

# A Bull Market: The Recent Historiography of Canadian Economic Development<sup>1</sup>

M. STEPHEN SALMON

**A Concise History of Business in Canada.** GRAHAM D. TAYLOR AND PETER A. BASKERVILLE. Toronto: Oxford University Press, 1994. xvii + 491 p. ISBN 0-19-540978-7. **A History of the Canadian Economy.** KENNETH NORRIE AND DOUGLAS OWRAM. Toronto: Harcourt Brace & Company, Canada, 1996, 2nd edition. viii + 469 p. ISBN 0-7747-3373-X. **Gross National Product, Canada, 1870-1926: The Derivation of the Estimates.** M.C. URQUHART. Montréal: McGill-Queen's University Press, 1993. ix + 714 p. ISBN 0-7735-0942-9. **Profits and Politics: Beaverbrook and the Gilded Age of Canadian Finance.** GREGORY P. MARCHILDON. Toronto: University of Toronto Press, 1996. xvi + 348 p. ISBN 0-8020-0740-6.

As all Canadian archivists know, we have helped create a brave new world of the past. What Mackenzie King said to his mother's ghost has been overtaken by the new histories. Canadian business and economic history have been among the beneficiaries of this expansion of horizons. But in our archival world of diminishing expectations, is there any place for the records of private enterprise?

Traditionally, archives have been preserved to document the affairs of state. In Canada this has meant prime ministers and constitutions. Ironically, for a generation the most influential English Canadian historical work (and one of the least read in its entirety) was Harold A. Innis's *The Fur Trade in Canada*, first published in 1929. Innis was important not for what he said about the North West Company's account books. He was significant because the staple thesis which he developed provided an economic rationale for Canadian political development.<sup>2</sup> Donald Creighton in *The Commercial Empire of the St. Lawrence* simplified and expanded Innis' thesis by making the English and Scots merchants of early nineteenth-century Montreal the spiritual fathers of Confederation. While Innis, the economist, had described in detail the inner workings of the fur trade, Creighton, the historian, did not consider the history of the businesses run by his empire builders important. Politics was still the meat and potatoes of Canadian historiography.<sup>3</sup>

The new history of Canadian economic development has not focused on a single theme but has examined a broad range of issues. It may be said to have begun with the methods of the French *Annales* school being brought to bear on Canadian problems. In Québec the new economic histories debated the reasons for the comparative stagnation of the Lower Canadian economy.<sup>4</sup> English Canadian economic historiography developed in rather different directions. In chronological terms the century after 1814 has been the most studied.<sup>5</sup> The staple thesis, as a model for Upper Canadian development, has been fiercely attacked.<sup>6</sup> Similarly, the end of the Maritime provinces' "Golden Age" is no longer written as the inevitable romantic decline of wooden ships and iron men.<sup>7</sup> Two related problems, economic development from 1870 to 1900 and the Laurier boom, have attracted the most attention from English Canadian economic and business historians.

Economic historians have focused on the nature of the growth (or lack thereof) in the economy in the generation after Confederation. Why did the promise of western development lag so far behind the American precedent? Or did the Canadian economy actually stagnate at all?<sup>8</sup> The debate over these problems led to the question of whether the traditional interpretation of the Laurier boom takeoff was accurate. On the other hand, business historians have concentrated on activity during the twentieth century.<sup>9</sup> The gilded age of Canadian business has attracted historians because it seemed to be an era of unbridled capitalism when the basic forms of modern business enterprise were put in place. The development of technology and innovative management techniques seemed to herald a new era.

However, there are questions as to whether this new scholarship will continue to prosper. There are fewer and fewer academic positions for business and economic historians. And perhaps more importantly, publicly-funded repositories are under constant attack by political and bureaucratic masters eager to slash budgets. This has led to severe restraints on the acquisition of business records, and, because of the corporate world's widespread disinterest in its own past, private business archives are not well placed to survive the current budget cutting mania.<sup>10</sup> The result is a paradox: just as the history of Canadian economic development has begun to flourish, its future is put in peril.

The four volumes reviewed here are an example of the richness of recent English-Canadian economic historiography. Two of the studies are examples of original research and the other two volumes are a synthesis of the current scholarship.

Gregory P. Marchildon's *Profits and Politics: Beaverbrook and the Gilded Age of Canadian Finance* is both more and less than a biography of Max Aitken. We are not presented with the full blown details of the protagonist's domestic life in Halifax and Montréal. Instead, Aitken's private life is only discussed where it reflects on his business career, his marriage of convenience to the daughter of the commandant of the Maritime provinces' militia district being a case in point. What the author presents is a study of Aitken as a

businessman during his early years. Particularly well done is the time spent in Halifax as John Stairs's personal secretary and later as the secretary of Stair's newly-formed Royal Securities Corporation. After his patron's premature death in 1904, Aitken moved quickly to become the driving force at Royal Securities, much to the chagrin of Stair's older partners. Aitken was primarily responsible for the Halifax group's promotions in the Caribbean, including the Demerara Electric Company, the Camaguay's Company, and the Porto Rico Railways Company. Frustrated with the financial constraints of Halifax, Aitken, at the age of twenty-eight, moved to Montréal.

This migration was part of the takeover of the Montreal Trust and Deposit Company by Aitken's Commercial Trust. As managing director of Montreal Trust, Aitken revitalized the company's business. Despite being highly leveraged, Montreal Trust was able to weather the American bank panic of 1907.<sup>11</sup> Montreal Trust was then used to wrest control of Royal Securities from its Halifax owners. Aitken now controlled an integrated financial empire. As Canadian securities markets recovered from depression in the spring of 1909, Aitken began looking for bigger opportunities. In the space of fourteen months the young financier from New Brunswick created three of the most important industrial mergers in Canadian history: Canada Cement, Canadian Car and Foundry, and the Steel Company of Canada. All three mergers were the result of fancy financial footwork and sharp practice. All three contained liberal amounts of watered stock. And all three survived and prospered.

The most controversial of these mergers was the formation of Canada Cement. In April 1909 Aitken and Edward Clouston, the Vice President and Managing Director of the Bank of Montreal, were approached by the manager of an insolvent cement company controlled by Sir Sandford Fleming. The rescue effort soon led to merger talks with all the significant cement manufacturers in the country. The \$38,000,000 deal was consummated in October. It was immediately met with outrage from Western agrarian interests as a bloated eastern monopoly. More importantly for Aitken's reputation, Fleming believed he had been cheated by the young upstart and the establishment banker. Revelations of Clouston's conflict of interest led to his resignation from the bank and eventually to his premature death. In the end the Bank of Montreal sued the old engineer, which only served to make the details of the affair public. The final out-of-court settlement was paid both by Fleming and secretly by Aitken.

*Profits and Politics* is a superior example of the new business history. However, one of its assumptions does require further inquiry. *Profits and Politics* waffles on the economic significance of stockwatering during the Laurier boom. Stockwatering, or the issuing of common stock as a promoter's bonus, was standard before World War One. But did this practice encourage or retard economic growth? The fact that Aitken's big three mergers did well in the long run does not answer the question. Perhaps these mergers were excep-

tions. The whole problem of stockwatering by Aitken and other lesser promoters of the gilded age requires additional examination. Unfortunately for the historical profession, the author is now a senior public servant in Saskatchewan with little time for further academic research.

*Gross National Product, Canada* is a monumental work. While the moving spirit behind it was M.C. Urquhart of Queen's University, four of the volume's thirteen chapters were produced by other scholars, and two additional academics also made major contributions.<sup>12</sup> *Gross National Product* fills a major gap in Canadian economic historiography. Official estimates for national income exist only from 1926 on. Estimates from Confederation to the mid-1920s are scattered or non-existent. O.J. Firestone's *Canada's Economic Development 1867-1953*, perhaps the best of these studies, is incomplete and dated in its coverage.<sup>13</sup> In contrast, Urquhart and his team have provided nearly complete statistical coverage. The new data was published earlier but the heart of *Gross National Product* is its detailed explanation of how the estimates were formulated.<sup>14</sup> Every imaginable facet of the Canadian economy is covered, from the estimated annual per capita consumption of eggs to the labour income of the life insurance industry.

The revised data presented here is a serious blow to the gradualist interpretation of post-confederation Canadian economic growth.<sup>15</sup> Urquhart's estimates show that Canada's real gross national product (GNP) grew at an annual rate of only 2.5 per cent between 1871 and 1880. For the next two decades it only improved to 3.3 and 3.4 per cent respectively before taking off to 6.1 per cent between 1900 and 1910. Before 1897 the GNP growth suffered frequent setbacks, the worst downturns being in the 1870s (four out of ten years) and between 1892 and 1896 (four out of five years). From 1897 the economy took off with only one major break before 1914, although the slow-down had actually started in 1913. The Canadian economy has always been compared (realistically or not) to the American economy. And as contemporaries noted before the turn of the century, the American economy had outperformed the Canadian economy. But these estimates show that American economic growth was only moderately ahead in the 1880s and 1890s. After 1900 there was no contest as Canada's economy grew more than sixty per cent faster than that of its southern neighbour. In fact these estimates revise the revisionists' showing that there was after all a "Laurier boom."

Urquhart and his colleagues have not only presented a detailed statistical picture of all sectors of the Canadian economy, they have also described how their data was collected. This description is perhaps more important than the new estimates provided. Such candour is the very basis for the attempts by Urquhart and his team to promote further research. Few sources seem to have been left untapped. This reviewer found only one exception.

The shipping portions of chapter six, "Transportation and Public Utilities," appear to be based on the false premise that because marine transportation was

not governed by the same rules as steam railways, it was not a regulated industry and therefore detailed data does not exist. This is not true. The manning of British (including Canadian) registered merchant vessels was controlled by Imperial legislation from as early as the 1850s. The "Agreement and Account of Crew" (the crew agreements), with their detailed wage data, exist for deep sea voyages beginning in 1863. It was these records and the port registries that were the subject of the Atlantic Canada Shipping Project's research in the 1970s and 1980s. The crew lists for fifty thousand voyages from 1863-1914 by vessels registered in Atlantic Canadian ports were analyzed.<sup>16</sup> Wage data for voyages originating in Montréal and Québec could also be compiled as the crew lists for the Montreal Ocean Steamship Company (the Allan Line) and the other British-registered deep sea vessels that served these ports also survive in the Maritime History Archive. Estimates for earnings would be less definitive, but some work along these lines was attempted by members of the Atlantic Canada Shipping Project. Estimates for Great Lakes shipping would be more difficult to come by, but some documentation does exist.<sup>17</sup> This caveat notwithstanding, *Gross National Product, Canada* is an indispensable reference work for all Canadian archival repositories.

Taylor and Baskerville's *A Concise History of Business in Canada* is a history of business activity, rather than an economic history from the time of European contact to the present day. As such, it is a synthesis of much new scholarship. In contrast to Michael Bliss's *Northern Enterprise: Five Centuries of Canadian Business*, with its entirely market-driven causality, *A Concise History of Business in Canada* attempts to provide a tripartite explanation of Canadian business development.<sup>18</sup> Taylor and Baskerville emphasize three areas: the evolving patterns of business organization, the unique character of business in Canada, and the international context of Canadian business.

*A Concise History* is in reality two books in one. The first three parts, up to 1885, were written by Baskerville, while the last two, more contemporary portions from 1885 to the early 1990s were the work of Taylor. Baskerville is particularly good at explaining the controversies surrounding the economic development in both Lower and Upper Canada to the 1840s. Baskerville analyzes the transformations in the Lower Canadian agricultural economy and discusses all sides in the historiographical debate. In the end, he comes down more on the side of Paquet and Wallot's argument that the Parti canadien was a pro-development party in favour of local and regional growth, as opposed to the dreams of empire held by the British merchants of Montreal.

For Upper Canada, Baskerville draws on the work of Douglas McCalla and others who emphasize the development of local enterprises and down-play the older staple theory. Mixed farming, not wheat for export, was the norm in a society dominated by agriculture. Much of what was grown in Upper Canada was consumed locally. The lumber industry was the most important staple produced in the colony, but the Ottawa Valley, which was the most significant

lumbering region of Upper Canada, had few economic links with the rest of the colony. The description of business development in Atlantic Canada is particularly useful for discussion of early efforts at industrialization. Here, in contrast to the Canadas, members of the local merchantocracy actively opposed the growth of industry. They believed greater profits could be found in buying and selling than in manufacturing. Readers should note that in the section on shipping, the author discusses shipbuilding rather than shipping itself.

Perhaps the single most rewarding aspect of *A Concise History* is the impressive amount of new historiography cited for the pre-Confederation period. The amount of recent periodical literature is a testament to the development of professional Canadian history in the last twenty years. While post-Confederation business and economic history has shown equally great strides in certain areas, in the other sectors coverage is not as wide. For his portion of the book Graham Taylor can draw on a strong historiographical development only from 1885 to 1914. The second half of the book suffers from the relative lack of post-1914 scholarship. This is particularly true for Canadian business in the 1920s and for the Great Depression.

The post-1885 section of *A Concise History* is at its best when analyzing business during the Laurier boom. However, when trying to describe Canadian investments in Latin American public utilities, the Halifax lawyer and promoter B.F. Pearson is confused with the American electrical engineer and promoter Dr. Frederick Stark Pearson. The description of the merger movement and the effects of an imported Chandlerial managerial revolution on Canadian business after 1900 does not quite get off the ground because of the lack of available historical scholarship. More research needs to be done on the effects of the 1900-1913 and 1920-1929 merger cycles. What consequences did these amalgamations have on the market place? How were the internal operations of these new enlarged firms different from that of their predecessors? Not all of these new corporations were profitable for investors nor beneficial for the economy.

*A Concise History* illustrates both the strengths and weaknesses in the historiography of Canadian economic development. Some themes, such as the Lower Canadian economy before 1837 or the Laurier boom, are more mature, while others, such as business in the Great Depression, are virtually untouched. Compared to Bliss's *Northern Enterprise*, this volume presents a more sophisticated analysis, but at times it is also less trenchant.

Norrie and Owram's *A History of the Canadian Economy* is an economic history of Canada for non-economists. The second edition reviewed here includes new material, particularly for the period 1867-1914 and for the Maritime provinces. The authors have also been able to make use of the new gross national product estimates produced by Urquhart. *A History of the Canadian Economy* focuses more on macroeconomic developments than *A Concise History of Business in Canada*. For such problems as the slower pace

of Lower Canadian economic growth there is little difference between the two textbooks, although Norrie and Owsram do tend to be more favourable to Ouellet's position than Taylor and Baskerville. The emphasis on the economy as a whole makes *A History of the Canadian Economy* rather more bloodless than *A Concise History of Business in Canada*. For post-1914 developments this emphasis on the economy is an advantage, because the economic historiography is more extensive than the business historiography.

Because *A History of the Canadian Economy* is more concerned with the big picture, important parts of the story get passed over. Other areas are inconsistently treated. A case in point is the wheat economy. A useful description of prairie settlement and the wheat economy during the Laurier boom is followed by a disappointingly brief analysis of the grain business in the 1920s. The balance is somewhat redressed in the authors' account of western agriculture during the Great Depression. However, after a fleeting mention during World War II, wheat (and agriculture in general) disappears. It is as if Saskatchewan had just faded away. However, we are given a potted history of the birth of medicare. In fact, the neglect of non-leading sectors is one of the blind spots of economic history in general. In this respect economic history is similar to political history; winners get studied and losers get forgotten. This bias notwithstanding, *A History of the Canadian Economy* provides a reasonably balanced portrayal of Canadian economic development.

The last thirty years has seen an unprecedented growth of economic historiography. As the four volumes reviewed here illustrate, the history of Canadian economic development is in good hands. The two surveys draw on an immense amount of recent scholarship to present richer and more elaborate interpretations than were possible thirty years ago. Urquhart and his colleagues provide not only detailed estimates of Canadian economic growth during a crucial period, they also give us a point from which to commence further research. *Profits and Politics* is a fine example of the art of business history. For all intents and purposes, Canadian economic history appears to be prospering as never before.

Has this golden age reached its zenith? University budgets are continually being slashed, with history departments among the first to be reduced. Economics departments do fare better, but economic history has lost its attraction among students. Now, more than ever, the dismal science is merely a necessary adjunct to an MBA. Publicly funded archives are withdrawing from collecting private *fonds*. Arguing that because of budget cuts archives must concentrate on serving the needs of their sponsoring institutions, public archives are narrowing their acquisitions to government records. It is as if the documentation of a government department is more important than the records of society itself. Private business records have been among the first victims of this bottom-line logic. In the "real world" outside of academia and government, Canadian business is, with some exceptions, reluctant to invest in its own past.

The British tradition of corporate responsibility for its own history has never caught on here.

The irony is that governments, now and for the foreseeable future, will be less important than ever before in Canadian development. If capitalism had its gilded age during the Laurier boom, then the end of the Cold War has ushered in its renaissance. With free enterprise triumphant on all fronts, there may be no one left to document its rise to ascendancy. Will there be no archivists to collect the records, and no historians to use them? The short-sightedness of such an outcome should be obvious. Without a thorough documentation of Canadian economic development, we will always have a flawed understanding of ourselves.

## Notes

- 1 A bull market is defined as "a market in which the prevailing mood is one of optimism and in which prices are rising." A bear market is the opposite of a bull market. See David Crane, *The Canadian Dictionary of Business and Economics* (Toronto, 1993), pp. 40 and 54.
- 2 Innis never claimed to have originated the staples theory. See Carl Berger, *The Writing of Canadian History: Aspects of English-Canadian Historical Writing, 1900–1970* (Toronto, 1976), pp. 85–111.
- 3 D.G. Creighton, *The Commercial Empire of the St. Lawrence* (Toronto, 1936). For an introduction to Creighton's work see Berger, *The Writing of Canadian History*, pp. 208–37.
- 4 See for example F. Ouellet, *Histoire économique et sociale du Québec 1760–1850: structures et conjunctures* (Montréal, 1966), and Gilles Paquet and Jean-Pierre Wallot, *Patronage et pouvoir dans le Bas-Canada, 1794–1812: un essai d'économie historique* (Montréal, 1973). Also note the bibliography in Gilles Paquet and Jean-Pierre Wallot, *Lower Canada at the Turn of the Nineteenth Century: Restructuring and Modernization*, CHA Historical Booklet #45 (Ottawa, 1988).
- 5 However, the fur trade and developments in the west and the north have not been neglected. See for example A.J. Ray, *Indians in the Fur Trade: Their Role as Hunters, Trappers and Middlemen in the Lands Southwest of Hudson Bay, 1660–1870* (Toronto, 1974), and Morris Zaslow, *The Opening of the Canadian North, 1870–1914* (Toronto, 1971).
- 6 Particularly note Douglas McCalla, *Planting the Province: The Economic History of Upper Canada, 1784–1870* (Toronto, 1993).
- 7 For a typical sample of recent historiography of Atlantic British North America see: E.W. Sager with G.E. Panting, *Maritime Capital: The Shipping Industry in Atlantic Canada, 1820–1914* (Montreal/Kingston, 1990); T.W. Acheson, *Saint John: The Making of a Colonial Urban Community* (Toronto, 1985); and K. Inwood and J.R. Irwin, "Canadian Regional Commodity Income Differences at Confederation," in K. Inwood, ed., *Farm Factory and Fortune: New Studies in the Economic History of the Maritime Provinces* (Fredericton, 1993), pp. 93–120.
- 8 See E.J. Chambers and D.F. Gordon, "Primary Products and Economic Growth: An Empirical Measurement," *Journal of Political Economy* 74, no. 3 (August 1966), pp. 315–32, and G.W. Bertram, "The Relevance of the Wheat Boom in Canadian Economic Growth," *Canadian Journal of Economics* 7, no. 4 (November 1963), pp. 545–66.
- 9 This is not to argue that earlier periods have been entirely ignored. See for example Bruce G. Wilson, *The Enterprises of Robert Hamilton: A Study of Wealth and Influence in Early Upper Canada, 1776–1812* (Ottawa, 1983); and Gerald Tulchinsky, *The River Barons: Montreal Business and the Growth of Industry and Transportation, 1837–1853* (Toronto, 1977).
- 10 There are significant exceptions. Canadian Pacific and the major banks are prime illustrations



- of corporate interest in archives. Duncan McDowall, *Quick to the Frontier: Canada's Royal Bank* (Toronto, 1993) is an example of the use scholars can make of private business archives.
- 11 The panic itself and the subsequent downturn in the Canadian economy was the most serious financial setback of the Laurier boom. See Georg Rich, "Canadian Banks, Gold, and the Crisis of 1907," *Explorations in Economic History* 26, no. 1 (April 1989), pp. 135–60.
  - 12 The project team included M.C. Urquhart, A.G. Green, Thomas Rymes, Marion Steele, A.M. Sinclair, D.M. McDougall, and R.M. McInnis.
  - 13 O.J. Firestone, *Canada's Economic Development 1867–1953* (London, 1958).
  - 14 M.C. Urquhart, "New Estimates of Gross National Product Canada, 1870–1914: Some Implications for Canadian Development," in Stanley L. Engerman and Robert E. Gallman, eds., *Long-Term Factors in American Economic Growth* (Chicago, 1986), pp. 9–88.
  - 15 For the debate over the gradualist interpretation of post-Confederation growth rates see: Morris Altman, "A Revision of Canadian Economic Growth: 1870–1910 (A Challenge to the Gradualist Interpretation)," *Canadian Journal of Economics* 20, no. 1 (February 1987), pp. 86–113, and Richard Pomfret, *The Economic Development of Canada* (Scarborough, 1993), pp. 202–11.
  - 16 The Maritime History Archive at Memorial University of Newfoundland in St. John's holds the majority of the Crew Lists and Agreements for the British Empire from 1863. See Keith Mathews, "Crew Lists, Agreements, and Official Logs of the British Empire, 1863–1913," *Business History* 16, no. 1 (January 1974) pp. 78–80. The Atlantic Canada Shipping Project's methodology is explained in Lewis R. Fischer and Eric W. Sager, "An Approach to the Quantitative Analysis of British Shipping Records," *Business History* 22, no. 2 (July 1980), pp. 135–51 and Rosemary Ommer, Lewis R. Fischer, and Eric W. Sager, "The Data Base of the Atlantic Canada Shipping Project" in Lewis R. Fischer and Eric W. Sager, eds., *Merchant Shipping and Economic Development in Atlantic Canada* (St. John's, 1982), pp. 1–6.
- The Atlantic Canada Shipping Project sponsored six conferences which published their proceedings as follows: Keith Mathews and Gerald Panting, eds., *Ships and Shipbuilding in the North Atlantic Region* (St. John's, 1978); Lewis R. Fischer and Eric W. Sager, eds., *The Enterprising Canadians: Entrepreneurs and Economic Development in Eastern Canada, 1820–1914* (St. John's, 1979); David Alexander and Rosemary Ommer, eds., *Volumes Not Values: Canadian Sailing Ships and World Trades* (St. John's, 1979); Rosemary Ommer and Gerald Panting, eds., *Working Men Who Got Wet* (St. John's, 1980); Fischer and Sager, *Merchant Shipping*; Lewis R. Fischer and Gerald E. Panting, eds., *Change and Adaptation in Maritime History: The North Atlantic Fleets in the Nineteenth Century* (St. John's, 1984). The project's work culminated in Eric W. Sager, *Seafaring Labour: The Merchant Marine of Atlantic Canada, 1820–1914* (Kingston and Montreal, 1989), and Sager with Panting, *Maritime Capital*.
- 17 The records of the Calvin timber and shipping empire held jointly by Queen's University Archives and the Marine Museum of the Great Lakes at Kingston provide detailed wage costs for one of the most important Canadian inland shipping firms. Estimates of earnings and profits for inland shipping could be made from a combination of the Calvin records, the Richelieu and Ontario Navigation Company, and the Montreal Transportation Company records also held by the Queen's University Archives.
  - 18 Michael Bliss, *Northern Enterprise: Five Centuries of Canadian Business* (Toronto, 1987).