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## The National Policy and the Industrialization of the Maritimes, 1880-1910

The Maritime provinces of Canada in 1870 probably came the closest of any region to representing the classic ideal of the staple economy. Traditionally shaped by the Atlantic community, the region's industrial sector had been structured to the production and export of timber, lumber products, fish and ships. The last was of crucial significance. In terms of the balance of trade, it accounted for more than one-third of New Brunswick's exports at Confederation. In human terms, the manufacture of ships provided a number of towns with large groups of highly skilled, highly paid craftsmen who were able to contribute significantly to the quality of community life. Against this background, the constricting British market for lumber and ships after 1873 created a serious economic crisis for the area. This was not in itself unusual. Throughout the nineteenth century the region's resource-based economy had suffered a series of periodic recessions as the result of changing imperial policies and world markets. Yet, in one respect, this crisis differed from all earlier; while the lumber markets gradually returned in the late 1870's, the ship market did not. Nova Scotians continued to build their small vessels for the coasting trade, but the large ship building industry failed to revive.

In the face of this uncertain future the National Policy was embraced by much of the Maritime business community as a new mercantilism which would re-establish that stability which the region had enjoyed under the old British order. In the first years of its operation the Maritimes experienced a dramatic growth in manufacturing potential, a growth often obscured by the stagnation of both the staple industries and population growth. In fact, the decade following 1879 was characterized by a significant transfer of capital and human resources from the traditional staples into a new manufacturing base which was emerging in response to federal tariff policies. This development was so significant that between 1881 and 1891 the industrial growth rate of Nova Scotia outstripped all other provinces in eastern Canada.<sup>1</sup> The comparative growth

1 Nova Scotia's industrial output increased 66 percent between 1880 and 1890; that of Ontario and Quebec by 51 percent each. Canada, *Census* (1901), III, pp. 272, 283. Bertram estimates that the per capita value of Nova Scotia's industrial output rose from 57.8 percent to 68.9 percent of the national average during the period. Gordon Bertram, "Historical Statistics on Growth and Structure of Manufacturing in Canada 1870-1957", Canadian Political Science Association Conference on Statistics 1962 and 1963, *Report*, p. 122.

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of the period is perhaps best illustrated in St. John. The relative increase in industrial capital, average wages, and output in this community significantly surpassed that of Hamilton, the Canadian city whose growth was perhaps most directly attributable to the protective tariff.<sup>2</sup>

Within the Atlantic region the growth of the 1880's was most unequally distributed. It centred not so much on areas or sub-regions as upon widely scattered communities.<sup>3</sup> These included the traditional Atlantic ports of St. John, Halifax, and Yarmouth; lumbering and ship building towns, notably St. Stephen and New Glasgow; and newer railroad centres, such as Moncton and Amherst. The factors which produced this curious distribution of growth centres were human and historical rather than geographic. The one characteristic shared by them all was the existence in each of a group of entrepreneurs possessing the enterprise and the capital resources necessary to initiate the new industries. Strongly community-oriented, these entrepreneurs attempted, during the course of the 1880's, to create viable manufacturing enterprises in their local areas under the aegis of the protective tariff. Lacking the resources to survive the prolonged economic recessions of the period, and without a strong regional metropolis, they acquiesced in the 1890's to the industrial leadership of the Montreal business community. Only at the century's end, with the expansion of the consolidation movement, did a group of Halifax financiers join their Montreal counterparts in asserting an industrial metropolitanism over the communities of the eastern Maritimes. This paper is a study in that transition.

### I

The Maritime business community in the 1870's was dominated by three groups: wholesale shippers, lumber and ship manufacturers, and the small scale manufacturers of a variety of commodities for purely local consumption. As a group they were deeply divided on the question of whether the economic salvation of their various communities was to be found in the maintenance of an Atlantic mercantile system, or in a programme of continentalist-oriented industrial diversification. A wedding of the two alternatives appeared to be the ideal situation. While they had warily examined the proposed tariff of 1879, most leading businessmen accepted its philosophy and seriously attempted to adapt it to their community needs.<sup>4</sup>

2 Canada, *Census* (1901), III, pp. 326-9. The increase between 1880 and 1890 was as follows:

	St. John	Hamilton
Population	-3%	34%
Industrial Capital	125%	69%
Industrial Workers	118%	48%
Average Annual Wage	12%	2%
Value of Output	98%	71%

3 See Table I.

4 For a sampling of business opinion on the National Policy see K. P. Burn's reply to Peter Mitchell in the tariff debate of 1883, Canada, House of Commons, *Debates*, 1883, pp. 551-2; the opinion of Josiah Wood, *ibid.*, pp. 446-8; and the view of John F. Stairs, *ibid.*, 1885, pp. 641-9.

TABLE I  
*Industrial Development in Principal Maritime Centres 1880-1890*

	Population	Industrial Capital	Employees	Average Annual Wages	Output	Industry by Output (1891)
Halifax (1880)	39,886	\$2,975,000	3,551	\$303	\$6,128,000	Sugar**
Dartmouth (1890)	43,132	6,346,000	4,654	280	8,235,000	Rope* Cotton Confectionary Paint Lamps
St. John (1880)	41,353	2,143,000	2,690	278	4,123,000	Lumber**
(1890)	39,179	4,838,000	5,888	311	8,131,000	Machinery*** Smelting Rope** Cottons Brass* Nails* Elect. Light**
New Glasgow (1880)	2,595	160,000	360	255	313,000	Primary Steel*
(1890)	3,777	1,050,000	1,117	355	1,512,000	Rolling Mills** Glass
St. Stephen (1880)	4,002	136,000	447	314	573,000	Cottons
Milltown (1890)	4,826	1,702,000	1,197	320	1,494,000	Confectionary Fish Canning Soap Lumber
Moncton (1880)	5,032	530,000	603	418	1,719,000	Sugar
(1890)	8,765	1,134,000	948	333	1,973,000	Cottons Woolens Rolling Stock
Fredericton (1880)	7,218 <sup>a</sup>	1,090,000 <sup>a</sup>	91 <sup>a</sup>	221 <sup>a</sup>	1,031,000 <sup>a</sup>	Cottons
Marysville (1890)	8,394	2,133,000	1,526	300	1,578,000	Lumber Foundry Product
Yarmouth (1880)	3,485	290,000	211	328	284,000	Cotton Yarn*
(1890)	6,089	783,000	930	312	1,234,000	Fish Canning Woolens
Amherst (1880)	2,274	81,000	288	281	283,000	Foundry Product
(1890)	3,781	457,000	683	293	724,000	Shoes Doors

a Estimates. Marysville was not an incorporated town in 1880, and totals for that date must be estimated from York County figures.

\* Leading Canadian Producer; \*\* second; \*\*\* third.

Source: Canada. *Census* (1891), III, Table I; *Ibid.*, (1901), III, Tables XX, XXI.

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For a variety of reasons the tariff held the promise of prosperity for the region's traditional commercial activities and, as well, offered the possibilities for the development of new manufacturing industry. For most Nova Scotian business leaders the West Indies market was vital to the successful functioning of the province's commercial economy. It was a major element in the region's carrying trade and also provided the principal market for the Nova Scotia fishing industry. These, in turn, were the foundations of the provincial ship-building industry. The successful prosecution of the West Indies trade, however, depended entirely upon the ability of the Nova Scotia merchants to dispose of the islands' sugar crop. The world depression in the 1870's had resulted in a dramatic decline in the price of refined sugar as French, German, British and American refineries dumped their surplus production on a glutted world market. By 1877 more than nine-tenths of Canadian sugar was obtained from these sources;<sup>5</sup> a fact which threatened the Nova Scotia carrying trade with disaster. A significant tariff on foreign sugar, it was felt, would encourage the development of a Canadian refining industry which would acquire all of its raw sugar from the British West Indies. Through this means, most Nova Scotian wholesalers and shippers saw in the new policy an opportunity both to resuscitate the coastal shipping industry of the province and to restore their primacy in the West Indies.

Of the newer industries which the National Policy offered, the future for the Maritimes seemed to lie in textiles and iron and steel products. The optimism concerning the possibilities of the former appears to have emerged out of a hope of emulating the New England experience. This expectation was fostered by the willingness of British and American cotton mill machinery manufacturers to supply on easy terms the necessary duty-free equipment, and by the feeling of local businessmen that the market provided by the tariff and the low quality labour requirements of such an enterprise would guarantee that a profitable business could be erected and maintained by the efforts of a single community. Behind such reasoning lay the general assumption that, despite major transportation problems, the Maritimes, and notably Nova Scotia, would ultimately become the industrial centre of Canada. The assumption was not unfounded. The region contained the only commercially viable coal and iron deposits in the Dominion, and had the potential, under the tariff, of controlling most of the Montreal fuel sources. Under these circumstances the development of textiles and the expansion of most iron and steel industries in the Atlantic area was perhaps not a surprising project.

Despite a cautious enthusiasm for the possibilities offered by the new federal economic dispensation, there was considerable concern about the organizational and financial problems in creating a new industrial structure. The Maritimes was a region of small family firms with limited capital capabilities. Other

<sup>5</sup> Quoted by J. F. Stairs in the tariff debate of 1886, Canada, House of Commons, *Debates*, 1886, p. 775.

than chartered banks, it lacked entirely the financial structure to support any large corporate industrial entity. Like the people of Massachusetts, Maritimers were traditionally given to placing their savings in government savings banks at a guaranteed 4 percent interest than in investments on the open market.<sup>6</sup> Regional insurance, mortgage and loan, and private savings corporations were virtually unknown. The result was to throw the whole financial responsibility for undertaking most manufactories upon the resources of individual entrepreneurs.

Since most enterprises were envisioned as being of general benefit to the community at large, and since few businessmen possessed the necessary capital resources to single-handedly finance such an undertaking, most early industrial development occurred as the result of co-operative efforts by groups of community entrepreneurs. These in turn were drawn from a traditional business elite of wholesalers and lumbermen. In Halifax as early as May, 1879, a committee was formed from among the leading West Indies shippers "to solicit capital, select a site and get a manufacturing expert" for the organization of a sugar refinery.<sup>7</sup> Under its leadership \$500,000 was raised, in individual subscriptions of \$10-20,000, from among members of the Halifax business community. This procedure was repeated during the formation of the Halifax Cotton Company in 1881: more than \$300,000 was subscribed in less than two weeks, most of it by thirty-two individuals.<sup>8</sup>

The leadership in the development of these enterprises was taken by young members of traditional mercantile families. The moving spirit in both cases was Thomas Kenny. A graduate of the Jesuit Colleges at Stonyhurst (England) and St. Gervais (Belgium), Kenny had inherited from his father, the Hon. Sir Edward Kenny, M.L.C., one of the largest wholesale shipping firms in the region. In the early 1870's the younger Kenny had invested heavily in shipyards scattered throughout five counties of Nova Scotia, and had even expanded into England with the establishment of a London branch for his firm. Following the opening of the refinery in 1881, he devoted an increasingly large portion of his time to the management of that firm.<sup>9</sup> Kenny was supported in his efforts by a number of leading merchants including the Hon. Robert Boak, Scottish-born president of the Legislative Council, and John F. Stairs, Manager of the Dartmouth Rope Works. Stairs, who had attended Dalhousie University, was a member of the executive council of Nova Scotia, the son of a legislative councillor, and a grandson of the founder of the shipping firm of William Stairs, Son and Morrow Limited.<sup>10</sup>

6 *Monetary Times*, 4 June, 6 September 1886. Forty-five of the fifty savings banks in the Dominion were located in the Maritimes.

7 *Monetary Times*, 16 May 1879.

8 *Monetary Times*, 20 May 1881.

9 George M. Rose, ed., *Cyclopedia of Canadian Biography* (Toronto, 1886-8), II, pp. 729-31 (henceforth cited as CCB).

10 *Encyclopedia of Canadian Biography* (Montreal, 1904-7), I, p. 86; CCB, II, p. 155; W. J. Stairs, *History of Stairs Morrow* (Halifax, 1906), pp. 5-6.

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In contrast to Halifax, St. John had always been much more a manufacturing community and rivalled Ottawa as the principal lumber manufacturing centre in the Dominion. Development in the New Brunswick city occurred as new growth on an existing industrial structure and centred on cotton cloth and iron and steel products. The New Brunswick Cotton Mill had been erected in 1861 by an Ulster-born St. John shipper, William Parks, and his son, John H. Parks. The latter, who had been trained as a civil engineer under the tutelage of the chief engineer of the European and North American Railroad, assumed the sole proprietorship of the mill in 1870.<sup>11</sup> In 1881 he led the movement among the city's dry goods wholesalers to establish a second cotton mill which was incorporated as the St. John Cotton Company.

The principal St. John iron business was the firm of James Harris. Trained as a blacksmith, the Annapolis-born Harris had established a small machine shop in the city in 1828, and had expanded into the foundry business some twenty-three years later. In 1883, in consequence of the new tariff, he determined to develop a completely integrated secondary iron industry including a rolling mill and railway car plant. To provide the resources for the expansion, the firm was reorganized as a joint stock company with a \$300,000 capital most of which was raised by St. John businessmen. The New Brunswick Foundry, Rolling Mills and Car Works, with a plant covering some five acres of land, emerged as the largest industrial employer in the Maritimes.<sup>12</sup> The success of the Harris firm induced a group of wholesale hardware manufacturers under the leadership of the Hon. Isaac Burpee, a former member of the Mackenzie Government, to re-establish the Coldbrook Rolling Mills near the city.

Yet, despite the development of sugar and cotton industries and the expansion of iron and rope manufactories, the participation of the St. John and Halifax business communities in the industrial impulse which characterized the early 1880's can only be described as marginal. Each group played the role of participant within its locality but neither provided any positive leadership to its hinterland area. Even in terms of industrial expansion, the performance of many small town manufacturers was more impressive than that of their city counterparts.

At the little railway centre of Moncton, nearly \$1,000,000 was raised under the leadership of John and Christopher Harris, John Humphrey, and Josiah Woods, to permit the construction of a sugar refinery, a cotton mill, a gas light and power plant, and several smaller iron and textile enterprises. The Harris brothers, sons of an Annapolis ship builder of Loyalist extraction, had established a shipbuilding and shipping firm at Moncton in 1856.<sup>13</sup> Under the aegis of their firm they organized the new enterprises with the assistance of their

11 *Canadian Biographical Dictionary* (Montreal, 1880-1), II, pp. 684-5 (henceforth cited as *CBD*); Parks Family Papers, F. no. 1, New Brunswick Museum.

12 *CBD*, II, pp. 684-5; *Monetary Times*, 27 April 1883, 22 June 1888.

13 *CCB*, II, pp. 186-7, 86.

brother-in-law John Humphrey, scion of Yorkshire Methodist settlers of the Tantramar, longtime M.L.A. for Westmorland, and proprietor of the Moncton flour and woolen mills. They were financially assisted in their efforts by Josiah Wood (later Senator) of nearby Sackville. The son of a Loyalist wholesaler, Wood first completed his degrees (B.A., M.A.) at Mount Allison, was later admitted to the New Brunswick bar, and finally entered his father's shipping and private banking business.<sup>14</sup> The leadership of the Moncton group was so effective that the owner of the *Monetary Times*, in a journey through the region in 1882, singled out the community for praise:

Moncton has industrialized . . . business people only in moderate circumstances but have united their energies . . . persons who have always invested their surplus funds in mortgages are now cheerfully subscribing capital for the Moncton Cotton Co. Unfortunately for industrial progress, there are too many persons [in this region] who are quite content with receiving 5 or 6% for their money so long as they know it is safe, rather than risk it in manufactures, even supposing it yielded double the profit.<sup>15</sup>

At St. Stephen the septuagenarian lumber barons and bankers, James Murchie and Freeman Todd, joined the Annapolis-born ship builder, Zechariah Chipman, who was father-in-law to the Minister of Finance, Sir Leonard Tilley, in promoting an immense cotton concern, the St. Croix, second largest in the Dominion at the time. The son of a local farmer, Murchie, whose holdings included more than 200,000 acres of timber lands — half of it in Quebec —, also developed a number of smaller local manufactories.<sup>16</sup> At the same time two young brothers, Gilbert and James Ganong, grandsons of a Loyalist farmer from the St. John Valley, began the expansion of their small confectionery firm,<sup>17</sup> and shortly initiated construction of a soap enterprise in the town.

At Yarmouth a group of ship builders and West Indies merchants led by the Hon. Loran Baker, M.L.C., a shipper and private banker, and John Lovitt, a shipbuilder and member of the Howland Syndicate, succeeded in promoting the Yarmouth Woolen Mill, the Yarmouth Cotton Manufacturing, the Yarmouth Duck Yarn Company, two major foundries, and a furniture enterprise.<sup>18</sup> The development was entirely an internal community effort — virtually all the leading business figures were third generation Nova Scotians of pre-Loyalist

14 CCB, II, pp. 354-5; CBD, II, p. 693; Henry J. Morgan, ed., *Canadian Men and Women of the Time* (Toronto, 1898), p. 1000.

15 *Monetary Times*, 16 December 1882.

16 CCB, II, pp. 221-2; CBD, II, pp. 674-5; Harold Davis, *An International Community on the St. Croix (1604-1930)* (Orono, 1950), chapter 18; *Monetary Times*, 1 August 1890.

17 Canada, *Sessional Papers*, 1885, no. 37, pp. 174-97.

18 *Monetary Times*, 11 December 1885; *Canadian Journal of Commerce*, 3 June 1881; CBD, II, pp. 409-10, 510; *Canadian Men and Women of the Time* (1898), p. 44.



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American origins. A similar development was discernible in the founding of the Windsor Cotton Company.<sup>19</sup>

A somewhat different pattern emerged at New Glasgow, the centre of the Nova Scotia coal industry. Attempts at the manufacture of primary iron and steel had been made with indifferent results ever since Confederation.<sup>20</sup> In 1872, a New Glasgow blacksmith, Graham Fraser, founded the Hope Iron Works with an initial capital of \$160,000.<sup>21</sup> As the tariff on iron and steel products increased in the 1880's so did the vertical expansion of the firm. In 1889, when it was amalgamated with Fraser's other enterprise, the Nova Scotia Forge Company, more than two-thirds of the \$280,000 capital stock of the resulting Nova Scotia Steel and Coal Company was held by the citizens of New Glasgow.<sup>22</sup> Fraser remained as president and managing director of the corporation until 1904,<sup>23</sup> during which time it produced most of the primary steel in the Dominion,<sup>24</sup> and remained one of the largest industrial corporations in the country.<sup>25</sup>

Fraser was seconded in his industrial efforts by James Carmichael of New Glasgow and John F. Stairs of Halifax. Carmichael, son of a prominent New Glasgow merchant and a descendant of the Scottish founders of Pictou, had established one of the largest ship building and shipping firms in the province.<sup>26</sup> Stairs' investment in the New Glasgow iron and steel enterprise represented one of the few examples of inter-community industrial activity in this period.

The most unusual pattern of manufacturing development in the region was that initiated at Fredericton by Alexander Gibson. Gibson's distinctiveness lay in his ability to impose the tradition and structure of an earlier semi-industrial society onto a changing pattern of development. A St. Stephen native and the son of Ulster immigrants, he had begun his career as a sawyer, and later operated a small lumber firm at Lepreau. In 1865 he bought from the Anti-Confederationist government of A. J. Smith extensive timber reserves on the headwaters of the Nashwaak River<sup>27</sup> and at the mouth of that river, near Fredericton, built his own mill-town of Marysville. Freed from stumpage fees by his fortunate purchase, the "lumber king of New Brunswick" was producing as

19 *Canadian Journal of Commerce*, 10 June 1881.

20 W. J. A. Donald, *The Canadian Iron and Steel Industry* (Boston, 1915), chapter 3.

21 *Monetary Times*, 28 April 1882.

22 *The Canadian Manufacturer and Industrial World*, 3 May 1889 (henceforth cited as *Canadian Manufacturer*).

23 Henry J. Morgan, ed., *Canadian Men and Women of the Time* (Toronto, 1912), p. 419; C. W. Parker, ed., *Who's Who and Why* (Vancouver, 1916), VI & VII, p. 259 (hereafter cited as *WWW*).

24 *Canadian Manufacturer*, 1 April 1892.

25 *Ibid.*, 7 March 1890.

26 *CBD*, II, pp. 534-5.

27 A. G. Bailey, "The Basis and Persistence of Opposition to Confederation in New Brunswick," *Canadian Historical Review*, XXIII (1942), p. 394.

much as 100,000,000 feet of lumber annually by the 1880's — about one third of the provincial output. His lumber exports at times comprised half the export commerce of the port of St. John.<sup>28</sup>

One of the wealthiest industrial entrepreneurs in the Dominion, Gibson determined in 1883 to undertake the erection of a major cotton enterprise entirely under his own auspices.<sup>29</sup> He erected one of the largest brick-yards in the Dominion and personally supervised the construction of the plant which was opened in 1885.<sup>30</sup> In that same year he employed nearly 2,000 people in his sundry enterprises.<sup>31</sup> By 1888 his sales of cotton cloth totalled nearly \$500,000.<sup>32</sup> That same year the Gibson empire, comprising the cotton mill, timber lands, saw mills, lath mills, the town of Marysville, and the Northern and Western Railroad, was formed into a joint stock company, its \$3,000,000 capital controlled by Gibson, his brother, sons and son-in-law.

Several common characteristics distinguished the men who initiated the industrial expansion of the 1880's. They were, on the whole, men of substance gained in traditional trades and staples. They sought a substantial, more secure future for themselves within the framework of the traditional community through the instrumentality of the new industrial mercantilism. Averaging fifty-four years of age, they were old men to be embarking upon new careers.<sup>33</sup> Coupled with this factor of age was their ignorance of both the technical skills and the complexities of the financial and marketing structures involved in the new enterprises.

The problem of technical skill was overcome largely by the importation of management and skilled labour, mainly from England and Scotland.<sup>34</sup> The problem of finance was more serious. The resources of the community entrepreneurs were limited; the costs of the proposed industry were almost always far greater than had been anticipated. Moreover, most businessmen had only the vaguest idea of the quantity of capital required to operate a large manufacturing corporation. Promoters generally followed the normal mercantile practice and raised only sufficient capital to construct and equip the physical plant, preferring to finance operating costs through bank loans — a costly and inefficient process. The Halifax Sugar Refinery perhaps best illustrated these

28 *Monetary Times*, 9 January 1885.

29 *Ibid.*, 11 May 1883.

30 *Our Dominion. Historical and Other Sketches of the Mercantile Interests of Fredericton, Marysville, Woodstock, Moncton, Yarmouth, etc.* (Toronto, 1889), pp. 48-54.

31 Canada, *Sessional Papers*, 1885, no. 37, pp. 174-97.

32 Canada, Royal Commission on the Relations of Labour and Capital (1889), *Evidence*, II, p. 448.

33 American industrial leaders of the same period averaged 45 years. See W. F. Gregory and I. D. New, "The American Industrial Elite in the 1870's: Their Social Origins", in William Miller, ed., *Men in Business* (Cambridge, 1952), p. 197.

34 Canada, Royal Commission of the Relations of Labour and Capital, *Evidence*, II, pp. 256, 458 and III, pp. 78, 238, 249; *Canadian Manufacturer*, 24 August 1883; *Monetary Times*, 17 June 1887.

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problems. When first proposed in 1879 it was to have been capitalized at \$300,000. Before its completion in 1881 it was re-capitalized twice to a value of \$500,000.<sup>35</sup> Even this figure left no operating capital, and the refinery management was forced to secure these funds by loans from the Merchants Bank of Halifax. At the end of its first year of operation the bank debt of the corporation totalled \$460,000,<sup>36</sup> which immediately became a fixed charge on the revenues of the infant industry. Fearing bankruptcy, the stockholders increased their subscriptions and kept the business functioning until 1885 when they attempted a solution to the problem by issuing debenture stock to a value of \$350,000 of which the bank was to receive \$200,000 in stock and \$50,000 cash in settlement of debts still owed to it.<sup>37</sup>

While many industries received their initial financing entirely from local capitalists, some projects proved to be such ambitious undertakings that aid had to be sought from other sources. The St. Croix Cotton Company at St. Stephen, for example, was forced to borrow \$300,000 from Rhode Island interests to complete their huge plant.<sup>38</sup> Some industries came to rely so heavily on small community banks for perpetual loans for operating expenses that any general economic crisis toppled both the industries and the banks simultaneously. The financing of James Domville's enterprises, including the Coldbrook Rolling Mills, was a contributing factor in the temporary suspension of the Maritime Bank of St. John in 1880,<sup>39</sup> while such industrial loans ultimately brought down the Bank of Yarmouth in 1905.<sup>40</sup>

### II

The problem of industrial finance was intricately tied to a whole crisis of confidence in the new order which began to develop as the first enthusiastic flush of industrial expansion paled in the face of the general business downturn which wracked the Canadian economy in the mid-1880's. At the heart of this problem was a gradual deterioration of the British lumber market, and the continued shift from sea borne to railroad commerce. Under the influence of an increasingly prohibitive tariff and an extended railroad building programme a two cycle inter-regional trading pattern was gradually emerging. The westward cycle, by rail into the St. Lawrence basin, left the region with a heavy trade imbalance as the central Canadians rapidly replaced British and American produce in the Maritime market with their own flour and manufactured materials.<sup>41</sup> In return, the region shipped to Montreal quantities of primary

35 *Monetary Times*, 18 March 1881.

36 *Ibid.*, 17 February 1882.

37 *Ibid.*, 19 March 1886.

38 *Canadian Journal of Commerce*, 26 October 1883.

39 *Monetary Times*, 18 October 1880.

40 *Ibid.*, 10 May 1905.

41 *Ibid.*, 8 January 1886.

and primary manufactured products of both local and imported origins. The secretaries of the Montreal and St. John boards of trade estimated the extent of this inter-regional commerce at about \$15,711,000 in 1885, more than 70 percent of which represented central Canadian exports to the Maritimes.<sup>42</sup> By contrast the external trade cycle moved in traditional fashion by ship from the principal Maritime ports to Great Britain and the West Indies. Heavily balanced in favour of the Maritimes, it consumed most of the output of the region's resource industries. The two cycles were crucially interdependent; the Maritime business community used the credits earned in the external cycle to meet the gaping deficits incurred in the central Canadian trade. The system worked as long as the equilibrium between the two could be maintained. Unfortunately, as the decade progressed, this balance was seriously threatened by a declining English lumber market.<sup>43</sup>

In the face of this increasingly serious trade imbalance, the Maritime business community became more and more critical of what they regarded as the subversion of the National Policy by central Canadian interests. Their argument was based upon two propositions. If Canadian transportation policy was dedicated to creating an all-Canadian commercial system, then this system should extend not from the Pacific to Montreal, but from the Pacific to the Atlantic. How, in all justice, could the Montreal interests insist on the construction, at a staggering cost, of an all-Canadian route west of that city and then demand the right to export through Portland or Boston rather than using the Maritime route? This argument was implicit in almost every resolution of the Halifax and St. John boards of trade from 1880 onward.<sup>44</sup>

The second proposition maintained that, as vehicles of nationhood, the railways must be considered as a means of promoting national economic integration rather than as commercial institutions. The timing of this doctrine is significant. Before 1885 most Maritime manufacturers were competitive both with Canadian and foreign producers. Nails, confectionery, woollens, leather, glass, steel and machinery manufactured in the Maritimes normally had large markets in both central Canada and the West.<sup>45</sup> The recession of 1885 reached a trough in 1886.<sup>46</sup> Diminishing demand coupled with over-production, particularly in the cotton cloth and sugar industries, resulted in falling prices, and made it increasingly difficult for many Maritime manufacturers to retain their

42 *Monetary Times*, 30 January 1885. Principal Maritime imports from Central Canada included flour, shoes, clothing, textiles, alcoholic beverages and hardware; exports to Quebec and Ontario centered on sugar, coal, cotton cloth, iron and fish.

43 Exports of New Brunswick lumber declined from 404,000,000 board feet in 1883 to 250,000,000 feet in 1887. *Monetary Times*, 9 January 1885, 2 and 7 January 1887, 21 January 1898.

44 See particularly, *Proceedings of the Ninth Annual Meeting of the Dominion Board of Trade* (1879), pp. 65-73; *Monetary Times*, 27 January 1882; Minute Book of the St. John Board of Trade (1879-87), 14 October 1887, New Brunswick Museum.

45 Canada, *Sessional Papers*, 1885, no. 34, pp. 86-125.

46 Bertram, p. 131.

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central Canadian markets. The *bête noir* was seen as the relatively high freight rates charged by the Intercolonial Railway. The issue came to a head late in 1885 with the closing of the Moncton and the two Halifax sugar refineries. The response of the Halifax manufacturers was immediate and decisive. Writing to the Minister of Railways, John F. Stairs enunciated the Maritime interpretation of the National Policy:

Four refineries have been set in operation in the Lower Provinces by the policy of the Government. This was right; but trade having changed so that it is now impossible for them to work prosperously it is the duty of the Government to accomodate its policy to the change. The reduction in freight rates asked for is necessary to this . . . . If in answer to this you plead that you must manage so that no loss occur running the I.C.R., we will reply, we do not, and will not accept this as a valid plea from the Government . . . and to it we say that the people of Nova Scotia, nor should those of Ontario and Quebec, for they are as much interested, even admit it is essential to make both ends meet in the finance of the railroad, when it can only be done at the expense of inter-provincial trade, and the manufacturers of Nova Scotia . . . . How can the National Policy succeed in Canada where such great distances exist between the provinces unless the Government who control the National Railway meet the requirements of trade . . .<sup>47</sup>

At stake, as Stairs later pointed out in a confidential memorandum to Macdonald, was the whole West Indies trade of Nova Scotia.<sup>48</sup> Equally as important and also at stake was the entire industrial structure which had been created in the region under the aegis of the National Policy.

The Maritimes by 1885 provided a striking illustration of the success of that policy. With less than one-fifth of the population of the Dominion, the region contained eight of the twenty-three Canadian cotton mills — including seven of the nineteen erected after 1879<sup>49</sup>, three of five sugar refineries, two of seven rope factories, one of three glass works, both of the Canadian steel mills, and six of the nation's twelve rolling mills.

Although Stairs succeeded in his efforts to have the I.C.R. sugar freight rates reduced,<sup>50</sup> the problem facing the Maritime entrepreneur was not one which could be solved simply by easier access to the larger central Canadian market; its cause was much more complex. In the cotton industry, for example, the Canadian business community had created industrial units with a production potential sufficient to supply the entire national market. In periods of recession

47 J. F. Stairs to J. M. Pope, 10 September 1885, Macdonald Papers, 50080-5, Public Archives of Canada.

48 J. F. Stairs to Macdonald, 5 February 1886, *ibid.*, volume 155.

49 *Monetary Times*, 5 October 1888.

50 *Ibid.*, 12 February 1886.

many American cloth manufacturers were prepared to cut prices on exports to a level which vitiated the Canadian tariff; this enabled them to gain control of a considerable portion of the Canadian market. The problems of the cotton cloth manufacturers could have been solved by a further increase in the tariff — a politically undesirable answer —, by control of railway rates, or by a regulated industrial output.

From a Maritime regional viewpoint the second of these alternatives appeared to be the most advantageous; the limitations of the tariff could then be accepted and, having attained geographic equality with Montreal through a regulated freight rate, the more efficient Maritime mills would soon control the Montreal market. Such was the hope; there was little possibility of its realization. Such a general alteration in railway policy would have required subsidization of certain geographic areas — districts constituting political minorities — at the expense of the dominant political areas of the country, a prospect which the business community of Montreal and environs could hardly be expected to view with equanimity. Apart from the political difficulties of the situation, most Maritime manufactories suffered from two major organizational problems: the continued difficulty faced by community corporations in securing financing in the frequent periods of marginal business activity,<sup>51</sup> and the fact that most firms depended upon Montreal wholesale houses to dispose of their extra-regional exports.<sup>52</sup> Short of a major shift in government railway or tariff policy, the only solution to the problem of markets which seemed to have any chance for success appeared to be the regulation of industrial production, a technique which was to bring into the Maritimes the Montreal interests which already controlled the major part of the distributive function in eastern Canada.

### III

The entry of Montreal into the Maritime region was not a new phenomenon. With the completion of the Intercolonial Railway and the imposition of coal duties in 1879, Montreal railway entrepreneurs moved to control both the major rail systems of New Brunswick and the Nova Scotia coal fields. A syndicate headed by George Stephen and Donald Smith had purchased the New Brunswick Railroad from Alexander Gibson and the Hon. Isaac Burpee in 1880,<sup>53</sup> with the intention of extending it to Rivière du Loup. This system was expanded two years later by the purchase of the New Brunswick and Canada Railroad with the ultimate view of making St. John the winter port for Montreal.

In the same year, another Montreal group headed by John McDougall, David Morrice and L.-A. S  n  cal acquired from fifteen St. John bondholders, four-fifths of the bonds of the Springhill and Parrsboro Railroad and Mining

51 See the problems faced by John Parks and the N. B. Cotton Mills, Parks Family Papers, F, New Brunswick Museum.

52 *Montreal Herald*, 15 October 1883.

53 *Monetary Times*, 8 October 1880.

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Company.<sup>54</sup> and followed this up in 1883 with the purchase of the Springhill Mining Company, the largest coal producer in Canada.<sup>55</sup> The following year another syndicate acquired the International Mine at Sydney.<sup>56</sup> The coal mine takeovers were designed to control and expand the output of this fuel source, partially in an effort to free the Canadian Pacific Railways from dependence upon the strike-prone American coal industry. By contrast, the entry of Montreal interests into the manufacturing life of the Maritimes aimed to restrict output and limit expansion.

The first serious attempts to regulate production occurred in the cotton industry. Although informal meetings of manufacturers had been held throughout the mid-1880's, the business depression of 1886 and the threatened failure of several mills resulted in the organization of the first formal national trade association. Meeting in Montreal in the summer of 1886, representatives of sixteen mills, including four from the Maritimes, agreed to regulate production and to set standard minimum prices for commodities. The agreement was to be renegotiated yearly and each mill provided a bond as proof of good faith.<sup>57</sup> The arrangement at least stabilized the industry and the agreement was renewed in 1887.

The collapse of the association the following year was precipitated by a standing feud between the two largest Maritime mills, the St. Croix at St. Stephen and the Gibson at Marysville. Alexander Gibson had long been the maverick of the organization, having refused to subscribe to the agreement in 1886 and 1887. During this period he had severely injured his larger St. Stephen competitor in the Maritime market. By the time Gibson agreed to enter the association in 1888, the St. Croix mill, faced with bankruptcy, dropped out and reduced prices in an effort to dispose of its huge inventory. The Gibson mill followed suit. With two of the largest coloured cotton mills in the Dominion selling without regulation, the controlled market system dissolved into chaos, and the association, both coloured and grey sections, disintegrated.<sup>58</sup> The return to an unregulated market in the cotton industry continued for more than two years. A business upswing in 1889 mercifully saved the industry from what many manufacturers feared would be a general financial collapse. Even so, only the mills with the largest production potential, regardless of geographic location, escaped unscathed; most of the smaller plants were forced to close temporarily.

In the summer of 1890 a Montreal group headed by A. F. Gault and David Morrice prepared the second attempt to regulate the cotton market. The technique was to be the corporate monopoly. The Dominion Cotton Mills Company, with a \$5,000,000 authorized capital, was to bring all of the grey cotton

<sup>54</sup> *Ibid.*, 15 December 1882.

<sup>55</sup> *Ibid.*, 8 June 1883.

<sup>56</sup> *Ibid.*, 16 November 1884.

<sup>57</sup> *Ibid.*, 13 August 1886; *Canadian Manufacturer*, 20 August 1887.

<sup>58</sup> *Canadian Journal of Commerce*, 7 September 1888.

producers under the control of a single directorate. In January 1891, David Morrice set out on a tour of Maritime cotton centres. On his first stop, at Halifax, he accepted transfer of the Nova Scotia Cotton Mill to the syndicate, the shareholders receiving \$101,000 cash and \$101,000 in bonds in the new corporation, a return of 25 cents on the dollar of their initial investment.<sup>59</sup> The following day Morrice proceeded to Windsor, "to consummate the transfer of the factory there";<sup>60</sup> and from there moved on to repeat the performance at Moncton. Fearful of total bankruptcy and hopeful that this stronger organization would provide the stability that earlier efforts had failed to achieve, stockholders of the smaller community-oriented mills readily acquiesced to the new order. Although they lost heavily on their original investment, most owners accepted bonds in the new corporation in partial payment for their old stock.

The first determined opposition to the cotton consolidation movement appeared in St. John. Here, John H. Parks, founder and operator of the thirty-year old New Brunswick Cotton Mill, had bought the bankrupt St. John Cotton firm in 1886 and had proceeded to operate both mills. Despite the perennial problem of financing, the Parks Mills represented one of the most efficient industrial operations in the Dominion, one which had won an international reputation for the quality of its product. The company's major markets were found in western Ontario, a fact which made the continued independence of the firm a particular menace to the combination. The firm's major weakness was its financial structure. Dependent upon the Bank of Montreal for his operating capital, Parks had found it necessary to borrow more heavily than usual during the winter of 1889-90. By mid-1890 his debts totalled \$122,000.<sup>61</sup>

At this point two events occurred almost simultaneously: Parks refused to consider sale of the St. John Mills to the new corporation, and the Bank of Montreal, having ascertained that the Montreal syndicate would buy the mills from any seller, demanded immediate payment in full of the outstanding debts of the company<sup>62</sup>—a most unusual procedure. Claiming a Montreal conspiracy to seize the company, Parks replied with an open letter to the dry goods merchants of greater St. John.

. . . I have made arrangements by which the mills of our company will be run to their fullest extent.

These arrangements have been made in the face of the most determined efforts to have our business stopped, and our property sold out to the Montreal syndicate which is endeavouring to control the Cotton Trade of Canada . . . . I now propose to continue to keep our mills in operation as a St.

59 Thomas Kenny in Canada, House of Commons, *Debates*, 1893, p. 2522.

60 *Monetary Times*, 16 January 1891.

61 *St. John Globe*, 1 May 1891.

62 E. S. Clouston to Jones, 25 April 1891, Bank of Montreal, General Managers Letterbooks, vol. 8, Public Archives of Canada.



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John industry, free from all outside control. I would therefore ask you gentlemen, as far as your power, to support me in this undertaking —

It remains with you to assist the Wholesale Houses in distributing the goods made in St. John in preference to those of outside manufacture so long as the quality and price of the home goods is satisfactory.

The closing of our mills . . . would be a serious calamity to the community, and you, by your support can assist materially in preventing it. I believe you will.<sup>63</sup>

Parks' appeal to community loyalty saved his firm. When the bank foreclosed the mortgage which it held as security for its loans, Mr. Justice A. L. Palmer of the New Brunswick Supreme Court placed the firm in receivership under his control until the case was resolved. Over the strongest objections of the bank, and on one legal pretext after another, the judge kept the mill in receivership for nearly two years.<sup>64</sup> In the meantime he forced the bank to continue the provision of operating capital for the mill's operations, and in conjunction with the receiver, a young Fredericton lawyer, H. H. McLean, proceeded to run an efficient and highly profitable business. When the decision was finally rendered in December 1892, the firm was found to have cleared profits of \$150,000 during the period of the receivership. Parks was able to use the funds to repay the bank debts and the mill continued under local control.<sup>65</sup>

The St. John experience was unique. Gault and Morrice organized the Canadian Coloured Cotton Company, sister consolidation to the Dominion Cotton Mills, in 1891. The St. Croix Mill entered the new organization without protest early in 1892,<sup>66</sup> and even the Gibson Mill, while retaining its separate corporate structure, agreed to market its entire output through the new consolidation. By 1893 only the St. John Mills and the small Yarmouth plant remained in the hands of regional entrepreneurs.

The fate of the Maritime cotton mills was paralleled in the sugar industry. In 1890 a syndicate of Scottish merchants, incorporated under English laws as the Halifax Sugar Refinery Ltd., bought up the English-owned Woodside Refinery of Halifax.<sup>67</sup> The ultimate aim of the Scottish group was to consolidate the sugar industry into a single corporate entity similar to Dominion Cotton. Failing in this effort because of the parliamentary outcry against combines, they turned their efforts to regional consolidation. With the assistance of John F. Stairs, M.P., they were able, in 1894, to secure an act of incorporation as the Acadia Sugar Refineries which was to amalgamate the three Maritime

63 15 December 1890. Parks Papers, Scrapbook 2, New Brunswick Museum.

64 Clouston to Jones, 13, 22 April, 23 May 1891. Bank of Montreal, General Managers Letterbooks, vol. 8, Public Archives of Canada.

65 St. John *Sun*, 28 December 1892.

66 *Monetary Times*, 18 March 1892.

67 *Ibid.*, 24 October 1890.

firms. Unlike the Cotton Union, the new consolidation worked in the interests of the regional entrepreneurs, the stock holders of all three refineries receiving full value for their holdings. Equally important, the management of the new concern remained in the hands of Thomas Kenny, M.P.

The consolidation movement of the early 1890's swept most of the other major Maritime manufactories. In some cases local entrepreneurs managed to retain a voice in the direction of the new mergers — John Stairs, for example, played a prominent role on the directorate of the Consumers Cordage Company which swept the Halifax and St. John rope concerns into a new seven-company amalgamation in 1890.<sup>68</sup> On the other hand, the Nova Scotia Glass Company of New Glasgow disappeared entirely in the Diamond Glass consolidation of that same year.<sup>69</sup> On the whole, saving only the iron and steel products, the confectionery and the staple export industries, control of all mass consumption industries in the Maritimes had passed to outside interests by 1895. Thus, in large measure the community manufactory which had dominated the industrial growth of the 1880's ceased to exist in the 1890's. Given the nature of the market of the period, some degree of central control probably was inevitable. The only question at stake was whether it would be a control effected by political or financial means, and if the latter, from which centre it would emanate.

The failure of any Maritime metropolis to achieve this control was partly a result of geography and partly a failure of entrepreneurial leadership. The fear of being left on the fringes of a national marketing system had been amply illustrated by the frenetic efforts of the St. John and Halifax business communities to promote political policies which would link the Canadian marketing system to an Atlantic structure with the Maritime ports serving as the connecting points.<sup>70</sup>

The question of entrepreneurial failure is more difficult to document. In part the great burst of industrial activity which marked the early 1880's was the last flowering of an older generation of lumbermen and wholesale shippers. Having failed to achieve their position as the link between central Canada and Europe, and faced with the dominant marketing and financial apparatus of the Montreal community, they drew back and even participated in the transfer of control. This failure is understandable in the smaller communities; it is more difficult to explain in the larger. In the latter case it may well be attributable to the perennial failure of most Maritime communities to maintain a continuity of industrial elites. The manufacturing experience of most families was limited to a single generation: Thomas Kenny's father was a wholesale merchant, his son a stock broker. John F. Stairs was the son of a merchant and the father of

68 *Canadian Journal of Commerce*, 22 March 1895.

69 *Monetary Times*, 24 October 1890.

70 *Ibid.*, 12 June 1885, 22 April 1887, 22 August 1902; Minutes of the St. John Board of Trade, 1 December 1879, 8 November 1886, New Brunswick Museum.

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a lawyer. Even in such a distinguished industrial family as that of John Parks, a second generation manufacturer, the son attended the Royal Military College and then entered the Imperial service. Commerce and the professions provided a much more stable milieu, and while many participants in both of these activities were prepared to make the occasional excursion into manufacturing, usually as part of a dual role, few were willing to make a permanent and sole commitment to an industrial vocation.

### IV

The lesson brought home to the Maritime entrepreneur by the industrial experience between 1879 and 1895 was that geography would defeat any attempt to compete at parity with a central Canadian enterprise. In response to this lesson, the truncated industrial community of the region turned increasingly to those resource industries in which geography gave them a natural advantage over their central Canadian counterparts. In the 1890's the thrust of Maritime industrial growth was directed toward the processing and manufacturing of primary steel and of iron and steel products. In part, since these enterprises constituted much of the industrial machinery remaining in the hands of regional entrepreneurs, there was little choice in this development. At the same time, Nova Scotia contained most of the active coal and iron deposits in the Dominion and had easy access to the rich iron ore deposits at Belle Isle. In any event, most competition in these industries came from western Ontario rather than Montreal, and the latter was thus a potential market.

Iron and steel development was not new to the region. Efforts at primary steel making had been undertaken successfully at New Glasgow since 1882. Yet production there was limited and would continue so until a more favourable tariff policy guaranteed a stable market for potential output. Such a policy was begun in 1887 with the passage of the "iron" tariff. Generally labeled as a Nova Scotia tariff designed to make that province "the Pennsylvania of Canada"<sup>71</sup> and New Glasgow "the Birmingham of the country,"<sup>72</sup> the act provided an effective protection of \$3.50 a ton for Canadian-made iron, and imposed heavy duties on a variety of iron and steel products.<sup>73</sup> Protection for the industry was completed in 1894 when the duty on scrap iron, considered a raw material by secondary iron manufacturers, was raised from \$2 to \$4 a ton, and most rolling mills were forced to use Nova Scotia-made bar iron rather than imported scrap.<sup>74</sup>

The growth of the New Glasgow industries paralleled this tariff development. In 1889 the Nova Scotia Steel Company was united with the Nova Scotia Forge Company to form a corporation capable of manufacturing both primary steel

71 *Monetary Times*, 20 May 1887.

72 *The Canadian Journal of Commerce*, 29 April 1887.

73 Canada, Statutes, 50-1 Victoria C. 39.

74 Simon J. MacLean, *The Tariff History of Canada* (Toronto, 1895), p. 37.

and iron and steel products. In the same year, to provide the community with its own source of pig iron, a group of Nova Scotia Steel shareholders organized the New Glasgow Iron, Coal and Railroad Company with a capital of \$1,000,000.<sup>75</sup> Five years later, following the enactment of the scrap iron duty, New Glasgow acquired the rich Wabana iron ore deposits at Belle Isle — some eighty-three acres covered with ore deposits so thick they could be cut from the surface. This was followed the next year by the union of the Nova Scotia Steel and Forge and the New Glasgow Iron companies into a \$2,060,000 corporation, the Nova Scotia Steel Company. Containing its own blast and open hearth furnaces, rolling mills, forges, foundries, and machine shops, the firm represented the most fully integrated industrial complex in the country. The process was completed in 1900 when the company acquired the Sydney Coal Mines on Cape Breton Island, developed new steel mills in that area and re-organized as the Nova Scotia Steel and Coal Company with a \$7,000,000 capital.<sup>76</sup>

The development of the Nova Scotia Steel and Coal corporation had begun under the direction of a cabal of Pictou County Scottish Nova Scotians, a group which was later enlarged to include a few prominent Halifax businessmen. Aside from Graham Fraser, its leading members included James D. McGregor, James C. MacGregor, Colonel Thomas Cantley, and John F. Stairs. All four were third generation Nova Scotians, the first three from New Glasgow. Saving only Cantley, all were members of old mercantile families. Senator McGregor, a merchant, was a grandson of the Rev. Dr. James McGregor, one of the founders of the Presbyterian Church in Nova Scotia; MacGregor was a partner in the large shipbuilding concern of Senator J. W. Carmichael, a prominent promoter of Nova Scotia Steel. Cantley was the only member of the group of proletarian origins. Like Graham Fraser, he spent a lifetime in the active service of the company, having entered the newly established Nova Scotia Forge Company in 1873 at the age of sixteen. Promoted to sales manager of the amalgamated Nova Scotia Steel Company in 1885, he had been responsible for the introduction of Wabana ore into England and Germany. In 1902 he succeeded Graham Fraser as general manager of the corporation.<sup>77</sup>

Aside from its value to the New Glasgow area, the Nova Scotia Steel Company was of even greater significance as a supplier of iron and steel to a variety of foundries, car works and machine mills in the region. Because of its unique ability to provide primary, secondary and tertiary steel and iron manufactures, it was supplying most of the Maritime iron and steel needs by 1892.<sup>78</sup> In this

75 *Nova Scotia's Industrial Centre: New Glasgow, Stellarton, Westville, Trenton. The Birthplace of Steel in Canada* (n.p., 1916), pp. 45-6.

76 *Monetary Times*, 9 March 1900; *Industrial Canada*, 20 July 1901.

77 *WWW*, VI & VII, pp. 927, 1075-6.

78 R. M. Guy, "Industrial Development and Urbanization of Pictou Co., N. S. to 1900" (unpublished M.A. thesis, Acadia University, 1962), pp. 120-3.

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respect, the industrial experience of the 1890's differed considerably from that of the previous decade. It was not characterized by the development of new industrial structures, but rather by the expansion of older firms which had served purely local markets for some time and expanded in response to the demand created by the tariff changes of the period.<sup>79</sup>

The centres of the movement were at New Glasgow, Amherst and St. John, all on the main lines of the Intercolonial or Canadian Pacific railroads. At New Glasgow, the forge and foundry facilities of the Nova Scotia Steel Company consumed half the company's iron and steel output. At Amherst, Nathaniel Curry (later Senator) and his brother-in-law, John Rhodes, continued the expansion of the small woodworking firm they had established in 1877, gradually adding a door factory, a rolling mill, a railroad car plant and an axle factory, and in 1893 bought out the Harris Car Works and Foundry of St. John.<sup>80</sup> At the time of its incorporation in 1902, Rhodes, Curry & Company was one of the largest secondary iron manufacturing complexes in the Dominion.<sup>81</sup> Curry's industrial neighbour at Amherst was David Robb. Son of an Amherst foundry owner, Robb had been trained in engineering at the Stevens Institute of New Jersey and then had entered his father's foundry. Specializing in the development of precision machinery, he expanded his activities into Massachusetts in the 1890's and finally merged his firm into the International Engineering Works of South Framingham of which he remained managing director.<sup>82</sup>

If under the aegis of a protective government policy the iron and steel industry of the Maritimes was rapidly becoming a viable proposition for local entrepreneurs, it was also increasingly attracting the interest of both Boston and Montreal business interests. There was a growing feeling that, once a reciprocal coal agreement was made between Canada and the United States, Nova Scotia coal would replace the more expensive Pennsylvania product in the New England market. Added to this inducement was the fact that Nova Scotia provided the major fuel source on the Montreal market — the city actually consumed most of the coal produced in the Cape Breton fields.<sup>83</sup> With its almost unlimited access routes and its strategic water position midway between Boston and Montreal, Nova Scotia seemed an excellent area for investment.

In 1893 a syndicate headed by H. M. Whitney of Boston and composed of Boston, New York and Montreal businessmen, including Donald Smith, W. C.

79 *Canadian Manufacturer*, 20 April 1894.

80 *Monetary Times*, 30 June 1893.

81 *Industrial Canada*, March, 1910; *Canadian Men and Women of the Time* (1912), p. 290.

82 *CCB*, II, p. 183; *CBD*, II, pp. 506-7; *WWW*, VI & VII, p. 997; *Canadian Men and Women of the Time* (1912), p. 947.

83 *Monetary Times*, 26 November 1896. The St. Lawrence ports imported 88,000 tons of British and American coal in 1896, and 706,000 tons of Nova Scotia coal. The transport of this commodity provided the basis for the Nova Scotia merchant marine of the period.

Van Horne and Hugh McLennan, negotiated a 119-year lease with the Nova Scotia government for most of the existing coal fields on Cape Breton Island.<sup>84</sup> The new Dominion Coal Company came into formal being in March of that year, with David MacKeen (later Senator) as director and general manager, and John S. McLennan (later Senator) as director and treasurer. The son of a Scottish-born mine owner and member of the legislative council, MacKeen had been an official and principal stockholder in the Caledonia Coal Company which had been absorbed in the new consolidation.<sup>85</sup> McLennan was the second son of Hugh McLennan of Montreal, a graduate of Trinity College, Cambridge, and one of the very few entrepreneurs who made the inter-regional transfer in this period.<sup>86</sup> The success of the Dominion Coal syndicate and the growing feeling that the Canadian government was determined to create a major Canadian primary steel industry led Whitney in 1899 to organize the Dominion Iron & Steel Company. The date was significant. Less than two years earlier the government had announced its intention to extend bounty payments to steel made from imported ores.<sup>87</sup> The \$15,000,000 capital of the new company was easily raised, largely on the Canadian stock market,<sup>88</sup> and by 1902 the company was employing 4,000 men in its four blast and ten steel furnace works.<sup>89</sup> Graham Fraser was induced to leave Nova Scotia Steel to become general manager of the new corporation,<sup>90</sup> and J. H. Plummer, assistant general manager of the Bank of Commerce, was brought from Toronto as president.

The primacy of American interests in both the Dominion Steel and Dominion Coal companies was rapidly replaced by those of Montreal and Toronto after 1900. The sale of stocks added a strong Toronto delegation to the directorate of the steel company in 1901.<sup>91</sup> In that same year James Ross, the Montreal street railway magnate, bought heavily into the coal corporation, re-organized its management and retained control of the firm until 1910.<sup>92</sup>

## V

The increasing reliance on the stock market as a technique for promoting and securing the necessary financial support to develop the massive Nova

84 *Ibid.*, 3 February 1893.

85 *Canadian Men and Women of the Time* (1912), pp. 698-9; *WWW*, VI & VII, p. 1118.

86 *WWW*, VI & VII, p. 1322.

87 Donald, however, argues that Whitney had been determined to go into steel production even if no bounty had been granted. See Donald, *The Canadian Iron and Steel Industry*, p. 203.

88 Partly, the *Canadian Journal of Commerce* (15 March 1901) suggested, on the promise of the promoters that the Company would receive bonuses of \$8,000,000 in its first six years of operation.

89 *Industrial Canada*, May, 1902.

90 J. H. Plummer to B. E. Walker, 3 December 1903, Walker Papers, University of Toronto Archives.

91 *Annual Financial Review*, I (1901), p. 92; III (1903), pp. 158-160.

92 *Monetary Times*, 3 August 1907.

Scotia steel corporations emphasized the growing shift from industrial to financial capitalism. Centred on the Montreal stock market, the new movement brought to the control of industrial corporations men who had neither a communal nor a vocational interest in the concern.

In emulation of, and possibly in reaction to the Montreal experience, a group within the Halifax business and professional communities scrambled to erect the financial structure necessary to this undertaking. The city already possessed some of the elements of this structure. The Halifax stock exchange had existed on an informal basis since before Confederation.<sup>93</sup> The city's four major banking institutions—the Nova Scotia, the Union, the Merchants (which subsequently became the Royal Bank of Canada) and the Peoples—were among the soundest in the Dominion. The development of Halifax as a major centre for industrial finance began in 1894, at the height of the first Montreal-based merger movement, when a syndicate headed by J. F. Stairs founded the Eastern Trust Company.<sup>94</sup> The membership of this group was indicative of the change that was occurring in the Halifax business elite. Although it contained representatives of the older mercantile group, such as Stairs, T. E. Kenny and Adam Burns, it also included manufacturers and coalman, notably J. W. Allison and David McKeen, a stockbroker, J. C. MacKintosh, and lawyers such as Robert L. Borden and Robert E. Harris.

Until his death in 1904, the personification of the new Halifax finance capitalism was John Stairs. It was Stairs who arranged the organization of Acadia Sugar in 1894, who initiated the merger of the Union bank of Halifax with the Bank of Windsor in 1899, and who led the Halifax business community back into its traditional imperium in the Caribbean with the organization of the Trinidad Electric and Demerara Electric corporations.<sup>95</sup> After 1900, it was Stairs who demonstrated to this same group the possibilities for industrial finance existing within the Maritimes. With the assistance of his young secretary, Max Aitken, and through the medium of his own holding company, Royal Securities, he undertook the re-organization of a number of firms in the region, most notably the Alexander Gibson Railroad and Manufacturing Company which was re-capitalized at \$6,000,000.<sup>96</sup> The scope of his interests, and the changes which had been wrought in the Maritime business community in the previous twenty-five years, were perhaps best illustrated in the six corporation presidencies which Stairs held in his lifetime, five of them at his death in 1904: Consumers Cordage, Nova Scotia Steel, Eastern Trust, Trinidad Electric, Royal Securities, and Dalhousie University.

93 *Ibid.*, 17 April 1903.

94 *Ibid.*, 23 February 1894.

95 *Annual Financial Review*, XXIII (1923), pp. 682, 736.

96 *Monetary Times*, 5 December 1902.

Yet, while promotion of firms such as Stanfield's Woollens of Truro constituted a fertile field of endeavour,<sup>97</sup> the major industrial interest of the Halifax finance capitalists was the Nova Scotia Steel Company. In its search for additional capital resources after 1900, the entrepreneurial strength of this firm was rapidly broadened from its New Glasgow base. The principal new promoters of the company were Halifaxmen, notably James Allison, George Campbell and Robert Harris. The New Brunswick-born nephew of the founder of Mount Allison University, Allison had entered the chocolate and spice manufactory of John Mott & Company of Halifax in 1871, and had eventually been admitted to a partnership in the firm. He had invested heavily in several Nova Scotia industries and sat on the directorates of Stanfields Woollens, the Eastern Trust, and the Bank of Nova Scotia in addition to Nova Scotia Steel.<sup>98</sup> George Campbell, the son of a Scottish gentleman, had entered the service of a Halifax steamship agency as a young man and ultimately became its head. Like Allison he was deeply involved in a number of Nova Scotian firms including Stanfields, the Silliker Car of Amherst, the Eastern Trust and the Bank of Nova Scotia.<sup>99</sup>

By far the most significant figure in the Nova Scotia Steel Corporation after Stairs' death was Mr. Justice Robert Harris. The Annapolis-born scion of a Loyalist family, Harris shared the same antecedents as the Moncton and St. John entrepreneurs of the same name. After reading law with Sir John Thompson, he was called to the Nova Scotia bar in 1882 and rapidly became one of the leading legal figures in the province. In 1892 he moved his practice to Halifax and there became intimately involved in the corporate promotions of the period, ultimately serving on the directorates of thirteen major corporations including the Eastern Trust, Eastern Car, Bank of Nova Scotia, Maritime Telegraph and Telephone, Acadia Sugar, Robb Engineering, Brandram-Henderson Paint, and held the presidencies of Nova Scotia Steel, Eastern Trust, Demerara Electric, and Trinidad Electric.<sup>100</sup>

Despite the continuing need for additional capital, the Nova Scotia Steel Company found little difficulty obtaining most of this support from the Halifax business community.<sup>101</sup> In turn, the corporation remained one of the most efficiently organized industrial firms in the country. In striking contrast to the larger Dominion Steel enterprise, Nova Scotia Steel's financial position remained strong, its performance solid and its earnings continuous. It was gen-

97 *Ibid.*, 22 April 1911.

98 *Canadian Men and Women of the Time* (1912), p. 19; *WWW*, VI & VII, p. 762; *Annual Financial Review*, III (1903), pp. 174-6.

99 *Canadian Men and Women of the Time* (1912), p. 192; *WWW*, VI & VII, p. 803.

100 *Canadian Men and Women of the Time* (1912), p. 505; *WWW*, VI & VII, p. 1107; *Annual Financial Review*, III (1903), pp. 174-6.

101 Most of the stock in this concern was held by Nova Scotians who also bought up two-thirds of the \$1,500,000 bond which the company put out in 1904. L. M. Jones to B. E. Walker, 5 August 1904, Walker Papers; *Monetary Times*, 15 August 1902.



erally credited with being the only major steel company which could have maintained its dividend payments without the aid of federal bounties.<sup>102</sup>

As the first decade of the twentieth century wore to a close, the Halifax business elite appeared to have succeeded in establishing a financial hegemony in the industrial life of an area centred in eastern Nova Scotia and extending outward into both southern New Brunswick and peninsular Nova Scotia. Yet, increasingly, that hegemony was being challenged by the burgeoning consolidation movement emanating from Montreal. The most serious threat was posed in 1909 when Max Aitken, with Montreal now as the centre for his Royal Securities Corporation, arranged the amalgamation of the Rhodes, Curry Company of Amherst with the Canada Car, and the Dominion Car and Foundry companies of Montreal to form the Canadian Car and Foundry Company. The union marked a triumph as much for Nathaniel Curry as for Aitken — he emerged with the presidency and with nearly \$3,000,000 of the \$8,500,000 capital stock of the new corporation.<sup>103</sup> The move was a blow to the Halifax capitalists, however, as it placed the largest car manufactory in the country, an Amherst plant employing 1,300 men and annually producing \$5,000,000 in iron and steel products,<sup>104</sup> firmly in the Montreal orbit of the Drummonds and the Dominion Steel and Coal Corporation. Tension was heightened by the feeling that this manoeuvre was a prelude to the creation of a railroad car monopoly. The reaction was swift. To prevent the takeover of the other Amherst car works, the Silliker Company, a Halifax-based syndicate bought up most of the Silliker stock and organized a greatly expanded company, Nova Scotia Car Works, with a \$2,625,000 capital.<sup>105</sup> The following year Nova Scotia Steel organized its own \$2,000,000 car subsidiary, the Eastern Car Company.

The contest between Montreal and Halifax finance capitalism reached its climax at the annual meeting of the Nova Scotia Steel Company of New Glasgow in April, 1910. Fresh from the triumph of the Dominion Coal and Steel merger, Montreal stockbrokers Rudolphe Forget and Max Aitken determined to extend the union to include the smaller steel firm, a proposal which the Scotia Steel president, Robert Harris, flatly refused to consider. Arguing that the firm was stagnating and that a more dynamic leadership in a reorganized corporation would yield greater returns, Forget launched a major effort to acquire proxies with a view to taking control from the Nova Scotia directors. Using the facilities of the Montreal Stock Exchange, he bought large quantities of Scotia stock at increasingly higher prices, an example followed by Robert Harris and his associates at Halifax. At the April meeting, Harris offered Forget a minority of the seats on the directorate; Forget refused. In the voting which

102 *Monetary Times*, 9 March 1907.

103 *Ibid.*, 8 January 1910.

104 *Industrial Canada*, August, 1913.

105 *Monetary Times*, 29 October 1910.

followed, the Montreal interests were narrowly beaten. The *Monetary Times*, in a masterpiece of distortion, described this victory as the triumph of "the law . . . over the market place"<sup>106</sup> and proclaimed that "New Glasgow prefers coal dust to that of the stock exchange floor."<sup>107</sup> In fact, it marked a victory, albeit a temporary one, for New Glasgow industrial capitalism and Halifax financial capitalism. More important, it marked the high point of a late-developing effort on the part of the Halifax business community to create an industrial region structured on that Atlantic metropolis. It was a short-lived triumph. By 1920 the Halifax group made common cause with their Montreal and London Counterparts in the organization of the British Empire Steel Corporation, a gigantic consolidation containing both the Dominion and the Nova Scotia Steel companies. This event marked both the final nationalization of the region's major industrial potential and the failure of its entrepreneurs to maintain control of any significant element in the industrial section of the regional economy.

## VI

The Maritimes had entered Canada very much as a foreign colony. As the least integrated part of the Canadian economy, it was the region most dependent upon and most influenced by those policies designated to create an integrated national state. The entrepreneurs of the 1880's were capable men, vividly aware of the problems involved in the transition from an Atlantic to a continental economy. The tragedy of the industrial experiment in the Maritimes was that the transportation lines which linked the region to its new metropolis altered the communal arrangement of the entire area; they did not merely establish a new external frame of reference, they re-cast the entire internal structure. The Maritimes had never been a single integrated organic unit; it was, in fact, not a "region" at all, but a number of British communities clustered on the Atlantic fringe, each with its separate lines of communication and its several metropolises — lines that were water-borne, flexible and changing. In this sense the railroad with its implications of organic unity, its inflexibility, and its assumption that there was a metropolitan point at which it could end, provided an experience entirely alien to the Maritime tradition. The magnitude of this problem was demonstrated in the initial attempts at industrialization; they all occurred in traditional communities ideally located for the Atlantic market, but in the most disadvantaged positions possible for a continental one.

Central to the experience was the failure of a viable regional metropolis to arise to provide the financial leadership and market alternative. With its powerful mercantile interests and its impressive banking institutions Halifax could most easily have adopted to this role, but its merchants preferred, like their

106 *Ibid.*, 2 April 1910.

107 *Ibid.*, 9 April 1910.

Boston counterparts, to invest their large fortunes in banks and American railroad stocks than to venture them on building a new order. Only later, with the advent of regional resource industries, did that city play the role of financial metropolis.

Lacking any strong regional economic centre, the Maritime entrepreneur inevitably sought political solutions to the structural problems created by the National Policy; he consistently looked to the federal government for aid against all external threats and to his local governments for aid against Canadians. Since the regional politician was more able to influence a hostile environment than was the regional businessman, the latter frequently became both. In many respects the National Policy simply represented to the entrepreneur a transfer from a British to a Canadian commercial empire. Inherent in most of his activities was the colonial assumption that he could not really control his own destiny, that, of necessity, he would be manipulated by forces beyond his control. Thus he produced cotton cloth for the central Canadian metropolis in precisely the same manner as he had produced timber and ships for the British. In so doing he demonstrated considerable initiative and considerable courage, for the truly surprising aspect of the whole performance was that he was able, using his limited community resources, to produce such a complex and diversified industrial potential during the last two decades of the nineteenth century. The inability of the Canadian market to consume his output was as much a failure of the system as of the entrepreneur; the spectacle of a metropolis which devoured its own children had been alien to the Maritime colonial experience. Ultimately, perhaps inevitably, the regional entrepreneur lost control to external forces which he could rarely comprehend, much less master.