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SOME OBSTACLES TO THE LIBERALIZATION  
OF TRADE BETWEEN CANADA AND THE UNITED STATES  
IN THE LATE NINETEENTH CENTURY

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## INTRODUCTION

Canada is "fighting a rearguard action against the inevitable" in its economic relationship with the United States wrote George Ball former United States ambassador to the United Nations. Ball believes that "sooner or later, commercial imperatives will bring about free movement of all goods back and forth across" the Canadian-American border. Any Canadian effort to prevent United States economic domination will lead only toward "increasingly restrictive nationalistic measures that are good neither for Canada nor for the health of the whole trading world."<sup>1</sup>

Carl Pollock, President of Electrohome Limited, Kitchener, disagrees with George Ball's "inevitable." In Pollock's opinion "a free trade pact between Canada and the United States" would relegate Canadians "to being hewers of wood and drawers of water rather than creators of products and processes." Pollock fears that "fierce competition" from the large United States market would result in unemployment, Canadian emigration to the United States, unstable prices, slaughter of the Canadian market and very significant political repercussions."<sup>2</sup>

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1. George W. Ball, The Discipline of Power: Essentials of a Modern World Structure (Boston: Little, Brown, 1968), p. 113.

2. Carl Pollock's Speech before the Canadian Credit Men's Association in The Ottawa Journal, May 28, 1968.

The current debate over the relative economic advantages and disadvantages and the political repercussions of policies designed to promote Canadian-American trade repeat the ideas, even the very language that Canadians and Americans have held for over a hundred years.

In 1854 following the end of the British colonial preference system, British North Americans turned to the United States and negotiated a treaty providing reciprocal tariff treatment of natural products. After the treaty's repeal many Canadians recalled the prosperity which coincided with the life-span of the treaty and they were convinced that freer trade with the United States would remedy the lean conditions of the last two decades of the nineteenth century.

In the 1880's Commercial Union, a plan more ambitious than the 1854 reciprocity, caught the imagination of some businessmen on both sides of the border. The scheme in the United States was backed by powerful manufacturers and financiers interested in less expensive raw materials and an enlarged market for their goods and investments. Also they considered the plan as the first step toward the creation of a North American customs area protected from European competition. The major opposition came from the producers of raw materials alarmed at the prospect of facing Canadian competition and those who feared that lowering tariff barriers along the border would strengthen Canadian "independence"

rather than promote the eventual political union which they believed to be the destiny of the North American states. In contrast, Canadian manufacturers opposed a scheme which would subject their infant industries to competition from the older American manufacturers. Canadian producers of raw materials tended to support a policy that would give them access to the industrializing, urbanizing American market and enable them to obtain less expensive manufactured wares.

For the politicians the idea of a relaxation of trade barriers presented a special problem because it conflicted with established party policies. The Conservative Party regarded it as an oppressive measure destroying the objectives of the National Policy, discriminating against Great Britain and more dangerously leading to political annexation. The official opposition, Liberals, traditionally more liberal than the Conservatives in matters concerning United States-Canadian free trade at first frowned upon Commercial Union. Then partly due to their third electoral defeat and the apparent popularity of Commercial Union in Canada they adopted a modified version in the form of unrestricted reciprocity which, they hoped, avoided some of the political pitfalls of Commercial Union. To convince the Canadian electorate of the feasibility of unrestricted reciprocity the Liberal Party required assurances which were not forthcoming from the United States. In the United States

annexationists who favored a negative treatment of the Canadian problem aligned with staunch protectionists and strangled any hope of closer commercial intercourse between both countries. The tariff acts of 1890, 1894 and 1897 were evidence of the lack of sympathy in the United States Congress for a more liberal trade policy.

American rebuffs, the Canadian voters' rejection of unrestricted reciprocity in 1891 and cries of disloyalty caused the Liberals to reassess their policy. When the party that traditionally advocated freer trade gradually retreated from a doctrinaire stand it marked the beginning of the end, at least in the nineteenth century, of Canadian efforts to secure a reciprocity treaty from the United States. When they formed the government in 1896, the Liberals could not reverse the Conservatives' National Policy for their newly assumed responsibility for the country's economic growth precluded a sudden and drastic reversal of an established policy and required them to modify the stand taken as the opposition party. By the end of the nineteenth century, increasing demands for Canadian wheat in the British market coincident with the surge of settlers to the west strengthened the lateral trade axis which stretched across the Atlantic Ocean and made Canadians less dependent on the American market. In 1911 it was not American indifference which killed reciprocity but Canadian pride and

economic maturity. The barricades and obstructions to free trade were thus further entrenched.

## CHAPTER I

### RECIPROCITY TRIED AND DEFEATED, 1854-1883

Since the late eighteen-forties, when Canadian products no longer enjoyed preferential treatment in the British market, discussion of the advantages and disadvantages of commercial reciprocity with the United States has been a frequently recurring feature of Canadian politics. Following the mid-nineteenth century change in British policy from colonial preference to free trade, Canadians turned to the United States market now accessible because of railway and canal development. In 1854 Canada and the United States signed a Reciprocity Treaty. Due in large part to the Treaty, but due also to generally improved economic conditions brought on by the Crimean War, Civil War and United States' urbanization Canada experienced a period of prosperity. When the abrogation of the 1854 treaty was followed by decades of economic distress some Canadians nostalgically sought a remedy in a new trade agreement with the United States. By the early eighties protectionist sentiments in both countries were strong enough to defeat the efforts to secure a new reciprocity treaty.

Ever since the British conquest, the British North American colonies almost exclusively relied upon preferential treatment in the English market. In 1846, the British Parliament began to modify the outmoded mercantilist system in order to meet the demands for foodstuffs and raw materials which the emerging industrial system required. In its repeal of the Corn Laws Parliament ended the preference that Canadian breadstuffs previously enjoyed in the British market. Further reductions or elimination of customs duties on other products followed until Great Britain achieved free trade. Free trade may have benefitted Britain in those years but it proved a hardship for Canadian exporters of wheat, flour, and timber. Flung out of the old, sheltered system of imperial trade into the more competitive world market and faced with a profound world-wide depression, Canadian farmers, millers, forwarders and lumbermen began an immediate search for new preferential markets.

The majority of Canadians were unable to ignore their geographical proximity to the United States and the improvements in the transportation facilities between both countries. They agreed that access to the growing American market would compensate them for any loss in the British market. To achieve this goal they sought an agreement with the United States by which Canadian products would enter the American market with preferential treatment in a reciprocal

exchange for American goods in the Canadian market. The Maritime colonies supported the Canadian measure and all urged the British government to negotiate a reciprocity agreement with the United States.

For seven years Washington ignored British offers to negotiate a treaty on behalf of British North America. The administration considered the British North American market as insignificant since it accounted for something less than four per cent of its entire foreign trade.<sup>1</sup> Mainelumbermen, New England fishermen and Pennsylvania coal and gypsum producers demanded continued protection from potential British North American competitors. Southern spokesmen feared that a reciprocity treaty would be the prelude to annexation which eventually would increase the free-state territory of the United States. Under these circumstances, no President considered commercial reciprocity with British North America as a matter of great urgency.

It was not until the early fifties when a dispute over American fishing rights off the coast of British North America threatened to lead to armed conflict that the United States agreed to a conference that included discussion of a special commercial arrangement with the colonies. The

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1. United States Tariff Commission, Reciprocity with Canada: A Study of the Arrangement of 1911 (Washington: 1920), p. 21.

timing was propitious since the Democratic administration of President Franklin Pierce was not committed to the principle of tariff protection. Lord Elgin's reassurances that reciprocity would forestall rather than promote annexation overcame southern opposition on this ground. The British offer of free access to the British North American inshore fisheries and of unrestricted use of certain Canadian rivers and canals was well received by the United States.

The Reciprocity Treaty of 1854 remained in force for ten years after which time either party could terminate it upon giving the other twelve month's notice. It provided for the admission of American fishermen to the Atlantic coastal fisheries of British North America and for the admission of British subjects to the coastal waters of the United States north of the thirty-sixth parallel. It permitted United States inhabitants to navigate as freely as the subjects of her Britannic Majesty the St. Lawrence River and the canals in Canada. The third article enumerated a schedule of natural products that each country would admit free of duty from the other. The free list included grain, flour and all breadstuffs; coal, lumber and timber; fish, fish-oil and most farm products.<sup>2</sup> For the first time

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2. Donald C. Masters, The Reciprocity Treaty of 1854 (Carleton Edition; Toronto: McClelland and Stewart Ltd., 1963), Appendix A, The Reciprocity Treaty of 1854, pp. 140-144.

some of the trade barriers between British North America and the United States were lowered.

Coincident with the operation of the Reciprocity Treaty was the return of world prosperity which in Canada was intensified by British investments, the Crimean War and the American Civil War. The value of trade graphed a steady rise from a total of \$14.6 million in 1850 to \$50.3 million in 1856 to a high \$73.0 million in 1866.<sup>3</sup> Fifty-two per cent of the entire trade of British North America was with the United States although the Canadian portion constituted only about six per cent of the total value of the foreign trade of the United States.<sup>4</sup> Prices rose significantly for such important Canadian products as lumber, fish, coal and agricultural goods. At the same time, population in the Province of Canada and in the Maritimes, due to the boom,<sup>5</sup> showed an increase. The opening of the American market coincidentally marked the beginning of a prosperous era in Canadian history. In the years following the abrogation of the treaty and especially in times of economic distress

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3. Ibid., Appendix B, Table N, p. 147.

4. United States Tariff Commission, pp. 25-27.

5. Masters, Reciprocity, Appendix B, Table I, p. 145. The Royal Commission Report on Dominion-Provincial Relations, 1939, Appendix III, W. A. MacKintosh, The Economic Background of Dominion-Provincial Relations (Carleton Edition; Toronto: McClelland and Stewart, 1964), p. 34.

those Canadians who had convinced themselves that the Treaty had been the single-most important factor in the prosperity of the fifties and sixties worked tirelessly for a new trade agreement.

Enthusiastic support of the Reciprocity Treaty was short-lived in the United States and that government resolved to abrogate it. Some Americans were convinced that Canada had violated the spirit of the treaty when it raised import duties on manufactured goods in response to tariff protection and to the revenue requirements of the government.<sup>6</sup> During the Civil War others were irritated by the British position in the Trent and Alabama affairs and held Canada to account for not preventing the Confederate raid into Vermont. Maine and Michigan lumbermen, Pennsylvania coal operators, New England fishermen, wheat growers, and manufacturers, all of whom felt that the treaty was of little benefit to them, demanded its repeal and sought tariff protection. The need for additional revenue during the Civil War was still another reason for the United States to end the duty-free admission of Canadian products.

British North American representatives went to Washington in an effort to head off the repeal of the treaty. After an initial unsuccessful attempt to renew the treaty

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6. Masters, Reciprocity, p. 66.

the colonial delegates again approached the United States in early 1866. Justin S. Morrill of Vermont, sponsor of the Republican party's first protective tariff bill, was the principal negotiator for the United States. The free list which he offered to Canada of unwrought burr-millstones, unfinished grindstones, unground gypsum or plaster, rags, and firewood was merely a way to reject the British North American offer of reciprocity. The colonial delegation returned home empty handed and on March 17, 1866 the treaty terminated.

The results of abrogation of the treaty were less disastrous than many Canadians had anticipated and it aided the movement to Canadian unity. With pride and a renewed spirit of self-reliance, the new Dominion of Canada experienced economic revitalization. Dominion trade quickly recovered because of increased British investments and Canadian entry into new markets in the Southern states and in Europe. The expected conflict over the loss of American access to the Canadian coastal fisheries was avoided and the fears of a revival of the annexationist movement died in the wake of Confederation.

Regardless of the prevailing conditions in the decades following abrogation many Canadians were convinced that the treaty had been the most important factor in the prosperity of the fifties and sixties and renewed their

efforts to secure another reciprocity agreement. In 1867 the Canadian government hired a professional lobbyist, George W. Brega who received almost \$25,000 to work for congressional approval of a reciprocal measure. In July, 1869, the Dominion government again hoped to secure a reciprocal trade agreement when it sent Sir John Rose, the Minister of Finance, on another futile mission.<sup>7</sup> During the negotiations which led to the Treaty of Washington in 1871, Sir John A. Macdonald, Canada's first Prime Minister, attempted to reestablish the bargain of 1854, but only succeeded in having fish and fish-oil placed on a reciprocal duty-free list.<sup>8</sup> By this time the American government was little interested in a treaty confined to the mutual exchange of natural products; it might have been willing to consider an agreement whereby American manufactured goods would enter freely the Canadian market.<sup>9</sup> For its part, the government of

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7. A. H. U. Colquhoun, "The Reciprocity Negotiations with the United States in 1869," The Canadian Historical Review, VIII, No. 3, (1927), pp. 233-242. James Morton Callahan, American Foreign Policy in Canadian Relations (New York: Macmillan Co., 1937), p. 328. Donald C. Masters, "Reciprocity, 1846-1911," The Canadian Historical Association Booklets, No. 12, 1961, p. 12.

8. Henry Steele Commager, ed., Documents of American History (2 Vols., 7th ed., New York: Meredith, 1963), I, pp. 517-18.

9. Resolution of the fifth Annual Meeting of the United States National Board of Trade, New York, Oct. 1872, cited in J. Castell Hopkins, ed., Canada, An Encyclopedia of the Country (6 Vols., Toronto: Linscott, 1898), I, p. 384.

Canada did not want to subject Canadian manufacturers to such competition.

Undaunted by frequent rebuffs and searching for a remedy for the depressed conditions of the early seventies, the new Liberal administration under Alexander MacKenzie, once more approached the United States on the question of a commercial treaty. It was the Liberals' turn to feel the weight of American indifference to reciprocity. George Brown, former leader of the Reform Party and editor-owner of The Toronto Globe, spoke for Canada in Washington. On behalf of the Liberal government Brown offered duty-free entry into Canada for all of the natural products of the United States and a well-considered list of manufactured articles. In early June, 1874 the American negotiator signed a draft treaty which the United States Senate subsequently rejected. The protectionist mood of the Republican majority, the opposition of spokesmen for lumber, mining and agricultural interests who feared Canadian competition, the unfounded argument that the treaty would provide a back-door entry into the American market for English manufacturers, and the unwillingness to lose customs duties when a business depression had already caused a decline in the government revenue, all combined to defeat the proposed treaty. In addition, Senator Morrill argued that such an arrangement would postpone the peaceful annexation of Canada which,

in his opinion, was the only desirable state for the convenience and prosperity of both countries.

The Senate's rejection of the treaty coupled with the effects of a world-wide depression touched off a debate over fiscal policy in the Canadian parliament. Richard J. Cartwright, Minister of Finance, rose to his feet as the arch-enemy of protection and staunchly defended the Liberal policy of levying a tariff for revenue purposes only and denied that higher duties on imports could cure Canada's economic ills. He condemned tariff protection as class legislation which enriched the few at the expense of the many and noted that this policy had failed to prevent or to cure the depression in the United States. The Canadian tariff, he concluded, should be maintained at its existing level-- a view which was well supported in a Parliamentary Committee Report inquiring into the causes of the depression.

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10. Ellis H. Roberts, Government Revenue: Especially the American System (Boston: np., 1884), p. 118 cited in Ernest Ludlow Bogart and Charles Manfred Thompson, Readings in the Economic History of the United States (New York: Longmans, Green and Co., 1917), p. 757. Frank W. Taussig, The Tariff History of the United States, A Series of Essays (New York: Putman's and Sons, 1888), Appendix, Table IV, Revenue from Customs Duties, and Internal Revenue, 1861-1883, p. 262. United States Congressional Record, 43rd Cong., 2nd Sess., Feb. 3, 1875, III, part. 2, pp. 929 and 934.

11. Canada, House of Commons Debates, Feb. 18th, 1876, p. 124 and Feb. 25th, 1876, pp. 253, 254 and 259. Report of the Parliamentary Committee Inquiring Into the Causes of the Depression, April 11th, 1876 cited in Hopkins, ed., Encyclopedia, I, pp. 305-308.

The Conservatives heeded the manufacturers' complaints against foreign competition, noted the increasing decline in governmental revenue, cited the conclusion of a parliamentary inquiry into the state of manufacturing in Canada that American goods without doubt "slaughtered" the market, and argued for a policy of tariff protection.<sup>12</sup> On March 7, 1878, sensing victory, Sir John A. Macdonald proposed a "National Policy" which he hoped would appeal both to the protectionists and to disgruntled free-traders. He promised to protect the home industry and to open the United States market by threatening retaliatory high duties and al-<sup>13</sup>so to provide a revenue adequate for the country's needs.

In the federal elections of September, 1878, the Canadians returned the Conservatives to office in an apparent endorsement of Macdonald's "National Policy". The Conservative Minister of Finance, Sir Leonard Tilley, introduced a new tariff measure on March 14, 1879 which provided for a protective tariff system. The average duty rate rose from seventeen and a half to twenty per cent of the value of the import and on engines, agricultural machinery, boots

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12. House of Commons Debates, Feb. 18th, 1876, pp. 130-31. Report of the Parliamentary Committee Inquiring Into the Extent and Conditions of the Manufacturing Interests of the Dominion, May 19, 1874 cited in Hopkins, ed., Encyclopedia, I, p. 396.

13. House of Commons Debates, March 7th, 1878, p. 854.

and shoes, harness and saddlery it jumped to twenty-five per cent. Nova Scotia coal producers and a small petroleum industry in western Ontario benefitted from a protective duty of over thirty per cent. For the benefit of a single firm producing inexpensive clocks the new schedule levied a thirty-five per cent ad valorem duty on all imported clocks.<sup>14</sup> The Canadian tariff of 1883 continued the principle of tariff protection, raised the rates on agricultural machinery from twenty-five per cent to an unprecedented thirty-five per cent and on iron and steel from twenty per cent to thirty per cent.<sup>15</sup> In that same year the United States Congress, despite a revenue surplus, continued the post Civil War protectionist trend.<sup>16</sup> Although the Canadian

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14 House of Commons Debates, March 14th, 1879, p. 429. Report on Dominion-Provincial Relations, 1939, Appendix III, pp. 30, 31 and 32. Orville John McDiarmid, Commercial Policy in the Canadian Economy (Cambridge: Harvard University Press, 1946), pp. 161-63. Adam Shortt and Arthur G. Doughty, Gen. Eds., Canada and Its Provinces, A History of the Canadian People and Their Institutions by One Hundred Associates (23 Vols.; Toronto: Edinburgh University Press, 1913), IX, pp. 153-54. Orville R. Porter, "The History and Development of the Canadian Tariff," (Unpublished M.A. Thesis, Wolfville, N.S., 1937), pp. 62-63.

15. Report on Dominion-Provincial Relations, 1939, Appendix III, p. 32. McDiarmid, Commercial Policy, pp. 165-65. Porter, "Canadian Tariff," p. 66.

16. Report of The Tariff Commission (Washington: np., 1882), I, p. 6 cited in Bogart and Thompson, Economic History of the United States, p. 758. Taussig, Tariff History of the United States, Appendix, Table vii, p. 266.

tariff bills of 1879 and of 1883 both provided for the possibility of a limited reciprocity agreement with the United States the principle of tariff protection was too firmly established in both countries to offer any consolation to those Canadians who nostalgically hoped for a revival of the treaty of 1854.

## CHAPTER II

### THE COMMERCIAL UNION PROPOSAL, 1887

By the mid-eighteen eighties not every one either in Canada or in the United States was committed to the principle of tariff protection. American businessmen who wanted to find new markets for their manufactured goods and less expensive raw materials gave serious attention to a reciprocal relaxation of the tariff barrier along the northern border. Those who had nothing to fear from Canadian competition saw the advantage in a proposal which would enhance the opportunity to sell their products in the Canadian market while extending the protective tariff system to Canada. In Canada a decline in the value of foreign trade, a population exodus to the United States, low prices and dissatisfaction with the slow pace of western development shook the faith of many supporters of the Conservative Party's National Policy. Farmers and other producers of staples united with those intellectually committed to free trade to clamor for a more liberal trade policy as a remedy to the prolonged depression. In such a period of "gloom and doubt, of suspicion and unrest, of rash opinion and premature judgment" alternative plans to the Conservative policy of protection soon gained

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widespread support.

The most seriously considered alternative to the protective concept was a plan much bolder than reciprocity had ever been. Due partly to the local conditions and partly to the ability of its proponents, the general scheme accepted by most was Commercial Union. As defined by two of its advocates, Wharton Barker and Erastus Wiman, Commercial Union meant the complete abolition of customs duties and of customs houses between Canada and the United States, the establishment of a common tariff operating against all other nations, and a proportional sharing of the customs revenues.<sup>2</sup>

A North American customs union or zollverein similar to that established among the German states found distinguished but sporadic support in both the United States and Canada even when the reciprocity treaty of 1854 was still in effect. Congressional committees studying Canadian-American commercial relations had recommended a North American

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1. Sir John Willison, Sir Wilfrid Laurier and the Liberal Party, A Political History (2 Vols.; Toronto: Morang, 1903) II, p. 120.

2. Wharton Barker to Hon. William M. Evarts, Senator of the United States, June 5, 1886 in Erastus Wiman, ed., Commercial Union Between the United States and Canada: Some Letters, Papers and Speeches (Toronto: np., 1887), p. 14. Erastus Wiman, "The Commercial Union Movement," in Hopkins, ed., Encyclopedia, I, p. 413. Barker's proposal in The Halifax Morning Chronicle, Jan. 22, 1886.

zollverein. In 1862, Elijah Ward, a member of the Committee on Commerce of the House of Representatives reported after a lengthy study of the German zollverein that a North American customs union with all its commercial and political consequences "could not fail" to benefit the Canadian provinces and the United States.<sup>3</sup> On a later occasion, J. N. Larned reported to the Congress that a "Zollverein or a customs union, after the plan of that under which the German states secured free trade" would be best to propagate and extend commercial relations between both countries.<sup>4</sup> Canadian officials had contemplated the Commercial Union scheme during the negotiations which sought to forestall the abrogation of the treaty of 1854.<sup>5</sup> In 1880 Goldwin Smith, one of Canada's most prominent scholars, publicly supported Commercial Union as the initial step toward what he thought to be Canada's inevitable destiny--political union with the United States.<sup>6</sup>

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3. Hon. Elijah Ward's Report to the Committee on Commerce of the United States Congress, Feb. 5th, 1862 cited in Hopkins, ed., Encyclopedia, I, p. 423.

4. J. N. Larned's Special Report to Congress on the Extent and State of the Trade Between Canada and the United States, Feb. 3, 1871 cited in Hopkins, ed., Encyclopedia, I, p. 416.

5. Callahan, American Foreign Policy, p. 327. Colquhoun, "Reciprocity in 1869," The Canadian Historical Review, VIII pp. 233-242.

6. Goldwin Smith, "Canada and the United States," The North American Review, CXXXIX, (July, 1880), pp. 15-16.

By the eighties a North America Zollverein was not a new concept but for the first time seemed to be both political-ly feasible and economically advantageous.

Wharton Barker, Philadelphia banker and an active Republican politician, was an early advocate of Commercial Union in his weekly journal The American which habitually supported the principle of tariff protection for American producers. Barker saw Commercial Union as a means to extend the protective tariff system to include Canada and thereby to gain for American manufacturers access to the abundant resources of Canada and an enlarged market. He noted the incidental benefits to both peoples that would follow the elimination of customs houses and pointed out that Commercial Union would also solve the protracted fisheries dispute. In the early months of 1887 nearly every editorial of The American bombarded the American public with the benefits to be derived from a Commercial Union of Canada and the United States.<sup>7</sup>

The foremost advocate of Commercial Union was Erastus Wiman, a Canadian-born businessman with interests on both sides of the border. Wiman was a self-made financier

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7. Gary Pennanen, "American Interest in Commercial Union with Canada, 1854-1898," Mid-America, An Historical Quarterly, XXXVII, (Jan., 1965), p. 31. Editorials of The American, Jan. 29, 1887; Feb. 26, 1887; April 9, 1887; April 16, 1887; April 23, 1887; May 7, 1887; May 14, 1887.

who "arose from the position of a lad...earning a mere pittance as a farm laborer, to the commanding eminence of one of the leaders of the business, political and literary world of the continent." In the early sixties he was commercial editor of The Toronto Globe and editor of the Montreal Trade Review. In 1866 he became manager of the R. G. Dun and Mercantile Company of New York and in 1881, president of the Great North-Western Telegraph Company of Canada. Wiman eventually gained control of the Montreal Telegraph Company with the help of the American financier Jay Gould. He was also a director of the Western Union Telegraph Company and president of the Staten Island Rapid Transit Railway Company.

Wiman's devotion to the scheme of Commercial Union was not unrelated to his prosperous business interests in both Canada and the United States. As he stated in 1898, he was interested in the "enormous consequences" that would

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8. E. Myers, "A Canadian in New York," The Canadian Magazine, I, (Aug., 1893), p. 435.

9. Ian A. Hodson, "Commercial Union, Unrestricted Reciprocity and the Background to the 1891 Elections" (Unpublished M.A. Thesis, University of Western Ontario, 1952), pp. 25-45. Henry James Morgan, ed., The Canadian Men and Women of the Time (Toronto: Briggs, 1898), pp. 1093-94. Myers, Ibid., pp. 435-443.

result from breaking down the barriers between both coun-  
tries.<sup>10</sup> By abolishing the mineral duties in the United  
States and duties on iron products in Canada, Commercial  
Union would greatly advance the fortunes of his Anglo-  
American Iron Company which sought to control the iron ore  
deposits in Canada.<sup>11</sup> Commercial Union would also eliminate  
the Canadian Pacific Railway's competition with his assoc-  
iates' eastern American Trunk lines and give him large  
powers over telegraph communications of North America.<sup>12</sup>

Wiman's business associate, Samuel J. Ritchie, was  
another influential advocate of Commercial Union. Ritchie  
was a sewer pipe manufacturer from Akron, Ohio who had  
large investments in the rich mineral resources of Northern  
Ontario. To develop these minerals Ritchie organized the  
Anglo-American Iron Company and the Canadian Copper Company

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10. Wiman, "The Commercial Union Movement," in  
Hopkins, Encyclopedia, I, p. 412. Erastus Wiman's Speech  
before the New York Board of Trade, Feb. 23rd, 1887 in The  
Toronto Mail, Feb. 24, 1887.

11. Robert Craig Brown, "The Commercial Unionists  
in Canada and the United States," The Canadian Historical  
Association Report, (June 5-8, 1963), p. 119. Pennanen,  
"American Interest in Commercial Union," Mid-America, p.  
30.

12. Brown, "The Commercial Unionists," Ibid.,  
p. 119.

and he secured the presidency of the Central Ontario Railroad.<sup>13</sup> The tariff barriers between Canada and the United States presented a problem to Ritchie's enterprises; high duties had to be paid both on importing the raw materials into the United States and on exporting the finished product to Canada.<sup>14</sup> Commercial Union was the solution to this problem and it would enhance his profits. In his efforts to propagate the scheme, he corresponded at length with Prime Minister Macdonald and leaders of the two major parties in the United States.<sup>15</sup>

Hezekiah Butterworth, a Republican congressman and Ritchie's intimate friend and legal adviser, aided these efforts to secure congressional support for a removal of barriers to Canadian-American trade. Although a protectionist Butterworth became the most prominent advocate of Commercial Union in the House of Representatives. Like Ritchie and Wiman, he was convinced that Canada was a "vast

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13. Pennanen, "American Interest in Commercial Union," Mid-America, XXXVII, p. 30. Charles Callan Tansill, Canadian-American Relations, 1875-1911 (New Haven: Yale University Press, 1943), pp. 382 and 406. Hodson, "Commercial Union and Unrestricted Reciprocity," pp. 54-56.

14. Pennanen, "American Interest in Commercial Union," Ibid., p. 30. For transaction ie., selling nickel to the U.S. government see: The Toronto Globe, Nov. 4, 1890.

15. Tansill, Canadian-American Relations, p. 382. Callahan, American Foreign Policy, p. 368.

store-house of supply" and "a great market" for the products of the United States.<sup>16</sup> For Butterworth the creation of a North American customs union was an extension of the protective tariff system, "an American plan, a new world plan" against the nations of "the old world."<sup>17</sup> On February 14, 1887, in an attempt to promote the business interests of his constituent, Ritchie, and to solve the outstanding problems plaguing the relations of Canada and the United States Butterworth introduced a bill calling for full reciprocity with Canada.<sup>18</sup>

The Butterworth Bill was received with indifference by the American Congress. To a majority of Congressmen Canada's harassment of American Atlantic fishermen and discriminatory toll rates on American vessels using Canadian canals required a sterner stand than Butterworth's soft and liberal proposal. As J. W. Longley, Attorney-General of

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16. Hezekiah Butterworth, Trade with Canada, Address of Hon. Hezekiah Butterworth of Ohio before the Committee on Ways and Means, March 3, 1890 (Washington, np. 1890), p. 4.

17. Hezekiah Butterworth, Commercial Union Between Canada and the United States, An Address before the Canadian Club of New York (New York, np., 1887), p. 37.

18. Full text of Butterworth's Bill: The Montreal Gazette, Feb. 17th, 1887 and United States Congressional Record, 49th Cong., 2nd Sess., XVIII, part 2, Feb. 14, 1887, p. 1735. The Montreal Gazette, Feb. 15, 1887. Erastus Wiman's Speech before the New York Board of Trade, Feb. 23, 1887 in The Toronto Mail, Feb. 24, 1887.

Nova Scotia observed, the average American "confident of the position of his country, viewed the matter with indifference" and was disposed to treat Canada with contempt. "The ordinary American" under the guise of manifest destiny could not understand why Canada did not "at once bow down before her great neighbor and make terms."<sup>19</sup> On March 3, 1887 Congress deferred Butterworth's Bill and authorized the President "by proclamation...to deny vessels, their masters and crews, of the British dominion of North America, any entrance into the waters, ports or place of, or within the United States..." if American vessels continued to be harassed or vexed by Canada.<sup>20</sup> The Act was never employed, but nonetheless clearly expressed the majority's view on Canadian-American commercial intercourse.

Undismayed the commercial unionist minority continued to propagate their policy and gradually received strong support from "high protective sources."<sup>21</sup> In

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19. J. W. Longley, Attorney-General of Nova Scotia to Erastus Wiman, March 28, 1887 cited in Wiman, ed., Commercial Union between the United States and Canada, p. 12.

20. Full text see: Relations with Canada, Message from the President [Cleveland] of the United States, in Relation to Intercourse Between the United States and Canada (Washington, np., Aug. 23, 1888), p. 43.

21. Secretary of State Thomas F. Bayard to Mr. Phelps, April 23, 1887 cited in Charles Callan Tansill, The Foreign Policy of Thomas F. Bayard, 1885-1897 (New York: Fordham University Press, 1940), p. 538.

Congress, Nelson Dingley and Robert R. Hitt both staunch Republican protectionists backed the Butterworth plan. Outside Congress powerful business interests began to favor the movement for closer trade relations with Canada. The Boston Chamber of Commerce already had endorsed some sort of Commercial Union with Canada and spokesmen for New England interests desiring cheaper iron, coal and lumber welcomed Commercial Union. In August, 1887, the New York State Canal Convention passed a resolution favoring Commercial Union with Canada at its meeting in Rochester. In December, the New York Chamber of Commerce and the Boston Merchants' Association gave their support to the scheme. As a crowning gesture the National Board of Trade of the United States at its annual convention in Washington in January, 1888, resolved in favor of "commercial relations with the Dominion of Canada upon the broad and comprehensive principles of complete reciprocity."<sup>22</sup>

Commercial Union attracted a wider audience in Canada than in the United States. In fact, Wiman wrote that as a movement it was "one of the most remarkable events that had ever occurred in any community."<sup>23</sup> Its popularity

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22. The Toronto Empire, Jan. 20, 1888.

23. The New York Sun, Oct. 23, 1887 cited in Tansill, Canadian-American Relations, p. 400.

was due partly to the ability of its advocates and to local economic conditions. Canada was in the midst of a depression; the expected rapid expansion of the economy and the desired repercussions of the Conservatives' National Policy failed to materialize. Despite a protective tariff, an unfavorable balance of trade was created. While imports increased, exports the life-line of Canada's producers of staples, decreased. The value of total imports into Canada increased from \$79.9 million in 1881 to \$103.5 million in 1883 to \$107.5 million in 1887 while the value of total exports during these years decreased from \$99.8 million to \$88.9 million to \$93.0 million.<sup>24</sup> Immigration into Canada necessary for the development of the West and the creation of the east-west flow of goods while approximating one and a half million peoples between 1881 and 1891 could not keep up with emmigration to the greener fields of the United States which accounted for nearly one million.<sup>25</sup> To add hardships to those who stayed behind, world prices for natural products fell to an all-time low. Between the years 1873 and 1886 wheat prices dropped from \$1.30 a bushel to

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24. For Statistics: Statistical Contributions to Canadian Economic History, (2 Vols.; Toronto: Macmillan, 1931), II, pp. 3, 10 and 12. MacDiarmid, Commercial Policy, p. 182.

25. Report on Dominion-Provincial Relations, 1939, Appendix III, p. 37.

seventy-six cents, barley from \$1.06 a bushel to sixty-three cents and cattle from six dollars a hundred weight to four dollars.<sup>26</sup> Into the turmoil of gloom and doubt came the prophets of Commercial Union--Wiman, Ritchie and Butterworth.

During the summer of 1887, Wiman and Butterworth toured Canada to propagate the plan of Commercial Union as the best alternative to Macdonald's National Policy. Collaborating with them were such influential Canadians as Goldwin Smith, Edward Farrer, V. E. Fuller and Henry W. Darling. Goldwin Smith, historian, scholar and anti-imperialist, championed the cause of Commercial Union because he was convinced that Canadian attempts to build a separate entity on the North American continent were "hopeless" and that the "enormous sums" expended for this goal were "miserably wasted."<sup>27</sup> He predicted the "doom of the Ottawa Government" and the "ultimate union of the

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26. Donald F. Warner, The Idea of Continental Union, Agitation for the Annexation of Canada to the United States, 1849-1893 (Lexington: University of Kentucky Press, 1960), p. 155 and 153.

27. Goldwin Smith to Justice J. W. Longley, Halifax, N.S., July 8, 1885 in Arnold Haultain, ed., A Selection from Goldwin Smith's Correspondence Comprising Letters chiefly to and from his English Friends, Written between the years 1846 and 1910 (Toronto: McClelland and Goodchild, 1913), p. 171. For Smith's views on Commercial Union also see: Goldwin Smith, Canada and the Canadian Question (Toronto: Hunter and Rose, 1892), p, 346.

whole English-speaking race on the continent." <sup>28</sup> Smith  
 regarded the Commercial Union question as "the greatest"  
 ever submitted to the Canadian people since Confederation. <sup>29</sup>

To spread his ideals, Smith enlisted the services of Henry W. Darling, President of the Toronto Board of Trade, V. E. Fuller, President of the Council of Farmers' Institutes and Edward Farrer, an influential editorial writer for The Toronto Mail. To aid the cause of Commercial Union, Smith and Darling organized a Commercial Union Club in Toronto. The Club members held meetings, heard speeches, wrote letters and pamphlets and planned commercial unionist strategy. As part of its program it issued a Handbook of Commercial Union, throughout which was denied for the benefit of the sceptics that Canadian annexation or loss of independence was necessarily a result of Commercial Union. <sup>30</sup>

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28. Goldwin Smith to the Earl of Shelborne, Feb. 7, 1887 in Haultain, ed., Goldwin Smith's Correspondence, p. 197.

29. Goldwin Smith's Introduction to Graeme Mercer Adam, ed., Handbook of Commercial Union: A collection of papers read before the Commercial Union Club, Toronto, with speeches, letters and other documents in favor of Unrestricted Reciprocity with the United States (Toronto: Hunter and Rose, 1888), p. ix.

30. Ibid., p. 294.

More influential than the activities of the Commercial Union Club were the editorials of the Canadian press, especially those of Edward Farrer in The Toronto Mail.<sup>31</sup> Farrer was responsible for having convinced Wiman in the middle eighties of the benefits of Commercial Union.<sup>32</sup> Like Smith, Farrer believed in the inevitable political union of Canada to the United States and Commercial Union as a step toward that end. On March 1, 1887, he wrote that "a Customs union" would not only profit Canada and the United States, but would also serve as "a basis of settlement" of the increasing tensions between both countries. "The only objection to it from this side," he believed, was the fear "that it might endanger British connection." To that he answered: "let us seriously ask ourselves if a people situated as we are in this controversy can afford to be swayed by sentiment."<sup>33</sup>

Farrer's unconditional support of Commercial Union even to the point of its probable political consequences was criticized by the recognized Liberal organ, The Toronto Globe. "If we cannot afford to be swayed by sentiment,"

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31. The Toronto Mail, Feb. 24, 1887; March 1, 1887; April 26, 1887; June 29, 1887; September 2, 1887.

32. Willison, Laurier and The Liberal Party, II, pp. 121-122.

33. The Toronto Mail, March 1, 1887.

cried the Globe, "we are not worthy to draw breath as free men." The writer regarded Commercial Union to be "monstrous" if it were a means to political union, but if stripped of this implication he considered the scheme to be one of man's "noblest" projects.<sup>34</sup>

The campaign for Commercial Union gained the immediate and enthusiastic support of the farmers, fishermen, lumbermen and miners who were hardest hit by the prolonged depression. Commercial Union promised what they needed most--"a free market of 62,000,000 people" for their products and access to inexpensive manufactured goods produced in the United States. The farmers' spokesmen argued that North America was "geographically one nation" hence free trade between the United States and Canada was "both natural and desirable."<sup>35</sup> Accordingly, on April 28, 1887, the farmers of Ontario organized a Central Farmers' Institute with Valancey E. Fuller as its president. Its major objective was to remove "all restrictions on trade between the Dominion of Canada and the United States."<sup>36</sup> By August, twenty-two out of Thirty-four local Farmers'

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34. The Toronto Globe, March 2, 1887; April 27, 1887.

35. The Manitoba Daily Free Press, Jan. 26, 1886; July 13, 1887.

36. Hopkins, ed., Encyclopedia, I, p. 419.

Institutes voted in favor of full reciprocity with the United States.

While a large majority of Canada's producers of staples endorsed Commercial Union, the manufacturers condemned it out of fear of American competition. At the annual meeting of the Canadian Manufacturers Association on May 4, 1887, the representatives of manufacturing "unanimously opposed...any treaty...which would admit American manufacturers into Canada free to duty."<sup>37</sup> The Toronto Board of Trade, despite that its president was the well-known commercial unionist, H. W. Darling, on June 16, 1887, condemned "any proposal which placed Great Britain at any disadvantage with the United States or which tended ...to weaken the bonds"<sup>38</sup> between Canada and the Empire. The manufacturers were well aware of the political consequences of the German Zollverein and attacked Commercial Union as the prelude to the ultimate if not "immediate annexation"<sup>39</sup> of Canada to the United States. Wiman, "the head of this movement" was castigated as "simply a self-seeking notoriety hunter"<sup>40</sup> and "charlatan."

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37. Ibid., p. 420.

38. Ibid., p. 422.

39. Editorial, The Montreal Gazette, July 21, 1887; July 28, 1887; Oct. 28, 1887; Dec. 12, 1887.

40. The Montreal Gazette, Aug. 29, 1887.

Despite strong opposition from Canadian manufacturers Commercial Union gained popularity amongst those hardest hit by the depression. Acknowledged fear of its political consequences made Canadian parties rather reluctant to endorse Commercial Union which some regarded as a threat to loyalty to Britain. The Liberal party, out of political necessity and in response to the popularity of Commercial Union within the ranks of the producers of staples did adopt a modified version of the plan which it presented to the Canadian electorate.

## CHAPTER III

### UNRESTRICTED RECIPROCITY: THE NEW DEPARTURE OF THE CANADIAN LIBERAL PARTY

In 1887, neither Conservatives nor Liberals were ready to commit their parties to the increasingly popular idea of Commercial Union. The Conservatives whose National policy had been endorsed in the elections of February viewed Commercial Union as a revolutionary measure leading not only to the destruction of Canadian infant industries, but also to the political annexation of the Dominion to the United States. They received strong support from the railroad and manufacturing interests, the sector of the Canadian economy which had the most to lose if Commercial Union were adopted. The Liberals, traditionally favoring freer trade with the United States both in natural and manufactured products, at first frowned upon Commercial Union because of its political connotations. Then, for political reasons they took advantage of the producers of raw materials' discontent over Canada's slow rate of economic progress and moved toward a more moderate form of Commercial Union known as unrestricted reciprocity. Like Commercial Union, unrestricted reciprocity meant free trade between Canada and the United States, but unlike Commercial Union, each

country would retain complete control over its own tariff policy against third parties. The conservative opposition to either policy was unpopular among a large sector of the Canadian population, but the American rebuff of the 1887-88 Fishery Treaty justified their stance.

The Liberal party was expected to be friendly to the idea of Commercial Union for they had traditionally favored relaxation of trade barriers. After all, it was a Liberal government that had attempted in 1874 to obtain a reciprocity treaty with the United States both in natural products and manufactured goods. It was a Liberal government that had taken a stand against high protection during the budget debates of 1876, 1877, and 1878. It was a Liberal party that at least on two occasions had introduced in the House of Commons resolutions calling for complete free trade with the United States.<sup>1</sup>

Not everyone within the Liberal ranks backed a policy of the freest possible commercial intercourse between Canada and the United States. The Liberal leader, Edward Blake, during the general elections of 1887 clarified his position. As a member of the "Canada First"

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1. L. S. Huntington's Resolution for Custom's Union with the United States, March 6, 1870 in House of Commons Debates, p. 449. L. H. Davies' Resolution for Reciprocal freedom in trade Relations with the United States, March 28, 1884 in House of Commons Debates, p. 1182.

movement of the seventies Blake fell prey to its Canadian nationalist theme, "The True North Strong and Free" and to its "protectionist political" connotations.<sup>2</sup> Reiterating his 1882 election policy, Blake argued that complete free trade was unrealistic because a country like Canada, committed to the Conservatives' costly policy of expansion, incurred such a volume of public expenditure that a tariff high enough to be protective was necessary if the government were to balance its budget.<sup>3</sup> Furthermore, he believed that any economic ties with the United States or with Great Britain which were too close and too exclusive were dangerous to Canada's political independence. Blake's policy received support from the Quebec wing of the party and a few strong Ontario Liberals, one of whom was Alexander Mackenzie, former leader and Prime Minister of Canada. There was a strong minority within the rank and file of the Liberal party lead by Richard J. Cartwright, former finance minister and staunch free trader on principle, who disagreed with Blake's reserved policy.

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2. Kenneth McNaught, "The Total Environment of 'Canada First'," Saturday Night, LXXXII, (May, 1967), p. 29.

3. Edward Blake's Malvern Speech, Jan. 22, 1887 in Edward Blake, Dominion Election Campaign of 1887, Speeches by Hon. Edward Blake (Toronto: Hunter and Rose, 1887), p. 332. The Toronto Mail, Jan. 25, 1887.

It was to this latter group that the Conservative press pointed when attacking the Liberal tariff policy during the elections of 1887. The Conservatives made sure that the manufacturers would not forget that in the past the Liberals had stood for a drastic lowering of the most burdensome and monopolistic schedules. The Conservative strategy worked and on February 22, 1887, the National Policy was endorsed for a third time. Unfortunately for the Liberal sympathizers of freer trade the general election was held long before Commercial Union had reached its full strength.

Electoral defeat for the third consecutive time forced Wilfrid Laurier, new leader of the party, to look for a new departure, a "bold policy."<sup>4</sup> In 1876, the young French-Canadian lawyer from the Province of Quebec, had described himself as "a moderate protectionist" and in 1882 had supported Blake's programme of protection.<sup>5</sup> In 1887 after another defeat and in view of the growing popularity of the Commercial Union scheme Laurier privately

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4. Sir Wilfrid Laurier to Edward Blake, June 20, 1887 cited in Frank H. Underhill, "Laurier and Blake, 1882-1891," The Canadian Historical Review, XX, (Dec., 1939), p. 400.

5. House of Commons Debates, Mar. 10, 1876, p. 590.

confessed that the "bold policy" which he had in mind was "Commercial Union."<sup>6</sup> He stressed that "unless the Liberals came out fair and square in favor of Commercial Union" they were doomed to defeat after defeat.<sup>7</sup> He was convinced that "there could be no sounder liberal principle than freedom of trade, wherever freedom of trade was obtainable." The question in Laurier's mind was not so much one of principle, but whether or not this was the proper time to commit a party so full of doubts and fears.<sup>8</sup>

To resolve his own doubts, Laurier solicited the views of the party on the "new question of...Commercial Union with the United States."<sup>9</sup> Most answers that he received advised caution. Some were outright denunciations of Commercial Union while others were strong eulogies of the new movement.<sup>10</sup>

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6. Laurier to Blake, July 14, 1887 cited in Underhill, "Laurier and Blake, 1882-1891," The Canadian Historical Review, XX, p. 400.

7. Laurier to Sir Richard J. Cartwright, August 8, 1887 cited in W. R. Graham, "Sir Richard Cartwright, Wilfrid Laurier and the Liberal Party Trade Policy 1887," The Canadian Historical Review, XXXIII, (March, 1952), p.7.

8. Laurier's Circular Letter to the Liberal Party, July 11, 1887 in P.A.C., Laurier Papers, Series M.G. 26, G. 1 (a), II, 1887-88.

9. Ibid., II, 1887-88.

10. Ibid., II, 1887-88.

Laurier was still doubtful in August about making any public pronouncement for or against Commercial Union. In an address at Somerset, Quebec, on August 2, 1887, Laurier was vague and cautious. He did not repudiate outright Commercial Union but qualified his repudiation by adding that it should not be adopted "at the present moment." It was still too early for him as new leader of an old party with varying opinions to take a public stand.<sup>11</sup>

Richard Cartwright, who in 1876 and onward had supported a policy of complete free trade with the United States, encouraged Laurier to adopt officially Commercial Union.<sup>12</sup> Cartwright sought to take advantage of the masses' discontent over Canada's slow rate of economic growth and make it work in the Liberal party's favor. On October 12, 1887, at Ingersoll, Ontario he unhesitatingly challenged his party to adopt "Commercial Union."<sup>13</sup>

Cartwright's forthright declaration precipitated a debate among the Liberals the outcome of which was the party's rejection of Commercial Union. Strong opposition

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11. Laurier's Somerset Speech, August 2, 1887 cited in Ulric Barthe, ed., and trans., Wilfrid Laurier on the Platform (Quebec: Turcotte and Menard, 1890), p. 385. The Toronto Globe, Aug. 4, 1887.

12. Cartwright to Laurier, July 8, 1887 and Aug. 22, 1887 cited in Laurier Papers, II, 1887-88.

13. The Toronto Mail, Oct. 15, 1887.

came from Alexander Mackenzie, James Young, William Mullock and James D. Edgar, all influential Liberals. Mackenzie attacked the scheme of Commercial Union as "a sure step toward annexation, a barrier against English trade, and a down grading of Canadian political life."<sup>14</sup> Young in a well publicized pamphlet entitled Our National Future reiterated Mackenzie's objections and added that Commercial Union would remove the main source of the federal revenue and ruin Canada's manufacturers without significantly aiding the producers of staples.<sup>15</sup> Opposition was so strong that on October 31, 1887 Laurier made up his mind "to give up Commercial Union"<sup>16</sup> The Liberals wanted a more moderate plan.

James D. Edgar, a Toronto Liberal Member of Parliament, contributed greatly to the formulation of a new policy. In a series of three letters to Erastus Wiman which The Toronto Globe published in November, 1887 Edgar outlined and defined the new commercial plan. "Unrestricted

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14. Alexander MacKenzie to Sir Richard J. Cartwright, Sept. 27, 1887 cited in Dale C. Thompson, Alexander MacKenzie, Clear Grit (Toronto: Macmillan, 1960), p. 386.

15. James Young, Our National Future (Toronto: R. G. Mclean, 1888), p. 16.

16. Laurier to Edgar, Oct. 31, 1887 cited in Paul Douglas Steven, "Laurier and the Liberal Party in Ontario, 1887-1911," (Unpublished Ph.D. Thesis, University of Toronto, 1966), p. 25.

reciprocity" as he called it, still meant free trade with the United States, but unlike Commercial Union it would leave the control of the tariffs against a third party in the hands of the respective governments rather than to a joint control subservient to the American Congress. Also, in order to prevent the re-exportation free of duty of European goods upon one another both countries were to retain customs houses. In short, Edgar's scheme called for Canadian-American free trade, but not economic union.<sup>17</sup>

Unrestricted reciprocity was more promising in the political arena than Commercial Union. Although the idea had been borrowed from the commercial unionists, it, unlike Commercial Union, could ward off all political connotations and at the same time satisfy the cries for greater freedom of trade between both countries. Under unrestricted reciprocity each country would retain complete control over its own fiscal policy and uniform tariffs and pooling of receipts thereof would be unnecessary. Unlike Commercial Union, unrestricted reciprocity could be obtained simply by enlarging the free list without any need to negotiate a complicated commercial treaty. As Wiman said

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17. The Toronto Globe, Nov. 15th, 22nd, 29th, 1887. Republished in The Wiman-Edgar Letters: Unrestricted Reciprocity as Distinguished from Commercial Union, 1887, pp. 1, 3, 4, 5, 10.

in answer to Edgar's proposal: "almost everything that Commercial Union in its fullest sense could accomplish could be achieved by this plan" without endangering the political independence of either country.<sup>18</sup> The new plan then, offered to an upset electorate a solution to their economic problems, an alternative to the Conservatives' National Policy and reconciled and crystalized the diverse elements within the Liberal party.

By the fall of 1887 Commercial Union in its modified version and under a new name "unrestricted reciprocity" appeared to take hold in the Liberal political platform. In fact, the provincial governments made up almost entirely of Liberals which met in Quebec City at an interprovincial conference a few weeks before Edgar's public pronouncements unanimously adopted a resolution favoring "unrestricted reciprocity" of trade with the United States.<sup>19</sup> As Cartwright testified on January 2, 1888, the party no longer "had any choice left." It had to "make a new departure" and there was nothing that could "fill the bill

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18. Wiman to Edgar, Nov. 26, 1887 in The Wiman-Edgar Letters, p. 8.

19. Unrestricted Reciprocity Resolution of the Interprovincial Conference cited in a letter of Oliver Mowat to Alexander MacKenzie, The Toronto Globe, Dec. 14, 1891.

half as well as 'unrestricted reciprocity'.<sup>20</sup>"

Laurier, on January 16, 1888, in a letter to Blake gave unrestricted reciprocity his blessing. "It is the general desire," he said, "that we should make it a party issue...I think it would be wise and politic, early in the session, to adopt the new platform."<sup>21</sup> Accordingly, the Liberal caucus on February 28, 1888, adopted unrestricted reciprocity as the party's alternative to the Conservative policy of protection. On March 14, 1888, the party officially committed itself by introducing a resolution in the House of Commons calling for "full and unrestricted reciprocity" with the United States. The Liberal party, swayed by its traditional low tariff stand, its third consecutive electoral defeat and the growing popularity of Commercial Union in the face of Canada's slow economic growth adopted unrestricted reciprocity as its official policy.

The Conservative party, undaunted by the new official challenge of the Liberals, continued its hard line policy of protection. Traditionally, the Conservative

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20. Cartwright to Laurier, Jan. 2, 1888 in Laurier Papers, II, 1887-88.

21. Laurier to Blake, Jan. 16, 1888 in Underhill, "Laurier and Blake, 1882-1891," The Canadian Historical Review, XX, pp. 401-402.

fiscal policy while committed to the protection of Canadian infant industries allowed for free trade with the United States in some or all natural products. The spokesman of the party, Sir John A. Macdonald, could not "agree to a Zollverein" because, in his opinion, customs duties were the sole protective shields of Canadian industries, main source of revenue and paramount to the promulgation of a Canadian national economy. Macdonald was distinctly suspicious of the political implications of such a scheme and could not accept it as the best remedy for Canada's economic ills.<sup>22</sup> Reciprocity limited to natural products, he believed, could solve some of the outstanding Canadian-American problems, would satisfy those Canadians most interested in breaking down the barriers of trade between both countries and would protect the competitive position of Canada's industries.

Macdonald's government aware of the possible commercial advantages of limited reciprocity, tried during the fisheries conference of 1887 to secure some trade concessions. From the first preliminary meeting between Sir Charles Tupper, Minister of Finance and the American Secretary of State, Thomas F. Bayard in May, 1887 to the

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22. Sir John A. Macdonald to Sir Charles Tupper, July 28, 1884, P. A. C., MacDonald Papers, Vol. DXXVI, Letter Book 23, M. C. 26, Al(a), part 1, pp. 35-37.

signing of the Fisheries Treaty in February, 1888 it was clear that neither government was prepared to go the length of Commercial Union and that for the United States settlement of the fishery question was first and foremost.<sup>23</sup>

Tupper regarded "unrestricted commercial union" as "utterly impracticable" both to the United States and to Canada.

Limited reciprocity reached through mutual legislation he thought might be negotiable.<sup>24</sup> Joseph Chamberlain, the

British representative warned all that Commercial Union was beyond negotiation and meant Canada's "political separation from Great Britain."<sup>25</sup> Bayard agreed that

Commercial Union was impractical and too entangling, suited only to Canadian local interests at the expense of the Americans. In his opinion the fisheries dispute and its settlement was more important than trade matters.<sup>26</sup>

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23. For the documents relating to the Negotiations see: Canada, Sessional Papers, XXI, 1888, No. 36c and Macdonald Papers, CLXXX, Washington Treaty, 1888, (7).

24. Sir Charles Tupper to Macdonald, Nov. 25, 1887, Macdonald Papers, CLXXX, Washington Treaty, 1888, (7).

25. Joseph Chamberlain, Nov. 7, 1887 in The New York Herald, Nov. 8, 1887 cited in Pennanen, "American Interest in Commercial Union," Mid-America, XXXXVII, p. 32.

26. Bayard to Phelps, Dec. 6, 1887 cited in Tansill, Canadian-American Relations, p. 402.

The Treaty signed on February 15, 1888, while emphasizing the fishery problem and its solution provided for a very limited reciprocity in "fish oil, whale oil, seal oil and fish of all kinds."<sup>27</sup> This was a far cry from the Liberals' unrestricted reciprocity policy or even the limited reciprocity offer of the Conservatives in natural products. After February it was clear that the trade issue remained unsolved.

When Parliament reconvened in March, 1888 the Liberal opposition immediately took advantage of the government's fumble at Washington to propagate their newly adopted policy of unrestricted reciprocity. The Liberals put the entire blame for the failure of reciprocity in the Treaty on the Conservatives' unwillingness to offer to the United States full reciprocity in both natural and manufactured products. In accordance with their political strategy to embarrass the Conservatives, the Liberals introduced a resolution for "full and unrestricted reciprocity" with the United States as the only alternative to a so-called National Policy which had failed to open the United States' market or satisfy the growing Canadian discontent over

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27. Full text of the Fishery Treaty, Feb. 25, 1888 see: The Toronto Mail, Feb. 22, 1888 and for related documents see: Macdonald Papers, CLXXIX, Washington Treaty, 1888, (6).

Canada's slow rate of economic progress.<sup>28</sup> Laurier argued that the Conservatives, while maintaining the status quo, legislated "against nature", against Canadian access to a natural market of sixty million of the wealthiest people on the face of the globe. Unrestricted reciprocity, he cried, would gain this natural market, alleviate the most pressing economic problems facing Canada and greatly benefit not only the producers of staples or "seventy per cent of the population,"<sup>29</sup> but also the manufacturers. As to the effect of unrestricted reciprocity upon Canadian relations with Great Britain, Laurier reiterated what Cartwright had said on March 14 in introducing the resolution, that it "would have the effect of bringing such prosperity to Canada that trade would increase not only between Canada and the United States but between Canada and Great Britain herself and make the bonds of union still stronger."<sup>30</sup> Finally, he concluded on an optimistic note: "Time is with us,<sup>31</sup> the cause is true, it will prevail."

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28. House of Commons Debates, March 14, 1888, p. 144.

29. Ibid., April 5, 1888, pp. 559-561.

30. Ibid., p. 564.

31. Ibid., p. 565.

To the Conservatives, failure to obtain a wider range of reciprocity was not due to their unwillingness to extend the free list, but rather to an unco-operative and staunchly protectionist American administration. In any event, Macdonald felt assured that failure even to obtain a limited reciprocity in natural products except in fish and fish oils meant that any hopes for freer trade between Canada and the United States especially in the form of Commercial Union or unrestricted reciprocity were futile and "a dead duck." Not only would such schemes be opposed by the American Congress, but by the Canadian people who, in his opinion, had rendered their verdict in favor of the Conservative party and its policies in the federal elections of 1887.<sup>32</sup> As George Foster, Minister of Marine and Fisheries, put it, the National Policy was proven formula, Commercial Union or as the Liberals called it, unrestricted reciprocity,<sup>33</sup> was mere speculation.

After fourteen days of debate, averaging ten hours per day with seventy members participating the Conservative majority rejected Cartwright's motion. In its place the

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32. Macdonald to Tupper, Jan. 15, 1888 Macdonald Papers, Vol. DXXVII, Letter Book 24, M.G. 26, A1(a), part 2, pp. 363-63.

33. House of Commons Debates, March 15, 1888, pp. 182 and 193.

government successfully carried a resolution favoring the extension of "trade relations with the United States" whenever it was possible and in harmony with the government's policy of 1879 "of fostering the various industries and interests of the Dominion."<sup>34</sup> Tupper clarified the meaning of the new resolution by restating that the Conservative policy was "to make natural products free...to make raw materials free" and to protect by import duties Canadian industry and Canadian jobs. In Tupper's opinion unlimited reciprocity dies in the Fishery Treaty of February, 1888.<sup>35</sup>

Unrestricted reciprocity, a moderate version of Commercial Union had been hesitantly adopted by the Liberals for political reasons--a "bold policy" to challenge the Conservatives. The new policy promised a solution to the economic distress of Canada, an end to the discriminatory tariff schedules of the Conservatives and a new departure toward nationhood. Its success depended upon a receptive Canadian electorate, but more important upon a favorable climate in the United States. The Conservative failure in the Fishery Treaty of 1888 to obtain even a limited reciprocity in natural products pointed immediately to the

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34. George E. Foster's Amendment, Ibid., April 9, 1888, p. 646.

35. Ibid., April 10, 1888, p. 682.

difficulty of the Liberal position. Six months later on August 21, 1888, when the United States Senate rejected the Treaty in its entirety including reciprocity in fish and fish oils it was apparent that unrestricted reciprocity was far more than the United States was prepared to accept.<sup>36</sup> In view of the experience of 1888 the mood in Washington was not encouraging to the Liberal policy of unrestricted reciprocity.

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<sup>36</sup>. Senate Rejection of the Fishery Treaty, Aug. 21, 1888: The Toronto Mail, Aug. 22, 1888.

## CHAPTER IV

### AMERICAN ATTITUDES TOWARD RECIPROCITY WITH CANADA

Between 1884 and 1894 attempts to remove completely or partially the trade barriers between the United States and the Dominion of Canada received sporadic American support but were thwarted by high tariff advocates and annexationist sympathizers in Congress. Special interests who feared Canadian competition in the trade of logs, the supply of fish, minerals and agricultural products opposed any lowering in the tariff wall. Annexationists sided with the protectionists in frustrating all efforts at tariff reductions because they believed that Commercial Union, unrestricted reciprocity, or even limited reciprocity would obstruct rather than aid the eventual political union of Canada to the United States. During the first administration of President Cleveland the Fishery Treaty of 1888 with its limited reciprocity provision, the Mills tariff bill with its proposed extension of the dutiable free list and the Butterworth and Hitt resolutions for reciprocity with Canada were all rejected by the Congress. President Harrison's administration raised tariff rates to an almost prohibitory level with the McKinley Tariff Act of 1890

and refused to entertain in the early nineties Canadian reciprocal overtures other than on a basis of political union. The future for Canadian-American trade relations looked hopeful in November, 1892 when the Democratic Party regained control of the White House and both houses of the Congress after pledging a downward revision of the tariff rates. The future looked even brighter in 1894 when the House of Representatives passed the Wilson tariff bill providing for most raw materials important to Canada to be included on the duty free list. In the Senate, six hundred amendments demonstrated the strength of protective tariff sentiments even among the Democrats and eradicated immediate hope for a lowering of the customs barrier along the Canadian-American boundary.

President Grover Cleveland's Secretary of State, Thomas F. Bayard, favored some sort of reciprocal commercial relation between Canada and the United States, but was not willing to support Commercial Union. Both Commercial Union and the maintenance of the protective system, he thought, would lead to the disunity of the Anglo-Saxon race which it was his main hope to prevent. Bayard was more inclined to consider the unrestricted reciprocal exchange of goods on a duty free basis between the United States and Canada without either country losing control over its own tariff legislation. In this way, without hampering Canadian

political independence or weakening Canadian-British ties, he hoped to promote "more intimate bonds between the English-speaking people" of the world.<sup>1</sup>

When the Republican majority in the Senate rejected the Fishery Treaty of 1888 which included a provision for the free admission of fish and fish oils into Canada and the United States on a reciprocal basis, Bayard remained hopeful that in the near future "a liberal system of reciprocity could be obtained by free exchanges and through voluntary concerted legislation."<sup>2</sup> Bayard's hope for an extension of the free list was not all in vain. In response to the problem of a revenue surplus and to Cleveland's condemnation of the tariff structure as "the vicious, inequitable and illogical source of unnecessary taxation" the House of Representatives approved the general revision of the tariff laws which Roger Q. Mills of Texas introduced for the Ways and Means Committee.<sup>3</sup> The Mills Bill

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1. Charles Callan Tansill, The Foreign Policy of Thomas F. Bayard, 1887-97 (New York: Fordham University Press, 1940), p. vii.

2. Memorandum by Bayard, Jan. 14, 1888, Ibid., p. 553.

3. Grover Cleveland's Third Annual Message to Congress, Dec. 6, 1887 in James D. Richardson, ed., A Compilation of the Messages and Papers of the Presidents, 1789-1902 (10 Vols.; Washington: Bureau of National Literature and Art, 1907), XIII, p. 584.

which passed the House in June, 1888 extended the free list to include wool, hemp, flax, lumber and vegetables and it also reduced the average rate of duty by about five per cent. Low tariff reformers in North America were able to rejoice and The Toronto Mail optimistically predicted a democratic victory in the presidential elections of November, a further lowering of the dutiable tariff to twenty-five per cent and the enlargement of the free list to include all raw materials. Optimism was quickly abated when the Republican Senate proposed a substitute bill which would have raised the tariff duties above the already high rates set in 1883. The substitute killed the Mills Bill and commenced a debate on tariff policy that continued until the elections of 1888.<sup>4</sup>

Commercial unionists in Congress continued to fight for more equitable trade terms between Canada and the United States. The most prominent commercial unionist in the House of Representatives, Hezekiah Butterworth, considered the unrestricted reciprocity resolutions which the Canadian Premiers Conference had adopted in November, 1887 and which the United States National Board of Trade had approved in

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4. Taussig, Tariff History, p. 254. Horace Samuel Merrill, Bourbon Leader: Grover Cleveland and the Democratic Party (Boston: Little, Brown and Co., 1957), p. 124. The Toronto Mail, June 9, 1888.

January, 1888 as indicative of Canadian and American opinion. On January 23, 1888, he introduced a resolution demanding the removal of "all obstacles and hindrances to complete and unrestricted trade and commerce between the United States and the Dominion of Canada."<sup>5</sup> Since negotiations of the fisheries question were taking place at this time there was no serious opposition to his resolution and on February 6, 1888 Butterworth proposed a bill providing for "full reciprocity between the United States and Canada." Whenever Canada admitted all American products on a duty-free basis "then all articles manufactured in Canada, and all products of the soil and waters" would be permitted free entry into the United States.<sup>6</sup> When the restricted reciprocity clause of the Fisheries Treaty became known it was apparent that Butterworth's bill was unacceptable to the advocates of high tariff in both countries.

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5. Butterworth's Resolution, Jan. 23, 1888; United States Congressional Record, 50th Cong., 1st Sess., XIX, p. 635. The Toronto Mail, Jan. 25, 1888. For the Resolution of the Canadian Premiers Conference see The Toronto Globe, Dec. 14, 1891 and for the Resolution of the United States National Board of Trade see: The Toronto Empire, Jan. 20, 1888.

6. Butterworth's Bill, Feb. 6, 1888: United States Congressional Record, 50th Cong., 1st Sess., XIX, p. 984. The Toronto Mail, Feb. 7, 1888.

Despite the apparent opposition, on March 5, 1888, Robert R. Hitt, United States Representative from Illinois, introduced a joint resolution intending to "promote commercial union with Canada." The Hitt resolution sought to establish for both countries "a uniform revenue system, like internal taxes and like import duties imposed on articles brought into either country from other nations, and an equitable division of receipts in a Commercial Union."<sup>7</sup> Hitt realized that in America Commercial Union would be opposed by those who feared competition "in the trade of logs, the supply of fish and in barley" while in Canada it would meet active opposition from "certain manufacturing interests" who dreaded "the rivalry of cheaper American goods," and from "all those more immediately under English influence" who opposed any scheme threatening to exclude English goods from the Canadian Market or which was "almost equivalent to annexation."<sup>8</sup> Therefore, he modified his original resolution and in the lame-duck session on March 1, 1889 the House of Representatives approved the new version which called for "a complete or

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7. United States Congressional Record, 50th Cong., 1st Sess., XIX, p. 1746. The Toronto Globe, March 4, 1889.

8. R. R. Hitt to Erastus Wiman, April 11, 1887 in Wiman, ed., Commercial Union between the United States and Canada, p. 7.

partial removal of all duties upon trade between Canada and the United States."<sup>9</sup> But even this failed by one vote to gain Senate approval. Modification made little difference to annexationists who dissented not because the resolution was an affront to the protective system, but an obstacle to political union.

Cries of annexation harmed the movement toward freer trade between Canada and the United States. It played right into the hands of those Canadians who strongly opposed unrestricted reciprocity and Commercial Union. Between August and December in 1888 there were at least six resolutions before the Congress in support of the union of Canada and the United States. Republican Senator Henry W. Blair of New Hampshire who opposed Commercial Union as an impediment to annexation introduced a joint resolution which asked the President "to open negotiations with the Government of her Britannic Majesty, ...with a view to the settlement of all differences between her Majesty's Government and the United States, and especially to the arrangement of terms, ..., for a political union between the Dominion of Canada and the United States."<sup>10</sup> Senator

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9. United States Congressional Record, 50th Cong., 2nd Sess., XX, p. 2539. Wiman, "The Commercial Union Movement," in Hopkins, Encyclopedia, I, p. 413.

10. The Toronto Mail, Aug. 7, 1888.

John Sherman of Ohio declared that "anything that tended to promote free commercial intercourse--Yea, anything that tended to produce a union of Canada with the United States" would meet his approval. He was convinced that "Canada would be within ten years" politically united to the United States.<sup>11</sup>

As chairman of the Senate Committee on Foreign Affairs Sherman succeeded in convincing the Committee on September 17, 1888 to resolve that the United States "as the elder and stronger republic" should "adopt a line of public policy that would peacefully and happily blend the two countries in one harmonious whole."<sup>12</sup> The Senate in response, appointed Senator George F. Hoar of Massachusetts chairman of a special committee to study United States-Canadian relations while the Senate Committee on Foreign Affairs continued its own "profound consideration" of the Canadian question.<sup>13</sup> The Committee members considered Senator Blair's proposition "to purchase Canada by assuming

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11. United States Congressional Record, 50th Cong., 1st Sess., XIX, p. 7286. The Toronto Mail, Aug. 8, 1888.

12. Senator John Sherman before the Senate, September 18, 1888 in John Sherman, Relations with Canada-Annexation, Speech of the Hon. John Sherman of Ohio, Tuesday, September 18, 1888 (Washington: np., 1888), p. 17.

13. The New York Sun's Report, Oct. 4, 1888 in The Toronto Mail, Oct. 5, 1888.

her debt of \$300,000,000," but felt that unless Canada<sup>14</sup> made the first move nothing could be done.

Congressman Butterworth believed that the United States should take the initiative. He introduced a joint resolution authorizing and empowering the President "to invite negotiations looking to the assimilation and unity of the people of the Dominion of Canada and the United States under one Government"<sup>15</sup> Coming from a well-known commercial unionist this resolution embarrassed all the supporters of Commercial Union and made it even more difficult for them to deny the political implications of their policy. On February 19, 1889, Butterworth proposed to invite members of the Canadian parliament to come to Washington at the expense of the United States government to discuss ways and means of furthering the cause of closer commercial and political relations. Unfortunately for Butterworth and for some of his supporters the Conservative government of Sir John A. Macdonald made known its intention<sup>16</sup> to refuse any such invitation to go to Washington.

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14. The New Sun, Oct. 4, 1888 in The Toronto Mail, Oct. 5, 1888.

15. The Toronto Mail, Dec. 14, 1888.

16. The Toronto Empire, Feb. 21, 1889.

In view of the cries of annexation Canadian supporters of reciprocity looked toward the re-election of President Cleveland in 1888 as the last hope for "the establishment of a friendlier and more enlightened intercourse" with the United States.<sup>17</sup> Many hopes were shattered by Cleveland's defeat, but The Toronto Mail remained optimistic. The editors foresaw a sterner policy toward Canada, that the administration of President Harrison would "doubtless enter upon a spread-eagle foreign policy" and would be as hostile to Canadian views on the fisheries question as Cleveland's administration was. Despite opposition to Commercial Union by influential Republicans like Blaine and Sherman, the Mail did not believe the issue to be dead. The Mail stressed that the movement had originated with the Republicans and was being considered indirectly by three Republican Senate committees. The need of new markets to alleviate the problem of over-production would convince, believed the Mail, those Republicans as yet not sold on Commercial Union of its benefits.<sup>18</sup>

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17. The Toronto Mail, June 9, 1888.

18. Editorials, The Toronto Mail, Nov. 8, 1888 and Nov. 9, 1888.

When the lame-duck session of the House of Representatives passed Hitt's modified reciprocity resolution on March 1, 1889 The Toronto Globe shared the hope that Washington would be willing to consider the question of free trade without demanding political union. Erastus Wiman enormously praised the work of the House and assured that this indicated the policy of the new Congress.<sup>19</sup> However, these eulogies proved deceptive. The leaders of the new Congress which convened in December, 1889 despite Butterworth's and Hitt's support for full unrestricted reciprocity, did not "talk of reciprocity, nor of free trade." Instead, the new Republican administration interpreting its victory as a mandate for the adoption of greater protection prepared a new tariff in the direction of prohibitive duties.<sup>20</sup>

William Mckinley along with the House Ways and Means Committee was commissioned to study the best way to reduce the dangerously high surplus revenue which stood at approximately ninety-two million dollars. Ever since his childhood Mckinley was conditioned to regard high tariffs

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19. The Toronto Globe, March 4, 1889 and March 2, 1889.

20. The Toronto Mail, Dec. 19, 1889.

as the sole solution to all economic ills. As an iron founder in Niles, Ohio, Mckinley's father depended upon the duty on foreign iron to make a living. To the family a high iron duty meant bread and butter. To the manufacturing workers of the area protection meant high sales and good wages. And later to Mckinley, the Congressman, representing a constituency primarily made up of laborers in northeastern Ohio's iron factories protection still meant a policy of bread and butter. The motivating factor behind his tariff philosophy was simply a deep desire and conviction that protection could better all of America. The end product of his 1890 study however, proved to be a far cry from the selfless and noble ideal of his convictions.<sup>21</sup>

On April 16, 1890 Mckinley reported his findings in the form of a tariff bill from the Ways and Means Committee to the House of Representatives. It was entitled an "Act to Reduce the Revenue and Equalize Duties on Imports and for Other Purposes." The aim was to raise the duties upon "that class of manufactured goods and farm products which could be supplied at home so as to discourage the

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21. Margaret Leech, In the Days of Mckinley (New York: Harper and Brothers, 1959), p. 36. William Mckinley, Jr., "The Value of Protection," The North American Review, CL, (June, 1890), p. 743. H. Wayne Morgan, William Mckinley and His America (Syracuse: Syracuse University Press, 1963), p. 61.

use of like foreign goods....," and secure for Americans "the home market."<sup>22</sup> The bill which was formulated eventually out of Mckinley's recommendations passed the House of Representatives on May 21, 1890 and the Senate on September 10, 1890. On October 1 it became law.

The new tariff law reduced the revenue by reducing rates on goods not produced in the United States and raising them on goods produced in the United States to a prohibitory level. For example, raw sugar, nine-tenths of which was produced outside the United States was the main source of revenue having raised in 1889 fifty-five million dollars. To reduce revenue, all raw sugar and molasses under the new act were admitted free. Complementing the new sugar schedule were the prohibitory rates put on woolen goods, iron, steel rails and agricultural products. The duty on all woolen goods was set at its highest level ever. The iron industry retained its prohibitory rate of \$6.72 per ton. The steel rails duty although slightly reduced to \$13.44 a gross ton still prevented any foreign competition. The agricultural duties, affecting Canadian-American

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22. The Mckinley Report, 1890 in Bogart and Thompson, Economic History of the United States, pp. 760-61. Text of Mckinley Tariff; The Tariffs of 1890 and 1894 on Imports into the United States and Customs Administration Act of June 10, 1890 (Washington: Government Printing Office, 1894), p. 210.

commercial relations most strongly, were all raised in the hope of convincing the American farmers of the benefits of protection. The duty on barley went up from ten cents to thirty cents per bushel, on wheat from twenty cents to twenty-five cents per bushel, on Indian corn from ten cents to fifteen cents per bushel, on eggs from nil to five cents per dozen, on hay from two dollars to four dollars per ton and on oats from fifteen cents to twenty-five cents per bushel. The duty on ties and telegraph poles of cedar went up from nil to twenty per cent ad valorem while on sawn pine lumber it was reduced from two dollars to one dollar per thousand feet. In effect, the McKinley bill was a prohibitive tariff that excluded rather than limited foreign imports.<sup>23</sup>

Influential Congressmen like Blaine and Sherman feared that those nations whose manufactured goods were shut out by the new tariff barriers would not buy the American manufactured and farm surplus. A solution in the form of a reciprocity amendment was demanded. To continentalists like Butterworth and Hitt the demand for a reciprocity amendment offered an excellent opportunity

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23. Taussig, Tariff History, pp. 263-276. Percy Ashley, Modern Tariff History, Germany, United States, France (3rd ed.; London: Murray, 1920), p. 205. The Tariffs of 1890 and 1894, p. 210.

to push toward their goal--free trade with Canada. Two days after the opening of the debates on the McKinley bill in the House of Representatives, Butterworth attempted to convince the members of the House that they ought to consider an offer of reciprocity with Canada instead of the then discussed offer to South America. Past experience, he cried, proved that the Canadian market although smaller than the South American was approximately twenty-five per cent more profitable than the latter.<sup>24</sup> His efforts though remained unproductive, but soon gave rise to further like proposals.

On September 1, 1890 Senator Sherman taking his cue from Butterworth's associate Samuel J. Ritchie, presented an amendment to the McKinley bill providing for "reciprocity or closer trade relations with Canada as soon as the Dominion Government certified its willingness to adopt such a policy."<sup>25</sup> This failed because Sherman not wanting to attach a Canadian reciprocity amendment to his party and

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24. Hezekiah Butterworth's Speech before the House of Representatives, May 10, 1890, The Protection Policy--Its Wise use will strengthen it--its abuse will destroy it (Washington: np., May 10, 1890), p. 16. See also: Hezekiah Butterworth, Trade with Canada, Address before the Committee on Ways and Means, March 3, 1890 (Washington: Government Printing Office, 1890), p. 11.

25. Sherman's Amendment, Sept. 1, 1890, United States Congressional Record, 50th Cong., 1st Sess., XXI, p. 9454. The Toronto Globe, Sept. 5, 1890.

risk western support in the forthcoming congressional elections never officially moved the reciprocity provision. As The Toronto Globe suggested this proposal or any other like it had little chance of gaining congressional approval because of Blaine's strong opposition to it, the Republican risk of losing the frontier states' support and the known hostile attitude of the Canadian government to unrestricted reciprocity.<sup>26</sup>

Instead of reciprocity with Canada Secretary of State James G. Blaine called for reciprocity with Latin America. Blaine thought that this would secure for the American farmer new markets and would fulfill the desire of the Pan-American Congress.<sup>27</sup> The reciprocity amendment which was accepted by the Congress empowered the President to impose by proclamation certain duties on sugar, molasses, coffee, tea and hides if he considered that any country exporting these commodities to the United States unreasonably and unjustifiably "imposed duties or other exactions upon the agricultural or other products of the United

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26. The Toronto Globe, Sept. 10, 1890 and Sept. 5, 1890.

27. For Blaine's favorable views on protection see: James G. Blaine, "Protection," The North American Review, CL, (Jan. 1890), p. 54.

States."<sup>28</sup> Under this negative provision the President was authorized to conclude reciprocal agreements in the said products without the required ratification by two-thirds of the Senate. About a dozen treaties with Latin America, Germany and Austria were put into operation. Any hope of such treatment being extended to Canada was nullified by the fact that all articles, except perhaps hides, as to which such negotiations could be made without the affirmative action of the Senate, were not products of Canada. In effect, the reciprocity provision of the McKinley tariff was "even more restrictive" than the policy of the government of Sir John A. Macdonald and along with the protectionist clauses killed in many quarters all desire for closer trade relations between Canada and the United States.<sup>29</sup> Goldwin Smith, President of the Commercial Union Club of Toronto, foresaw the new tariff as a "great disaster" to Canada,<sup>30</sup> especially to its farmers.

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no. 3: 28. Reciprocity clause of Tariff of 1890, Section The Tariffs of 1890 and 1894, p. 57.

29. The Toronto Globe, Feb. 10, 1891.

30. Goldwin Smith's Address before the Commercial Union Club's Annual Meeting, Sept. 23, 1890, The Toronto Globe, Sept. 24, 1890.

The feeling of despair among the reciprocity enthusiasts was short-lived. Their zeal was quickly renewed with the results of the congressional elections. Western voters infuriated by the Mckinley bill and its clauses which penalized them at the expense of eastern manufacturers returned to the House of Representatives a majority of low tariff Democrats. Confirmed by these indications and the fact that Blaine and the more progressive wing of the Republican party was seeking to temper protection by reciprocity with Latin America though, as yet, not with Canada, the supporters of closer trade relations between Canada and the United States believed that a reciprocal lowering of tariffs was possible.

In December, 1890 this view was given added strength during the trade and fisheries negotiations between the United States and Newfoundland. It was reported by the British Minister at Washington, Sir Julian Pauncefote, that Secretary of State Blaine had expressed unofficially "a strong desire" to hold informal talks with the Dominion of Canada with a view of establishing "a wide Reciprocity Treaty."<sup>31</sup> On December 13, 1890 the Conservative government immediately dispatched to London and Washington a

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31. For United States-Newfoundland Negotiations and related documents see: Sessional Papers, XXIV, No. 38, 1891.

secret comprehensive plan proposing a formal conference on the subject of reciprocity. Time passed and no official announcement came from either side. Soon, the air in Canada was full of opinions and insinuations, for both Canadian political parties feeling that a general election was imminent began to manoeuvre for a position. On January 14, 1891 The Toronto Mail, representing Liberal opinions, announced "that the rumour was true," that the Imperial Government at London had been urging Canada to compose its differences with the United States on the basis of a "wide measure of commercial reciprocity" and that "Sir John A. Macdonald and his colleagues were seriously disturbed in consequence."<sup>32</sup>

In denying the Mail's charges, the Conservative organ, The Toronto Empire, made the startling revelation that the American administration rather than the Canadian government had made official overtures for the expressed purpose of holding formal negotiations leading to partial reciprocity as expounded by Macdonald.<sup>33</sup> The Canadian electorate was obviously confused. Some welcomed the Empire's revelation while others charged it as simply an election "bogus cry" or an attempt to undermine the Liberal

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32. The Toronto Mail, Jan. 14, 1891.

33. The Toronto Empire, Jan. 16, 1891.

policy of unrestricted reciprocity.<sup>34</sup> Shortly, the truth was illuminated when on January 30, 1891 Secretary of State Blaine clearly and categorically denied that any negotiations were on foot, or that his government would entertain any scheme for reciprocity "confined to natural products."<sup>35</sup> As The New York Tribune declared, Macdonald "might just as well have asked the Canadian electorate to approve a railroad to the moon as a scheme of partial reciprocity with the United States."<sup>36</sup> The American government rejected limited reciprocity.

The Hoar Committee on relations with Canada which had been commissioned in March, 1889 added strength to the United States stand on reciprocity. After an extensive study of the United States congressional opinion the Committee on February 19, 1891 made an urgent request that the subject of closer trade relations with Canada be thoroughly investigated on the sole "basis of complete

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34. The Boston Herald was one of the first newspapers to call the Empire's announcement an election "bogus cry" see: The Boston Herald's views in The Toronto Globe, Jan. 26, 1891.

35. Blaine's public letter to Congressman Charles S. Baker of Rochester, New York, Jan. 29, 1891 in The Toronto Globe, Jan. 30, 1891.

36. The New York Tribune's views on Macdonald's reciprocity policy, Feb. 4, 1891 in The Toronto Globe, Feb. 6, 1891.

reciprocity" and concluded that those Congressmen "in favor of unrestricted reciprocity were not divided along party lines."<sup>37</sup> These public statements aided the Liberal party in its campaign of 1891 to make large gains in those rural areas of Canada where an external market was considered most important for securing a cheap supply of farm implements and the sale of agricultural products. These assurances from the United States though, came too late to snatch victory from the Conservatives.

Returned to power on cries of loyalty both to Great Britain and the Dominion's independence the Conservatives were somewhat reluctant to re-approach the Washington administration. Nevertheless, they could not turn their back on that large percentage of the electorate (48.9%) that had voted in favor of greater commercial reciprocal relations with the United States.<sup>38</sup> In early April, 1891 Sir Charles Tupper led a Canadian delegation to Washington for trade discussions. The conference was postponed on two occasions until finally in February, 1892, informal negotiations began.

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37. The Toronto Globe, Feb. 20, 1891.

38. Ibid., March 6, 1891.

Long before the conference opened Secretary of State Blaine had planned a strategy to deal with Canadian-American affairs. In a letter to President Harrison on September 23, 1891 Blaine revealed his strong desire to politically unite Canada to the United States in order to prevent the former from becoming an outpost of European reaction antagonistic in spirit and institutions to the rest of the continent. In his opinion, anything like limited reciprocity or unrestricted reciprocity would aid Canada's independence on the North American continent and impede her ultimate destiny into the American Union. He believed that once Canadians were denied access to the American market, an objective of the McKinley tariff, they would find that they had a "hard row to hoe" and would "ultimately...seek admission to the Union." Blaine advised that neither limited nor unrestricted reciprocity be implemented, that the strategy of the United States commissioners at the forthcoming conference be "how...to get rid of the subject of reciprocity instead of how...to get on with it." There were two ways in which this could be accomplished at this conference. One, the American commissioners could insist that any reciprocal trade agreement include all manufactured goods and, two, that all products offered by Canada be articles which the

United States "cannot duplicate nor...actually  
 duplicates."<sup>39</sup> Faced with these two alternatives the  
 Conservative government out of principle and practicality  
 would be forced to back away.

President Harrison approved of Blaine's ideas and  
 declared that anything short of "political union" would be  
 an "attack on the Protective system"<sup>40</sup> As an insurance  
 against any official United States commitment, Harrison  
 proposed that the conference be held on an informal level  
 and without the official appointment of American  
 commissioners.<sup>41</sup> With this in mind, Blaine met with the  
 Canadian representatives on February 10, 1892.

The Canadian delegation was headed by George E.  
 Foster, Minister of Finance, while Secretary of State Blaine  
 and John W. Foster, an eastern protectionist Republican,  
 represented the United States. Following the pre-arranged  
 plan Blaine set about to destroy any hope which the  
 Conservative representatives might have had of securing a

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39. Blaine to Harrison, Sept. 23, 1891 and Sept.  
 29, 1891 in Albert T. Volwiler, ed., The Correspondence  
 between Benjamin Harrison and James G. Blaine, 1882-1893  
 Vol. XIX of Memoirs of the American Philosophical Society  
 (Philadelphia: American Philosophical Society, 1940), pp.  
 193-194 and 199.

40. Harrison to Blaine, Oct. 1, 1891, Ibid.,  
 XIX, p. 202.

41. Harrison to Blaine, Oct. 5, 1891, Ibid.,  
 XIX, p. 203.

reciprocity limited to natural products. He made it quite clear that any reciprocity between Canada and the United States had to include manufactured goods and be so construed that a uniform tariff between both countries be a necessary result. Under these conditions the protectionist Conservative government of Canada found it impossible to continue negotiations. They refused to reciprocate in manufactured goods because they feared the destruction of Canadian infant industries and a great loss in revenue. They refused a uniform tariff because of its implied discrimination against Great Britain and loss of autonomy for Canada. On February 15, 1892 negotiations broke down and the Canadian delegation returned home empty handed.<sup>42</sup>

Blaine had succeeded in his initial goal to isolate Canada from the commerce of the continent. Time would tell if this would compel Canada to beg for entry into the American Union. Meanwhile, there were other people at work in both countries who desired to better Canadian-American relations other than on a basis of political union. In the United States these views were imbedded in the Democratic party while in Canada they were represented by the Liberal party.

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<sup>42</sup>. For study of negotiations see: Sessional Papers, XXV, No. 37, 1892. George E. Foster, Minister of Finance, House of Commons Debates, March 22, 1892, p. 332.

The Democratic party ever since the congressional elections of 1890 had been talking about lower tariffs and perhaps less emphatically about unrestricted reciprocity with Canada. In November, 1892, on a platform denouncing "Republican protection as a fraud...and the Mckinley tariff law...as the culminating atrocity of class legislation," the Democrats won both Houses in the presidential elections.<sup>43</sup> Abiding by their electoral promises they began work on repealing the Mckinley tariff. On December 19, 1893 James L. Wilson of West Virginia reported a bill from the House Ways and Means Committee to the House of Representatives entitled an act "To Reduce Taxation, to Provide Revenue for the Government, and for Other Purposes." The bill contemplated "a general revision, reduction and simplification of the present system of import duties..."<sup>44</sup>

In the House of Representatives the Wilson bill received little revision from its original concept in the Ways and Means Committee. As it passed the House on February 1, 1894 the bill modestly reduced the duties on imports "by about one-fourth" and increased the number of

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43. Democratic Party Platform, November, 1892 in Kirk H. Porter and Donald Bruce Johnson, eds., National Party Platforms, 1840-1956 (Urbana: University of Illinois Press, 1956), p. 87.

44. Wilson Report, Dec. 19, 1893 in Bogart and Thompson, Economic History of the United States, p. 761. Wilson Bill in The Tariffs of 1890 and 1894, p. 210.

raw materials on the duty free list. On this list were products of prime importance to Canadian exporters including lumber, wheat, oats, wool, corn, rye, eggs, salt, apples, peas and ores of coal and iron.<sup>45</sup> From these provisions and those found in the proposed Canadian tariff of 1894 it was anticipated that a reciprocity agreement "through voluntary concerted legislation" might become a reality.<sup>46</sup>

In the Senate the Wilson bill did not sail as smoothly as it had in the House. High tariff advocates from both parties under the leadership of Senator Arthur P. Gorman of Maryland assaulted the bill with more than six hundred amendments, restored most of the cuts that had been made in the House and re-assigned specific duties to all raw materials except for wool.<sup>47</sup> Worse, section seventy-one of the act repealed the negative reciprocity clause of the McKinley tariff.<sup>48</sup> Any hope that might have existed in the hearts of North American free traders died on

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45. "The Obstacles to Free Trade in the United States," The Spectator, LXXIII, (July, 1894), p. 103. The Tariff of 1890 and 1894, p. 210.

46. Bayard's views on Co-ordinate Legislation see: footnote no. 2, chapter IV.

47. Taussig, Tariff History, pp. 291-315.

48. Section No. 71 of Tariff Act of 1894 in The Tariffs of 1890 and 1894, p. 170.

August 28, 1894 when the bill as shaped by a low tariff Democratic administration became law. As one magazine concluded, "monopoly or protection...the essence of the commercial relations of the United States" had won once again a resounding and durable victory.<sup>49</sup>

During the Cleveland and Harrison administrations (1884-1896) the forces of protectionism and annexationism curtailed all efforts to remove the obstructions to trade between Canada and the United States. Annexationists felt that Commercial Union, unrestricted reciprocity and limited reciprocity would prevent the inevitable union of Canada to the United States. Canadians, they feared, would become through unrestricted commercial reciprocity more independent and would perpetuate European reaction. Protectionists who feared Canadian competition especially in the raw materials industry sided with the political unionists and pushed toward the negative treatment of Canada. Together, they succeeded in passing the McKinley and Wilson-Gorman tariffs and in blocking any Canadian reciprocity overture. By 1896, Canadian reciprocity enthusiasts with no other alternatives turned away from American continentalism and redirected its vitality toward British preference.

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49. "The Obstacles to Free Trade in the United States," The Spectator, LXXIII, p. 103.

## CHAPTER V

### THE DEFEAT OF RECIPROCITY IN THE LATE NINETEENTH CENTURY

While successive United States administrations adopted a position of indifference and apathy with regard to Canadian-American reciprocal trade relations the Liberal party of Canada committed itself to the pursuit of a policy of unrestricted reciprocity with the United States. In time, American rebuffs and Canadian political and economic realism forced the Liberals to rethink their stand on continental free trade and discard it in favor of something less "radical", freer trade with the whole world, especially with Great Britain. When responsible for Canada's policies they adopted in large part the American bland attitude toward the tariff and redirected the country's vitality in an east-west direction. By the turn of the century Canadians were confident in the future of their country and no longer flew the flag of American continentalism. Commercial reciprocity with the American people was a dream put aside for the time being.

The Liberal party's support of unrestricted reciprocity during the Commons debate in March, 1888 marked the beginning of their "new departure". The party had

stated its position and it then attempted to educate the country to the benefits of unrestricted reciprocity. "The plain fact was," wrote Richard Cartwright, "that as a political organization we had no alternative. We had to adopt this project or go to pieces."<sup>1</sup> And Laurier insisted: "Time is with us, the cause is true, it will prevail."<sup>2</sup>

The new Liberal policy looked promising. Sympathizers to the cause of unrestricted trade with the United States were elected in five federal by-elections held in Canada in 1888. In the Manitoba provincial elections the Liberals won thirty-five of the thirty-eight seats in the legislature. Convinced that unrestricted reciprocity had won support, Laurier in August, 1888 held a big kick-off campaign at Oakville, Ontario for his party's new "bold policy." After repeating most of the platitudes that had been aired in parliament that spring Laurier pleaded that unrestricted reciprocity be judged not on sentimental values, but on a practical dollars and cents basis. "Have faith," he concluded, in unrestricted reciprocity; "don't believe that evil will spring from good, that wrong will

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1. Cartwright to Laurier, Sept. 17, 1888 in P.A.C., Laurier Papers, II, 1887-88.

2. House of Commons Debates, April 5, 1888, p. 565.

spring from right."<sup>3</sup> Laurier's new policy ran into immediate problems.

In the United States from August, 1888 to February, 1889 there were strong interests at work attempting to unite Canada to the United States.<sup>4</sup> And when a well-known commercial unionist like Butterworth on December 13, 1888 publicly backed measures to assimilate and unify both peoples the Liberal policy received a direct jolt. The Conservatives succeeded in confusing the electorate by ignoring the difference between Commercial Union and unrestricted reciprocity and linking both to political union. Although no links existed between commercial unionists and the Liberals the public considered them as allies and found it difficult to differentiate between their commercial policies. But the Liberals stood their ground. As Cartwright said, they could not "afford to change front on such an issue in a few months."<sup>5</sup> To do so would be an admission to the annexationist charges. In his opinion the present policy merely had to be softened.

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3. Laurier's Oakville Speech, Aug. 13, 1888 in The Toronto Globe, Aug. 14, 1888.

4. See: Chapter IV, Resolutions favoring political annexation of Canada.

5. Cartwright to Laurier, Sept. 22, 1888 in Laurier Papers, II, 1887-88.

Laurier was in full accord with Cartwright's views and diametrically opposed to those Liberals who preferred to let the question of closer commercial relations with the United States "silently drop." The Liberal leader regretted "the attitude of certain members of the American Congress" who in the past favored unrestricted reciprocity and who now supported annexation but Laurier did not believe this sufficient cause to abandon unrestricted reciprocity.<sup>6</sup> In Laurier's opinion, unrestricted reciprocity was a good idea and unless something better could replace it the Liberals ought to adhere to it. And they did. On March 5, 1889 in reply to the Conservative budget proposals and in view of the passage in the American House of Representatives of R. R. Hitt's Resolution for "a complete or partial removal of all duties upon trade" Cartwright resolved that steps be taken "to ascertain on what terms and conditions...full and unrestricted reciprocity of trade" with the United States could be effected.<sup>7</sup> Obviously the Liberals were

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6. Circular letter, Laurier to Liberal Members of Parliament, Dec. 24, 1888 in Ibid., II, 1887-88. Annexationism was strong in Canada as well. The Toronto Globe apparently uncovered a plot by The Toronto Mail attempting to convince the United States administration that Canadians were willing to be annexed.

7. Cartwright's Resolution, March 5, 1889 in House of Commons Debates, March 5, 1889, p. 468. The Toronto Mail, March 6, 1889.

soft peddling their policy. They were reacting simply to an American overture and asked only for an inquiry into the matter of how unrestricted reciprocity could be arranged. In any case, the motion was defeated. Soon other issues especially the Jesuit Estates controversy overshadowed the trade question. The Liberals in the meantime, remained hopeful and looked for reassurances from the United States. Suddenly, a series of circumstances discrediting the Conservatives aided their cause.

The McKinley tariff which threatened to blockade Canadian agricultural exports and starve Canada into annexation discredited the Conservatives' claim that the National Policy would be used as a lever to open the American market and enhanced as the sole alternative the Liberals' unrestricted reciprocity policy. The Conservative government received another blow during the United States-Newfoundland trade and fisheries negotiations in the fall of 1890. The Conservatives feared that the National Policy would be blamed if the United States-Newfoundland agreement was ratified by Great Britain. Under this agreement they foresaw that Canadians would lose not only the United States market for their fish exports and the Newfoundland market for their manufactured exports but also their bargaining advantage in the exclusion of the Americans from the Atlantic fisheries since the proposed treaty would give

United States fishermen access to Newfoundland ports and waters.<sup>8</sup> These threats to Canada's national and economic integrity were intensified by Secretary of State Blaine's declaration that any proposal for reciprocity confined to natural products as far as the United States was concerned was preposterous. The Liberals felt assured under these circumstances. The Conservatives were hurt and before it was too late, before the McKinley Bill's effects could be felt tangibly by the Canadian farming electorate, before the United States-Newfoundland negotiations and Blaine's anti-limited reciprocity declaration could be digested they called an election.<sup>9</sup>

The Toronto Globe declared that "the plain speaking of Mr. Blaine" confronted the Canadian electorate with "the square issue" of whether to adopt "absolute free trade" with the United States or to "perpetuate the wretched policy of restriction" that was harmful to both countries.<sup>10</sup> From this challenge the Liberals pushed unrestricted reciprocity for all it was worth. The Conservatives stood fast and reiterated their traditional stand on the question

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8. See A. M. Fraser, "Fisheries Negotiations with the United States, 1783-1910," in R. A. MacKay, ed., Newfoundland; Economic, Diplomatic and Strategic Studies (Toronto: Oxford University Press, 1946), pp. 359-386 and 362-63.

9. See above p. 67. For a good analysis of the 1891 elections see: Hodson "Commercial Union and Unrestricted Reciprocity," chapter XIII.

10. The Toronto Globe, Jan. 30, 1891.

on tariffs and reciprocity. They attacked the Liberal policy of unrestricted reciprocity as "discriminating against the Mother Country," leading to "annexation" and necessitating "the imposition of direct taxation."<sup>11</sup> The president of the Canadian Pacific Railroad, William C. Van Horne sided with the Conservatives and predicted wholesale bankruptcy for Canadian railway and steamship interests if unrestricted reciprocity were adopted.<sup>12</sup> By mid-February the annexationist charge became the more formidable argument against the Liberals. In a strong speech at a Toronto rally on February 17, Macdonald unveiled proof of a Liberal "conspiracy to force Canada into the American union."<sup>13</sup> The proof was a pamphlet that had been written by Ed Farrer a well-known annexationist and editorial writer for the Globe.<sup>14</sup> In the pamphlet, written for "an American friend..., not in politics" and to be

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11. Macdonald's Policy Statement, Feb. 7, 1891 in Hopkins, ed., Encyclopedia, I, p. 400.

12. The Montreal Witness, Feb. 27, 1891.

13. Macdonald's Toronto address, Feb. 17, 1891 in The Toronto Empire, Feb. 18, 1891.

14. The Globe and the Liberal Party found themselves in an embarrassing situation when Macdonald came out with his charges. Just the preceding year (Jan. 1890) they themselves had accused Farrer, then still a writer for The Mail, of advising a United States Senate Committee in methods on how to coerce Canada into annexation--The Toronto Globe, Jan. 7-8, 1890.

used solely in academic circles, Farrer, according to Macdonald, had come out directly for annexation and even had suggested ways in which the United States could encourage it. In Macdonald's opinion, Farrer's position on The Toronto Globe, the recognized organ of the Liberal party and his close association with Sir Richard Cartwright, the Liberals' financial wizard, were proof enough of the true intentions of the opposition's policy. Macdonald's revelation was convincing and on March 5 the electorate sustained "the old flag, the old leader, the old policy."<sup>15</sup>

Political defeat for the fourth consecutive time caused within the Liberal party an immediate internal reassessment of party goals and policies. Edward Blake, former leader of the party and strong critic of unrestricted reciprocity became the focal point of discontent. Before the elections Blake, unable to compromise with the followers of Cartwright, resigned and drafted a letter to his Durham constituents explaining his position with regard to the party's main platform. On the day following the elections the ominous letter was made public through the pages of The Toronto Globe. Blake restated his views of 1882 and 1887 when he declared that Canada's trade policy ought to be one of a moderate revenue tariff, approaching

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15. The Toronto Empire, March 6, 1891.

free trade with the whole world and including a provision for reciprocal free trade with the United States. While recognizing the Liberal scheme of unrestricted reciprocity as being definitely better than the Conservative National policy he regarded it as impracticable and surrounded with "difficulties" which he saw "no way of overcoming."

Unrestricted reciprocity would involve a serious loss of revenue and to be workable would have to become Commercial Union with its assimilation of tariffs and pooling of taxes. For these reasons he saw no difference between unrestricted reciprocity and Commercial Union, both of which he believed, would lead to political union. He condemned the Liberal trade policy as vague and ambiguous and challenged the party to either drop unrestricted reciprocity or to proceed to inform the Canadian public of its true end.<sup>16</sup> The Durham letter proved embarrassing to the Liberals in the wake of their recent defeat and the renewed drive by continental unionists to unite both countries.

After 1891 cries of political annexation reached a new peak.<sup>17</sup> The defeat of unrestricted reciprocity, the Conservative electoral propaganda and Blake's outright

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16. Edward Blake's Durham letter in The Toronto Globe, March 6, 1891.

17. Best summary of the political union movement see: Warner, The Idea of Continental Union, p. 276.

identification of Commercial Union and unrestricted reciprocity with political union pushed many former advocates of Commercial Union to declare without restraint for the political union of Canada to the United States. Canadian membership in "a great North American union" was, for commercial unionist William D. Gregory, "a much higher and more honourable position than being a dependency for another country in which Canadians could not exercise national powers."<sup>18</sup> Continental union leagues and associations were organized in both Canada and the United States for the express purpose of raising funds and gaining publicity for union. In the United States the leagues were supported by such powerful men as Andrew Carnegie, steel magnate, Charles H. Dana, publisher of The New York Sun, John Hay, editorial writer on The New York Tribune, Elihu Root, American statesman and even Theodore Roosevelt; in Canada Goldwin Smith remained its principal stalwart.<sup>19</sup> The results of the unofficial Washington Conference between Canada and the United States helped them toward their goal.

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18. William Dymond Gregory, continental union advocate in Brown, "The Commercial Unionists," The Canadian Historical Association Report, p. 121.

19. Warner, The Idea of Continental Union, p. 235.

Secretary of State Blaine clearly stated that a reciprocity treaty in order to be acceptable to the United States would have to consider both "natural products and manufactured goods", give a "preferential treatment" to the United States and necessarily discriminate "against Great Britain and against other countries" and involve the assimilation of both tariffs.<sup>20</sup> What Blaine demanded was the complete commercial and eventual political assimilation of Canada to the United States. The Conservative policy of partial reciprocity in natural products only was out of the question as was the Liberal policy of unrestricted reciprocity with its implied autonomous Canadian tariff.

When first the Canadian electorate and then the United States rejected unrestricted reciprocity, the Liberals had to reassess their policy. One of the most influential Liberals to demand a revision of party policy was Ontario's premier, Oliver Mowat. He warned Laurier that unless the party rid itself of the political connotations of unrestricted reciprocity he would "cease to be a member of it."<sup>21</sup> Edward Blake also continued his

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20. George E. Foster, House of Commons Debates, March 22, 1892, p. 332.

21. Mowat to Laurier, Dec. 31, 1891 in Laurier Papers, V, 1891. On Dec. 26, 1891 Mowat warned Laurier of the "destruction" of the Liberal Party if nothing was done officially to counteract the annexationist cries.

efforts to redirect Liberal policy. Blake wrote Laurier that Blaine's rebuffs were a "Godsend" and that there would never be "so good a chance for re-consideration."<sup>22</sup> Blake believed that the Liberals could put the entire blame for dropping unrestricted reciprocity on the unco-operative attitude of the United States and remain justified in the eyes of their supporters. John S. Willison, chief editor of The Toronto Globe and president of the Young Men's Liberal Club was another important Liberal who asked for a reassessment. Willison, in view of the increasingly abundant market of Great Britain, was convinced that the Liberal party should remain quiet "about discrimination against Great Britain" and he disapproved of "the idea of a common tariff" which necessarily infringed Canada's "national integrity." He could not understand why reciprocity and a low tariff policy could not stand together.<sup>23</sup> In the light of the Liberals' recent defeat, the increasing voice of annexationist cries, Blaine's political union declaration and the rapidly expanding British markets the party leader had to seriously consider these demands for change.

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22. Blake to Laurier, April 12, 1892 in Ibid., VI, 1892.

23. Willison to Laurier, Aug. 4, 1892 in Ibid., VI, 1892.

Laurier was not easily convinced that a change in policy was needed and for a year he continued to defend the policy which others insisted had caused the party's defeat. He insisted that "the trade question was the question...upon which we must hammer, hammer, hammer."<sup>24</sup> "If the Americans will give us reciprocity," he said in the House of Commons, while both nations preserved their "political and commercial independence,...I am in favour of it."<sup>25</sup> In fact in November, 1891 before a Boston audience, he clearly stated that "the first article in the programme of the Liberal Party" was the establishment of "absolute reciprocal freedom of trade between Canada and the United States" in both natural and manufactured products. In his opinion, unrestricted reciprocity would not mark a cleavage between Canada and the Mother Country; it was "not a question of sentiment," for Laurier, but a matter of conviction "that the economic interests of Canada lie with this continent."<sup>26</sup> As late as April, 1892, Laurier was willing to press "forward", to go the length of Commercial Union, including

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24. Steven, "Laurier and the Liberal Party in Ontario," p. 67.

25. Laurier, House of Commons Debates, Aug. 4, 1891, p. 3331.

26. Laurier's Speech at Boston, Nov. 17, 1891 in The Toronto Globe, Nov. 27, 1891.

a common tariff and pooling of the revenue," and even thought of continental Zollverein. Yet he realized that the Liberal party would not follow him in this direction and that it was little use "thinking of it." "Practical politics"<sup>27</sup> forced Laurier to modify his goal.

Between 1893 and 1896 the Liberals mended their fences, ironed out their polity difficulties, solicited the business community, reunified itself and prepared for the 1896 elections. In the Commons budget debate in February, 1893, Cartwright abandoned the Liberals' earlier demand for unrestricted reciprocity and demanded only a reform of the tariff "in the direction of freer trade."<sup>28</sup> On June 20-21, 1893, at the first national Liberal convention Laurier redirected the party's tariff policy in the direction of "freer trade with the whole world, more particularly with Great Britain and the United States."<sup>29</sup> In his keynote address, he emphasized that "a policy of free trade...as...in England" although unadoptable in Canada under the prevailing circumstances "should be the

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27. Laurier to Blake, April 29, 1892 in Frank H. Underhill, "Laurier and Blake, 1891-92," The Canadian Historical Review, XXIV, (June, 1943), p. 153.

28. Cartwright, House of Commons Debates, Feb. 16, 1893, p. 744.

29. Tariff Resolution, June 20-21, 1893 in Official Report of the Liberal Convention, June 20-21, 1893 (Toronto: The Budget Printing and Publishing Co., 1893), p. 71.

goal to which we aspire." In his opinion, the immediate goal should be a careful revision of the National Policy or tariff for revenue only.<sup>30</sup> The party endorsed also a reciprocity resolution with the United States which made provision for "a fair and liberal...treaty...including a well considered list of manufactured articles" and which would "promote those kindly relations between the Empire and the Republic."<sup>31</sup> Thus, the party withdrew from its demand of unrestricted reciprocity, attempted to eradicate its disloyalty image and sought to reassure the business community that reciprocity and a moderate tariff policy as Edward Blake had advocated--would promote Canadian interests.

The trade question played a minor role in the elections of 1896. It was mainly on the Manitoba School Question that attention was focussed. Nevertheless, Laurier took advantage at every opportunity to reassure the business sector of the Canadian economy. In a well publicized letter to George H. Bertram, a Toronto businessman, Laurier made the startling revelation that "the intention of the Liberal

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30. Laurier before the 1893 Liberal Convention, Ottawa in J. H. Young, Canadian Commercial Policy, Royal Commission on Canada's Economic Prospects (Ottawa, Nov. 1957), p. 44.

31. Reciprocity Resolution, June 20-21, 1893 in Official Report of the Liberal Convention, p. 81.

party was not and never was to establish absolute free trade" in Canada even though they believed it to be the most "superior" of all fiscal systems. He stressed that "the existing conditions", and "enormous financial obligations" of Canada required a "revenue tariff" as the best fiscal policy. Under a revenue tariff, he concluded, "the manufacturing class would find the security which it needs and the consuming classes the relief which they must have."<sup>32</sup>

Laurier's reassurances during the final days of campaigning paid off. The Conservative party, crippled by the death of Sir John A. Macdonald, sapped by internal discord and made stale by their too long lease of office went down to defeat.

Many feared that the end of the long Conservative reign would end the basic principles of the National Policy. However, the Liberal party, once in power and once responsible for Canada's leadership and economic growth failed to tear down the protective walls. In comparing the general rates of duty in the early National Policy years with those of the Liberal regime, it can be seen that protection after 1897 continued persistently. The Conservative tariff of 1879 provided for an average rate of duty on dutiable

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32. Laurier to George H. Bertram, June 2, 1896 in The Toronto Globe, June 3, 1896.

imports of about twenty-three per cent while in 1891 the average stood at thirty-two per cent. The level at which it stood in 1896 when the Liberals attained power was about thirty per cent. By 1903, after seven years of "tariff for revenue only" after the British preference had reduced the duties on British goods by one-third of the general rates, the average was still about twenty-seven per cent. <sup>33</sup>

In this re-orientation of the party while new protectionist faces appeared, old "die-hard" free traders found themselves dragged to the wings. The most important of the new faces William S. Fielding, former premier of Nova Scotia, took the post of Minister of Finance, Israel Tarte, Laurier's Quebec campaign organizer took that of Public Works and Clifford Sifton, owner of The Manitoba Free Press, got Interior. Richard Cartwright in "the interests of the country and the party" did not get back "his old position of Finance Minister."<sup>34</sup> Instead, he became the "scapegoat and the sacrificial victim" of the Liberals' efforts to reassure the business world and was

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33. McDiarmid, Commercial Policy, p. 205.

34. George H. Bertram, Toronto businessman's advice to Laurier, June 27, 1896 in Laurier Papers, XII, June 25-30, 1896. John S. Willison also advised Laurier not to raise Cartwright to a senior post, June 25, 1896, Laurier Papers, XII, June 25-30, 1896.

given the unglamorous and uninfluential portfolio of Trade  
and Commerce.<sup>35</sup>

The Fielding tariff of 1897 was another indication that the basic protectionist trend of the Conservative National Policy would be maintained. The new schedules for iron, steel, textiles and coal products remained on the whole unchanged. In some cases though, reductions were made in the rates. For example, the duty on pig iron was reduced from four dollars to \$2.50 a ton, on scrap iron from three dollars to one dollar while on steel ingots, blooms, slabs, puddled bars, and billets it went down from five dollars to two dollars a ton. To compensate these industries a bounty of three dollars per ton was put on iron and steel. In the textile schedules a twenty per cent ad valorem duty was put on woolen and worsted yarn imported by weavers. The tariff on finished cloth was increased from thirty to thirty-five per cent while that on woolen and worsted cloth in the grey was reduced from thirty-five to twenty-five per cent. In retaining a comparatively high protective tariff on iron, steel, coal and textiles the Laurier government virtually killed free trade and "tariff for revenue only" as practical issues in Canadian politics

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35. Graham, "Cartwright, Laurier and the Liberal Party," The Canadian Historical Review, XXXIII, p. 18.

because very little difference existed between both major Canadian parties over the tariff.<sup>36</sup> As George Foster, the Conservative financial spokesman said, the Liberal party "adopted the Conservative tariff."<sup>37</sup>

The Liberal tariff differed from the past Conservative tariffs with its introduction of preferential rates for countries giving Canadian goods "favorable" terms. Under the "special tariff" provisions Canada offered rate reductions of up to twelve and a half per cent of the ordinary general rates until July 1, 1898 and twenty-five per cent thereafter to any country reciprocally favoring Canadian products. In addition, the tariff added important items to the free list notably fence wire, binder twine, corn, cream separators and mining machinery. The creation of several different categories of duties was welcomed by free traders, imperialists and Conservatives alike, for under the stipulated conditions only Great Britain qualified for this preference. The Fielding tariff although basically protectionist did not shut Canada behind a wall of prohibition. It combined a tariff for revenue only with freer trade with the world, especially with Great Britain.<sup>38</sup>

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36. House of Commons Debates, April 22, 1897, pp. 1090-1125.

37. Ibid., April 22, 1897, p. 1186.

38. Ibid., April 22, 1897, p. 1110.

It was with considerable reason that the Liberal government had not implemented the convention promises of 1893. The responsibility of power and for the economic growth of the country restricted the new government to moderate changes in governmental policies. The large deficits of \$2,700,000 incurred during the depression years of 1893, 1894 and 1895 necessitated a moderately high tariff since this was the main source of the government's revenue.<sup>39</sup> Too many interests, railroads, manufacturers, labor and banks were interwoven and blended in the economic system developed by the Conservatives' National Policy. Renewed prosperity both in Canada and the United States as well as in the rest of the world made continental free trade less important. The beginning of the great wheat boom strengthened the east-west trade axis as well as the trans-Atlantic alignment of the Canadian economy and for the time being pushed into the background continentalism. Also the party's internal change of character from an agrarian to an industrialized-urban party presupposed the adoption of protectionism. Finally, it had been the party's desire that this move toward the British market and away from the United States would entice the Americans into a treaty

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39. Ibid., p. 1090.

of reciprocity with Canada.<sup>40</sup>

In the United States the Liberal tactics made little difference to the new Republican administration headed by arch-protectionist, William Mckinley. The Dingley tariff act which passed the Senate on July 7, 1897 clearly ended any hope for future Canadian-United States commercial reciprocity. The Dingley Act's prime aim was to raise the revenue in order to offset a large accumulating deficit. In its final draft the bill reached new heights in the process of protection. Not only was the average rate of duty at its highest level ever, fifty-seven per cent, but more importantly the act reimposed specific duties on<sup>41</sup> nearly all raw materials.

Worse still for Canada were the act's reciprocal clauses. As part of the 1896 Republican platform the restoration of the reciprocity agreements of the Republican Administration of the early nineties had been promised and section three and four of the Dingley bill fulfilled these pledges. Section three empowered the president to transfer

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40. James A. Colvin developed the thesis that the Fielding tariff and the British Preferential System were part of a plan to entice the United States into a Treaty of Reciprocity with Canada. See: James A. Colvin, "Sir Wilfrid Laurier and the British Preferential System," The Canadian Historical Association Report, (June 1-4, 1955, p. 17.

41. Taussig, Tariff History, pp. 326-349.

from the dutiable list to the free list goods which were not natural products of the United States such as tea, coffee, tonka beans, vanilla beans, argol (crude tartar), brandies, champagne, wines, paintings and statuary. Since none of these articles were products of Canada, reciprocity under this clause between the United States and Canada was not possible. Section four seemed more liberal and, at least on paper, applicable to Canada since it empowered the president, with congressional approval, to reduce the duty by as much as twenty per cent on any or every article.<sup>42</sup> As it turned out this provision led to naught and along with the protective clause of the Dingley Act slashed any hopes for the time being of continental free trade.

Rebuffed by the United States, the Liberal Government discarded the possibility of closer American-Canadian economic intercourse and pushed the British connection. In a letter to Wiman in January, 1898, Laurier stressed that "the feeling in Canada" on the subject of reciprocity "was very far from what it was some few years ago." If the United States did not wish to make a treaty, Canadians, he believed, could do "without it very

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42. Reciprocity clauses of the Dingley Tariff: Ibid., pp. 353-54. Ashley, Modern Tariff History, p. 229.

successfully."<sup>43</sup> Laurier's views were put into practice in August, 1898 when for the first time since Confederation the new Canadian tariff omitted the traditional offer of reciprocity in natural products and provided for exclusive British preference instead of the general reciprocal reductions of the previous year.<sup>44</sup> "Not only was Canada no longer moving toward the American orbit; she was moving away from it."<sup>45</sup> In Laurier's words, there would be "no more pilgrimages to Washington."<sup>46</sup> However, at the insistence of Great Britain there was one more major attempt at American-Canadian conciliation.

Wishing to improve their relations the United States and Great Britain established in August, 1898, a Joint High Commission to consider all major controversies

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43. Laurier to Wiman, Jan. 21, 1898 in Laurier Papers, LXII, Jan. 11-21, 1898.

44. For tariff of 1898 see: J. Harvey Perry, Taxes, Tariffs and Subsidies: A History of Canadian Fiscal Development (2 Vols.; Toronto; University of Toronto Press, 1955), Appendix A, p. 585. For brief study of the British Preferential System see: Adam Shortt, "Origins and Results of Canada's Preferential Tariff," Annals of the American Academy of Political and Social Science, CXII, (March, 1924), pp. 221-231. Colvin, "Laurier and the British Preferential System," The Canadian Historical Association Report, pp. 13-23.

45. Charles S. Campbell, Jr., Anglo-American Understandings, 1898-1903 (Baltimore: The John Hopkins Press, 1957), p. 77.

46. Tansill, Canadian-American Relations, p. 445.

existing between the two North American neighbors.<sup>47</sup> The major issues analyzed were the Pacific seals fisheries, the Atlantic Fisheries, the Alaska boundary, and commercial reciprocity. The first Conference took place in Quebec City between August 23 and October 10, 1898. The sub-committee which was appointed to consider the reciprocity question was made up of Richard J. Cartwright, Minister of Trade and Commerce, Louis H. Davies, Minister of Marine and Fisheries, John Charlton, Liberal Member of Parliament and lumber dealer, John A. Kasson, United States reciprocity expert, Senator Charles W. Fairbanks and Nelson Dingley, framer of the Dingley Tariff and Chairman of the Ways and Means Committee. Early in the discussions Nelson Dingley apparently suggested to Laurier the possibility of creating a "complete Zollverein between the United States and Canada" but in fact when the Conference adjourned in October, 1898 very little progress had been made toward any trade

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47. For a good account of the Joint High Commission negotiations see: Campbell, Jr., Anglo-American Understanding. For reciprocity talks see: John A. Kasson Paper, State Department, Reciprocity Treaties, 1898-1907, Canada and John Charlton Papers, Diary and Miscellaneous, "Autobiography and Recollections," in the Library of the University of Toronto.

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agreement. Any commitment on the part of the American commissioners could have had disastrous results on their political careers especially in the light of the November congressional elections. The Liberal government of Canada, constantly accused by the Conservative opposition of preparing to sell out to the Americans, also acted with great caution.

During the second session of the Commission in Washington more progress was made toward reciprocity. John Kasson, McKinley's commissioner for reciprocity agreements, looking for expanded markets for the United States' manufactured goods was willing to put minerals, stone, marble and slate upon the free list and reduce the duty on coal, on lumber and on articles manufactured from steel and iron. His proposals served no useful purpose when suddenly on February 20, 1899, the Conference came to an abrupt end. The "stumbling block was the Alaska boundary" and although Laurier was quite pleased with the "progress" made in the reciprocity negotiations "barring the sole article of lumber," he was unwilling to move forward without first receiving some conclusive concessions

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48. W. C. Cartwright, secretary of the British delegation revealed Dingley's offer to F. A. Campbell in a letter on October 10, 1898 of which excerpts are cited in Campbell, Jr., Anglo-American Understanding, p. 101.

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on the Alaska question.

Strong protective forces in both countries also served to blockade any progress made by the Commission. Whenever it was rumored that trade concessions were about to be made in any article whether natural or manufactured, the United States or the Canadian Commissioners, "and sometimes both" were "overwhelmed by protests and deputations."<sup>50</sup> In Canada the manufacturing interests especially, clamored for continued protection. The Fort William Board of Trade summarized the prevailing feeling of Canadian business when in a resolution it moved that the "tariff of Canada, as regards the United States," be raised to the same level as that of the United States.<sup>51</sup> In the United States protectionist cries came not from the manufacturers, but from the fish, lumber and agricultural interests who feared Canadian competition. The American

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49. Edward Younger, John A. Kasson, Politics and Diplomacy from Lincoln to McKinley (Iowa City: State Historical Society of Iowa, 1955), p. 372. Laurier to Principal Grant, Feb. 27, 1899 cited in Oscar Douglas Skelton, Life and Letters of Sir Wilfrid Laurier, 1841-1919, ed. with an introduction by David M. L. Farr (2 Vols., Carleton ed.; Toronto: McClellan and Stewart Ltd., 1965), II, pp. 55-56.

50. Lord Herschell to Lord Salisbury, Oct. 11, 1898 cited in Campbell Jr., Anglo-American Understanding, p. 100.

51. For Canadian Manufacturers' complaints see: Joan M. V. Foster, "Reciprocity and the Joint High Commission of 1898-99," The Canadian Historical Association Report, (May 25-26, 1939), pp. 91-93.

manufacturers hoping to receive the same preference in the Canadian market as that being given to the British inundated their commissioners with pro-reciprocity resolutions whereas the fish, lumber and agricultural forces pressured Kasson to maintain the duties of the Dingley tariff. In the end nothing concrete was accomplished.

Canadians remained indifferent to the failure of the Joint High Commission. The expanding British market for wheat gave Canadians a share in the turn-of-the-century prosperity and made them less dependent on the American market. The settlement of the west, the building of a nation a mari usque ad mare, and economic recovery contributed to a new sense of national confidence more sensitive to the consequences of closer commercial ties with the United States. At last Canada's trans-continental economy envisioned by Macdonald's National Policy had begun to function and the east-west flow of people, goods and money could not be sacrificed to an elusive dream. "There was a time when Canadians...would have given many things to obtain the American market," Laurier said, when that market "was the only market we had...But, thank Heaven! those days are past and over now."<sup>52</sup>

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52. House of Commons Debates, March 21, 1899, p. 102.

Laurier's proclamation was a far cry from his party's official stand of 1888. In that year the policy of continental free trade or unrestricted reciprocity was proclaimed as "a new departure" not only for the Liberal party, but for Canada as a whole. The Liberals adopted the bold experiment in an attempt to unite their forces and win at the polls. Ironically, the policy led not only to greater disunity within the party, but even to electoral defeat. Unable to counteract the Conservative charge of disloyalty both to Great Britain and Canada the Liberals in an about turn and again for political reasons silently dropped unrestricted reciprocity and regrouped around their former leader's policy of tariff for revenue only and fair and liberal treaties of commerce with the world, especially with Great Britain and the United States. Once in power the party that represented the hopes of those Canadians who desired the relaxation of trade barriers between the two North American States relinquished any remaining commitment to exclusive continental free trade and adopted a policy of moderate tariff protection. The imperial preference system which was adopted in 1898 reflected the new orientation of Canadian trade, and ended, for a while at least, the Liberal's flirtation with the idea of a North American free trade area.

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