that inflated price, money was more difficult to get than it had been in the spring of 1853.³¹

This change was of absolutely fundamental importance for the railway. Faced with tight money markets, the company found that its size, that "combination of railway interests probably never before seen", after serving its promotional purpose in the prospectus, had become a distinct liability, the more so because

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²⁹Ibid., p. 21.

³⁰Skelton, Galt, p. 42. While the Crimean War seems to have been the primary cause of a tighter market, normal market forces may also have been involved. In late 1852 Peter Buchanan warned T.G. Ridout of the Bank of Upper Canada that "there is too much speculation afloat and...we may look for a reaction in the course of 1853...." (PAC, Buchanan papers, vol. 52, p. 41723, Nov. 12, 1852.)

³¹Currie, GTR, p. 31; Skelton, Galt, p. 42.

of Baring's insistence that only one-half the stock be issued initially.

By early 1854 Baring and Glyn realized that the railway was badly over-extended. They accordingly persuaded Hincks that its charter would have to be amended to permit the postponement of some of the construction envisaged in the original amalgamated structure. The "most comprehensive system of railway in the World", as the prospectus had styled it, thus temporarily became less comprehensive by 245 miles.³² In spite of this paring the GTR never really recovered from the loss of the buoyancy in the markets which had made its successful debut possible, and its financial history thereafter consisted of a sorry series of increases in government aid and desperate hand-to-mouth expedients to keep the company afloat.³³

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³²Currie, *GTR*, pp. 31-32. The change was effected in 18 Vic., c. 33 of December, 1854. The sections dropped were those between St. Mary's (near London) and Sarnia, the "loop line" through Peterborough, and the line from St. Thomas in Lower Canada to the New Brunswick border.

³³The situation was not helped by the split in the direction of the company between boards in Canada and London. Baring found the Canadian directors prone to sudden decisions taken without consultation, as when they decided on a further issue of stock, even though the company's shares were then "no favourites and [required] nursing." Such actions left Baring feeling "very nervous", and he warned Hincks that it would "take all your tact and ability to prevent the scheme financially speaking from becoming a great failure." Moreover, it caused the two banking firms deep regret to be associated with "such apparent mismanagement. We like to have the reputation of doing our business well, and not to be accused of making a blunder which a child in business would avoid." (PAC, Baring Brothers papers, vol. 143, p. 72459, Oct. 18, 1853.) Hincks' response was a contrite assurance that "in future there will be better management." (*Ibid.*, vol. 1, p. 790, Nov. 12, 1853).

The financial woes of the GTR were exacerbated by persistent difficulties and errors in the construction of the road, difficulties for which there were several reasons. One of these was simply the fact that the British contractors and their Canadian colleagues had bitten off more than they could chew. The sheer extent of the work meant that a gradual, section-by-section approach was impossible. This denied to the railway the advantages of one completed section assisting with the next by serving as revenue generator, means of transport, and training ground for labour, operators and management.³⁴

This general weakness was reinforced by the failings of the "great" English contractors, whose performance was inadequate for three reasons. For one, they persisted, in a period of high inflation, in the importation of their usual labour-intensive methods of construction.³⁵ Casimir Gzowski, whose considerable experience certainly qualified him to comment, made reference to

their general mismanagement of matters here. Their system may be very perfect and one that will work well at home but here it will not do. I am certain they are not realizing by [one-third] what they should if they assimilated their management to the mode adopted by us, or any other experienced contractors on this continent.³⁶

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³⁴Currie, GTR, pp. 15-16.

³⁵Ibid., p. 37. Labour rates increased by 40%, 1854-55.

³⁶PAC, Galt papers, vol. 7, p. 2363, Gzowski to Galt, April 15, 1854.

The second reason was sheer incompetence in the planning of the work. Several errors were made in the location of the line, which in most cases managed to pass either north or south of the towns and cities along its route.³⁷ In addition, more specific engineering faults were abundant - steep grades and sharp curves were not at all uncommon, with their attendant loss of speed and increased operating and maintenance costs.³⁸

Behind the general lack of experience in Canadian construction there lurked a more immediate reason for the failure of the Peto firm to live up to its reputation. Because of the railway's financial difficulties, the contractors had agreed to accept a mixture of GTR shares and debentures in part payment for their work³⁹, shares and debentures which consistently traded at discounts. Rather therefore, than accept securities having £100 face value but only £60 market value in return for £100 worth of construction, the contractors scamped the work sufficiently so that their £100 effort was, like the payment, actually only worth £60.⁴⁰

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³⁷Currie, GTR, pp. 25-37. Toronto and Guelph were the only centres in which the railway came close to the business area of the city.

³⁸Ibid., pp. 25-26.

³⁹Ibid., p. 41.

⁴⁰Ibid., pp. 65-66. The result of such shoddy work was frequent accidents, a characteristic of the GTR (and other lines) which was not quickly remedied. In the first three months of 1861 twenty trains were interrupted and 80 cars derailed (Brown, History of the Grand Trunk, p. 14), while in 1864 George Brown reported to his wife that the line was "in very bad repair. Almost every day we hear of accidents." (PAC, Brown papers, vol. 5, p. 551, Brown to Anne Brown, February 25, 1864).

Finally, the GTR discovered that the SLA, for which it had not only made a share-for-share exchange but also paid an extra £75,000 because of its "greater traffic potential", had been very poorly built. By the end of 1855 the company had spent over £1,000,000 on Galt's line and its sister the ASL, in order to make them into railways "on which it was possible to operate trains."⁴¹ Francis Hincks, whose central role in the political genesis of the GTR had given way, after the organization of the company, to something akin to that of influential cheerleader, had earlier predicted, with unknowing irony:

I feel very sanguine that the traffic on the section completed between Montreal and Portland will establish the character of the entire line.⁴²

All these various problems which the Grand Trunk encountered - the difficulties in securing capital, the failings of the contractors, the inefficiency in construction due to excessive size, and the costly overhaul necessary on the SLA/ASL - were peculiar to the company, that is, they reflected particular circumstances of its origins and organization. While they naturally contributed considerably to the line's eventual failure, the Grand Trunk also suffered more generally from the flaws

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⁴¹Lovett, Canada and the Grand Trunk, p. 40.

⁴²PAC, Baring Brothers papers, vol. 2, p. 729, Hincks to Thomas Baring, July 3, 1853.

inherent in the larger strategy of development of which it was but the vehicle.

The first of these was the fact that the railway phase of Laurentianism was overlaid on the already existing canal structure, and the relationship between the two proved to be competitive rather than complementary. The GTR's promoters and engineers appear to have "assumed that [the railway] would drive steamboats off the Lakes and St. Lawrence River."⁴³ This the new mode of transport decidedly did not accomplish, and it was not until the 1870's that technological improvements gave the railways the clear advantage over shipping which the promoters of the GTR had confidently assumed would be theirs from the beginning.⁴⁴

While a better showing in the contest with the water route would obviously have helped the GTR's balance sheets in the short-term, even a clear victory would not have prevented the railway's failure in its primary mission, which was to make the Canadian route the chief channel for the through traffic of the mid-continent. In this contest with American routes, the GTR and the canals were struggling over the loser's share of the spoils,

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⁴³Currie, GTR, p. 59.

⁴⁴Ibid. pp. 59-60. So confident were they, in fact, that in planning the line of the GTR they declined even to make connections with quays at inland ports like Montreal. On top of this, steamship rates for both grain and general merchandise were lower than those the GTR could afford to charge. American experience proves the accuracy of Currie's claim about the relative strength over time of the two modes of transportation. In 1854, the two main through lines in New York state, the New York Central and the Erie, carried between them only 31% of the traffic carried on the Erie Canal. In 1865 the proportion was over 70%, and in 1870 the railways finally surpassed the canal in their total tonnage. (Clark, Grain Trade in the Old Northwest, p. 282.)

for New York's superiority as a seaport and commercial centre had already clinched the victory for the American channel.⁴⁵ The GTR, for all its "comprehensiveness", political support, and apparent financial strength was "figuratively speaking... trying to make water flow uphill."⁴⁶

These two primary factors, both fundamental to the Laurentian system, were essential features of the mould in which the Grand Trunk's destiny was shaped. Even had the money markets remained strong and permitted the full capitalization of the company, even if construction had proceeded without difficulty, it is at best problematic whether the GTR would have been a paying proposition as a business venture. As an instrument of national policy it was almost certainly doomed from the outset by the underlying weaknesses in the Canadian commercial economy.

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⁴⁵Ibid., pp. 61-62.

⁴⁶Ibid., p. 61.

It is the "national" aspects of the GTR story which of course make it of more than passing interest. As the major expression of the Canadian developmental culture during the 1850's, and more particularly as the "official" vehicle of the Laurentian strategy, to which the government had pledged not only its guarantee but also the participation of some of its leading members, the company and its travails were of great concern to the several administrations which held power after 1853. The primary manifestation of the relationship between state and railway was of course financial, but the quasi-union of the two expressed itself in other ways as well. Of particular importance in this regard was the relationship between the GTR and the Great Western.

The Hamilton-based through line had naturally assumed a relatively lower profile in the overall scheme of development once the GTR was organized, and particularly after that company ran into serious difficulties requiring further government aid. This tends to obscure the fact that prior to the advent of the GTR, the GWR had been the major project in Upper Canada, and one that continued to be looked on with favour by the government, even during the dispute over gauge and the subsequent creation of the Grand Trunk. Equally important, this respect had been reciprocated. Robert Harris of Hamilton praised Hincks for his contribution to the company's success even after the Premier had begun his challenge on the gauge question.⁴⁷ Isaac Buchanan went

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⁴⁷PAC, Young papers, vol. 1, n.p., Harris to John Young, January 22, 1852.

further, explicitly defending Hincks at the time of the GTR's incorporation:

Some might say that Canadian capital might have done this but we are conscientious believers in Mr. Hincks being the greatest benefactor to the country in having secured Mr. Jackson the trunk line. Canadian capital or ability has enough to do with branch roads....⁴⁸

Such whole-hearted endorsement of Hincks' policy reveals both the appeal which the reputed wealth and financial connections of the contractors could have for those interested in railway development, and the personal good will which Hincks' success over the years in financial matters had engendered. The Premier and most members of his government, for their parts, were equally desirous to see the GWR an established success. Even during the difficult discussions of the gauge question, Hincks was at some pains to express his "great anxiety" for the GWR's position, and his desire to do all in his power to assist it (short, of course, of allowing it to build on the American guage)⁴⁹. This sympathetic attitude

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⁴⁸PAC, Buchanan papers, vol. 48, p.39171, Buchanan to J.C. Morrison, December 23, 1852.

⁴⁹PAC, Young papers, vol. 1, n.p., R.W. Harris to John Young, April 2, 1852. The sentiment was reinforced by James Morris, who commented to Buchanan that "Your company stands well in England which must be gratifying to you all. We are preparing to give you another £200,000." (PAC, Buchanan papers, vol. 48 p. 39088, May 24, 1852.)

remained after the GTR was chartered - Hincks assured Peter Buchanan that

there will be no difficulty about this borrowing. You may rely on it that the government will cooperate with your company very cordially. If you want more debentures you will get them.⁵⁰

This sort of sunny harmony proved to be possible only so long as the GTR remained unorganized. The inclusion of the Toronto and Sarnia in the package presented to the investing public in April, 1853 radically altered the situation, for the new line now stood in direct competition with the GWR. The reaction of the Hamilton line was predictable - the amalgamation was seen as a "gross breach of faith on the part of the Government and a great injustice" to the GWR.⁵¹

Such bitterness, and the aggressive behaviour which resulted from it, was more common among the company's directors in Canada than among those in Britain, where the evils of excessive

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⁵⁰PAC, Buchanan papers, vol. 31, p. 25782, December 4, 1852. He followed these remarks with the note that he was "very glad to hear so good an account of the Great Western's prospects." (Ibid., p. 25786, January 28, 1853).

⁵¹Ibid., vol. 30, p. 25191, R.W. Harris to Isaac Buchanan, April 15, 1853. Harris reiterated his feelings later in the year in a letter to Isaac's brother Peter "those associated with the GWR could "scarcely be expected to stand the abusive careers of men like Jackson coming here to ride roughshod over them." (Ibid., p. 252050, November 19, 1853).

competition were better known.⁵² The GWR's directors in London, particularly Samuel Laing, as well as those of the GTR in the metropolis, particularly Baring and Glyn, were anxious to minimize the danger. The result was an agreement, entered into in London in May of 1853, for the two lines to interchange freight, jointly oppose any further competition, and to refrain from invading each other's territory.⁵³ For Laing at least, this agreement represented but the first step towards an eventual union of the two companies⁵⁴, but such visions quickly ran into the realities of the situation in Canada, where the GWR was determined to resist⁵⁵, and at least some members of the government were equally

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⁵²D. McCalla, "Peter Buchanan, London Agent for the Great Western", p. 210.

⁵³Currie, GTR, p. 166.

⁵⁴Ibid.

⁵⁵Isaac Buchanan urged George Brown, whose property at Bothwell in Kent County was on the line of the GWR, to attend a protest meeting in Hamilton against the GTR's "avowed views of amalgamation and monopoly" (PAC, Buchanan papers, vol. 1, p. 167, September 2, 1853). The company also produced a "Special Report of the Board of Directors of the Great Western Railway of Canada to English Shareholders" which charged that the Canadian government had broken faith with the Hamilton company (PAC, Baring Brothers papers, vol. 2, p. 749, Hincks to Baring, October 1853.) Hugh Bowlby Willson, a Hamilton promoter and publicist, although not directly associated with the GWR, warned Peter Buchanan, who epitomized British restraint in the contest, that "there is no faith to be kept with men like Hincks and Jackson and in the end you will have to do what the Western powers are at length driven to [do], to Russia, to fight them to the death." (PAC, Buchanan papers, vol. 62, p. 49298, February 9, 1854).

determined to use the new trunk line company to destroy the older road.⁵⁶

Some moderate voices, mostly in England, were raised during this conflict⁵⁷, but the prevailing antagonism, together with the characteristic Canadian view "that the only healthy road was an

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⁵⁶When R.W. Harris complained that "the actions and tone of members of the government continues most offensive", he referred to the GWR's old antagonist Malcolm Cameron, who had been overheard proclaiming that the government and the GTR would make the Great Western the worst-paying stock in the continent within three years (PAC, Buchanan papers, vol. 30, p. 25202, op.cit.). Hincks was more restrained in his verbal statements, and doubtless in his intentions as well, but he clearly took an adversarial rather than a conciliatory stance, telling Baring that the GWR was "wholly in the wrong" (PAC, Baring Brothers papers; vol. 2, p. 790, November 12, 1853), and referring, not inaccurately, to the GTR as "our company" (PAC, Buchanan papers, vol. 31, p. 25807, Hincks to R.W. Harris, November 28, 1853).

⁵⁷Peter Buchanan in particular occupied this position, and exerted himself to persuade others to the same view. To Charles Brydges, the English (but aggressive) general manager of the GWR, he commented that "it is impossible to view the catalogue of new and competing railway schemes without some misgivings. It seems obvious that it would require the combined influence of the Grand Trunk and the government party with the Great Western to prevent [the two?] Canadas from being actually [decimated?] with competing and conflicting schemes, and it is greatly to be regretted that any hard feelings should exist between the parties at such a crisis." (PAC, Buchanan papers, vol. 46, p. 37322, January 13, 1854). Robert Harris sent a similar message to MacNab: "It has always seemed to me that the Great Western and the Grand Trunk and the government ought to have gone hand in hand in working out a proper railway system for the country and in opposing such...unnecessary competition as that now sought for." (Ibid., vol. 46, p. 37324, January 13, 1854). A.T. Galt also appears to have proposed a union of the two companies, even though this would have involved stopping the construction of the Toronto-Sarnia line (in which he was personally interested as a partner of the contractors, Gzowski and Co.) at Guelph. (PAC, Galt papers, vol. 7, p. 2363, Gzowski to Galt, April 15, 1854).

expanding one"⁵⁸ combined to prevent any reconciliation between the two companies.

The strains produced by the conflict with the Grand Trunk quickly manifested themselves within the Canadian management of the Great Western, and from there spread into the political realm, where they played a significant part in the realignment of forces which took place in September of 1854, and produced the Liberal-Conservative coalition. The focal point of this process was Sir Allan MacNab.

The Great Western was becoming increasingly tired of his avaricious ways and unprincipled dealings with the company.⁵⁹ MacNab, as ever, was not one to let loyalty stand in the way of his access to influence and personal advancement. Seeing that political power was centred about the Grand Trunk, he began to adopt a minority position on the Canadian board of the Great

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⁵⁸Baskerville, Boardroom and Beyond, p. 252.

⁵⁹Ibid., p. 88-122.

Western, opposing, for example, the purchase of lake steamers to compete with the GTR.⁶⁰ For a man for whom politics was railroads, this necessarily meant a measure of rapprochement with Hincks and the government, and forced his opponents on the GWR board similarly to base their political behaviour on railway necessities. Fear of cooperation between MacNab and the government/GTR brought Isaac Buchanan into the 1854 election, running against MacNab in Hamilton in an attempt to keep him out of the Assembly and away from the political power which he might turn on his former enterprise.⁶¹

In the event, Buchanan's electoral bid failed and MacNab retained his seat, and with it the position which enabled him to assume a central role in the political changes which followed the election. The old Reform alliance of Baldwin and Lafontaine which

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⁶⁰Ibid., pp. 100-02. Evidence of MacNab's increasingly conciliatory mood may also be seen in his claim that he had initiated a correspondence between Hincks and Harris that would clear up all the difficulties between the two lines (Buchanan papers, PAC, vol. 46, p. 37302, MacNab to Buchanan, n.d.). This seems to have been the case (Ibid., vol. 31, p. 25870, Hincks to Harris, January 17, 1854), but the correspondence produced no concrete results.

⁶¹Ibid., p. 110. The GWR had already taken a preliminary step toward this end in 1853 when Isaac Buchanan and the contractor Samuel Zimmerman, "looking to our expected cooperation with the government", engineered MacNab's replacement as the company's Parliamentary agent by J.C. Morrison, a political ally of Hincks. (PAC, Buchanan papers, vol. 48, p. 38202, Buchanan to J.C. Morrison, September 24, 1853). This came after an earlier attempt by Buchanan, which he did not follow through on, to remove MacNab from the direction of the company altogether (Ibid., vol. 46, p. 37295, Buchanan to MacNab, June 3, 1853).

Hincks and Morin had inherited in 1851 was now nearly completely disintegrated, torn apart by the growth of voluntarist and sectional sentiment among its Upper Canadian members. Hincks' government was defeated in the House on September 7, 1854, and MacNab, as Leader of the Opposition, was called on to form a government.⁶² None of this was unusual or unexpected - what was unusual was the makeup of the coalition which emerged from his initiatives. When the new ministry was announced, it was found to contain not only Upper Canadian conservatives (MacNab, Macdonald, and Cayley) and Lower Canadian bleus (Morin, Taché, Chauveau, Chabôt, Drummond), but also two Hincksites, Robert Spence and none other than the GTR's President, John Ross. Their presence, and especially that of Ross, suggested that the coalition was about more than just its announced basis of settlement of the Clergy Reserves and Seigneurial Tenure questions.

That development generally, and the fate of the GTR in particular, was also part of the new political equation was not immediately apparent to everyone. David Christie of Brantford interpreted Buchanan's contest with MacNab as a "noble effort to rescue Hamilton from the fangs of Toryism"⁶³, while even Hincks

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⁶²Careless, Brown of the Globe, vol. 1, p. 192. Even allowing for personal affinity, Lord Elgin's comment at the time of the government's defeat is worth quoting. Hincks' resignation produced "I am told, considerable effect. In office or out he is the most able and powerful man in this country at present" (PAC, Elgin papers, file 2, n.p., Elgin to Sir George Grey, Colonial Office, September 9, 1854).

⁶³PAC, Buchanan Papers, vol. 21, p. 18028, Christie to Buchanan, July 24, 1854.

(who should and may very well have known better) encouraged Buchanan with these words:

your success would not only have a great moral effect throughout Upper Canada but would also be of great importance in showing that the people of one of the most important commercial cities of Canada are in favour of the secularization of the Clergy Reserves.⁶⁴

The Clergy Reserves were in fact much less of an issue than they once had been - most Conservatives, probably including MacNab, realized that a settlement was necessary.⁶⁵ Christie's and Hincks' letters therefore stand as a measure of the extent to which old contentions continued to mix with, and obscure, new railway/political realities. In the case of Hincks, such an emphasis also reflected the fact that his correspondent was closely associated with the GWR, and therefore hardly likely to be amenable to an overture for post-election support which broached the subject of railways.

After the coalition was formed, those politicians most concerned with old issues, like Christie, who was a staunch voluntarist Reformer, continued to interpret events by the old

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⁶⁴Ibid., vol. 31, p. 25824, July 22, 1854.

⁶⁵Creighton, Macdonald, vol. 1, pp. 204-05.

categories. He informed Buchanan of the coalition in this manner:

There is awful treachery. Hincks has sold us to MacNab in the new Government. There are four Tories and two reformers. Traitors - Spence is one of them.⁶⁶

For those directly involved in the GWR, however, the import of the new political arrangement was clear. Peter Buchanan assessed the situation in November:

I see MacNab and Cayley are appointed government directors of the Grand Trunk. The salary will be an object to both of them. This coalition looks no good however to the Great Western.⁶⁷

The basis of Buchanan's foreboding is not hard to see - in personal terms, MacNab had made the shift from the now-secondary GWR to the politically pre-eminent GTR. In larger terms, the political, if not business future of the GTR had been assured by the essential continuity in political leadership which the new coalition represented. The necessary precondition for that

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⁶⁶Buchanan papers, PAC, vol. 21, p. 18032, September 11, 1854. Hincks' own report of the coalition was rather vague, perhaps deliberately so, given the GWR affiliation of its recipient: "I hope you will judge calmly on the course of the crisis and of its merits. Like all other crises it separates old friends and reconciles old enemies. By means of it a powerful government has been formed which will last until public opinion leads to a new change." (Ibid., vol. 31, p. 25825, Hincks to Buchanan, September 15, 1854).

⁶⁷Ibid., vol. 14, p. 12294, Peter Buchanan to R.W. Harris, November 28, 1854.

continuity had been the defeat of Sandfield Macdonald in the vote on the Speakership when the House met after the elections. This had effectively prevented the political initiative from passing to Hincks' enemies, like George Brown, for whom sectional and sectarian issues were far more important than the GTR. This accomplished, the right-centre elements in the Upper Canadian political mix were free to coalesce with the dominant Lower Canadian element in the Assembly, the bleus, to form a majority government in which the continued strength of the GTR was symbolized by the inclusion of Ross, the politician most closely identified, both personally and in approach, with Hincks.⁶⁸

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⁶⁸See Careless, Brown of the Globe, vol. 1, pp. 176-95, for a discussion of the alternative political scenarios which had developed during the months leading up to the "crisis" of September, 1854. George Brown and Hincks' enemies, the "Independent Reformers" of Upper Canada, envisaged a political realignment by which a union of Lower Canadian Liberals, Upper Canadian voluntarists, and Upper Canadian moderate Conservatives who had been won over to the secularization of the Clergy Reserves would sweep aside the union of railway promoters, reactionary French Canadians, and secularization heel-draggers which the Hincks-Morin government had come to represent in the eyes of progressive Liberals. A similar discussion, albeit from a different perspective, may be found in Creighton, Macdonald, vol. 1, p. 174-207.

While the continuance in power of developmentally-minded politicians meant that the GTR was safe from any real political difficulty, the coalition was powerless to prevent the company's continued business troubles. The inflation of the mid-decade years meant that the railway was expending money, for both labour and materials, faster than it had anticipated. At the same time, money was proving to be exceedingly hard to raise in London, and the £837,000 which had been set aside for the supposedly eager investors of Canada remained largely untouched.⁶⁹

Overcapitalized and underfunded, subject to severe inflationary pressure, and unable, due to both immediate problems of construction and more general problems of competition, to generate the traffic and revenue originally looked for, the Grand Trunk became a constant mendicant at the door of the Canadian Legislature. As Easterbrook and Aitken note, from 1855 "hardly a year passed by without some relaxation of the terms of the agreement" between the government and the railway.⁷⁰ The first alteration came during the coalition's first session, in December, 1854, with the passage of 18 Vic., c. 33, "An Act to amend the acts relating to the Grand Trunk Railway Company of Canada", by

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⁶⁹Currie, GTR, p. 40.

⁷⁰Easterbrook and Aitken, Canadian Economic History, p. 309. The headings in Currie's study give a rough indication of the trend. Chapter III, "Early Financial Troubles", includes three successive sections entitled "More Government Aid", "New Arrangements with Contractors", and "Still More Provincial Aid".

which the GTR was authorized to increase its capital, and given an extended period for the completion of its works.⁷¹

This was simply not enough, in the current state of the company, and early in the next year, in a letter to William Cayley (who had replaced Hincks as Inspector-General), Baring and Glyn pressed the government to scrap the £3,000/mile formula for determining the amount of provincial aid and to replace it with a straight 50% guarantee.⁷² In return for this concession the company pledged itself to open the Montreal-Toronto section by the autumn of 1856, or one year ahead of schedule. This plea resulted in the first major increase in the level of provincial aid. In May, 1855 the government put through the House 18 Vic., c. 174, "An Act for granting additional aid, by loan, to the Grand Trunk Railway Company of Canada", which authorized the release of a further £900,000 in provincial bonds to the GTR, this sum being the amount (£837,000, plus interest) which the Canadian public had failed to take up in their private capacities.⁷³

While necessary, this case of the government stepping in where its citizens feared to tread was insufficient. The struggling company was further hampered by the slump in the Canadian lumber trade late in 1855, and by the competition of the GWR'S lake

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⁷¹Canada, Statutes, 1854, pp. 104-15, and see above, note 32.

⁷²Currie, GTR, pp. 38-39.

⁷³Ibid., p. 40; Canada, Statutes, 1854-55, pp. 679-81.

steamers. Such problems were reflected in the performance of the company's stock, which was at a 50% discount by March of 1856.⁷⁴ Moreover, revenue still fell short of expenses, and the GTR experienced difficulties in paying its contractors. The company accordingly applied for further aid. The appeal this time was for a government guarantee of a 5% return on share capital in return for the reversion of the line to the government after 99 years, a proposition far different from the guarantee of interest payments on bonds in return for a first mortgage on the road. The GTR argued that within the second five-year period after completion, the line would be sufficiently profitable to cover the 5% return itself, but even a government which included the GTR's President found this a bit too much to agree to.⁷⁵ No aid at all, however, given the company's dire position and perceived importance, was equally out of the question. The government therefore responded with 19 and 20 Vic., c. 111, "An Act to grant additional aid to the Grand Trunk Railway Company of Canada". This measure provided for the release by the GTR of a further £2,000,000 in its own bonds, these to be "preference" securities ranking ahead of all other

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⁷⁴Ibid., pp. 41-43.

⁷⁵Ibid., pp. 44-45. Willion Lyon Mackenzie had been very apprehensive on this point - he informed Buchanan that "the Grand Trunk has it seems, collapsed, I very much fear our legislators will guarantee the 5%" (PAC, Buchanan papers, vol. 45, p. 36560, April 11, 1856). There is a possibility that the government actively considered the GTR proposal, but this seems unlikely. It is more probable that the old rebel overestimated, in this case as in others, the power of business interests completely to have their way.

bonds and debentures.⁷⁶

Like the previous legislation, 19 and 20 Vic., c. 111 proved to be too little to ease the GTR's crisis, which was rapidly proving to be chronic. In September of 1856 Baring was forced to admit to the shareholders and other investors, meeting in London, that serious forecasting errors had been made, and that, in spite of the recent aid, the company had been reduced to selling short-term notes to meet its requirements.⁷⁷

The increasingly predictable cycle of continued crisis and more aid continued into 1857, when the last major piece of legislation in aid of the floundering railway became law. By 20 Vic., c. 11, the government agreed to drop its rank in the order of GTR creditors below that of both company debentures and ordinary stock. Given the critical revenue situation of the GTR the practical effect of this measure was that the province had to begin meeting the interest payments on the bonds which it had issued to the railway company. At the same time the province authorized the GTR to make a further issue of £1,111,500 in preference bonds, these being given to the contractors in exchange

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⁷⁶Ibid., pp. 44-45; Canada, Statutes, 1856, pp. 405-07. Currie states that the province also gave £800,000 towards the completion of the Victoria Bridge, but this is not correct. That amount was specifically included, but as part of the new preference issue.

⁷⁷Ibid., p. 46.

for the £1,300,000 of common debentures they had accepted in payment for their work.⁷⁸

Throughout these years the Liberal-Conservative coalition obviously felt that it had no alternative but to extend its assistance to the GTR, in the hope that, once completed, it would fulfil its Laurentian destiny.⁷⁹ At the same time, both government and railway were anxious to do as much as possible to reduce the threat of competition, both as between the GTR and GWR, and between these two established lines and other aspiring major projects. One attempt to effect such ends was the abortive General Railway Bill of 1855. William Longsdon of the GWR reported on the

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⁷⁸Ibid., pp. 47-48; Canada, Statutes, 1857, pp. 73-75, "An Act to dispense with Government Directors in the Grand Trunk Railway of Canada, and to facilitate the completion of the Company's works from Riviere du Loup to Sarnia".

⁷⁹The position of the government relative to the company was not unlike that of the company relative to the contractors. As Currie, p. 55, has noted, the GTR could have forced Peto, Betts, Brassey, and Jackson to build a better-quality road, but this would have raised the twin spectres of a longer period of construction and the possible bankruptcy of the contractors: "Of the two evils...Baring and Glyn chose a poorly built, over-capitalized railway". Similarly for the government, it could have insisted that the terms of its agreement with the company - £3000/mile in guarantees, in return for a first lien on the road - were not subject to change. This course would have threatened a cessation of the works, and with it, a heavy pall over Canadian credit in London. Faced with this prospect, the government chose to increase its aid and hope for the future.

measure as follows:

You will have heard by telegraph that the General Railway Bill is given up. All future applications for charters must of necessity be granted. Mr. Brydges will tell you what passed in Committee on the subject, when Sir Allan pledged himself it should be made a government measure next morning. The only reasonable explanation for the sudden change of purpose that I hear of or believe, is the Government's embarrassment touching Grand Trunk affairs. I expect all members having private Railway Bills in charge threatened them with opposition unless each got his own peculiar interest patronized. It became an immediate question of all or none, which neither principles nor scruples left long undecided. The result is assuredly unfortunate for our line. All the competing projects will be legalized and our defence remains only in the difficulty of raising money to make them....⁸⁰

In effect, the same arguments which Hincks and Macdonald had used to justify the extension of the Toronto and Guelph to Sarnia over the Great Western's objections had now come back to haunt the government, as the GTR now stood in the same relative position as the GWR had in the fall of 1852.

Barring a politically-imposed limitation on railway expansion, such as that envisaged by the General Railway Bill, there remained the alternative of a GTR/GWR amalgamation, which

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⁸⁰PAC, Buchanan papers, vol. 39, p. 32315, W. Longsdon to R.W. Harris, May 3, 1855. Longsdon had earlier offered his opinion that "Sir Allan's political value may be very short-lived, and is probably over-rated now." (*Ibid.*, vol. 39, p. 32300, to Peter Buchanan, March 16, 1855).

had been the long-term goal of the more cautious men on both sides ever since the first failure to agree to terms in 1853. Such a proposal was made by A.T. Galt to the GWR in 1856, presumably with the consent of both ministry and railway, although Galt was a member of neither. Writing to R.W. Harris, he reminded the Hamilton businessman that

it is scarcely possible that these two corporations can exist as separate and in some localities even rival bodies, without injurious competition...this evil is already felt by both companies - as is shown in their agreements more than once made in regard to their respective branches to Sarnia, and at this moment it is certain that an useless expenditure of capital will shortly be made in this direction unless wiser counsels induce these two corporations to unite their interests.

Not only would useless expenditures be avoided by the prudent course of union, but the amalgamation of the two lines would advantageously affect the standing of Canadian railways in the all-important money markets of London

Railway property in Canada would be placed on a footing in England sufficient to secure any capital required for proper and requisite undertakings.

The specifics of the plan which would produce this happy result were as follows: the Grand Trunk would build its line through London as far west as the town of St. Mary's, where it would intersect the line of the GWR to Sarnia. These two roads were to be built "from the respective funds of the two companies", after which further capital "raised on the credit of the united company"

would be used to construct the oft-projected "Southern line from Amherstburg to the Suspension Bridge":

The united company would thus possess three distinct lines through the western peninsula of Canada - securing to them in all perpetuity the transit of the vast and increasing American traffic from New York and the Eastern States to Michigan, Chicago, Milwaukee, and the growing regions of the West. The company would also possess the main arterial line from the head of Lake Ontario to Montreal, a line which cannot fail to be the principal route for all the traffic of the region north of the St. Lawrence to the Seaboard.⁸¹

Although Galt also included a scarcely-veiled reminder of the GTR's superiority over the GWR in political influence⁸², the really striking thing about his proposal, to which Harris returned an unequivocally negative reply⁸³, was that it managed to be both

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⁸¹Ibid., vol. 27, p. 22895, February 28, 1856.

⁸²Ibid. Galt wrote: "In connection with this subject there can be no impropriety in my alluding to the fact that owing to the large amount of provincial aid granted to the Grand Trunk, it is impossible for any Canadian ministry to look with indifference upon the interests of the company; while on the other hand...the Great Western certainly has less influence in Canada than its large capital and marked success should secure it."

⁸³Ibid., vol. 27, p. 22904, March 13, 1856. Harris stuck by the letter of the 1853 agreement. He also professed to be unconcerned at the prospect of competing lines. In conclusion he offered: "Under all the circumstances I think it will be better for the Great Western to die any of the many deaths you predict, when the time comes, than be swallowed up under any shape of amalgamation with the Grand Trunk which would require the earnings of the whole...for twenty years to pay working expenses."

generally continuous with the developmental thinking which had guided railway policy since late in the last decade and a total contradiction of that thinking. Stripped to its essentials, Galt's proposals rested on two bases - access to English capital, and success on an international scale for the Canadian transportation system. These were the two great constants, one the means, the other the end, which had informed Canadian development strategy since the time of the Guarantee Act. Yet the virtual admission, in the last sentence, that the GTR could only expect to capture traffic north of the St. Lawrence (and, presumably, north of its line west of Toronto), ran directly counter to the primary assumption which had motivated the railway program from its beginning (and which had, in its most extreme form, made the GTR possible), that the "vast and increasing American traffic" would be drawn irresistibly to the Canadian route by the construction of railways.

This admission may have been rooted in the realistic perception that the GTR would do well simply to build its own line, let alone capture a large traffic, and that the best means of achieving the lesser object of construction was by: 1) ending the competition with the GWR, and 2) building the Southern, the success of which line would supply the revenue for the construction of the GTR.⁸⁴ At the same time, the ease with which

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⁸⁴Also a factor, presumably, was Galt's belief that, were his plan accepted, the contracting firm of Gzowski and Company might very well receive the job of constructing the Southern's line.

Galt dispensed with the international pretensions of Laurentianism highlights two contrasting aspects of the developmental culture. Laurentianism was dispensable because, in the end, it was nothing more than the simplistic and pliable rationale for a more general "developmentalism" arising out of the economic recovery and the availability of large amounts of British capital.

"Developmentalism" was an historical reality which predated the 1850's however, and Laurentianism was the strategy to which its energies had most consistently been devoted; the Laurentian strategy may therefore not be so easily explained away. What Galt's 1856 approach to the GWR ultimately demonstrates is that a real, if somewhat vaguely applied, strategy of development had in the end invalidated itself ~~by the~~ excess which its unrealistic ambition had made possible.

For the state, Galt's concern to secure at least a limited future for the GTR was directly related to the necessity of "keeping faith with the public creditor". Simply put, the government absolutely could not afford to allow the railway to go under. If it were to fail as a transportation project, that was one thing, but the company could not be permitted to collapse financially. Too much of the image of Canada as a credit-worthy province in which it was safe and profitable to invest had been attached to the venture - better greatly to increase the financial burden on the state than to allow the failure of the railway to drag down the credibility so carefully created by Hincks and the bankers in London.

Nevertheless, the government was sensitive to criticism of the relationship.⁸⁵ When objections were raised to G.E. Cartier's entry into the ministry as Provincial Secretary, Macdonald responded:

I see Cartier's appointment is objected to on the ground of his being solicitor to the Grand Trunk. There is no force in the objection. The relations between Government and the Railway are fixed by statutory enactment, and the present Government will take care they (the G.T. people) get no more than the law allows.⁸⁶

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⁸⁵Of which a good example might be James Morris' succinct reference to "that mammoth instrument of jobbing - subsidiary of political turpitude, the Grand Trunk." (PAC, Buchanan papers, vol. 48, p. 39106, Morris to Buchanan, May 8, 1855). An original government director of the GTR, Morris was clearly not a "Railway Liberal". He believed that "Browns incessant goading" of Hincks had led the Premier in 1854 to "sacrifice the party to which he was indebted for his prominence...rather than see [Brown] attain to office. Thus Hincks forgot the Statesman in the man and I told him so when the coalition burst upon us." (*Ibid.*, p. 39095, Morris to Buchanan, March 20, 1855).

⁸⁶PAC; Brown Chamberlin papers, vol. 2, # 38, Macdonald to Chamberlin, February 2, 1855. This defence neatly overlooked the fact that the Government could (and did) change the law. Macdonald kept to this same rather thin line as time passed, however. He argued in 1861 that, with regard to the GTR, "if there be one thing more than another for which the present Government deserves credit, it is for not exceeding the authority given them by the Constitution." (Address...to the Electors, p. ix). Even for "bunkum", this was pretty weak. To balance the critics, there was always John Ross, Solicitor-General and President of the GTR. His view was that "in so far as the results of the last session go, ours cannot be said to have been an idle government. On the contrary, a better government for practical work has never been brought together. I think the whole may be easily defended, and it is hard to make people believe anything to our prejudice so long as the country is prosperous and as you say luxuriating in abundant crops." (PAC, Macdonald papers, vol. 260, p. 118116, September 12, 1855, emphasis added).

The problem, however, as Macdonald came to realize, was that "the law" as it applied to the Grand Trunk had to be changed almost annually to cope with the company's troubles, leaving the government vulnerable to just those types of charges which had greeted Cartier's entry into the ministry. By November of 1856 Macdonald, now Premier, was expressing a desire to see his government "lay down some definite policy with regard to GT matters".⁸⁷

Of particular difficulty in this regard was the legal embrace between government and company enforced by the presence of "government directors" on the Canadian board of the railway. As the Executive Council noted in 1856, their role had been misconstrued - while actually on the board to oversee "those points which immediately affected Canadian interests in a financial point of view", they had come to represent, in British eyes, a "copartnership" arrangement with the shareholders "in which both had equally to encounter the chances of success or failure." In other words, the British investors, who had ended up holding shares and debentures which were basically without value, were determined that their "partners", the Canadian state, assume a share of the burden by providing sufficient aid to see the work completed. In Canada, at the same time, the existence of

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⁸⁷Ibid., vol. 2, # 57, Macdonald to Chamberlin, November 27, 1856.

government directors had

invested the undertaking with a political cast and has thus unfortunately exposed it to those trials and struggles incident to all matters which partake of a party character in the Province.⁸⁸

The Executive Council therefore recommended that the government directors be dispensed with, and such a provision was included in the 1857 GTR legislation. Unfortunately for the government, this action, while easing the political pressure stemming from the Grand Trunk, could have no effect on the railway's continued financial troubles. By 1857 the company was literally existing on a hand-to-mouth basis, with the assistance of Baring and Glyn⁸⁹, and the government was beginning an attempt to come to grips with the financial situation which its developmental policies had created.⁹⁰ With reference to the Grand Trunk, which

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⁸⁸Minute Books, Q, p. 440, July 21, 1856. While not inaccurate, this summary conveniently overlooked the fact that the government directors had also, in all likelihood, been added to the board for distinctly promotional purposes, and that there was therefore some force in the British complaints.

⁸⁹Brown, History of the Grand Trunk, p. 21. The bankers had taken to advancing provincial securities to the railway before they were legally due, "as a loan, and in anticipation" of the Company completing the works for which they were intended as the guarantee portion of the cost. As Baring explained it to Inspector-General Cayley in 1857, "It has been a matter of life and death to the company, and although these releases do not relieve it from grave financial difficulties ahead, they enable it to live a little longer, and look about for the future ways and means."

⁹⁰On January 21, 1856, the Executive Council recommended that the Inspector-General investigate and report on the financial situation of the various railways aided by the government, and suggest any course he deemed necessary. (Minute Books, R, p. 129.)

was of course the major element in the financial equation, the situation was particularly grim. Six months after recommending that the Inspector-General investigate the situation, the Executive Council was forced to consider the possibility, raised by the GTR's board, that the company would have to cease construction that year. In that event, the government would be "compelled by the voice of the country and the action of the Legislature to undertake the completion of the works", by invoking its rights and privileges as secured by the guarantee.⁹¹ As it happened, the company managed to hang on, and a government takeover did not prove necessary. In the place of that particular crisis, however, there intervened an equally calamitous event. In the fall of 1857, after seven years of steady expansion, of a prosperity which had made possible, both fiscally and psychologically, the aggressive policies which led to the GTR, North American business was laid low by one of the periodic convulsions to which the nineteenth century commercial economy was prone.

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⁹¹Ibid., p. 526, July 2, 1857. That is, the government was prepared if necessary to repeat the experience of the Welland Canal by turning a stalled "private" venture to which considerable public support had been given into a true public work.

The effect of the depression was to exacerbate the already-difficult position of the GTR, and, more importantly, to bring home to the government the true nature of the risks inherent in past railway policies. In the years prior to 1857, with a booming economy, increasing trade, and abundant revenue, those risks could easily be overlooked. After the depression began, they could no longer be avoided.

The depression's results were succinctly summed up by Macdonald. The "great commercial and financial crisis" of 1857 had "ruined...many of our best men, depreciated property all over the country, and destroyed the Public Revenue."⁹² These general observations are given more substance by a number of indicators. Of the three leading grain traders in Toronto, only one survived the collapse.⁹³ From Hamilton, Isaac Buchanan reported that

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⁹²Address...Macdonald, p. viii. The shock which precipitated the collapse was the failure of the Ohio Life Insurance and Trust Company in the United States. This quickly affected commodity prices and railroad securities, and spread via these media to the trading and investing communities of Great Britain, especially those in Glasgow and Liverpool. (Creighton, BNA at Confederation, p. 11).

⁹³Dyster, Toronto, p. 254. The survivor was William Howland. The victims were Thomas Clarkson and William Gamble. The price of wheat, which at the height of the boom in 1856 had stood at 11s.9d./bu., had still been as high as 9s./bu. in June 1857, but fell to 4s.6d./bu. in October of that year. ("The Financial Condition of Canada - Present and Prospective", Canadian Merchant's Magazine, vol. 4, #3 (March, 1859), p. 167). Another prominent victim of the crash was the Conservative politician J.H. Cameron, whose extensive speculations left him in a position where he was unable to continue his political activity, since "any separation from his business [would] result in total ruin." (PAC, Macdonald papers, vol. 253, p. 114557, J.C. Morrison to Macdonald, December 1, 1861).

"property may be said to have no money value", and that the city's population, which had peaked at 25,000 during the boom years, was down to 11,000 and still declining at the rate of 400-500/month.⁹⁴ In London, the population had fallen to 10,000 in 1860 from a high of 13,000, forty stores and two hundred houses were unoccupied, and real estate prices were at 1/3 and 1/2 their former levels.⁹⁵ In the three years following September, 1857, 3/4 of the town's small businesses failed.⁹⁶

The public effects of the depression were no less severe. The GTR, which was "public" in the sense that its finances were inextricably connected with the public credit, suffered along with the rest of the economy. By mid-1857, although its shares (at a 50% discount) and debentures (at a 15% discount) evinced its weak reputation, the line was continuing to build, and business was tolerably good. One year later, traffic had fallen far below previous levels, while the company's shares were quoted at 40% of their original value and debentures at 73% of their face value.⁹⁷

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⁹⁴PAC, Buchanan papers, vol. 27, p. 22960, Buchanan to Galt, May 8, 1860.

⁹⁵Ibid., vol. 28, p. 23750, George Jervis Goodhue to Buchanan, May 4, 1860. Goodhue located the source of all this misfortune in the speculation and accomadative banking practices which had been central features of the boom: "excessive over-trading, particularly so, in Real Estate, on credit".

⁹⁶G. Miller, "The Fat Years and the Lean: London in Boom and Depression", 79.

⁹⁷Currie, GTR, p. 49.

The specific role, and immediate effect of the crash in this decline was testified to by George Carr Glyn in September, 1857: the crisis emanating from the American commercial collapse had "materially interfered with operations in...Railway debentures and stocks." The GTR's bonds, which had been at 85, had fallen into the 75-78 range -- "a state of discount which precludes the directors from operating."⁹⁸

For the government the most damaging effect of the crash was felt in the decline of revenue. With indirect taxes in the form of customs duties and canal tolls being the major sources of the state's income, the falling off in trade associated with the depression seriously affected its fiscal situation.⁹⁹ At the same time, increasing demands were being made on that revenue by debt-burdened municipalities, whose excessive borrowing in support of local railways now had them on the verge of defaulting on their obligations. Strictly speaking, such debts were not the province's responsibility by the terms of the Municipal Loan Fund

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⁹⁸PAC, Glyn, Mills papers, outgoing correspondence, file 4, n.p., George Carr Glyn to T.G. Ridout, September 18, 1857.

⁹⁹Customs revenue, which had stood at \$4,508,882 in 1856, was down to \$3,368,158 in 1858, a drop of roughly one quarter. (Canada, Journals, 1859, Appendix 5, Public Accounts for 1858, n.p.). As Galt noted, the problems created by "the very serious and general depression of trade consequent upon the recent commercial crisis" were greatly exacerbated by the "bad Harvests of 1857 and 1858" which had "enormously" decreased the Imports of the country" - further evidence of the importance to the economy generally of the agricultural sector.

Acts under which they had been incurred, but, as with the GTR, the province's credit was unavoidably associated with that of other Canadian borrowers, and the government felt compelled to step in and cover interest payments. This it did, to the extent of \$159,000 in 1857 and \$365,000 in 1858. Combined with the payment of interest on the large amount of bonds issued on behalf of railway companies¹⁰⁰, and the fall in revenue, the government very quickly found itself in a very tight financial corner. In 1858, the first full year of the downturn, its deficit of \$2,500,000 was greater than the entire budget of 1850.¹⁰¹ Measured another way, the severity of the situation may be seen in the fact that the cost of carrying the provincial debt in 1858 took up no less than 60% of that year's revenue.¹⁰²

¹⁰⁰The sudden appearance of dollar figures in the text and notes stems from the adoption of the decimal system for government accounts in 1858. The system had been legally established by legislation in 1853, and had been adopted from that time by the banks and the majority of business houses. Supplementary legislation in 1857 required the government to adopt the new system in its own accounts beginning in 1858. (Skelton, Galt, p. 124). With respect to the payment of interest on the Municipal Loan Fund debentures, Galt observed (Public Accounts, 1858, op.cit.) that "the General Revenue was not strictly liable", but that the government had been "required to advance the necessary funds to prevent a failure in the payment of the Interest". In other words, the necessity of "keeping faith with the public creditor" had taken precedence over the strict letter of the MLF Acts. Of even greater significance was the admission that "a very large, and it may be found, a more permanent charge upon the resources of the Province has however, been created through the guarantees granted in 1852, 1853 and 1854...." Of the indirect debt of \$20,295,028 thus created, "the advance to the Great Western [2,810,500] can alone be regarded as secure", leaving approximately \$17.5 million "for which the Province may ultimately have to provide - meantime advancing the Interest."

¹⁰¹Skelton, Galt, p. 121.

¹⁰²Ibid., p. 112.

Fortunately for the province, from early August 1858 its finances were in the hands of A.T. Galt, who proved to be as able a financier in handling a depression as Francis Hincks had been in underwriting a boom.¹⁰³ He first floated a new loan in 1859 to retire the old Imperial loan of 1841. By this measure he succeeded in reducing annual charges from \$548,000/year to \$299,000/year.¹⁰⁴ The following year Galt came to grips with the province's more recent debts, \$10,250,000 of which he was able to retire by means of a second new loan. This borrowing was to be paid off in fifty years and had the decided advantage, in the revenue-short days of the end of the decade, of increasing the province's annual debt-servicing charges by only \$17,000.¹⁰⁵

The Grand Trunk's distracted affairs could not be taken in hand so easily. Neither Galt's skills nor those of Baring and Glyn could generate more traffic for the road. In the opinion of the latter, the continually disappointing traffic returns were "very much" the cause of the "excessive depression" of GTR stock.¹⁰⁶ More than this, Glyn warned, as the first season of

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¹⁰³Galt entered the government as Inspector-General in August, 1858, after the demise of the short-lived Brown-Dorion ministry.

¹⁰⁴Skelton, Galt, p. 112.

¹⁰⁵Ibid., pp. 112-13.

¹⁰⁶PAC, Glyn, Mills papers, outgoing correspondence, file 4, n.p., Glyn to T.G. Ridout, September 18, 1857.

depression neared its end, that the company faced imminent "collapse" if effective aid were not forthcoming.¹⁰⁷

Confronted with its own fiscal burden, the province was past the point of giving direct financial aid to the railway, which, despite continuing to "sink in the mire of its own excessive costs and lack of traffic"¹⁰⁸, managed to limp along through 1858 without further grants. The basic cost/traffic problem, however, would not go away, and in 1859 matters once again came to a head. Baring's letters to Galt during the spring and summer were unrelievedly gloomy. On May 24 he reported that "an empty exchequer stares us in the face and no means or credit within the reach of the company to fill it."¹⁰⁹ Although vowing to "leave no stone unturned to avoid the regrettable disaster which now faces the company"¹¹⁰, Baring was finally forced to admit that "the credit of the Company is entirely lost."¹¹¹

In this situation, the bankers, with the connivance of John Ross (still the GTR's President, and now President of the Executive Council and Minister of Agriculture), resorted to what

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¹⁰⁷Ibid., Glyn to Galt, November 23, 1857.

¹⁰⁸Morton, Critical Years, p. 92.

¹⁰⁹PAC, Galt papers, vol. 1 p. 65, Baring to Galt, May 24, 1859.

¹¹⁰Ibid., p. 176, Baring to Galt, July 22, 1859.

¹¹¹Ibid., p. 191, Baring to Galt, August 2, 1859.

may charitably be called "indirect means" to save the company. The opportunity upon which they seized was another piece of Galt's financial shuffling, this one involving the debentures issued under the terms of the Municipal Loan Fund Act. These 6% securities, on which there was not the slightest chance of the interest being carried, were recalled and replaced by 5% provincial bonds.¹¹² What Ross, Baring, and Glyn did was to use this new issue, clandestinely, to "substitute the undoubted credit of the Province for the damaged credit of the Company for a short time."¹¹³ Specifically, Baring had suggested to Galt that

if you issue Provincial Bonds or raise money in anticipation of the redemption or exchange of municipal Bonds, such bonds or money might be temporarily loaned to the Grand Trunk Co.
...¹¹⁴

Before Galt even had time to respond to this suggestion, it quickly became reality. Ross reported from London on August 19 that the arrangements had been completed.¹¹⁵ Without them,

the Grand Trunk would have collapsed...as there were no means for getting over the payments which had to be met...and I have been compelled to anticipate the approval of the arrangement so as to help them through, all of which you must carry through and sustain me.

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¹¹²Creighton, British North America at Confederation, p. 69.

¹¹³PAC, Galt papers, vol. 1, p. 152, Baring to Galt, July 12, 1859.

¹¹⁴Ibid., vol. 1, p. 183, Baring to Galt, August 2, 1859.

¹¹⁵Ibid., vol. 1, p. 221, Ross to Galt, August 19, 1859.

There can be no difficulty in getting the approval of our colleagues...this is not a Grand Trunk measure. I have simply been making a financial arrangement for you...

It became simply a question whether I would wait for your approval and allow the company to break down, or anticipate your approval when it cannot be withheld on any ground that I can conceive.¹¹⁶

Although Galt's initial response was decidedly negative¹¹⁷, the arrangement, as Baring reminded him, was already a "fait accompli"¹¹⁸ John Ross, while he continued to offer assurances,¹¹⁹ was equally blunt:

Your colleagues will at all events have to confirm what I have done in conjunction with Baring and Glyn or else include them in a quarrel with me. We fortunately are all in the same boat.¹²⁰

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¹¹⁶Ibid., vol. 1, p. 241, Aug. 23. On August 25 Ross added: "Baring, Glyn and myself are now in your hands and you must carry us through. If you do not you have at least to catch us before you can hang us." (Ibid., vol. 1, p. 249).

¹¹⁷The Finance Minister had insisted that "the conversion and redemption of our debt I wish to keep distinct from any other question." (PAC, Glyn, Mills papers, vol. 10, p. 10, Galt to Glyn, Sept. 9, 1859.) This is somewhat curious, as Ross' initial report had informed Galt that the arrangement had been "managed exactly as you suggested and without mentioning Gd. Tk. at all."

¹¹⁸PAC, Galt papers, vol. 1, p. 279, Baring to Galt, September 27, 1859. Galt continued his protests into October, insisting to Glyn that Ross' actions had been totally out of line, since he had in no way been delegated to represent either Galt or the government (Ibid., vol. 10, p. 26, October 20, 1859). Assuming that Ross' evidence (see above, note 117) is accurate, and there is no reason to think otherwise, Galt's protestations must be seen as mere formalities, designed to protect his own position in the event of the arrangement being uncovered.

¹¹⁹Ibid., vol. 1, p. 334, Ross to Galt, October 7, 1859.

¹²⁰Ibid., vol. 1, p. 261, Ross to Galt, September 7, 1859.

This interesting little manoeuvre, which illustrates how useful to the GTR the close interrelationship of state, railway, and bankers could be, and especially the central role of Baring and Glyn as both financial agents of the province and bankers for and directors of the GTR, more or less coincided with (and, indeed, may have made possible) the completion of the through line and the Victoria Bridge. Once completed, the railway no longer had any excuses for poor traffic and low revenues. As Galt noted after the disguised rescue, "our hope for the Grand Trunk must be sought in the traffic."¹²¹

Ross was optimistic as 1859 neared an end¹²², but the opening of the completed line failed to produce the desired results. In June of 1860 Baring, with what must have been a familiar refrain,

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¹²¹Ibid., vol. 10, p. 23, Galt to Ross, October 10, 1859. In particular, those who were directly involved in the day-to-day drama of the GTR's existence had looked to the harvest of 1859 to revive the line's prospects. As early as July of that year Galt had looked ahead and commented: "I trust however that I have now passed through everything and that the magnificent harvest which seems about to be vouchsafed to us will soon restore everything." (PAC, Galt papers, vol. 10, p. 3, Galt to Thomas Baring, July 14, 1859). Two months later John Ross expressed a similar hope, "as this will more surely re-enlist the investment of capital in our railways than anything else" (PAC, Macdonald papers, vol. 260, p. 118152, Ross to Macdonald, September 24, 1859). See also Baskerville, "The Pet Bank", p. 20, for the comment of William Proudfoot, President of the Bank of Upper Canada: "the trade and payments cannot improve much until we get off another crop which it is to be hoped will turn out better than last year."

¹²²Ibid., vol. 1, p. 334, Ross to Galt, October 7, 1859.

reported to Galt that

the total prostration of Grand Trunk credit is beyond what I had thought possible...I fear nothing but a marked increase in the traffic returns will improve it, and the returns disappoint us all.¹²³

Three months later the message, while basically unchanged, had sharpened:

It is as clear to you as to us that without some efficient aid the Company must become inoperative, and that no aid can come from the prostrated credit of the Company.¹²⁴

Such entreaties were both unsuccessful (the Act of 1857 was the last major piece of GTR aid legislation)¹²⁵, and unnecessary (in the sense that even without the requested aid, the company did not become "inoperative"). But it was plain that the troubled railway could not long continue in such a precarious position, since even if it did manage to dodge the bullet of collapse, its future

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¹²³Ibid., vol. 2, p. 513, Baring to Galt, June 13, 1860.

¹²⁴Ibid., vol. 2., p. 552, Baring to Galt, September 20, 1860. It should be noted that such blatant appeals were balanced by a sympathy for Galt's situation: "But we are all aware of your difficulties as well as ours, and we feel that we are far from being in a position to dictate and can only ask what you can give...." (Ibid., vol. 2, p. 544, Baring to Galt, August 17, 1860).

¹²⁵As noted above (chapter II, p. 82) direct public aid to the GTR had been supplemented by "covert relief" funnelled through the Bank of Upper Canada. This indirect method of propping up the railway was continued after 1860 - the extreme difficulty of the Bank's own position had become a "ploy" which allowed the government not to abandon the GTR altogether. (Baskerville, "The Pet Bank", pp. 27-32).

existence could only consist of a constant series of debt-induced crises, without hope of any return whatsoever on investment.¹²⁶ The result was a complete restructuring of the company's finances in 1862 which was given legal effect by the Grand Trunk Arrangements Act of that year (25 Vic., c. 56).¹²⁷

This legislation completed a process highlighted by a Canadian Royal Commission in 1861 and a special committee of the GTR's British investors in 1861-62. The Royal Commission made the obvious recommendation - that the company's bonded debt somehow be lowered to the point where annual carrying charges were not greater than the line's annual earnings.¹²⁸ Although one analysis suggests that the means of effecting this change became the object of a struggle between the different parties involved, each trying

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¹²⁶One basic feature of the company's problems was the high ratio (65:35) of bonds to stocks in its capitalization. The GTR's fixed charges amounted to almost £500,000 per year, or £9.10s. per mile per week for the completed line. With operating expenses at £14-15 per mile per week it is not hard to see the extent by which revenue (£18 per mile per week) was failing to meet total expenses. (Currie, GTR, p. 64) As a result, by 1860-61 GTR shares were trading at 20% of and bonds at 50% of face value (Glazebrook, History of Transportation, p. 182). Even after the financial reorganization, the company never paid anything on common stock, and managed to produce only intermittent returns on the various classes of preference bonds. (A.W. Currie, "British Attitudes Towards Investment in North American Railways", Business History Review, XXXIV, #2 (summer 1960), p. 206.

¹²⁷Currie, GTR, pp. 76-84.

¹²⁸Ibid., p. 74-76.

to shift the burden of the reorganization onto the others¹²⁹, it seems clear that everyone lost in the 1862 measure, which in the main followed the recommendations of the investors' committee.¹³⁰ Essentially, the act reduced the bonded debt by converting a portion of it into shares. Further relief was afforded by reducing the rate of interest payable on the remaining bonds, and in the provision whereby arrears of interest were to be repaid (at the new lower rates) in stock. To deal with those creditors who might object to this last arrangement, the Act provided that the GTR be exempt from legal action to recover arrears.¹³¹

In effect, the company had simply increased the number of "risk" investors, who had to share in the fortunes of the venture, and correspondingly reduced the number of "security" investors to whom regular returns were required. The latter class included, of course, the Province of Canada, since the guarantee mechanism had involved the receipt by the province of company debentures in return for the bonds of the state given to the railway. After all had been sorted out, GTR debentures held by the province were ranked ninth in the order of claims on GTR revenue.¹³² As O.D. Skelton noted, the government's "guarantee" had become, practically, "a gift".¹³³

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¹²⁹Glazebrook, History of Transportation, p. 180.

¹³⁰Ibid., p. 184.

¹³¹Ibid., pp. 184-85.

¹³²Ibid., p. 185.

¹³³Skelton, Railway Builders, p. 70.

The Grand Trunk legislation of 1862 was, in G.P. de T. Glazebrook's words, "an ingenious act, which enabled a virtually bankrupt company to continue operations."¹³⁴ He correctly noted that it was this latter object which the province sought to obtain by the total sacrifice of its own investment in the project.¹³⁵ In this the legislation proved a success, but such an absolutely minimal victory was as nothing compared to the original hopes for the railway. Ten years earlier, Hincks had confidently asserted that his GTR arrangements entailed no risk whatever for the Province,¹³⁶ and T.G. Ridout of the Bank of Upper Canada had been sure that "bright days are dawning upon us at last."¹³⁷ Canada

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¹³⁴Glazebrook, History of Transportation, p. 185.

¹³⁵Ibid.

¹³⁶See above, chapter VI, p. 339, & p. 351.

¹³⁷PAC, Buchanan papers, vol. 52, p. 41719, Ridout to Peter Buchanan, November 12, 1852. Ridout made this claim in introducing John Ross to Buchanan, and argued that "much of our present prosperity is owing to our energetic and enlightened Government...of which he is an honourable and leading member."

had enjoyed "bright days" during the boom which followed 1852, a boom in which the GTR's construction played no small part, but by the end of the decade the prosperity had ended, and the country was left burdened with debt and still unsuccessful in its Laurentian quest.

Nonetheless, those responsible for the state's development strategy insisted that no other course had been possible, and that the overall situation was fundamentally sound. Macdonald argued, fairly enough, that the GTR had been a "fixed fact" from 1852, when Hincks had succeeded in chartering the railway, and that it had been the "duty" of the 1854 coalition government to finish it, rather than abandon the project, and with it the country's investment.¹³⁸

Moreover, that investment, which had contributed so largely to the province's 1861 public debt of \$58,000,000 was not large when compared to the public works system it had purchased, and the debt, according to the Premier, would "speedily diminish and

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¹³⁸Address to the Electors, p. 20. As he put it, to abandon the Grand Trunk before its completion would have been to break up "the bones of the country" (Ibid., p. 21). This understanding attitude may be contrasted with that which the Premier manifested towards the GWR, when it too faced financial difficulties late in the decade: "There is a hitch about the G. Western and I do not think it will go through. There is certainly a breach of faith on the part of the Company in refusing to pay the Government draft on 1st July. The Government are inclined to refuse to be paid off and let the GW go to hell." (PAC, MG 24, C 29 (H.C.R. Becher papers), n.p., Macdonald to Becher, July 14, 1858). In the event, the GWR was allowed to renegotiate its loan. (Currie, GTR, p. 175).

rapidly disappear."¹³⁹ In this he was mistaken¹⁴⁰, but in any case, railways in Canada have always been judged more for their general "nation-building" contributions than for their efficiency relative to cost.¹⁴¹ Donald Creighton, for example, argued that the railways of the 1850's, while failing "to realize [Canada's] external ambitions", had "speeded up its internal development."¹⁴² This claim was first made by Galt, in arguing that the advance of twenty million dollars of public credit had induced private investment of "at least" sixty million, and had thereby

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¹³⁹Ibid., p. ix.

¹⁴⁰On entering Confederation Canada's net public debt was \$74,400,000, of which \$33,000,000 was the result of direct aid to railways, and another \$28,500,000 was for canals and other public works. (Creighton, British North America at Confederation, p. 76).

¹⁴¹See Baskerville, Boardroom and Beyond, pp. 4-8, for a discussion of this tendency in the historiography.

¹⁴²Creighton, British North America at Confederation, p. 16. O.D. Skelton had already used this argument; "by the loan or gift of twenty millions [the railway policy] had aided in bringing the province sixty millions more of private capital. In ten years, two thousand miles of railway had been constructed and a great stimulus given to the industry and settlement of the province." (Skelton, Galt, p. 109). This in turn was but an echo of Galt's original argument that the total expenditure on railways had not been less than \$100 million, "of which a large proportion has been expended within the Province; in labour and materials, tending to develop its resources, while supplying the greatest facilities for the internal trade of the country." (Journals, 1861. Sessional paper 43, n.p., Public Accounts for 1860).

secured an uninterrupted Railway communication throughout the entire length of the Province, comprising, with their branches, about 1250 miles of Rail. It will not be disputed, that although the unfortunate disappointment in traffic has caused the Grand Trunk and Northern Railways to become a charge upon the Provincial Revenue, yet Canada has, in every other regard largely benefitted by these works, and indirectly obtains a return upon her advances, through the diminished costs and increased facility with which the whole business of the country is now carried on.¹⁴³

It is certainly true that railways were instrumental in both unifying the society and transforming the economy of Canada¹⁴⁴, but such results came from railway development per se, not from the Grand Trunk in particular. Even a less ambitious project, for instance lines between Hamilton and Montreal and Richmond and Quebec, would have produced essentially the same results.

That the major developmental project of the 1850's might have been framed by more circumscribed limits was apparently less than a commonplace realization by the end of the decade, but it did occur to some of the participants. Thomas Baring, for example,

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¹⁴³Public Accounts, 1858, op.cit., n.p. Galt added the claim that there was "good ground to hope, that ultimately the increase of population and trade may place both those Railroads in a position to assume the charges which, for the present, devolve upon the Province."

¹⁴⁴Langdon, Political Economy of Capitalist Transformation, p. 67.

was moved by his experience with the Grand Trunk to wonder

whether it would not have been more profitable for the company to have managed its business without Government interference and Government subsidies if it had been allowed to limit the extent of the line to commercial wants.¹⁴⁵

Apart from the questionable implication that the company's early overexpansion was entirely the fault of the government, Baring here made a most succinct statement of a major cause of the GTR's failure - that the undertaking had been fatally flawed from the beginning by its unrealistic ambition. Such penetration, while hardly astounding in its brilliance, was possible for Baring because for him the GTR was, at bottom, a business proposition. For A.T. Galt, the railway remained the keystone of an entire approach to development, and he could only lamely recite his Laurentian creed:

You are aware that almost the whole Debt of the Province, has been contracted in efforts to obtain the Western Trade...if we could get the bulky cereals of the West, brought down to Montreal, we would not merely make our canals productive, but the Grand Trunk would also enormously benefit by the increased traffic...¹⁴⁶

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¹⁴⁵PAC, Galt papers, vol. 2, p. 574, Baring to Galt, December 13, 1860.

¹⁴⁶PAC, Galt papers, vol. 1, p. 28, Galt to Baring, February 13, 1859. In fairness to Galt, it should be noted that at the same time he was also involved in initiatives which would ultimately lead the economy in different directions. See A.A. Den Otter, "Alexander Galt, the 1859 Tariff, and Canadian Economic Nationalism", Canadian Historical Review, LXIII, 2 (June, 1984).

This simplistic approach, which had provided virtually the entire strategic rationale for railway construction, was not merely unsuccessful.¹⁴⁷ It also lacked consistency in its application. The fact of state support for the pseudo-Laurentian GWR is a perfect example of this,¹⁴⁸ as is Galt's 1856 proposal to amalgamate that line with the Grand Trunk. As R.W. Harris had angrily noted in 1853, GTR attacks on the Great Western as "a Yankee line" were "as perfect chuff as was ever written", because if the GTR owned or controlled the GWR, it too would use the Hamilton line to carry traffic to the New York frontier, "or the American travel would not come into Canada at all."¹⁴⁹

In including a Southern line in his amalgamation proposal, Galt proved the truth of this charge. A direct through line linking the Detroit and Niagara Rivers could serve no other purpose but the trans-shipment of American traffic from the west to New York through Canada, without even the pretence of Laurentianism which the GWR was able to maintain by virtue of its

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¹⁴⁷Railways were advocated and built for reasons other than those based on commercial visions. Their more general developmental effects and their direct connection with the whole notion of "progress" also provided considerable stimulus for their adoption in Canada in the 1850's. This blending of a specific strategic appeal with a more general developmental one, the whole wrapped up in the necessity for progress, is best seen in Keefer, Philosophy of Railroads.

¹⁴⁸See above, Chapter III, pp. 138-39, and chapter V, p. 285.

¹⁴⁹PAC, Buchanan papers, vol. 30, p. 25202, Harris to Peter Buchanan, November 19, 1853.

connection with Lake Ontario. Galt's plan reveals that, once the GTR began to struggle, it was not so much the classic Laurentian goal of carrying "the bulky cereals of the West...down to Montreal" which motivated railway policy, but simply the necessity of securing a paying traffic sufficiently large to carry the weakened colossus which the extravagance of 1852-53 had created.

This interest in the Southern line as a response to the difficulties of the GTR was typical of the period: a reaction more instinctive than reasoned. Faced with a railway which could barely manage to construct its own line, let alone effect a major diversion in existing patterns of trade and travel, Galt's response was simple - build yet another railway, this one sure to succeed, and thereby inject a healthy dose of traffic and revenue into the system.¹⁵⁰

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¹⁵⁰Galt's turning to the Southern as the project which could reverse the difficulties facing the GTR was paralleled by Isaac Buchanan's promotion of the idea. Although he failed to sell his plan to the directors of the GWR (see Neutel, From Southern Concept to Southern Road, pp. 55-82), and then saw the Southern become hopelessly entangled in his dispute with Samuel Zimmerman (see above, Chapter II, pp. 93-94), Buchanan persisted. In 1859, no longer associated with the GWR, he turned his appeals to the GTR, telling Ross that if the GTR built the Southern it would "at once bring all the American Railways East and West to its feet and raise [the GTR] to the undisputed rank of the Grand Trunk (not of Canada only but) of America..." The Southern would thus "come to the rescue and [save] at once the credit of Canada and all connected, either in this country or England, with the Grand Trunk" (PAC, Buchanan papers, vol. 52, p. 42406, Buchanan to Ross, August 19, 1859).

Fortunately for the credit of Canada, the GWR's Canadian board was completely unwilling to consider Galt's proposal; even had they been, the intervention of the depression effectively brought developmental planning back to earth¹⁵¹, by forcing a confrontation with the accumulated costs of past policies. By the end of the decade, as the GTR "[staggered] along from day to day"¹⁵², other developmental options were growing in popularity, but even then, the innate strength of the Laurentian strategy remained basically unshaken. It may be argued that the government's preoccupation with the more immediate problems of seeing the line completed and salvaging the financial position of the state prevented a fuller consideration of the strategic lessons inherent in the GTR's failure. Nonetheless, that failure was sufficiently thorough that some comment at least might be expected. Yet the negative dénouement of the story which had begun so hopefully in 1852-53 produced no searching examinations of the causes of failure, and no fundamental reconsideration of the Laurentian premises on which Canadian railway policy had been based. Such an omission is eloquent testimony to the deeply-rooted nature of that strategy.

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¹⁵¹Not least because, as John Ross noted in 1859, British investors looked on all American and Canadian railways with disfavour. Consequently, "the Southern Railway scheme could not be floated here even by Thomas Brassey." (PAC, Galt papers, vol. 1, p. 261, Ross to Galt, September 7, 1859, London).

¹⁵²PAC, Galt papers, vol. 1, p. 191, Baring to Galt, August 2, 1859.

Chapter VIII

CONCLUSION

When Francis Hincks first set out the nature of a Canadian railway policy in 1848, he was guided by two primary considerations. The province was just then finishing the construction of the publicly-owned canals which were designed to capture both an international and an American intra-regional trade for the Canadian route. Accordingly, he saw in the proposed lines of the GWR to Hamilton and the SLA to Portland projects complementary to those Laurentian goals in pursuit of which the state had just made a major commitment.

At the same time, the very real financial difficulties facing the government precluded any really active programme of support for the two companies. The result of these two factors was the limited and cautious loan guarantee policy embodied in the Guarantee Act of April, 1849. The assumption behind this first

general piece of railway legislation was that the involvement of the state would be largely formal - pledging its credit to lines which would in fact never need it, and whose certain success would then suffice to attract private capital into other Canadian railway ventures. A similar result was looked for from the participation of the Imperial government in the financing of the HQR.

By the time the GTR was launched in London in the spring of 1853, or a mere four years later, a far more ambitious policy was in place. With its completion in 1859 (or 1860, with the Victoria Bridge), Canada had a railway system which was vastly expanded and enormously expensive relative to that envisaged in the early memoranda of Francis Hincks. That system was probably in excess of the actual transportation needs of the Canadian economy; it was definitely too large relative to the traffic and revenue potential of its main element, the GTR. Moreover, and as a direct result of the excessive lengths to which railway development had gone, the financial burden on the Canadian state far exceeded anything envisaged in Hincks' original strategy.

An examination of the origins and evolution of the policy which contributed to that result leads to several conclusions. There are first those which spring directly from a detailed analysis of the formation of railway policy in the years between 1848, when the general case for state aid was first made, and 1852, when Hincks opted for a main line constructed by a private British company assisted by a government guarantee of bonds. There are then those more general observations regarding the

relationship between economic development and political culture which are suggested by a focus on the period 1848-62 in its larger nineteenth century context.

Focussing first on the more limited period between the Railway Committee's hearings of 1848 and Hincks' arrangement with Peto, Betts, Brassey and Jackson in 1852, it is evident that the process by which railway policy was shaped in those years cannot be understood without reference to the influence of two absolutely basic factors - Laurentianism and British capital. The geography of the former dictated the basic orientation of the first Canadian railway system, as it had that of the waterways and, through them, the provinces' evolving urban system. The second effectively set the material parameters within which metropolitan and provincial transportation goals could be pursued.

With regard to the first of these, it must be stressed that the railway policy of 1848-52 was not a new departure in economic development (although railways did ultimately play a large role in the transformation of the Canadian economy), but rather a continuation of the concerns and commitments which had characterized developmental policy in the previous decade. That is, railways in themselves suggested no particular course of economic development. Their promise was of a more general character, which enabled them to be applied to virtually all existing developmental aspirations. The chief of these in the

Canada of 1850, at the level of public policy, was that represented by the St. Lawrence and Welland canals. Naturally enough, the large investment already made in the canal system required (as both Hincks and the Railway Committee noted) that railway development be adapted not only to specific local needs, but also to the Laurentian goals of that provincial system. The experience of the years 1848-51 offers several examples of this fundamental influence.¹

The ultimate tendency of Laurentianism in its railway phase however, was not merely support for the canals, but their duplication, that is, a trunk line west from Montreal. While this was practically necessary as an antidote to the seasonal limitations of the canals and the threat posed by the extension of American lines north to the St. Lawrence,² the decision to embark on a trunk line was rooted as well in the second fundamental influence which determined the shape of policy - British capital. From a project deemed to be natural but only likely to be

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¹It was somewhat natural that the SLA, with its connection to Montreal, would eventually come to be seen as a Laurentian line, despite its roots in the plans of the British American Land Company for the Eastern Townships and in the metropolitanism of Portland, Maine. The more striking influences of Laurentianism are seen in the western part of the province, and particularly in the history of the GWR. Its triumphs over the anti-Laurentian NDR in the later 1840's, the fact that the government guarantee was extended only to the Windsor-Hamilton portion of its line, the imposition of the wider gauge, and the fact that its American connections were clearly a factor (albeit one among several) in the decision to extend the main line from Toronto to Sarnia - all reveal the ability of Laurentianism to influence the shape of railway development in that region.

²Easterbrook and Aitken, Canadian Economic History, p.300.

constructed at some future date, the main line suddenly became the centrepiece of the railway programme, largely because the necessary capital, in the form of the "£ 7 million promise", seemed to be at hand.³

The decision to build a main line in 1851 ought not to be ascribed solely to practical considerations and the availability of capital, however. In opting for this major expansion of the railway programme, Hincks and the government revealed as well the extent to which development strategy, in its Laurentian aspects, had ceased to be governed by what one writer referred to as "sober calculation"⁴ of the realities of the situation. This is not to suggest that a trunk line did not in some ways make sense - it conformed to the east-west orientation of the commercial economy, and to the need to improve communications between major centres. Rather it is to point to the virtually automatic way in which the policy was adopted when the promise of Imperial assistance arrived, with the standard Laurentian imagery of the competition with American trade routes and the "vast western trade" being trotted out as "proof" of both the immediate need for such a line

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³In the same way, the parameters of the earlier more cautious policy embodied in the Guarantee Act had effectively been established by the prevailing indifference of British investors to the securities of Canadian railways and the Canadian state.

⁴"There is hardly a country in the world where a sober or cautious policy is more difficult or questionable than in Canada, for its progress...has often, especially of late years, outstripped all sober calculation." (Kohl, Travels in the Canadas, vol.2, p.350).

and the likelihood of its success.⁵ The fact is, that for all its realistic bases in geography and developmental antecedents, the Laurentian strategy had by the mid-century become an abstraction. Laurentianism had always been as much a general and somewhat irrational faith as a specific and practical programme - hence its staying power in the face of repeated setbacks. Once reinvigorated by the mystique of the railway and the fiscal abundance of the boom years, it was the former characteristic which came to the fore. By the time the St. Lawrence and Welland Canals were completed in 1850, Laurentianism was already a developmental habit of thought for the Canadian state - the strategy instinctively turned to.⁶ Once reinforced by the somewhat unreal expectations placed on the railways, the abstraction became complete. Thereafter, its various images and arguments - the "vast" western trade, the physical superiority of

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⁵The debates on Hincks' Main Line Act of 1851 were characterized by a relative paucity of inquiring comment on substantive questions like mileage, costs, the relationship between railways and canals, and the maritime advantages enjoyed by American trade routes. What opposition there was was primarily motivated by sectional and political considerations.

⁶One question which may fairly be asked about an idea as central as Laurentianism concerns the extent of belief in it. It seems safe to say that the notion that the St. Lawrence River was in some way inextricably tied up with the national destiny was generally accepted in the political culture, as was the more specific idea that the Canadian route was involved in a fundamental struggle with American trade routes. Needless to say, the degree of acceptance of these ideas would have varied regionally, no doubt in a fairly predictable way. Whether they would have enjoyed more widespread acceptance (that is, beyond political and business circles) is difficult to determine, but the pervasiveness of Laurentianism in the rhetoric, written and spoken, to which literate people were exposed suggests an affirmative answer.

the river and lakes system, the "natural laws that govern trade", the "overflowing of all existing channels" - ceased to be, if indeed they ever had been, objective perceptions, and became the unquestioned and customary elements of developmental discussion, the automatic resort to which precluded any possibility of rational calculation of transportation realities.⁷ The result was a policy apparently based on the assumption that anything was possible.

This tendency to excess was reinforced by the pretensions to greatness of the English contractors. Even if, as has been suggested, some individuals had little use for "puffing essays on Canada's glowing prospects",⁸ the behaviour of both the Canadian state and the British contractor/promoters was characterized by a careless eagerness to plunge into ever-larger and more costly

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⁷There were, in particular, two key aspects of Canada's situation, the recognition of either of which would, or ought to, have led to a more realistic policy. There was, first of all, the signal admission made by the Executive Council in 1848, that all Canada's efforts to capture the western trade would be in vain were the maritime advantages of New York not overcome. Similarly, a policy based on "sober calculation" would have considered the likely effect of the periodic panics and recessions characteristic of the nineteenth century commercial economy. (Lord Elgin recognized the existence of such downturns in his prediction that Canadian prosperity would continue to advance "for some years to come, subject of course to such occasional fluctuations as affect the commercial world generally." (Conditions and Prospects of Canada, p.44). "Occasional fluctuations" was a rather too-mild term to apply to the commercial crises of 1837, the late 1840's and 1857 - a more appropriate reference was the observation that "the history of the past century has taught us to expect a recurrence of financial calamities, once in every eight or ten years...." (C.R.Brooke, "The Financial Crisis of 1857 and 1858", Canadian Merchants' Magazine, vol. 3, #1 (April, 1858), p. 1))

⁸J.K.Johnson, "Macdonald", in Careless, ed., Premiers, p. 234.

schemes, of which the apotheosis was the expanded GTR which resulted from the events of late 1852 and early 1853. Such incaution was entirely consistent with the "puffing" optimism of Keefer, Hind, Hogan and all the other, lesser, prophets of progress and development.⁹

The preceding conclusions derive in a fairly specific way from a detailed analysis of the formation of railway policy in the years 1848-53. It may be profitable to turn now to a consideration of that experience in some larger comparative and interpretive frameworks which have been, or might be, suggested as useful for an understanding of developmental culture in Canada in the nineteenth century.

There were, for example, numerous attributes of the Canadian experience which are more or less common to all capitalist economies in periods of intense growth.¹⁰ It might, therefore, be argued that the first railway programme was nothing more than the

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⁹Nor was it just in the promotional literature of Keefer, et.al. that such confidence found an outlet. A good example from a more private source is Hincks' 1853 assertion that the GTR was a "powerful corporation" capable of building not only the huge Canadian trunk line but also the HQR. See above, chap. VII, p. 393.

¹⁰For example: impractical assumptions about the likely success of ventures, failure to consider the recurrence of sharp economic downturns, the repeated assertion of possibilities as certainties, etc., and the boosterish tone of most developmental discussion.

expression of a general eagerness for economic growth which might be called "developmentalism". While the events of the 1850's did partake of such universal characteristics, and were in some ways not dissimilar from the analogous American experience, the concept of "developmentalism" is too general to be of much explanatory use, and serves only to obscure several important differences between the economic structures and political culture of Canada and those of her neighbour and competitor.

As might be expected, there were differences in the role of the state. Whereas the state activism of the Canadian railway programme was entirely consistent with the canal experience of the 1830's and 1840's, the situation in the U.S. had undergone a change after the collapse of the ambitious state development policies of the 1830's. No fewer than twelve states adopted (as W.H. Merritt was fond of pointing out) constitutional checks on indebtedness. As Johnson and Supple have observed, "the collapse of the state experiments of the 1830's had left behind an ideological and physical residue which was conducive to" a renewed emphasis on the leading role of private capital and entrepreneurship in economic development.¹¹ Moreover, to the extent that government assistance continued to play a role,¹²

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¹¹Johnson and Supple, Boston Capitalists and Western Railroads pp. 78-79. It should be stressed, as the authors note, that the turning away from public development "was not complete on either ideological or practical grounds" - but the major trend is clear.

¹²For a study emphasizing this aspect, see C. Goodrich, "American Development Policy: The Case of Internal Improvements", Journal of Economic History, XVI, #4 (December, 1956).

there was lacking in the U.S. that tendency, so obvious with the GTR, to take particular projects and endow them with a national or public significance greater than that of other similar endeavours.

More importantly, there were certain fundamental differences between the economic structures within which the businessmen of the two countries operated. In the same year as the GTR's confident debut before the investing public of Great Britain, Erastus Corning of Albany, New York succeeded in uniting a number of short lines in his state into the New York Central Railroad - at the time the largest corporation in the United States.¹³ As with the GTR, its directors consciously saw their company as a major weapon in the battle to funnel western trade through a particular route.¹⁴ Similarly, those associated with Corning in the exploitation of western development were capable of a language not at all unlike that of Laurentianism.¹⁵ The similarities end there however. The men most centrally involved in the American through line railways stood in a far different relationship to the burgeoning western states than did the Canadians who were their rivals for the trade of the region.

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¹³Irene Neu, Erastus Corning, Merchant and Financier, 1794-1872 (Ithaca, 1960), p. 161.

¹⁴Indeed, the competition of other lines, not least that of the GTR, for such trade was a primary factor in the amalgamation. (Ibid., p. 162).

¹⁵As, for example, J.M. Forbes' remark about the Michigan Central in 1851: "We are bound to use every exertion to make our road a link in the great chain of communication between the East and West." (Johnson and Supple, Boston Capitalists and Western Railroads, pp. 110-11).

The Laurentianism which informed Canadian strategy aimed merely at seeing that the country's major transportation system secured a portion of the trade between regions in which Canadian enterprise was otherwise uninvolved. It was therefore a very partial and unintegrated form of economic activity. In the United States, by contrast, men like Corning, J.M. Forbes and John W. Brooks were actively involved in several forms of commercial exploitation, such as land speculation, banking, and mercantile pursuits,¹⁶ in the regions which their railways were designed to penetrate. Moreover, railways were for them also a market for the products of those already developed secondary industries in which they were engaged. This was particularly true of Erastus Corning, for whom the fortunes of his Albany Iron Works was a factor more important in his railway calculations than the commercial and metropolitan stature of Albany.¹⁷ Such factors were by and large absent from the calculations which produced the railway policy of Canada and the GTR.¹⁸ Canadians in their through line policy were

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¹⁶Neu, Corning, p. 75; Johnson and Supple, Boston Capitalists and Western Railroads, pp. 101-09. As the latter authors note, p. 10, the railroad investment of Corning et.al. was "developmental" in character, being "made in anticipation of the long-term gains to be derived from sustained economic growth." This may be contrasted with "opportunistic" investment, in which the goal was shorter-term, the securing of profits from available markets...such as railroad services...."

¹⁷Neu, Corning, p. 61.

¹⁸Such connections were not entirely lacking in Canada. A.T.Galt, D.C.Macpherson and Casimir Gzowski were involved in the Toronto Rolling Mills (1857) which produced rails (G.M.Rose, A Cyclopaedia of Canadian Biography, vol. 1, p. 591), presumably for the GTR line west of Toronto which Gzowski and Co., contractors, were building. This was different, however, from the case of Corning's and Forbes' involvement in the Albany and Mount Savage iron works. There, railways were attractive ventures as markets for iron. In the Canadian case, railways were rooted in commercial aspirations, and called forth such industrial pursuits as auxiliaries to themselves.

simply trying to take advantage of someone else's growth; their strategy, therefore, even while clearly based on metropolitan considerations, was lacking in that multi-faceted exploitation of a hinterland which is the hallmark of the fully-developed metropolitan centre.¹⁹

This contrast with similar American experience serves to illustrate more clearly what Canadian developmental ambition and policy was not. It leaves unanswered, however, the question of what, at bottom, that ambition and policy was about. There is at least one general theory which attempts to explain the course of public development policy. For the commercial class of Montreal, one of the two chief motivations for a western railway such as the GTR was its perceived ability to defend against American influence their ~~additional~~ hinterland in Upper Canada - a region where they could expect to participate in a full range of mercantile and financial enterprises. Faced with the threat of American penetration of that region, Montreal moved to "restrain the northward extension of American economic influence"²⁰ by the construction of a Canadian trunk line railway. To this extent at least then, Canadian railway policy during the 1850's conforms to the "defensive expansion" which H.G.J. Aitken has identified as

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¹⁹As Aitken, "Defensive Expansion", p. 199, notes, this was "the expansionism of a commercial economy, whose potentialities were conceived as lying not so much in production as in trade...few conceived of the future of the economy as lying in either manufacturing or the continued expansion of agricultural settlement."

²⁰Ibid., p. 221

the recurring source of the long history of state intervention in Canadian economic development.²¹

To be fully tested, however, the theory must be measured against the full range of Canadian motivations, and here it simply does not fit. It first fails to account fully for Canadian behaviour because, as Aitken himself correctly notes, Montreal's plan involved not only the "recapturing" of Upper Canada, but also "invading the American midwest."²² The question was not simply whether American economic influence could be kept out of Canada, but equally whether Canadian economic influence, in the form of the supposed attractions of its transportation systems, could penetrate the United States.

Moreover, the concept of defensive expansion, to the extent that it fits at all, fits only for the aspirations of the Montreal commercial elite. For Kingston, participation in the economic boom meant, in part, funneling trade through the city by means of improving connections to the American transportation network.²³ For Hamilton, the goal was to integrate the city into a major east-west American artery, and to control in the process the trade

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²¹Ibid., passim.

²²Ibid., p. 197. It is appropriate that Aitken does not actually employ the term "defensive expansion" until he comes to his discussion of the post-Confederation National Policy (p. 204), as this is the programme which most clearly conforms to his model. His introduction to the section of his essay dealing with the twentieth century merely notes (p. 210) that his examples "exemplify the way in which the state continued to influence the rate and direction of economic change."

²³P.L. McDowall, "Roads and Railways: Kingston's Mid-Century Search for a Hinterland", Historic Kingston, #23 (1974).

of peninsular Upper Canada. For Toronto, the objective was threefold - to further develop its metropolitan relationship with western Upper Canada by means of a railway independent of Hamilton, to build, via freer trade, closer connections with American markets and import-export facilities,²⁴ and, via the Northern Railway, to open up a northern hinterland capable of generating primary products for that American market.

There was thus much in the combination of private interests which influenced the shape of Canadian railway policy that does not conform to the theory of "defensive expansion". Obviously, there was also much that did not conform to the Laurentian version of the country's economic future. Unfortunately for those centres associated with different strategies however, the shape of state policy had failed to evolve as rapidly as the balance of power in the economy. Despite booming growth in Upper Canada, the state, to the considerable extent that it committed its political will and fiscal resources to one particular strategy of development, continued to do so for Laurentianism, just as it had in the 1840's.

Partially this reflected the natural instinct to protect the considerable investment already made in the canal system, but more than this, there was the simple continued attraction of the Laurentian idea to the Canadian political culture. This does not mean simply the impact arising from the substantial physical presence of the river and lakes system, nor just the historical

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²⁴D. McCalla, "Commercial Politics of the Toronto Board of Trade", p. 58.

antecedents of attempts to realize its potential. Rather it is to point to the essential harmony of purpose between the Laurentian strategy of development and the anti-American stance of the emerging common political culture.²⁵ Laurentianism offered not just the prospect of economic boom and personal enrichment but also the possibility of victory over the United States in a fundamental sphere of North American life - the reaping of the commercial benefits to be derived from the phenomenal expansion of the American frontier of settlement.

A suggestion of links between development strategy and political culture is not new. It is present in Aitken's study,²⁶ and has been given a more thorough airing elsewhere. Professor S.F. Wise has argued that the tendency of the Canadian state to engage in "a remarkable series of high-risk developmental projects", beginning with the Welland and St. Lawrence canals and continuing through "the aggressive railroad politics of the 1850's" was a product of "the survival drives imparted to the Upper Canadian political culture by Toryism." Conservatives, acutely conscious of the "precarious and vulnerable" position of their state, "broke through traditional constraints" to "formulate provincial goals of a distinctive kind and to bequeath their

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²⁵S.F. Wise, "The Annexation Movement and Its Effect on Canadian Opinion, 1837-1867", in Wise and R.C. Brown, Canada Views the United States, Nineteenth Century Political Attitudes (Toronto, 1967).

²⁶Although he pays little attention to the specific nature of that culture, merely noting its tendency to active intervention in the economy.

special sense of mission to the Canadian political culture."²⁷

It is precisely a sense of mission that pervades the discussion of Laurentianism in the early 1850's - not in the sense of its having a morally exalted purpose,²⁸ but in the automatic and unquestioning way in which its terms of reference were accepted as having general relevance, and in the way in which the state made it such an important part of public policy. Just as conservatism set the terms of political discourse in Canada and the rest of British North America,²⁹ so Laurentianism set the direction of developmental discussion in the inland province.

If the general orientation of the railway programme was largely set by the still-potent strategy of Montreal, it was the relationship between the Canadian state and the investment community in London which gave the final push towards the overconfidence and overbuilding which characterized the railway experience of the 1850's. As Professor D. McCalla has stressed, the nineteenth century economy was above all credit-based, and the history of Canadian business during that period "illustrates clearly the centrality of credit and the institutions by which it was managed in the overall structure and functioning of [such] an

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²⁷S.F. Wise, "Conservatism and Political Culture: The Canadian Case", South Atlantic Quarterly, LXIX, #2 (spring, 1970), pp. 241-42.

²⁸Although the discussion of the "laws that govern Trade" and the references to the suggestive geography of the Laurentian system had often an implicit element of heavenly sanction.

²⁹A case made convincingly in the two articles by Prof. S.F. Wise cited above.

economy."³⁰ What was true of private enterprise was equally applicable to the state. The "awareness of the importance of maintaining and increasing the stream of British-based credit" required the state to be highly "attentive to the worries of nervous lenders"³¹ - hence the fact that "keeping faith with the public creditor" was clearly the touchstone of Canadian fiscal policy.

But there was more to the relationship between the Canadian state and British investors than this essentially negative determination to avoid any contraction of credit. Between 1848-50, when Francis Hincks struggled to convince the City of the economic prospects and political stability of Canada, and 1858-60, when A.T. Galt manoeuvred to preserve the national credit, there was a period of seeming complete success. In 1851 and 1852 the Canadian state was actively pursued by the Peto firm, with all its important financial connections, Canadian bonds were in demand at prices above par, and it seemed that Canada was finally being "rated at her proper value", as the Globe put it. The phenomenal expansion of the railway programme which occurred during those middle years cannot be fully understood with reference to this dramatic turnaround in Canada's ability to borrow. While each part of the main line had its roots in localism and private interest, it was the apparent removal of the previously existing

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³⁰D. McCalla, "An Introduction to the World of Nineteenth Century Business", in T. Traves, ed., Essays in Canadian Business History (Toronto, 1984), p. 23.

³¹Ibid., p. 21.

limits on investment which provided both a psychological climate and, seemingly, the means for a much more ambitious policy which ultimately transcended the interests of any one city or region.

As much as the GTR suited the development plans of the Montreal commercial elite, it was ultimately far more than just an expression of their particular concerns. It must be remembered that the GTR was primarily the child of the policies of Francis Hincks, and that Hincks' primary interest as a public man was the creation of a propitious climate for the foreign investment which the Canadian economy needed. However much it was a logical extension of the Laurentian strategy which had produced the canal system, or a somewhat automatic initiative exemplifying the long-term trends of the Canadian economy, the GTR was finally the product of the financial/developmental preoccupations which Francis Hincks had made the centre of his politics.

As much a cultural as a material⁶ need, this preoccupation may be traced through Hincks' years as Inspector-General, and it provides the context for an explanation of why railway policy got out of hand in 1852-53. With the Imperially-funded and publicly-owned main line in jeopardy early in 1852, Hincks was more than receptive to the continuing overtures of Jackson - the reason being that a privately-owned trunk line company with Jackson as its driving force would not only fill the fundamental need for a source of capital, but, being private, would represent a higher degree of recognition of the "arrival" of the Canadian economy and state than a railway built with Imperial assistance, partly for Imperial purposes.

The willingness and indeed eagerness of the Peto firm to take on more and more work, and their boasting belief that they could raise the necessary capital without difficulty, fit perfectly with Hincks' determination to establish beyond doubt the strength of Canadian credit. Jackson's expansionist attitude fit equally well with the inherent tendency to bigness which the aggressive ambition of Laurentianism, in its "international" form, imparted to the developmental culture.

One suspects that, for Hincks, the "ballooning" of the GTR in 1852-53 represented a certain confusion between transportation ends and financial means.³² This was an outcome fitting enough for a political economy in which credit played such an absolutely central role; it was also a reflection of the essential harmony of interest between the state's desire to establish its credit, the inherent Laurentian tendency to megaprojects, and the particular interests of a section of the commercial class. What is significant is that it was the first of these which eventually took precedence over the third.

The events of September and October, 1852 centred, after all, on Hincks' determination to exclude Montreal interests from the project and to replace them with those Britons who, in Luther Holton's words, were attractive for "the facilities they [were]

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³²An important early example of this tendency was the way in which Hincks' strategic memos of 1848-49 made it appear that the ultimate purpose of the St. Lawrence canals had been the generation of revenue for the government, rather than the carrying of freight for the commercial economy. See above, chap. III, pp. 131-33.

supposed to possess as money brokers".³³ The GTR in its final form was thus not so much the vehicle for the metropolitan ambitions of Montreal as it was the vehicle for the more general developmental ambitions of the Canadian state. That distinction, however, would have meant little to those other communities, notably Toronto and Hamilton, which saw, in the GTR's unique relationship with the government and in those government measures designed to bolster the St. Lawrence system generally,³⁴ the continued subjugation of the Upper Canadian economy to the commercial power of Montreal.

On the purely negative side, the response of the Toronto commercial elite was merely to criticize and complain about the injustice being done them, and to see in it yet another instance of their domination by Lower Canada.³⁵ Their positive response

³³It was only the Montrealers' prior possession of the SEA line to Portland which permitted them to turn the situation partially to their advantage, while conceding the main point to Hincks and the government.

³⁴In particular, Upper Canadians were upset by the ad valorem provisions of Galt's 1859 tariff which favoured importation via Montreal. See A.A. Den Otter, "Alexander Galt, the 1859 Tariff, and Canadian Economic Nationalism", pp. 174-77.

³⁵Toronto is specified here because by the end of the decade Hamilton's brief challenge to Toronto's commercial preeminence in Upper Canada was ending in failure (D. McCalla, "The Decline of Hamilton as a Wholesale Centre", Ontario History, LXV, #4 (December, 1973)). The city corporation had been reduced to near-bankruptcy by its incautious investment in railways, particularly the Hamilton and Port Dover, by the great expense of the city's new waterworks and by the decline in civic revenues arising out of the falling population and tax base caused by the commercial depression. (See the complaints of Isaac Buchanan to Galt and Macdonald in the Buchanan papers, vol. 27, pp. 22935-37, 22960-83, and 23000.)

was the proposal of, and considerable agitation for, an alternative strategy of development - North West expansion - which would at once redress the sectional imbalance of the Union and open up a vast territory to the exploitation of Ontario business.³⁶ The idea was thus clearly rooted in a sense of sectional and metropolitan particularism, but ultimately proved to be attractive as well for those associated with the GTR and the status quo in the Canadian union.

By the later years of the 1850's the perception was becoming widespread that Canadian development had to be based on a more diversified and secure basis than previously. Not only was the commercial sector in need of an agricultural frontier to replace those of Upper Canada, now fully occupied,³⁷ and the American mid-west, never successfully penetrated, but the growing industrial-sector was seeking increased recognition and government assistance in the form of a protective tariff. Even as the last attempt at an international commercial economy was being supported by a government which, for reasons of international credit, had no alternative but to do so, there was dawning the general

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³⁶There are several studies dealing wholly or in part with this subject. Among them are: D. O'ram, Promise of Eden: The Expansionist Movement and the Idea of the West, 1850-1900 (Toronto, 1980); G.E. Boyce, Canada's Interest in the North West, 1850-60 (M.A. thesis, University of Manitoba, 1960); W.L. Morton, The Critical Years and Henry Youle Hind; D. Swainson, "The North West Transportation Company: Personnel and Attitudes"; and D. McCalla, "The Commercial Politics of the Toronto Board of Trade".

³⁷As Careless, Union, p. 151 notes, "natural limits of soil and climate had turned Canada to intensifying rather than extending her basic pattern of settlement."

realization that industrialization, linked to commercial expansion to the west and further railway construction, was the key to future prosperity.³⁸

With this development a fundamental step was taken towards the solidifying of the common political culture which could be seen emerging in the events of September, 1854. The triumph of MacNab, Macdonald, Ross and those who might be called "developmentalists" over George Brown and those who might be designated "sectarians" was a necessary condition for the full playing out of the developmental option represented by the GTR. There remained, however, the unwillingness of such men to countenance the fact that the Canadian union was not, in the long term, a viable constitutional vehicle for the new developmental ambitions inspired, in part, by the failure of the GTR.

The beginning of the overcoming of that obstacle was signified by A.T. Galt's entry into the Cartier-Macdonald ministry in August, 1858 on the express condition that it add British North American federation to its programme as a condition of his membership in the government. In its developmental significance, this act was the equivalent of the continuance in power of John Ross in the political reorganization of September, 1854. While Galt's reasons for insisting on federation included its utility as a likely solution to sectional discord, "his fundamental thought was towards meeting the difficulties of the Grand Trunk

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³⁸H.C. Pentland, "The Role of Capital in Canadian Economic Development", p. 457; and Den Otter, "Galt, the 1859 Tariff, and Economic Nationalism", *passim*.

and restoring the credit of the province."³⁹

The constitutional rearrangement being proposed by Galt was too much dependent upon the evolution of various Canadian, British North American & Imperial factors to be consummated as quickly as the earlier reorganization of 1837-41 which had created the united province, but it was nonetheless rooted in the same concerns. That is, it was aimed at creating "an instrument of public finance whose object was to make available...the resources necessary...for economic development."⁴⁰

Just as the Union of 1840 made possible the completion of the St. Lawrence canals, so the union of 1867 towards which Galt started working in 1858 was to make possible the construction of the Intercolonial and Pacific lines. The parallel may be extended further into the post-Confederation period by noting that just as the completion of the canals happened to be followed by a strong surge of economic growth and the frenzied railway development of the 1850's, so the completion of the C.P.R. was followed, in time,

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³⁹Morton, The Critical Years, p. 65. Galt's entry into the ministry was welcomed by John Ross, an "expansionist" who believed that the only solution to the problems of the GTR lay in growth to the east via an "Intercolonial" line and to the west via a Pacific railway. Ross and his colleagues "knew definitely that a wider basis of credit than Canada offered was most desirable, if not imperative, to keep the Grand Trunk solvent until its difficulties could be eased by the growth of traffic. A federation of British North America would afford such a basis" (Ibid., p. 66).

⁴⁰The words quoted are those of Alfred Dubuc ("The Decline of Confederation and the New Nationalism", in P. Russell, ed., Nationalism in Canada (Toronto, 1966), p. 114) but credit for the perception belongs to Harold Innis, who made it a staple of his interpretation of the constitutional evolution of Canada in the nineteenth century (no pun intended). See his Essays in Canadian Economic History (Toronto, 1956), p. 76, p. 80, p. 117, p. 149, p. 174, and p. 348.

by the great boom of 1896-1912 and the unnecessary addition of the National Transcontinental and Canadian Northern to the transportation infrastructure.⁴¹

This cycle of excessive development with the aid of the state/fiscal difficulties/constitutional expansion in order to improve the national credit/further development, etc. was finally broken in the aftermath of the events of the Laurier years;⁴² in the preceding century, the high point of this pattern of linked economic and constitutional evolution had been the nation-building act of 1867. The Confederation effected in that year was the result of the confluence of many factors. Some of these factors were not Canadian, or even British North American; of those that were Canadian, some, while important, were merely negative, such as the political failure of the Union and consequent need to replace its constitutional structures.

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⁴¹As D. McCalla has noted, there are interesting parallels between the later period and that studied here. That is, the "absurd over-building of Canadian railways", while rooted in local concerns, in each case was made possible by "something of an economically irrational British response to the Canadian demand for funds." (review of M. Edelstein, Overseas Investment in the Age of High Imperialism: The United Kingdom, 1850-1914, in CHR, XLV, #2 (June, 1984)).

⁴²By the time the railway extravagance and public largesse of the Laurier and Borden years had run their course, the Canadian state was in a position vis à vis the new railways (and the older Grand Trunk) not unlike that which Macdonald and Galt occupied in relation to the GTR in the late 1850's. The difference was that in the 1860's a further constitutional evolution, in the form of Confederation, was still possible. In 1917-19, when the Union government of Robert Borden was attempting to come to grips with its railway problems no such option was available. The result was public ownership and the creation of the Canadian National Railways.

The truly creative indigenous factor was the developmental one, and in this, the role played by the men and events of the 1850's was crucial. The advent of the railway and the return of prosperity had allowed Hincks, Galt, Ross, Macdonald and the others to mount the final attempt at an international Laurentianism. The failure of the GTR both illustrated the need for an alternative strategy of national development and created the private pressures for a larger base of public credit on which to support that strategy. Finally, the political events of 1854 brought to power men in whom were joined the economic appetites and moderate political instincts necessary for that further constitutional and developmental evolution.

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