

Recent Controversies in Canadian Business History

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Fur Seal Convention of July, 1911); and the establishment of direct agencies such as the International Joint Commission and the Canadian War Mission. (After all, both Resolution IX and the Imperial War Cabinet withered away with the coming of peace.) But despite these and other slight differences of interpretation, the reviewer regards Wigley's work as one of the finest to be found in commonwealth historical literature.

ALVIN C. GLUEK, JR.

Recent Controversies in Canadian Business History

In the last few years the literature on Canadian business history has been immeasurably enriched by a number of important and controversial books. Among the most significant is a recent study by Michael Bliss in the Canadian Social History Series. In his *A Living Profit: Studies in the Social History of Canadian Business, 1883 - 1911* (Toronto, McClelland & Stewart, 1974), Professor Bliss argues that there was among Canadian businessmen at the turn of the twentieth century almost a mystique of public service, a belief that they were performing vital services for the nation. They saw their interests as synonymous with the prosperity of Canada in this period of economic growth. Pursuing only "a living profit", by which they meant a reasonable and modest return on their capital, businessmen felt themselves besieged by rapacious trade unionists and undermined by an indifferent federal government, business competition, and declining public belief in the virtues of free enterprise, hard work and thrift. Bliss draws impressively from a number of major Canadian business papers to explain the collective viewpoint of the merchants, manufacturers, bankers, railwaymen and shipowners, large and small, from Halifax to Vancouver on issues such as the tariffs and unions. While the author examines the narrow, self-contradictory, and sometimes ridiculous nature of the business outlook, he concludes by emphasizing the important point that, despite these shortcomings, the opinions of businessmen must be taken by historians as seriously as the views of contemporary politicians, labour leaders, clergymen, university professors, social critics or anyone else. Businessmen meant, Bliss reminds us, exactly what they said.

Professor Bliss has provided us with an important, provocative and exceptionally well-written book. But while he defends his thesis with vigour and persuasiveness, one has difficulty in accepting all his arguments. Among the weaknesses of his case is the establishment of an extremely broad category of businessmen which seems to include anyone, anywhere who buys, sells or trades in anything. But this seems a strangely naïve position for an historian.

Despite what the contemporary journals might have suggested, would the Winnipeg grocer necessarily have the same outlook on the tariff or on trade unions as the Montreal cotton manufacturer or railway tycoon? Aside from their subscribing to the same general goal of making profits — as much as possible, one suspects — there were probably more factors dividing them than bringing them together. The bitter opposition of westerners and Maritimers to what they regarded as extortionate freight rates and tariffs makes it difficult to discuss them and railwaymen except as adversaries. Bliss admits this fact in several places; yet he is so intent on establishing their common interests that he seems oblivious to glaring weaknesses in the argument that they were all virtually the same in outlook. Relying for his evidence almost entirely on the testimony of the business press, Bliss insists that we are obligated to believe that these statements, rather than what we know of the actual performance of some businessmen, truly represent the *weltanschauung* of Canadian businessmen. Maybe it is a fact that most businessmen gained only "a living profit" and that the grasping and slick promoters, contractors, real estate promoters, and monopolists in all fields were the anomalies. But this would be difficult to prove without a number of detailed studies of several key sectors of the Canadian economy during the period 1883 - 1911. To believe that Canadian businessmen would be satisfied with only a "living profit" on the basis of what the business press tells us requires a leap of faith that few will be willing to make. One pictures W. C. Van Horne and T. Shaughnessy seated in the deep comfort of Montreal's St. James' Club having a quiet chuckle as they read editorials in the *Monetary Times* telling its readers that all businessmen want are modest profits. Some smaller businessmen might well have been satisfied with only modest returns, but Bliss' failure to distinguish between categories of businessmen and his failure to suggest that at least some of their behaviour in business affairs indicates discrepancies between what they (or their publicists) said and what they did, is highly unfortunate.

No such naïveté characterizes the writing of Tom Naylor who, in his remarkable two volume *The History of Canadian Business* (Toronto, James Lorimer, 1975), shows that our businessmen included a substantial number of aggressive, imaginative and unscrupulous entrepreneurs in all fields. In reading this almost overpoweringly detailed study we encounter a veritable demonology of the business world with an immense list of bankers, insurance, railway and manufacturing companies and their owners who have plundered stockholders and the public purse of millions. Although in some respects reminiscent of muckraking literature, Naylor's work is much more than an entertaining extension of Gustavus Myers' *History of Canadian Wealth* (Toronto, J. Lewis and Samuel, 1972), recently reprinted with an introduction by Stanley Ryerson, a book that exposed the depredations of railwaymen, manufacturers, and landgrabbers up to the 1890s. Naylor's is one of the first

attempts to provide a systematic analysis of Canadian economic history between Confederation and World War I in order to elucidate "the roots of contemporary economic structures".

Naylor argues that during the nineteenth century the Canadian manufacturing sector did not grow to the extent that it could have, mainly because the nation's banks did not invest in it. Canadian bankers concentrated on extending short-term commercial and New York call loans, discounting commercial paper, and investing in elements of the Canadian and U.S. commercial infrastructure such as railways. Starved for funds, Canadian manufacturers consequently had to remain small and technologically dependent on Britain and the United States. With the establishment of national policy tariffs, Canadian industrial life began to flourish. But harrassed by Canadian and American patent laws, and starved for development funds, these relatively small scale native Canadian manufacturers were overwhelmed and replaced during the late nineteenth century by a tide of American industrialists who established new plants in the Montreal-Toronto St. Lawrence corridor. However, a small segment of the Canadian commercial class which had been previously indifferent or hostile to investment in manufacturing, while continuing to hold fast to commercial activity, also began to put money into factories which they recognized as economically profitable now that they had the benefit of high protection afforded by the 1879 tariffs. In certain sectors, such as cotton textile plants and sugar refineries, Naylor points out that Canadian investment was massive. The Canadian economy between 1867 and 1914, therefore, continued as essentially staple-based with the old Montreal and Toronto commercial elites in control of most of the nation's banking, insurance and finance structure, as well as exercising a dominant role in key sectors of its new manufacturing enterprises.

Closely controlled by a narrow commercially-oriented group which also dominated the interlocking trust and insurance companies, the banks' policies were detrimental to the development of a more diversified, and what Naylor regards as a healthier, Canadian economy. They drained funds from needy areas such as rural Ontario and the Maritimes to invest in the development of the Prairie's wheat economy, thus both weakening the ability of the eastern farmers to change and accelerating the dangerous dependence in the West — and by implication the entire Canadian economy — on one crop whose price was ultimately determined in an international market. Thus Canada was still in the "staple trap" during the pre-World War I period and was saddled with an overinvestment in backward linkages such as railways as well as an overexpanded industrial capacity — much of it American controlled — which suffered periodic stoppages and retrenchment, with the accompanying dislocation and misery. It is a fascinating and in some ways compelling thesis. But the book has many of the weaknesses of an intuitive work in an area where most of the basic research has yet to be done.

The fundamental problem with Naylor's work is that many of his major assertions are not proven. For example, his principal point about chartered bank reluctance to invest in industry is open to serious question even on the basis of existing evidence. That the banks generally refrained from purchasing securities of manufacturing industries is easily established, but some industrialists received accommodation from the banks in the form of long-term loans (or short-term loans that were regularly renewed), as working capital. A careful study of bank records (of which very few are yet open to scrutiny) would establish how important and extensive these loans were to Canadian manufacturing firms during this period, and there is already intriguing evidence to suggest it was very substantial indeed. On this issue Naylor's case is open to doubt; at the very least, it is unproven. Beyond this, however, is the seriously flawed assumption — running through Naylor's work — that nascent industrialists were crying out for more capital. But where is the evidence that they were.¹ If the late nineteenth century was the seed-time of Canada's industrial development — a dubious assertion that Naylor repeats numerous times — it was also true that the corporate form in industry was rare. Unincorporated companies did not issue publicly marketable securities and it might have been extremely difficult for banks or other financial institutions to invest in industries except through loans. Moreover, Naylor's contention that merchants were overtly opposed to industrial development is also open to serious doubt. In an important article, Larry MacDonald has pointed out that at least one "backward linkage", the railway — whose development the merchants always keenly supported — must be considered an industry.² It is also clear that certain key industries such as the manufacture of ready-made clothing in Montreal were promoted by merchants who took advantage of opportunities created by high protective tariffs, nationwide transportation facilities, large markets, and cheap immigrant labour.

One unsubstantiated or erroneous assertion follows another in Naylor's catalogue of iniquities perpetrated by the Canadian mercantile elite on the economy. Land monopolization — some 3½ million acres of unimproved land held by absentee landlords in the Canadas — in 1860 led to agricultural unrest and a drain of population to the United States (I, p. 31). Only after Confederation did a protectionist lobby develop in Canada (I, p. 30). (A strong protectionist group, led by merchant William Workman, arose in

1 This point is developed in D. McCalla, "Tom Naylor's *A History of Canadian Business, 1867 - 1914: A Comment*", *Historical Papers*, 1976, pp. 249 - 54.

2 L. MacDonald, "Merchants Against Industry: An Idea and its Origins", *Canadian Historical Review*, LVI (1975), pp. 263 - 81.

Montreal as early as 1849 and the 1858 Galt-Cayley tariffs were decidedly protectionist.) The Grand Trunk was "deliberately mismanaged by its Canadian board and illegal and ruinously expensive arrangements with other Canadian companies were undertaken" (I, pp. 25 - 6). Quebecois industrial entrepreneurs — with no examples provided — were submerged "under a wave of anglo-controlled mergers" (I, p. 15). At some unexplained point between 1867 and 1914 there was in Canada an "overexpansion of trunk lines [which] took precedence over local lines for the development of a Canadian market for local industry" (I, p. 15). (Since the 1870s the densely settled portions of Ontario and Quebec were criss-crossed by local railways. In any case it is doubtful if these rather than tariffs had much to do with the expansion or contraction of the domestic market for Canadian-made manufactures.) "Business fixed capital formation was not undertaken in anticipation of a boom in wheat exports that occurred nearly a decade later" (I, p. 11), the author asserts, leaving us wondering just what the C.P.R. and the Canadian Northern promoters thought they were doing if not building their lines in anticipation of the wheat boom. In a number of places, Naylor states that Ontario and the Maritimes agricultural areas were drained of funds by the banks to invest in the West; but this unsubstantiated argument seems to contradict later statements which point to improved conditions in Ontario mixed farming during the same period (I, p. 205). Even if funds were being moved from the Maritimes to other areas, this is not evidence that the banks were doing anything more than responding to what they perceived as more profitable opportunities elsewhere. A statement that around the mid-1830s there was a shift of "Canadian public debt from the province to England in order to free funds in Canada for other investments" (I, p. 21) leaves one baffled. To free what funds? Borrowings were made in England before Confederation to build a transportation infrastructure which the Canadian government by itself could not finance. For what other investments? The government revenue was not invested and a major proportion was absorbed by amortization payments on loans. Or is Naylor trying to suggest that the Canadian public debt before 1835 was in private hands and that shifting the debt to England freed this Canadian private capital. If so, it is an important new finding which he should have documented.

On and on the litany of unproven or weakly substantiated charges roll from Naylor's vitriolic pen. By denying them credit the Bank of Montreal destroyed Ontario's two largest banks, he writes (I, p. 68). Destroyed? Not really. The Commercial Bank of the Midland District, according to a recent essay by the late Max Magill,³ made bad investments in Michigan railroad

3 Max Magill, "The Failure of the Commercial Bank", in G. Tulchinsky, ed., *To Preserve and Defend: Essays on Kingston in the Nineteenth Century* (Montreal, 1976), pp. 169 - 81.

securities and the Bank of Montreal's E. H. King not only refrained from bailing out its Ontario rival but also later picked up some of its pieces. This was a tough and mercenary attitude, to be sure, but that, after all, is business. The Commercial's directors, not the Bank of Montreal, must bear prime responsibility for the failure. Later, we are told that most country and small urban merchants were tied to one big wholesale firm, but no reference is provided. Moreover, this statement is seemingly inconsistent with a subsequent assertion that there were hordes of commercial travellers canvassing the country stores for business; if true, this suggests that metropolitan wholesalers did not feel all that secure about the allegiance of upcountry retailers. Country merchants failed frequently, Naylor asserts, and to trick metropolitan wholesalers into extending more credit, they would start up again under the wife's name. Maybe some did, but how general was this kind of deception. Does it stand to reason that any but the most stupid wholesaler — all of whom had access to the amazingly thorough Dun and Bradstreet reports on businessmen large and small most everywhere — would fall for tricks like that?

Distortion and innuendo also permeate much of the book. Systematic fraud, Naylor writes, was practised by a handful of land speculators and Hudson's Bay Company officials to pry land scrip from the Manitoba métis after 1870 (I, p. 174; II, p. 5). Not only is Giraud's *Le métis Canadien: son rôle dans l'histoire des provinces de l'ouest* (Paris, 1945) — the standard work on the subject — not even referred to, but there is nowhere any evidence of an organized plot by a small group to filch land from the poor métis, who sold most of their scrip for pittance to a large number of people. In an attempt to demonstrate the power of Eastern financial institutions on the Prairies during the Laurier boom as compared to the financial independence of American farmers in nearby states, Naylor points out that by 1913 eighty per cent of Saskatchewan farms were mortgaged whereas only forty-five per cent of farms were mortgaged in seven American prairie states immediately to the south (I, p. 208). But this is like comparing apples with oranges: these U.S. states — which the author does not identify — were settled long before Saskatchewan. Wheat farmers in the Dakotas had had at least a generation to pay mortgages by 1913. A more suitable comparison for Naylor would have been Saskatchewan in 1913 with North Dakota in 1890.

Devastating epithets and one-liners — with no evidence to back them up — abound. Financiers E. S. Cox and J. B. Yates were "numbers racketeers" (I, pp. 21, 246); utilities companies "extorted" from customers; funds were "embezzled from the Northern Railway in 1869 and 1872" (I, p. 262). A veritable demonlike horde of Canadian financiers seem to have raced through the country stealing, extorting, embezzling, cheating, lying and bribing. The reader's mind boggles. Moreover, Professor Naylor also reads his history backwards. Problems such as the American takeover of many key sectors

in the Canadian economy now become transposed back to the 1867 - 1914 period and we are made to see the past through the present. Perhaps the worst of all the weaknesses in this book is that we are presented with a rigid analysis which allows no significant exceptions to the categorization of historical developments that will prove the continuous operation of Naylor's underlying assumptions. To business historians who have attempted to study Canadian business behaviour in an objective manner, Naylor's sweeping treatment and rigid analytical structure (with its cavalier or polemical style, irresponsible use of evidence, inadequate research, simplistic comparisons, and cheap epithets) comes as an unpleasant shock. Yet, despite these shortcomings, Naylor's book is, in its broad scope and rich detail, an impressive and important contribution; to many it provides a welcome counterpoise to attempts to make national heroes out of our businessmen. A veritable storm of reviews of the *History of Canadian Business* and Naylor's replies in the Leftist press and elsewhere suggest that a lengthy controversy is in store.

Yet, despite their shortcomings and the controversy that each for different reasons has aroused, the works by Bliss and Naylor have important and lasting value to Canadian historians. These books have already stimulated a lively and useful debate that may last for many years. Not only is the debate interesting in itself — the tortuous ideological haggling amongst Canadian Marxist historians has a fascination all its own — but it may prompt historians to undertake research into some of the significant questions which the discussion raises about Canadian economic development before 1914. To what extent did Canadian financial institutions help to underwrite the country's industrial development? What was the extent of American ownership of Canadian manufacturing capacity in specific industries? How high were profits in industry, finance, transportation and other sectors, and to what extent was manufacturing made more profitable by the national policy tariffs. More detailed studies of small and large businesses and businessmen — studies like Ted Regehr's admirable *The Canadian Northern Railway: Pioneer Road of the Prairies, 1895 - 1918* (Toronto, Macmillan of Canada, 1976) and Viv Nelles' scholarly, careful and well-written *The Politics of Development: Forests, Mines and Hydro-Electric Power in Ontario, 1849 - 1941* (Toronto, Macmillan of Canada, 1974) — will reveal the extent to which they responded to or were affected by government policies whether national or provincial, or how closely the rise and fall of their fortunes conformed to fluctuations in the business cycle. Yet the broad, daring works of thesis and overview, whatever their shortcomings, have as much value in this search as the impeccably careful and admirable works of more limited horizons. Students of Canadian economic and business history have in the Bliss and Naylor works a lot to chew on, much to inspire, inform and debate.