

UNIVERSITY OF TORONTO
3 1761 00646618 9

cont. ...
...
...
...

HC
117
0615
cop. 2

Digitized by the Internet Archive
in 2007 with funding from
Microsoft Corporation



HC

117

06I5

Cap. 2

34142
UNIVERSITY OF TORONTO LIBRARY
SEP 20 1930
Reprinted from Vol. XXX, Papers and Records, Ontario Historical Society.

AN INTRODUCTION TO THE ECONOMIC HISTORY OF ONTARIO FROM OUTPOST TO EMPIRE.

By Professor H. A. Innis, M.A. Ph.D.

In view of the important work on various phases of the subject considered in this paper it may seem presumptuous that one should use the title selected. On the other hand it is the plan of the paper to emphasize the essential unity of the subject and the underlying factors responsible for peculiar types of development, and it is perhaps not too much to say that from this standpoint the title might more accurately be made An introduction to an introduction to the economic history of Ontario. It is scarcely necessary to emphasize the enormous gaps in our knowledge of the economic history of Ontario. We have almost no thorough survey of any of our industries and we have no adequate history of agriculture. Extension of the subject is possible with increasing stress on the part of the Archives, museums, and libraries, on economic material. The most serious weakness, however, is the lack of appreciation of the relative value of economic material or the lack of attention on the part of economists to the evolutionary character of economic institutions. Economics and history have suffered immeasurably from this neglect. (1) These considerations are the justification and the danger of this paper.

An understanding of the main features of the geographic background of the province is essential to an appreciation of the main trends of economic development. Geological history is a prerequisite to the study of later history. The ice age left its stamp on the history of Ontario and of Canada. Retreating ice sheets contributed to the formation of large bodies of water. Lake Agassiz, (now dwindled to Lake Manitoba), Lake Algonquin (now the Upper Lakes), and Lake Iroquois (now Lake Ontario), all with the northern outlets by Hudson Bay and the St. Lawrence river dammed by the ice, poured through southern outlets following respectively the Red River, the Mississippi, and the Hudson. Lake Algonquin flowed into the Mississippi, and then into Lake Iroquois, alternately by Niagara Falls and the Trent valley. (2) The final retreat of the ice sheet opened the outlet of the St. Lawrence following Logan's fault line along the southeastern edge of the Precambrian formation. These shifting outlets have had a profound influence on economic development since trade like water has tended to flow at different periods through the same outlets but finally has tended to settle down to the St. Lawrence. Soil was again largely the result of the ice age. Earth was scraped from the Precambrian area, carried down and deposited in what is now southern Ontario, or it was held in Lake Ojibway by the retreating ice sheet, further north, to be deposited as the clay belt. The geologically recent emergence of the topography has been responsible for the broken character of the waterways especially in the Precambrian area, and in the serious obstructions evident in the rapids of the main outlet, the Upper St. Law-

(1) H. A. Innis, The teaching of economic history in Canada. Contributions to Canadian economics, II, 52-68.

(2) A. P. Coleman, and W. A. Parks, Elementary Geology (London 1930) 354 ff.

rence. The existence of large bodies of water in the Great Lakes tempered the climate and occasioned long autumns and late springs.

Flora reflected the influence of soil and climate. Migration of species following the retreating ice sheet and the geographic background have been responsible for distinct zones, first the Carolinian zone in territory south of a line from Toronto to Windsor, and including such species as the hickories, oaks, chestnut, and walnut; (1) second, the hardwood forest zone extending north to a line roughly from Anticosti to the head of Lake Winnipeg, or the northern limits of white and red pine, and including these conifers in addition to basswood, maple, ash, elm, birch, and beech; and third, the sub-arctic forest extending north of the second zone to the boundaries of the province, which includes the black and white spruce, Banksian pine, poplar, larch, and balsam. Fauna was determined in part by thermal lines and by flora. Fur bearing animals flourished in the hardwood forest and sub-arctic forest zones.

The culture of the Indians indicated more broadly the effects of the geographic background. The agricultural tribes of the eastern woodlands, the Hurons, north of Lake Ontario, the Tobaccos in Western Ontario, and the Neutrals north of Lake Erie, occupied the agricultural regions of southern Ontario; and the migratory tribes of the eastern woodlands, the Algonquins on the Ottawa, the Ojibway north of Lake Superior, and the Crees south of Hudson and James Bays occupied the Precambrian forested areas and depended primarily on hunting. (2)

Recorded history begins with the appearance of Europeans in this setting. The importance of cheap water transportation to Quebec and Montreal accentuated dependence on staple products (3) and led to the development of trade in furs with the hunting Indians. Exploration and trade led to penetration of the northerly forested Precambrian regions by the numerous tributaries of the St. Lawrence by the use of facilities such as canoes provided by these Indians. The territory which has become the province of Ontario begins roughly at the point on the St. Lawrence above which the river was practically inaccessible. It is significant that this area was approached by a tributary which later became its western boundary. Champlain went up the Ottawa, crossed the portage to French river and came down to Georgian Bay. The discovery of Lake Ontario was made from the north by Brulé on the Humber and by Champlain on the Trent system. Champlain might have descended the Upper St. Lawrence before he ascended it.

Trade expanded to the north and was extended in the first half of the seventeenth century chiefly by the agricultural Indians marginal to the hunting regions, especially the Hurons in the vicinity of Lake Simcoe

(1) See a brief survey of flora, *Canada Yearbook 1922-23* 25-43 and of fauna, *ibid* 1921, 82-87.

(2) See D. Jenness, *The Indians of Canada* (Ottawa 1932) chs. XVIII, XIX.

(3) H. A. Innis, *Transportation as a factor in Canadian economic history*. Transactions of the Canadian Political Science Association, 1931; also *Problems of Staple production in Canada* (Toronto 1933).

(Huronian). An alternative approach to southern Ontario was available by the old outlet of Lake Iroquois to the Hudson river. In competition, the Dutch, and later the English (1664), obtained furs from this region through the Iroquois. The struggle waged between the Iroquois and the Hurons was a prelude to the struggle between New York and Montreal, which dominated the economic history of Ontario. The Iroquois, with a strong agricultural economy as a base, trapped and traded along the north shore of Lake Ontario and carried war to the point of destruction among the Hurons, the Neutrals, and the Tobaccos.

To oppose this development, the French were obliged to take a more direct interest in trade to the interior. Radisson and Groseilliers were among the forerunners of traders who endeavoured to re-establish the trade broken by Iroquois incursions, and who built up first the trade carried on by Ottawa middlemen and later by *coureurs des bois*. Finally a direct attempt to check the Iroquois and the New York route was made by a journey up the difficult St. Lawrence rapids by La Salle and by the establishment of Fort Frontenac in 1673. Boats were built on Lake Ontario in 1677, and in 1679 the *Griffon* was launched on the Niagara River above the Falls and navigated the upper lakes and a post was established at Niagara. A line of defense was slowly built up by the St. Lawrence particularly with the energetic measures of Frontenac.

The Iroquois wars which were revived after 1684 and the massacre of Lachine (1689) and constant smuggling to the English were indications of the difficulties involved. Lahontan, (1) an expert in military affairs, however disputed may be the merits of his work as an explorer, wrote on November 2, 1684, "In time of war I take it (Fort Frontenac) to be indefensible; for the cataracts and currents of the river are such, that fifty Iroquois may there stop five hundred French, without any other arms but stones. Do but consider, Sir, that for twenty leagues together the river is so rapid, that we dare not set the canoe four paces off the shoar; besides Canada, being nothing but a Forrest, as I intimated above, tis impossible to travel there without falling every foot into ambuscades, especially upon the banks of this river, which are lined with thick woods, that render 'em inaccessible. None but the savage can skip from rock to rock, and scour thro' the thickets, as if 'twere an open field. If we were capable of such adventures, we might march five or six hundred men by land to guard the canows that carry the provisions; but at the same time 'tis to be considered, that before they arriv'd at the fort, they would consume more provisions than the canows can carry; not to mention that the Iroquois would still out-number em."

Development of forts along the lakes as a means of checking New York trade was accompanied by measures to check encroachment of trade from the North. (2) In revolt at the restraint imposed on traders penetrating to the interior Radisson and Groseilliers deserted to the English and the Hudson's Bay Company, under their direction, established posts

(1) See Baron de Lahontan, *New voyages to North America* (Chicago 1905) 1. 66 ff.

(2) H. A. Innis, *Fur trade in Canada* (New Haven 1933) 41 ff.

at the mouths of rivers flowing into James Bay. Competition from this direction was followed by the establishment of posts north of Lake Superior, designed to prevent Indians going to the Bay and by the capture of English posts. To the north and to the south, Ontario was being hammered by French policy into a fortified unit, guaranteeing control for the lower St. Lawrence.

In the half century following the treaty of Utrecht (1713) the struggle became more intense and led to the fall of New France. The establishment of a post on Lake Ontario at Oswego by the English and the growth of the rum trade following increased trade on the part of the English colonies to the West Indies created serious problems. A strong post was built at Niagara in 1726 and this post as well as Fort Frontenac were subsidized as King's posts. In 1750 Fort Rouillé was rebuilt to prevent trade by the Toronto portage. The difficulties of transportation on the Upper St. Lawrence continued and as late as 1736 the late arrival of the King's vessels made it impossible to forward from Kingston to Niagara goods from France. (1) On the north, return of posts on Hudson's Bay to the English under the terms of the treaty of Utrecht necessitated renewed activity in the construction of posts in the interior. To check English trade at Port Nelson, La Vérendrye and his successors pushed exploration and the fur trade to Lake Winnipeg and the Saskatchewan. In spite of these aggressive advances, or possibly because of them, France proved unequal to the task. The English in the final campaign broke the southern line of fortifications by the capture of Fort Frontenac. Temporarily the New York route prevailed. (2)

After the downfall of New France, English traders from Albany and New York pushed into the newly opened territory. Boats were used to transport goods along the south shore of Lake Ontario to Niagara and in turn to Michilimackinac and the interior. The New York-Great Lakes route became an effective competitor. On the other hand the advantages of the Ottawa route and of Montreal as a depot of skilled labour and technique continued to be of first importance.

With the beginning of hostilities in the American Revolution, traders were forced to abandon the New York route and to move to Montreal. (3) Nevertheless the expansion of boat navigation on the Great Lakes in relation to the Albany route made possible a combination of the advantages of the St. Lawrence and the Ottawa routes. The canoe on the Ottawa and the boats and vessels in the Great Lakes combined to support a marked expansion of trade to the interior. At the close of the American revolution the Upper St. Lawrence had become for the first time a vital link in the development of the interior in relation to the lower St. Lawrence. The system of lake navigation (4) built up from Albany and the development

(1) *Select documents in Canadian economic history* (1487-1783) (Toronto 1929) 400.

(2) See M. I. Newbigin, *Canada* (New York 1926) ch. XIII.

(3) See R. H. Fleming, *Phyn Ellice and Company of Schenectady*, Contributions to Canadian economics IV.

(4) See E. A. Cruikshank, *Notes on the history of shipbuilding and navigation on Lake Ontario to September 1816*, Ontario Historical Society, Papers and records, Vol. XXIII, 1926 33-44; also G. A. Cuthbertson, *Freshwater* (Toronto 1931).

of boats on the Upper St. Lawrence under the French were combined and improved in relation to Montreal. The agricultural beginnings at posts developed under the French régime on the Great Lakes, for example at Detroit, served as a base for the expansion of navigation and settlement under the English and especially after 1783.

With the improvement of navigation on the Upper St. Lawrence fertile land along the north shore of Lake Ontario and in the Niagara district was opened to settlement. Moreover population in the form of disbanded regiments, the United Empire loyalists, (1) and settlers moving westward from the English colonies was available to settle new territory. That a large proportion of this population was in opposition to the colonies which had broken from British control was a favourable consideration from the standpoint of military consolidation of the outlying territory. In this sense Haldimand deserved the title of his biographer "the founder of Ontario." The new settlements, especially at Niagara, provided a stronger agricultural base for the Northwest Company. With the decline of the fur trade in the United States after Jay's treaty (1794), traders moved to the Northwest and larger supplies of provisions and more adequate transport facilities were necessary to support the extended trade. By the end of the century goods were taken up the St. Lawrence, across the Niagara portage, and even by Yonge St.

The emergence of a new community and the necessity for its protection were evident in the Constitutional Act in 1791 and in the energetic activities of Simcoe in the planning of roads and in reinforcing the new province against possible aggression from the United States. (2) The capital was moved, roads were planned, and the general military strength of the colony placed in a position which successfully withstood the aggressions of the United States in the war of 1812.

As a result of increasing population, larger quantities of goods were taken up the St. Lawrence and the continued incentive to land speculators hastened immigration. Population advanced beyond the importing stage and in 1790 Campbell (3) noted that 6000 bushels of wheat were bought at Kingston. In 1800 Elias Smith, the founder of Port Hope was engaged in selling flour in Toronto and in Montreal. (4) By the turn of the century the problem of transportation on the St. Lawrence became serious and

(1) See W. S. Wallace, *The United empire loyalists* (Toronto 1914) ch. X and Jean M. McLlwraith, *Sir Frederick Haldimand* (Toronto 1926) ch. XIII.

(2) William Smith, *Political leaders of Upper Canada* (Toronto 1931); E. A. Cruikshank ed. *The correspondence of Lieut. Governor John Graves Simcoe*; Hon. W. R. Riddell, *The life of John Graves Simcoe* (Toronto 1926).

(3) P. Campbell, *Travels in the interior inhabited parts of North America* (Edinburgh 1793).

(4) Letter Book, Baker Memorial library. See list of flour shipments in 1801. *Life and letters of the late Hon. Richard Cartwright* (Toronto 1876) 82.

larger boats were introduced. (1)

The beginnings of settlement and of exports of wheat and flour coincided with the development of the timber trade. Square timber was floated first down the St. Lawrence, and about 1806 Philemon Wright succeeded in taking rafts down the Ottawa to Quebec. The American revolution, the French revolution, and the Napoleonic wars provided a powerful stimulus to the energetic development of settlement and of the timber trade. The importance of naval supplies and the decline of European and United States sources of supply led to emphasis on the British North American colonies. Following the substantial preference of 1808, the timber trade increased with marked rapidity and with the more aggressive attitude toward settlement after the War of 1812 immigration provided a source of labour for the industry. Settlement of Upper Canada, preference on colonial timber, and the interrelations, by which emigration was supported by the timber ships and in turn agriculture and new supplies of labour supported the timber trade, were closely linked to imperial policy. (2) Decline of the fur trade to Montreal after the amalgamation of the Northwest Company and the Hudson's Bay Company in 1821 and concentration on the York boat and the Hudson Bay route to the northwest necessitated increased emphasis on other commodities. New settlements such as the Talbot settlement, the Selkirk settlement, and the settlement which followed migration of Selkirk settlers from the Northwest (3) as a result of the aggressiveness of the Northwest Company, and larger numbers of immigrants (4) after the War of 1812 gave Upper Canada an additional labour supply for the expansion of trade in timber, wheat, and flour.

Imperial policy and its influence reached its peak and started on its decline in the period 1820 to 1850. The Rideau Canal, with its supporting canals on the Ottawa, was built by the Imperial government and completed for navigation in 1832-3. After a slight reduction in 1821 the preference on colonial timber continued at a high level to 1843. The corn

(1) A boat, probably a Durham boat (invented about 1750) was introduced between Chippewa and Fort Erie in 1799, which with six men carried 100 barrels and displaced the batteaux which with five Canadians carried only twenty to twenty-four. **Select documents in Canadian economic history 1783-1885.** (Toronto 1933) 138-9. Writing at Queenstown on June 15th, 1801 to John Askin, Robert Nichol stated "Mr. Clark... is building a Kentucky boat at the former place (Kingston) in which he intends going to Quebec with 350 barrels of our flour. It will (I imagine) be the first boat of the kind that ever descended the Saint Lawrence, and interests all the mercantile people of this part of the country very much... The quantity of flour going down this year from the district of Niagara is immense, say upon a moderate calculation five thousand barrels, which for the first year is really very great." Mr. Clarke made the trip from Kingston to Montreal in this boat in ten days with 340 barrels of flour. The John Askin Papers II. 343, 353, also **Life and Letters of the late Hon. Richard Cartwright** (Toronto, 1876)

(2) See A. R. M. Lower, **The timber trade of Canada.** Doctorate thesis. Harvard University. ch. IV.

(3) C. Martin, **Lord Selkirk's work in Canada** (Oxford 1916).

(4) Total immigrants to 1815 were estimated at 5000. In 1816 1,250 arrived, in 1817, 6,800; in 1818, 8,400 and in 1819, 12,800. See A. R. M. Lower, **Immigration and settlement in Canada 1812-1820.** *Canadian Historical review* III. 37-47; also H. I. Cowan, **British emigration to British North America 1783-1837** (Toronto 1928) ch. IV.

laws followed a similar trend. (1) The decline was a result of far reaching changes which were traceable ultimately to the sweep of the later stages of the industrial revolution. Labour displaced by machinery was available for emigration and weavers moved to the district of Bathurst. Emigrants (2) assisted and unassisted moved in ever increasing numbers to the new world. Under the auspices of the Canada Company, and of the British North American land company, capital was mobilized respectively for settlement on land in the Huron tract in Western Ontario and in the Eastern townships.

The Welland Canal (1829) gave access to the Upper lakes and provided for movement of population to Western Ontario and for the growth of the Talbot settlement and of Goderich on Lake Huron. Roads were extended from Hamilton, Dundas, and Ancaster westward and from Toronto northward to meet the demands of new areas. In 1815 the first steamship the *Frontenac* was launched on Lake Ontario and in 1818 the *Walk-in-the-water* was launched on Lake Erie. Access to the seaboard was provided on the upper lakes by the Erie canal, completed in 1826. On the Ottawa the first steamboat, the *Union* was built in 1882. (3).

The timber trade emphasized the basic importance of large rivers and strengthened the position of the St. Lawrence and the Ottawa. Timber could not be handled by New York and as a consequence the St. Lawrence became essentially a monopoly route. Laurentia (4) or the St. Lawrence drainage basin, which coincided roughly with the white and red pine areas, was the basis of the timber trade and in turn was linked to settlement and to trade by the lower St. Lawrence to Great Britain. Decline in importance of the timber trade followed exhaustion of the larger trees in the more accessible areas, the diminishing demand which accompanied increased competition in Great Britain from European sources, and the relatively minor importance of timber with the achievement of industrial maturity. Settlers had increased beyond the point necessary to meet the demands of the timber trade and of the westward movement (5) for provisions and supplies, if not for labour, and the population of Great Britain demanded flour and wheat rather than timber.

Increase in population, the introduction of steam navigation on the Upper lakes, increase in the production and export of wheat, the powerful influence of the commercial (6) interests of Montreal, and the serious effects of the depression of 1835, which contributed to the distress culminating in the rebellion of 1837, created problems which were solved by the

(1) A. Brady, *William Huskisson and liberal reform* (Oxford 1928).

(2) H. I. Cowan, *op. cit.* ch. X.

(3) See H. R. Morgan, *Steam navigation on the Ottawa river*. Papers and records of the Ontario Historical Society vol. XXIII. 370-383.

(4) See A. R. M. Lower, *The square timber trade*. Contributions to Canadian economics, vol. VII.

(5) The demands of new settlers in the West was regarded as one of the causes of the difficulties of the Welland canal. See J. L. McDougall, *The Welland Canal to 1841*. Master's thesis. University of Toronto 1923. In the depression of 1837, 400 vessels loaded with produce were sent to Chicago.

(6) See D. G. Creighton, *The Commercial class in Canadian politics 1792-1840*. Proceedings of the Canadian Political Science Assoc'n, vol. V, 43-58.

recommendations of Durham's report, the consummation of Union of the two Canadas in 1840, and the building of the St. Lawrence canals.

By the end of the first decade after Union, a nine foot channel had been completed and steamships were able to go down to Montreal and return. These steamships were linked with the newly opened route for steamships below Montreal.

The rapid increase in the importance of agricultural produce and especially wheat precipitated the problem of the upper St. Lawrence. Steamships, canals, and wheat involved financial support of the state. Wheat, unlike lumber, was faced with competition from New York and in turn involved railways as supplemental to water transportation. Portage railways across the Niagara peninsula, from Toronto to Collingwood, and even the Grand Trunk, were developed in co-ordination with water transportation. Steam navigation and railways hastened immigration with the result that, by the end of the decade 1850 to 1860, the available, more desirable land was exhausted. (1) Population began to pour through to the Western states.

The decline of wooden sailing vessels and of the market for timber from Great Britain, the rise of Montreal as a rival to Quebec, and the coming of the iron steamship and the railway coincided with the depletion of forests in the Eastern states, the growth of cities, and the migration of sawmills to the Ottawa and the district north of Lake Ontario. Water power and steam power made their impact on the lumbering industry. The reciprocity treaty, the Civil war in the United States, and the shift from square timber to deals for the British market hastened the growth of lumber mills. The trend was accentuated in turn by the decline in the number of small trees.

The rise in importance of wheat and agricultural products, and the emergence of steamships, canals, and railways coincided with and implied responsible government and the establishment of new devices for finance. The Upper St. Lawrence waterways, which had needed government support by means of subsidized posts in the fur trade of the French régime and by an aggressive imperial policy in the timber trade in the English régime, continued to demand with wheat continued support. Capital investment on a large scale necessitated more direct responsibility and supervision and more adequate methods of finance. The Act of Union and responsible government provided the solution; and these in turn were involved in the problem of government guarantees and the tariff as means of acquiring revenue. The problems of the clergy reserves, of seigniorial tenure, of immigration and colonization roads, of railways and canals, and of money, credit, finance, and trade, were attacked directly and vigorously. The imperial nursery continued and became more efficient with the decline of commercialism and the rise of capitalism. Eventually the difficulties of finance which followed dependence on raw materials, particularly on wheat, and the accumulation and rigidity of fixed charges which accompanied government support to railways and canals, provided a

(1) H. A. Innis, *Problems of staple production* (Toronto 1933) ch. II.

powerful driving force toward Confederation and the creation of a new institution to carry the burden of debt of the United province.

Exhaustion of the more fertile land areas, problems of continued cropping of wheat, improved transportation and navigation, and abrogation of the reciprocity treaty led to the development of the dairy industry (1) in the sixties, and of the livestock trade in the late seventies. Specialized agriculture was facilitated and the varied geographic background supported the production and export of barley, fruit, dairy products, and live stock. Minerals were discovered and exploited in the agricultural area, for example petroleum and its successor, salt. The railways hastened urbanization and in turn directly and indirectly the growth of industries and the demands for iron and raw materials. Trade and finance flourished in the new metropolitan areas of Hamilton and Toronto. Ontario began to develop its own nucleus of metropolitan growth independent of that of the province of Quebec. The success of the struggle of Senator McMaster and The Canadian Bank of Commerce with E. H. King and the Bank of Montreal in the first banking legislation of the new Dominion was an indication of maturity. The aggressiveness of the new area was in direct descent from the aggressiveness with which imperial policy had supported the development of Upper Canada.

The problem of Confederation was that of linking together relatively isolated areas and of providing a new base for the support of debt lifted from the shoulders of the provinces. The Intercolonial to the maritimes (1876) and the railway from St. Paul to Winnipeg (1878) corresponded roughly with the depression and the national policy. The tariff was extended to provide revenue to support new capital investment and to guarantee control over new areas. Increase of population, the disappearance of free land, decline in wheat production, and fluctuations in the lumber industry released settlers for migration to new lands made available in the West. The economy of agricultural Ontario based largely on wheat was available to support expansion to the prairie provinces of Western Canada. (Completion of the Canadian Pacific railway in 1885 repaired the breach in control over the Northwest which followed the amalgamation in 1821 and enabled an area which had become diversified from a wheat base in relation to the effects of improved transportation to Great Britain to become in turn a support for the expansion of wheat production in the West). In some sense the prairie provinces paralleled in their development that of Ontario; and the difficult stretch of the railroad from Fort William to Winnipeg had its counterpart in the rapids of the Upper St. Lawrence. Continued competition from the New York route and the difficulties of Montreal and the St. Lawrence necessitated further efforts in the improvement of navigation below Montreal and in the deepening of the Upper St. Lawrence canals to fourteen feet.

The improvement of the Montreal route by the end of the century provided the base for rapid expansion in the production and export of

(1) "Cows numerous as swarm of bees
Are milked in Oxford to make cheese." James McIntyre the Cheese poet. W. A. Deacon, *The four Jameses* (Ottawa 1927) 68.

wheat in Eastern Canada. The turn of the century brought a violent development with the exploitation of placer gold in the Yukon (1896) and the opening of the Kootenay region following construction of the Crow's-nest Pass railway. As a result of these developments and of free land, population poured into Western Canada from the United States, Great Britain, Europe, and the older provinces. Immigrants from the old settlements of Ontario were replaced by immigrants from Great Britain. The demands of Western Canada had immediate effects on the industries of Eastern Canada. The agricultural implement industry (1) and the iron and steel industry (2) illustrated the effects of western demands. The financial nucleus of Toronto, supported, through The Canadian Bank of Commerce and other institutions, and such men as Mackenzie and Mann, the construction of a rival road to that of Montreal, in the Canadian Pacific railway. The ambitions of the Dominion and of the Grand Trunk were realized in the National Transcontinental. Increased urbanization (3) was the result and in turn eastern agriculture shifted from an export to a domestic industry. Exports of dairy products and of livestock declined steadily in the first decade of the century. Production of butter and cheese for export was displaced by the production of milk for domestic consumption. Winter dairying expanded rapidly. The apple industry declined from the standpoint of exports but increased from the standpoint of consumption in Ontario and Western Canada. Lumbering was stimulated by the demands of the construction industries. The embargo on exports of logs in 1898 hastened the growth of mills along the north shore of Georgian Bay. The effects of the increase in wheat production were accentuated by other developments. The railroad to Western Canada necessitated penetration of the vast Precambrian area and led to the discovery and development of the copper nickel mines at Sudbury. It provided a base at North Bay for the construction of a railway supported by Toronto and government auspices to open the clay belt to settlement. The Temiskaming and Northern Ontario railway led to the discovery of silver at Cobalt, and in turn of gold at Porcupine and Kirkland Lake, and of copper at Noranda (Quebec). Settlement in the clay belt and the spruce forests of the area north of the hardwood zone supported pulp and paper mills at Iroquois Falls, Kapuskasing, and Smooth Rock Falls. The decline in importance of pine in the region north of Georgian Bay and the embargo on the export of pulpwood from Crown lands hastened the growth of mills at Sturgeon Falls, Espanola, Sault Ste. Marie and in the vicinity of Fort William. With the mining industry and the pulp and paper industry, towns came into existence, agriculture was encouraged and the hydro-electric power development advanced with amazing rapidity. Extension of the Temiskaming and Northern Ontario railway to Moosonee was followed by the development at Abitibi Canyon and the opening of the new north of Northern Ontario facing on Hudson Bay.

The advance of industrialism which followed the opening of the West and of New Ontario was accomplished by the activity of the state and of

(1) Massey Harris—an historical sketch 1847-1920 (Toronto 1920).

(2) W. J. Donald, *The Canadian Iron and steel industry* (Boston 1915).

(3) S. A. Cudmore, *Rural depopulation in Southern Ontario* (Toronto 1912).

private enterprise. The rapidity of development, the long tradition of state support dating to the French régime and linked to the problem of the Upper St. Lawrence waterways, and the relatively late development of metropolitan areas as contrasted with Montreal were factors responsible for the part of the government in the formation of the Ontario Hydro Electric Power Commission and of the Temiskaming and Northern Ontario Railway. The peculiarities of the economy of Ontario are deep rooted and vitally related to her position as an outpost of the lower St. Lawrence.

The war period stimulated industrial growth and the post war period was dominated by the enormous speculative boom of the United States and by the later stages of the industrial revolution based on gasoline. Road construction, automobile factories, the tourist trade, with hotel construction and the decline of prohibition, were a phase of this revolution. Again the state assumed a role of direct importance in financing roads.

From this tentative outline we may venture to suggest the general underlying factors of the economic history of Ontario. The difficulties of the Upper St. Lawrence and the importance of fur as a staple of trade with the hunting Indians of the northern forested Precambrian area were responsible for the development of the Ottawa river as an eastern boundary, and as a canoe route to the interior. Competition from New York compelled the state to support ventures to the interior by the Upper Great Lakes in the form of subsidized forts. The effectiveness of this competition was evident in its contribution to the breakdown of French control and in the consolidation against New York in the combined effects of the activities of the British government, the importance of British manufactures to the fur trade, and the combination of canoe and lake navigation by the Ottawa and the St. Lawrence. Moreover it eventually forced the fur trade to the Northwest and contributed to the final adjustment of the boundary from Grand Portage along the main route of the trade. (1) Competition from the Hudson's Bay Company through Hudson Bay and its tributary rivers finally broke the control of the St. Lawrence drainage basin to the interior. By 1821 the supremacy of Hudson Bay had indicated roughly the north western boundary of Ontario.

(2) • The determined efforts of the British government to maintain control over the Upper lakes (2) was followed by the development of lumbering and agriculture. The St. Lawrence and the Ottawa became ideal routes for the export of square timber. The problem of control was temporarily solved. Timber and an effective imperial policy involved settlement and in turn the shift to wheat. The difficulties of the upper St. Lawrence and of the Niagara River again became acute since wheat and an agricultural population demanded cheap transportation for imports. Competition from New York by Lake Ontario and by the Erie Canal again accentuated the demands for state support which implied the Act of Union, the building of canals, and the addition of railways. From this background emerged the problem of fixed charges for transportation improvements, the tariff for revenue and for protection, the demand for larger capital imports,

(1) H. A. Innis, *Interrelations between the fur trade of Canada and the United States*, Mississippi Valley Historical Review, Vol. XX, 321-332.

(2) G. S. Graham, *British policy and Canada 1774-1791* (London 1930).

Confederation, the Intercolonial and the Canadian Pacific railways. The problems of the state in overcoming the difficulties of the St. Lawrence were met by the activities of the state in building and supporting a railway to western Canada.

Confederation provided for release and continued expansion in the Upper St. Lawrence area. The Toronto-Hamilton metropolitan area assumed greater control with release from the out-grown clothes of Union. Ontario was determined to secure a substantial share of the trade from newly opened areas, and railways tapped the new transcontinental. She gained appreciably from the similarity of her economy to that of the newly opened West. Improved navigation in the form of deepened canals on the St. Lawrence system and shorter railway lines to seaboard hastened the expansion of the West and in turn of Ontario. Deepening of the St. Lawrence ship channel to 30 feet by 1906, and of the St. Lawrence canal to 14 feet by 1901 brought to successful completion the long and determined struggle with New York. These improvements, the rise in prices which began with the turn of the century, the migration of mature technique from depleted resources in the United States to virgin resources in terms of wheat, minerals, pulp and paper, and the growing interdependence of these industries were factors supporting the phenomenal boom from 1900 to 1914. Railways brought to the expanding metropolitan area of Toronto and Hamilton the results of expansion in minerals, pulp and paper, and hydro-electric power in Northern Ontario.

It is suggestive that the last new frontier was opened by the James Bay railway in 1932. As a province, Ontario has gained enormously by the expansion of the Dominion and has been quick to press for advantage, and to undertake as government enterprises hydro-electric power and railways. The Temiskaming and Northern Ontario railway, the Algoma Central and other lines tapped directly the lines to Montreal and the East. The disadvantages which arose with the dominance of water transportation have been converted into advantages. Rapids and falls have become sources of hydro-electric power. Competition of the New York route has been converted to an advantage by the lower rates for Ontario compelled by competition and water routes. The new staples pulp, paper, and minerals have been linked to railways and the continental development of the United States. The tapping of fresh resources has brought problems of exhaustion and of conservation. Integration has already brought its problems as shown in the establishment of the Ontario Research Foundation. We can already see the effects of competition in the pulp and paper industry. The uneven growth based on sudden improvements in transportation and in exploitation of natural resources will tend to be displaced by stability and increasing reliance on diversification. Ontario combined the development of furs, minerals, pulp and paper and lumbering, hydro-electric power and agriculture in Northern Ontario with the development of wheat in the West. In turn industrialism and agriculture in the south gained from the expansion and from the possibilities of integration. The diversity of her geographic background has provided for specialized production, cheap power and low costs of transportation and the results have been evident in an efficient balanced and relatively elastic economy.

The emergence of Ontario to maturity has brought problems for the province as well as for the Dominion. The elasticity of the economy of Ontario has been based on a wealth of developed natural resources and has been obtained in part through inelastic developments (1) which bear with undue weight on less favoured areas of the Dominion. The strength of Ontario may emphasize the weakness of the federation. An empire has its obligations as well as its opportunities.

(1) See D. A. MacGibbon, *Railway rates and the Canadian railway commission* (Boston 1917).





1911
MAY 11

PLEASE DO NOT REMOVE
CARDS OR SLIPS FROM THIS POCKET

UNIVERSITY OF TORONTO LIBRARY

HC	Innis, Harold Adams
117	An introduction to the
0615	economic history of Ontario
cop.2	from outpost to Empire

