Annexation, preferential trade, and reciprocity; an outline of the Canadian annexation movement of 1849-50, with special reference to the questions of preferential trade and reciprocity

by

Allin, Cephas Daniel, 1875-1927
Jones, George Mallory, 1873-1940

Originally published in [1912] by:
Toronto : The Musson book co.

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2009
ANNEXATION, PREFERENTIAL TRADE, AND RECIPROCITY
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AND RECIPROCITY

AN OUTLINE OF THE CANADIAN ANNEXATION
MOVEMENT OF 1849–50, WITH SPECIAL REFERENCE
TO THE QUESTIONS OF PREFERENTIAL TRADE AND
RECIPROCITY

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THE MUSSON BOOK CO., LIMITED
TORONTO, CANADA.    LONDON, ENGLAND

115992

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PREFACE

ALTHOUGH the United States has exercised a most important influence on the course of Canadian history, but little attention has been paid by historians and political scientists to the mutual relations of the two countries. The question of the incorporation of the British American colonies in the American union has been a recurrent subject for political consideration since the War of Independence. In Canada, from time to time, it has become a vital political issue. But almost all the discussions of the question have been marked by the most bitter partisan feelings. The simple facts of history have sometimes been suppressed, and oftentimes misrepresented, or gravely distorted for political purposes. Even the biographers and historians, in some cases, have been tempted to accept their facts, and their judgments in respect to the same, from the opinions of interested politicians or the views of a partisan press.

In this monograph, the writers have attempted to deal with one phase, and that perhaps the most important one, of the annexation movement in Canada. They have endeavoured to discover the origin of the political and economic discontent of 1849, to trace out
the development of the agitation, to show the extent of its ramifications and its effect upon political parties, and to explain, in part at least, the divers reasons for the failure of the movement. A few paragraphs have been added in regard to the condition of affairs in the maritime provinces, and as to the state of public opinion in England and the United States. In order that the reader may better appreciate the spirit of the movement, the authors have thought it best to allow, as far as possible, the chief participants in these stirring events to tell their own contradictory stories, rather than themselves to set forth an independent interpretation of the historical facts. A study of the facts presented, it is believed, will serve to remove any preconception as to the superior quality of Canadian fealty, or as to the immunity of any political party from the insidious virus of disloyalty during protracted periods of economic distress and social and political unrest; but, at the same time, it will bear the most convincing testimony to the self-sacrificing loyalty of the great body of the Canadian people under the most trying circumstances, and to their firm attachment to the polity and free institutions of the motherland.
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CHAPTER I

THE ORIGIN OF THE MOVEMENT


The long and apparently fruitless struggle of the Upper Canada Reformers against the exclusive political privileges of the Family Compact drove the extreme wing of the party under Mackenzie into an alliance with Papineau, the fiery leader of the French Canadian Radicals, who, under the guise of a constitutional agitation for popular elective institutions, was marshalling the simple habitants into battle array against the racial ascendancy of the English minority. Out of this alliance of the ultra-democratic parties in the two provinces developed the revolt of 1837. The constitutional outcome of the rebellion was a complete reorganization of the government of the Colonies under the Act of Union, 1840. The political results were equally far-reaching and important: the re-establishment of the personal
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authority of the Governors, the rehabilitation of the Tory Party—the stalwart defenders of British institutions—and the temporary demoralization of the Reformers. Torn by internal dissensions and discredited by the rebellion, the Reform Party scarcely dared for a time to oppose the haughty supremacy of the Government.1

Fortunately for colonial Liberalism, a gradual change was taking place in the views of English statesmen in respect to colonial policy. The leaders of the Whig Party began to realize that the Liberal principles of the British Constitution could no longer be restricted to the motherland, but must be extended to the colonies as well. The several Colonial Secretaries were not averse to satisfying the demands of colonial Liberals for a wider measure of local autonomy; but, for a time, they each and all were firmly possessed of the idea that the exclusive political responsibility of the Governor to the Colonial Office was essential to the permanence of the imperial connection. To surrender the control of the Colonial Executives to the Colonial Legislatures would necessarily involve, in their opinion, the grant of independence. This fundamental postulate of colonial policy was admirably stated by Lord John Russell, one of the most liberal and sympathetic of British statesmen, in a speech in the House of Commons in 1837. "Responsible government in the Colonies," he declared, "was incompatible with the relations which ought to exist between the mother country and the colony. Those relations required that Her Majesty should be represented in the colony, not by ministers, but by a Governor sent out by the Sovereign and responsible to the Parliament of Great Britain. Otherwise Great Britain would have in the Canadas all the inconveniences of colonies without any of their advantages."

The rebellion of 1837 opened the eyes of the English

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1 It should be added, however, that the first shortlived ministry after the Union was a coalition one, of which Baldwin was a member.
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Government to the gravity of the situation in Canada, and to the necessity of introducing some constitutional reforms. The special mission of Lord Durham produced the celebrated report which is justly regarded as the most important constitutional document in the history of Canada. In this report his lordship recommended that "the responsibility to the united legislatures of all officers of the Government, except the Governor and his Secretary, should be secured by every means known to the British Constitution." But Her Majesty's advisers were scarcely prepared as yet to grant such an extension of responsible government as was contemplated by Lord Durham. However, an important step was taken in that direction in a despatch of Lord John Russell, in 1839, in respect to the tenure of office of colonial officials. An even more important concession was made in the instructions which were given to Lord Sydenham for his guidance in the conduct of the local administration.

In addressing the first Parliament of the united provinces in 1841, his lordship declared: "The Governor-General has received Her Majesty's commands to administer the government of the provinces in accordance with the well-understood wishes and interests of the people, and to pay to their feelings, as expressed through their representatives, the deference that is justly due to them." But the fair promise of a more liberal administration was cut short by the death of the popular Governor, and the nomination two years later of a successor of altogether different type and principles. Sir Charles Metcalfe quickly quarrelled with his Liberal constitutional advisers over the question of the appointment of officials, forced their resignations, and threw himself on the side of the Tories in the ensuing elections. Thanks to the strenuous efforts of the Governor, who fought the campaign on the old loyalty cry, the Tory Party was restored to power with a very small majority. As a result of the victory, Sir Charles was enabled to
re-establish the former régime of the personal ascen-
dency of the Governor. He was in fact his own Prime
Minister. Fortunately for the Governor, a Tory
Government was in power in England, and he was
able to count upon the whole-hearted support of the
Colonial Office throughout his administration.

The restoration of the Whigs to office promised
brighter things for colonial Liberalism. Several of the
leaders of the Whig Party together with their Radical
supporters were inoculated with the liberal principles
of the Manchester School. The appointment of Lord
Elgin as Governor-General in 1847 practically com-
mitted the Whig Ministry in advance to the application
of British constitutional principles in Canada. At
the provincial general elections the following year
Lord Elgin assumed a strictly impartial attitude; and,
as a result of the withdrawal of the accustomed in-
fluence of the Governor, the Tory Ministry went down
to a crushing defeat. His Excellency at once called
upon the Reformers to form a government. A union
of the French and English sections of the party resulted
in the formation of a strong Coalition Ministry under
the joint leadership of Lafontaine and Baldwin. The
goal of the Reformers was at last attained. To their
own chosen leaders was entrusted by a sympathetic
Governor the responsibility of directing the affairs
of the colony according to the Liberal principles of the
British Constitution.

Their defeat at the general election was a bitter
pill for the Tory Party. They had been so long ac-
customed to regard themselves as the only loyal party,
and as such entitled to enjoy the exclusive favour of
the Governor, that they could not readily become
reconciled to seeing their unpatriotic opponents in
office.\(^1\) To make matters worse, with the loss of power
they had also lost the political patronage with which
the leaders of the party had fostered their own loyalty
and rewarded that of their supporters. Their defeat

\(^1\) *Letters and Journals of Lord Elgin*, p. 71.
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appeared to them in the light of a dangerous revolution, as an overthrow in fact of a natural and established order of things. It was necessary to find some explanation for their undoing, some vent for their righteous indignation. Unfortunately for the history of Canada, a simple explanation was at hand, namely, French domination. At the general election in 1848, the Tories had failed to carry a single French-Canadian seat. Back of the Lafontaine-Baldwin ministry was marshalled the almost united strength of the French members and population. As a natural consequence, a strong feeling of resentment against the alien race spread throughout the ranks of the Tory Party in Upper Canada.

The rumoured intention of the Government to introduce a Bill to compensate those who had suffered losses in the recent rebellion fanned this resentment into a flame. The introduction of the Bill shortly after set the whole heather afire with anger and indignation. The entire Tory press attacked the proposition in the most reckless inflammatory manner. Mingled with violent denunciations of the Government and tirades against French ascendancy were heard some low mutterings of annexation sentiment. The prophecy of Lord Durham had indeed come true; some of the English minority of Quebec were prepared, if necessary, to sacrifice their allegiance in the hope of retaining their nationality. In Montreal, the bitterness of the English Tories exceeded all bounds. Several of the leading papers openly preached disloyalty, and some of them even resorted to threats of violence. The Montreal Courier, one of the leading Tory papers, rashly exclaimed: "A civil war is an evil, but it is not the worst of evils, and we say without hesitation that it would be better for the British people of Canada to have a twelve months' fighting, if it would take so long, and lose five thousand lives, than submit for ten years longer to the misgovernment induced by French domination." ¹

¹ Montreal Courier, quoted from The Examiner, April 4, 1849.
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An equally dangerous and seditious utterance of one of the Montreal papers was regarded by Lord Elgin as sufficiently important and symptomatic of the attitude of the Tory extremists to warrant the serious attention of the Colonial Secretary. "The obvious intent of the majority, composed of Frenchmen aided by treacherous British Canadians, is," it declared, "to force French institutions still further upon the British minority in Lower Canada. The intention is obvious, as we have said, and we are glad that it is openly shown. We trust that the party of the Government will succeed in every one of their obnoxious measures. When French tyranny becomes insufferable, we shall find our Cromwell. Sheffield in the olden times used to be famous for its keen and well-tempered whistles; well, they make bayonets there now just as sharp and well-tempered. When we can stand tyranny no longer, it will be seen whether good bayonets in Saxon hands will not be more than a match for a race and a majority." 1 On the streets of the city the question of annexation was freely discussed. The state of public opinion among the Montreal Tories was thus summed up by the local correspondent of The Toronto Patriot. "The only on-dit of the day worthy of credit refers to the undercurrent leaning of the Anglo-Saxons here towards an annexation with their brethren of the United States, unjustly and untruly attributed to them by Lord Durham in his time, but true as the gospel now." 2

In Upper Canada the feelings of the Tories were scarcely less bitter and exasperated. In the month of March, The Kingston Argus announced that a petition to Her Majesty to allow the province to be annexed to the United States was being circulated in that city. 3 Articles appeared in several of the staunchest Tory papers, such as The Toronto Colonist and The

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1 Despatch of Elgin to Grey, April 30, 1849.
2 The Patriot, quoted from The Examiner, March 14, 1849.
3 The Kingston Argus, March 3, 1849.
Hamilton Spectator, containing scarcely veiled suggestions of annexation. A correspondent of the Hamilton paper declared: "Rather than be trodden upon by French licentiousness . . . let us seek an alliance with at least a kindred race, whose republican views are at least not so rampant. The sad alternative is painful to the loyal heart, but it is decidedly the least of impending evils." A few days later The Spectator warned the English authorities of the danger of separation. The Tories, it asserted, would never revolt, but neither would they submit to French domination. When they became dissatisfied with existing conditions, it would not be necessary for them to rebel, for the imperial tie would be severed without opposition. But in any case the responsibility for the final destiny of Canada remained with the English Government. The Colonist likewise declared that the intolerable political conditions of the time would inevitably strengthen the demand for annexation among the commercial community.

Political feeling ran almost equally high in the legislative halls. In the course of the debate on the Rebellion Losses Bill, Colonel Gugy frankly stated, in reply to a pointed question from across the House, that, "if this Bill, as passed, be assented to by Her Majesty, it will have the effect of absolving Her Majesty's colonial subjects from their oath of allegiance." The speeches of some of the other Tory members were scarcely less incendiary, if not as seditious, in character.

Some of the Tory fury was undoubtedly inspired by a genuine fear of French domination, but it is nevertheless true that much of the agitation was worked up for purely political ends in the hope of embarrassing the Ministry, and, if possible, of intimidating the Governor into vetoing the Bill. A few of the Tory

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1 The Spectator, April 7, 1849.
2 The Colonist, July 3, 1849.
3 Letters and Journals of Lord Elgin, p. 75.
papers, realizing the dangerous course upon which the agitation was starting, endeavoured to check the seditious utterances of their contemporaries. "What," asked The Quebec Gazette, "would the Tories, and descendants of the United Empire Loyalists, gain as a political party by annexation? They cannot sincerely wish for it. They may, however, by talking of annexation for the purpose of intimidating the Governor, destroy their own reputation for consistent loyalty, ruin the character and credit of the country abroad, and retard its prosperity by preventing the influx of British capital and population." The Toronto Patriot, likewise, scented the danger, and called its fellow Tories severely to task for their foolish talk of annexation for purely party purposes.

The Ministerial Party and press did all in their power to minimize the importance and significance of the growing agitation. Their favourite weapon of political warfare was to asperse the motives of their opponents by accusing the latter of stirring up a spirit of disaffection for selfish, political purposes. The Toronto Globe, in particular, scored the opposition in merciless fashion. "The Canadian Tories have not been a year out of office, and they are at the rebellion point. . . . Withdraw the supplies, and the Tory soon lets you know that it was not the man or his principles which he loved, but the solid pudding which he could administer."1 The lesser Reform journals throughout the province faithfully followed the lead of the chief party organ.

A somewhat similar view of the situation was taken by the English Government, which staunchly supported the policy of the Governor-General and his advisers throughout the political crisis. In a caustic editorial, The London Times, the mouthpiece of the Whig Ministry, tersely summed up the state of Canadian affairs. "We continue of the opinion, therefore, that at present it is quite unnecessary that

1 The Globe, March 3, 1849.
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we should throw ourselves into an agony of indignation at the conduct of the Canadian Cabinet. The province, of course, is in terrible excitement. Sir Allan MacNab is now out of office, and has nothing to do; so to satisfy a mind of more than ordinary energy, he has taken to agitation, and is lashing the whole colony into foam."

When it became apparent that the Government was determined to force the Rebellion Losses Bill through Parliament, the Tories turned to the Governor-General, and besought him either to veto the Bill, or reserve it for the consideration of the Crown. Indignation meetings were held in all parts of the country, and petitions and resolutions protesting against the passage of the Bill came pouring in to the Governor-General from all sides. But all this agitation was of no avail. His Excellency determined to accept the advice of his ministers; and, in accordance with the true principles of responsible government, to which he was pledged on his appointment, duly attached his signature to the Bill. At once a furious storm of Tory passion broke loose. A wild mob insulted the Governor-General, stoned his carriage, and completely disgraced the country by burning the Parliament buildings.

The Tory leaders resolved to carry the fight over to England. Sir Allan MacNab and a colleague accordingly set out for Westminster, in the hope of inducing the English Government to veto the Bill, and to recall Lord Elgin. The attitude of the extreme section of the party in respect to the mission was decidedly menacing towards the home Government. They declared, in effect, that, if the British Ministry did not comply with their demands, so much the worse for the British connection. But unfortunately for the Tory Party, they did not properly appreciate the change which had taken place in the views of Whig statesmen in respect to colonial policy. Despite the able championship of Mr. Gladstone, and the staunch support of the Tories in the British Parliament, the
mission of Sir Allan was altogether fruitless. The Whig Ministry stoutly defended the course of the Governor-General, and refused in any way to intervene in what they properly considered a purely domestic controversy between the two political parties.

But an even more insidious source of political discontent was working as a canker upon the loyalty of the Canadian people. The whole province, and particularly the Montreal district, was passing through a period of severe commercial adversity. The trade of many foreign states and of the motherland was, at the time, in a generally depressed condition, the effect of which was unmistakably felt in all the colonies; but owing to local circumstances, largely arising out of the change in England's commercial policy, Canada was plunged into a slough of financial distress from which she did not seem able to extricate herself.

The early commercial policy of England, as of other European nations, had been based upon the strictest mercantilistic principles. The primary object of colonization was to gain a monopoly of trade. Imperial commerce was reserved, as far as possible, as an exclusive field for British traders and manufacturers. In time, the narrow policy of monopoly gave way to a more enlightened system of preferential trade, but the old spirit of commercial privilege still reigned supreme. "The principle," said Earl Grey, "of placing the trade with the colonies on a different footing from that of other countries had been maintained up to the year 1846, and was generally regarded as one of unquestioned propriety and wisdom." ¹ Although the colonies were chiefly prized as valuable markets for English exploitation, nevertheless the fiscal policy of the parliament at Westminster was not so selfish and one-sided as to exclude the colonies from certain reciprocal advantages in the markets of the homeland. The principle of a mutual preference between England

¹ Shortt, Imperial Preferential Trade, p. 30.
and the colonies served, it was thought, the twofold purpose of promoting inter-imperial trade, and of strengthening at the same time the loyalty of British subjects throughout the dependencies.

The preferential duties of the colonies in favour of the motherland were moderate in amount, and did not impose much of a burden upon either England or the colonies on account of the essential difference in their economic status. England was not a food-exporting nation, and the colonies as yet had scarcely entered upon the industrial stage of their existence. The preference was of little advantage to England in respect to European nations, since, by reason of her superior industrial organization, she could manufacture much more cheaply than any of her competitors. On the other hand, the colonial preference in the English market was of the greatest importance to the colonists, as their products were excluded from the markets of other nations by high protective tariffs. As a natural consequence, the export trade of the colonies was almost entirely restricted to Great Britain.

The principal products of Canada, especially corn and timber, enjoyed a substantial preference in England over similar products from foreign countries. In order to encourage the production of colonial corn, Lord Stanley, Secretary of State for the Colonies, introduced into parliament, and in the face of the strong opposition of the Whig Party \(^1\) secured the passage of, the Canadian Corn Act of 1843, by which, in consideration of the imposition by Canada of a duty on American corn, Canadian wheat and flour were admitted into England at about one-fifth of the rate levied upon similar products when imported from other countries. The leaders of the Liberal party warned the Government that the inevitable consequences of the Act would be to build up a few favoured industries in the colonies upon the unstable basis of a temporary commercial advantage. But the warning fell on unheeding ears.

\(^1\) Egerton, *British Colonial Policy*, p. 331.
The Ministry were resolved to entrench the waning policy of protection behind the barrier of an imperial preference.

The people of Canada were equally heedless of the growing antagonism of the English free traders to any form of colonial preference. In their eager desire to take advantage of the manifest benefits accruing from the Act, they overlooked the danger of a reversal of policy in case of the advent of a free-trade government to office. The immediate results of the Act were beneficial alike to the agricultural and commercial interests of the province. Since the preferential tariff extended not only to Canadian-grown corn, but likewise to American wheat, if made into flour in Canadian mills, it gave a tremendous impetus to the milling industry throughout the province, and especially along the border. Large amounts of capital were quickly invested in various subsidiary undertakings, such as ship-building and transportation. An active policy of improving the internal waterways of the country by the construction of canals and the deepening of the natural highways to the sea was set in motion with every prospect of diverting a large proportion of the trade of the Western States through the mouth of the St. Lawrence. Numerous warehouses were erected at strategic points along the inland highways for storing and forwarding the agricultural products of the country to the English market. The harbours on the lower St. Lawrence were filled with English ships, and the merchants of Montreal reaped a rich harvest from the transatlantic trade which centred in that city. As a natural result of this abnormal development, a dangerous boom in real estate and a wild speculation in wheat broke out in the business community. But the day of reckoning was at hand. The Canadian public had recklessly discounted the future in their intense pursuit of the almighty dollar; they

1 Lucas, Historical Geography of the British Colonies, vol. v, p. 195.
had foolishly left the changing sentiment of the British nation out of their calculations.

For a time the fiscal policy of successive English ministers had been weak and vacillating. But the doctrines of Adam Smith were taking a firm hold upon the minds of the wide-awake manufacturers of the home land, who saw in their economic superiority a splendid opportunity of capturing the markets of the world under conditions of free trade with outside nations. At the same time the high duty on foreign corn, though somewhat relieved by the colonial preference, was proving a heavy burden upon the poor working classes of the English cities. The famine in Ireland gave the coup de grâce to the policy of protection. But, however beneficial the abolition of the Corn Laws was to the English public, it proved, for the time being at least, disastrous to the interests of the colonies. The free-trade policy of the homeland dealt the trade and industries of Canada an almost fatal blow. In truth, the statesmen at Westminster, in endeavouring to relieve the prevailing distress at home, practically disregarded the dependent commercial conditions of the colonies, for which their legislation was largely responsible. They overlooked the fact that it was the commercial policy of England, and not that of Canada, which had rendered the interests of the latter almost entirely dependent upon the British tariff and the maintenance of an imperial preference. The Whig statesmen of the day were Little Englanders at heart; they were much more interested in the promotion of English trade at home and in foreign countries, than concerned about the preservation of the vested interests of the colonies.

- With the adoption of the free-trade policy in England, the whole system of imperial preferential trade had to go. The practice of granting English goods a preference in colonial markets, as well as the reciprocal

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2 Ibid., p. 328.
advantage extended to colonial products in England, was incompatible with the new commercial tenet of international free trade. England, it was felt, could not consistently seek an open market in foreign countries on terms of equality with the native producers and manufacturers, if she herself maintained, or encouraged the colonies to maintain, discriminating tariffs against the products of foreign states, and in favour of imperial traders, whether English or colonial. Accordingly, in 1846, the Colonial Legislatures were empowered by the British Possessions Act \(^1\) to repeal any or all tariff Acts imposed on them by the Imperial Parliament, including the various discriminatory duties by which a preference had been hitherto granted to British ships and products. The speech from the throne at the opening of parliament, the following year, invited the colonies to rid themselves of the obnoxious system of differential duties, with a view to the benefit of colonial consumers, and the general furtherance of an enlightened international policy. Instead of longer seeking to develop inter-imperial trade by preferential duties, the English Government now sought to foster international free trade by their abolition.

The mercantile community in Canada were quick to perceive the destructive effect which the adoption of the policy of free trade would have upon colonial trade and industry. Scarcely had Sir Robert Peel made his celebrated announcement in the House of Commons, when a letter of protest was addressed to *The London Times* by Mr. Isaac Buchanan, a prominent Tory politician, who was at the time on a visit to London. In this communication,\(^8\) he predicted that the withdrawal of the colonial preference would involve, on the part of England, national bankruptcy and the downfall of the monarchy, and on the part of Canada the repeal of the Canadian preferential tariff and the inevitable severance of the imperial tie. The over-

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\(^1\) 9 & 10 Vict. c. 4.

\(^8\) *The London Times*, February 6, 1846.
burdened people of England would soon begin to object most strenuously to the expense of administering distant dependencies which were no longer of any commercial advantage to the mother country. On the other hand, "Any hint from England of a desire for separation will be cheerfully responded to by the people of Canada, who will be writhing under the feeling that England has dishonourably broken the promise of protection to Canadian wheat and lumber made by every ministry from the timber panic of 1806 downward; and will have got their eyes open to the fact that, as there remains no longer any but the slightest bond of interest between Canada and the mother country, no reason can be given why Canadians should risk their lives and property in defending nothing, or should allow Canada to be any longer used as a battlefield of European and American squabbles." As soon as the details of Peel's proposals reached Canada, measures were at once taken by the leading commercial bodies of the province to fight the proposals. Memorials were drawn up to the Secretary of State for the Colonies by the Boards of Trade at Montreal, Toronto, and Quebec, setting forth the serious injury which the withdrawal of the colonial preference would inflict upon the principal industries of the province.¹

At a meeting of the Toronto Board of Trade, Mr. Workman, the President of that body, made a vigorous protest against the proposed legislation of the home Government. He had been informed that some of their fellow citizens, "from whom he had not expected such sentiments, had declared that there was nothing left for Canada but annexation. He implored those gentlemen to be very careful in the promulgation of their opinions or apprehensions."² The language of the Solicitor-General of the Crown conveyed an even more solemn warning of the danger of separation. "He did hope, however, that the commercial

¹ Colonial Correspondence, 1846.
² Hansard, vol. 86, p. 556.
class would maturely weigh all the consequences which must result from the substitution of the United States markets for those of the mother country. It would be impossible but that such a change in our commercial relations would very soon bring about a change in all our other relations. Our interests would cease to be identified with the interests of the parent state; our mental associations would assume new forms; our customs and laws, aye, and our institutions too, would be assimilated to those of the people with whom we cultivated mercantile relations. There was a time . . . when he believed that patriotism had no connection with self-interest; but he had lived long enough to change his opinion on that subject; and he did think that loyalty had some relation to pecuniary considerations. If, however, by a course of imperial policy, over which the people of Canada can exert no possible control, they are forced into a new sphere of social and political attraction, they are not the culpable party.”

The memorial of the Quebec Board of Trade also proceeded to point out the serious political consequences of a change of fiscal policy on the relation of Canada to the homeland. “That the question no doubt will suggest itself to you, whether the natural effect of this seductive law will not gradually, silently, and imperceptibly to themselves, wean the inclinations of the subjects of Great Britain from their true allegiance to the parent state, and bias their minds in favour of a closer connection with a foreign country through which the transport of their merchandise and produce is encouraged, and a consequent more frequent intercourse with its inhabitants produced.”

The situation of affairs, as it presented itself to a well-informed foreign critic, was admirably described in the columns of *The New York Herald.* “The intelligence from Canada is beginning to be of an extremely inter-

1 Hansard, vol. 86, p. 537.
2 Ibid., vol. 86, p. 562; *Colonial Correspondence*, 1846; Forritt, *Fifty Years of Protection in Canada*, pp. 56–60.
est ing character. On the receipt of the news of the proposed tariff of Sir Robert Peel, considerable dissatisfaction was manifested in Canada. They say, that to abolish the duties on grain produced in the western parts of the United States must materially affect the commercial interests of Canada, and facilitate its annexation to the United States. It does not require any great sagacity or foresight to arrive at this conclusion, nor to perceive that it will be the means of hastening the annexation—a measure which time and the moral effect of our laws and institutions must finally consummate.”

Notwithstanding the force of these warnings and representations, the British Government refused to alter its fiscal policy. The free-trade members of the House of Commons were not at all frightened by the threats of colonial separation which were borne to their ears from over the ocean. They placed little confidence in the good faith of these alarming rumours, the origin of which they ascribed to the selfish policy of the Canadian protectionists. The views of the Liberal members were admirably voiced by Mr. Roebuck, in reply to a speech of Lord Bentinck on the commercial policy of the Government in respect to Canada. “That very party, who had always pretended to such extraordinary loyalty and affection for the mother country, now, when they feared that some measure was to be adopted hurtful to their pecuniary interest, turned round, as he (Mr. Roebuck) had told them they would, and threatened them with annexation to America. It was not the people of Canada, whom they had deprived of all they held dear,—it was not the Lower Canadian French population who talked of annexation to America. It was the English, Scotch, and Irish merchants, who had embarked their capital in a favoured trade, supported as they believed by protective duties; and who, the moment it was proposed to do justice to the people of the country by the adoption

1 Hansard, vol. 86, p. 560.
of free trade, threatened this country with republicism and annexation."

The era of modern colonial history dates from the acceptance of the principle of free trade as the basis of the fiscal policy of the motherland. The political consequences of this change of policy were scarcely less revolutionary than the economic. By the Act of 1846, Great Britain virtually surrendered her control over the fiscal systems of the self-governing colonies, save in respect to the treaty-making power. The limited right which Canada had enjoyed of imposing customs duties for local revenue purposes, subject to the careful supervision of the Colonial Office, was now extended into a complete control over the assessment, collection, and distribution of all the revenues of the colony. The period of commercial tutelage was ended. Canada was advanced to the status of fiscal independence. She was free to adopt such commercial policies as she might see fit, in so far as such policies did not conflict with the international obligations of the motherland.

The local legislature quickly took advantage of its newly acquired liberty to alter materially the fiscal policy of the province. The budget of 1847 abolished the system of differential duties, and adopted the principle of a uniform tariff upon a revenue-producing basis. Henceforth no distinction was made as to the source of importation; the same duties were levied upon the products of the sister provinces, the motherland, and foreign states. Steps were subsequently taken for the improvement of the commercial relations of the province with the United States. A good beginning had already been made in this direction by the repeal of the discriminatory duties against the United

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1 Hansard, vol. 86, p. 570.
3 Davidson, Commercial Federation and Colonial Trade Policy, p. 15.
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States, and the reduction of the tariff on American manufactured goods from 12½ to 7½ per cent.¹

But a general reciprocity treaty for the free admission of natural products was felt to be desirable, in order to put their relations upon a satisfactory basis. Negotiations were accordingly set on foot by the Secretary for the Colonies, at the instance of the Canadian Executive, with a view to inducing the Government at Washington to enter into a reciprocity arrangement. But the American Government was too much absorbed in the domestic concerns of the moment to give due consideration to the fiscal proposals of its northern neighbour. The Canadian people were quickly made to realize that fiscal independence, though of the greatest constitutional importance as a recognition of their new nationality, could not compensate them for the loss of the special advantages they had heretofore enjoyed in the English markets. The abolition of the preference on English goods in colonial ports was of small concern to the colonists, but the withdrawal of the corresponding preference to colonial goods in English markets struck a terrible blow at the prosperity of the British-American provinces. The grant of commercial freedom was of little use to a country whose financial, agricultural, and industrial interests were paralyzed by the arbitrary action of the Parliament at Westminster.

The fears of the Canadian Boards of Trade were fully confirmed. In one of his letters Lord Elgin feelingly spoke of "the downward progress of events!" These are ominous words. But look at the facts. Property in most of the Canadian towns, and more especially in the capital, has fallen 50 per cent. in value within the last three years. Three-fourths of the commercial men are bankrupt, owing to Free Trade; a large proportion of the exportable produce of Canada is obliged to seek a market in the States. It pays a duty of

20 per cent. on the frontier. How long can such a state of things be expected to endure?

"Depend upon it, our commercial embarrassments are our real difficulty. Political discontent, properly so called, there is none. I really believe no country in the world is more free from it. We have, indeed, national antipathies hearty and earnest enough. We suffer, too, from the inconvenience of having to work a system which is not yet thoroughly in gear. Reckless and unprincipled men take advantage of these circumstances to work into a fever every transient heat that affects the public mind. Nevertheless, I am confident I could carry Canada unscathed through all these evils of transition, and place the connection on a surer foundation than ever, if I could only tell the people of the province that, as regards the conditions of material prosperity, they would be raised to a level with their neighbours. But if this be not achieved, if free navigation and reciprocal trade with the Union be not secured for us, the worst, I fear, will come, and that at no distant day." ¹

Temporary insolvency was the price which Canadians paid for the triumph of English free trade.² Much of the capital of the country was tied up in the ruined industries which the protective policy of the motherland had called into existence. There was but a limited local market for the agricultural products of the province, and, in the neutralized market of England, the Canadian traders now found themselves exposed to the keen and merciless competition of their American neighbours, whose larger establishments and superior transportation facilities enabled them to undersell their less favoured competitors. Piteous were the complaints which arose from the millers and ship-owners of the province against the injustice of the policy of England in arbitrarily withdrawing the colonial preference, without at the same time securing for them

¹ Letters and Journals of Lord Elgin, p. 70.
² Goldwin Smith, Canada and the Canadian Question, p. 142.
an alternative market in foreign countries. The feelings of this important section of the community were well expressed by Mr. James R. Benson, a leading ship-owner of St. Catherine's, in a letter to William Hamilton Merritt, in which, after voicing the general dissatisfaction of the public since the passage of Peel's Act, he declared 1: "If the former system of protection be not adopted by Great Britain, or she should not obtain for us the free admission of our produce into the United States market, I am well convinced that the result will be an alienation of the minds of the most loyal men in Canada from the mother country, and a desire to become a state of the Union; it is already frequently asked if such was the case now, would our property become less valuable: the answer is undeniable." 

The question of finding a market for Canadian products became the most pressing problem before the country. With the loss of the English market the United States appeared to be the natural outlet for Canadian trade, but, unfortunately, that market was closed by a high protective tariff. The friendly attitude of the American Government fostered the hope in the minds of the Canadian public that a reciprocity arrangement might be effected with the United States for the free admission of certain raw materials of the two countries. For some time past, the subject of reciprocity had engaged the serious consideration of Mr. Hamilton Merritt, one of the most influential men of the Niagara District. As a result of his investigations, he was convinced that the only relief for the deplorable economic conditions of Upper Canada was to be found in a reciprocity agreement with the United States. Both in Parliament and through the press, he ably championed the cause of reciprocity. In a convincing letter to Lord Elgin upon this, his favourite

1 April 20, 1848; Canadian Archives, 4995.
2 See also a letter of Mr. J. Keefer, of Thorold, April 19, 1848, to Mr. Merritt; Canadian Archives, 4995.
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topic, he pointed out that the higher prices which prevailed across the border "would produce dissatisfaction and lead to an early separation from the mother country." The opinions of Mr. Merritt were shared by many members of the commercial community, as well as by the great bulk of the farming population of Canada West. In view of the growing depression, it was little wonder that many of the inhabitants lost faith in the future of the province and were prone to regard their country's fiscal freedom as a curse, rather than a blessing.

In a letter to the Colonial Secretary, Lord Elgin vividly described the "frightful amount of loss to individuals, and the great derangement of the colonial finances," which had resulted from the adoption of the policy of free trade. "Peel's Bill of 1846 drives the whole of the produce down the New York channels of communication, destroying the revenue which Canada expected to derive from canal dues, and ruining at once mill-owners, forwarders, and merchants. The consequence is that private property is unsaleable in Canada, and not a shilling can be raised on the credit of the province. We are actually reduced to the disagreeable necessity of paying all public officers, from the Governor-General downwards, in debentures, which are not exchangeable at par. What makes it more serious is that all the prosperity of which Canada is thus robbed is transplanted to the other side of the lines, as if to make Canadians feel more bitterly how much kinder England is to the children who desert her than to those who remain faithful. For I care not whether you be a protectionist or a free trader, it is the inconsistency of imperial legislation, and not the adopting of one policy rather than another, which is the bane of the colonies. I believe that the conviction that they would be better off, if annexed, is almost universal among the commercial classes at present, and the peaceful condition of the province, under all

1 Canadian Archives, 4995.
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the circumstances of the time, is, I must confess, often a matter of great astonishment to myself." 1

The position of Canadian traders was made much more difficult by the unjust operation of the Navigation Laws. The policy of the English Government was carried out with reckless disregard of the rights and interests of the colonies. The British Parliament, in withdrawing the colonial preference, had retained a monopoly of the colonial carrying trade for British ships. 2 The Navigation Acts had undoubtedly proved of some slight benefit to Canadian ships in admitting them into the exclusive privilege of the West Indian trade, but this small gain was more than offset by the loss of colonial merchants through the higher freight to and from England on colonial and English products. So much were the freights enhanced by the British shipping monopoly, that it was extremely doubtful if the excess charges did not equal, if not exceed, the benefits which the colonists derived from the preferential policy. Such at least was the opinion of some of the leading members of the Free Trade Association of Montreal, and a comparison of the rates from Montreal and New York respectively, to and from England, appeared to lend considerable support to this contention. 3 With the change in English policy, a twofold loss was inflicted on Canadian merchants. They continued to bear the burden of excess freights without the compensating advantage of English preference. Thanks to the Navigation Acts, they could no longer compete on even terms with their American competitors in the English markets. The colonies, in truth, were unjustly penalized in order to enhance the profits of English ship-owners.

The American Government was quick to take ad-

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1 Letters and Journals of Lord Elgin, p. 60.
3 See letter of a Montreal merchant quoted in The Patriot, January 9, 1850.
vantage of the changing fiscal conditions in Canada. Prior to the abolition of the preferential duties in favour of English products, the merchants of Upper Canada had found it advantageous to draw their supplies from Montreal and Quebec rather than from New York, since the duties were from 25 to 30 per cent. higher on importations through, or from, the United States. The repeal of the discriminatory tariff in 1847 was speedily followed by the adoption by Congress of an Act permitting the carriage of foreign and Canadian goods through the United States in bond without the payment of duty.

The effect of these two measures was to throw a large part of the trade of the St. Lawrence merchants with the inhabitants of Upper Canada into the hands of the New York dealers, since the merchants of Toronto and the western districts now found it more advantageous to import and export their supplies through American ports, which, unlike the St. Lawrence, were open all the year round. It was indeed a great convenience to the merchants of Canada West to be able to secure their goods at short notice in New York, instead of having to order them, long in advance, through the wholesale houses of the Lower St. Lawrence. Moreover, as we have seen, the operation of the Navigation Acts placed the business men of Montreal at a still greater disadvantage, owing to the higher freight rates to colonial ports. New York accordingly became the distributing centre for the business of Western Canada, and the American traders reaped a splendid harvest at the expense of the unfortunate merchants on the Lower St. Lawrence. Loud and bitter were the remonstrances of the Montreal merchants against the differential operation of English and American legislation. They were suffering through no fault of their own; but, on the contrary, were made to pay the penalty of the "inconsistency of imperial legislation." A vigorous demand arose for the abrogation of the Navigation Laws, coupled in
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some instances with a request for the restoration of the system of preferential duties in favour of the colonies.

The Provincial Legislature was alive to the danger of the situation, and lent a willing ear to the complaints of the St. Lawrence merchants. Although there was considerable difference of opinion among the members as to the wisdom of the free-trade policy of the motherland, there was general agreement as to the necessity for repealing the unjust discrimination of the Navigation Acts. A joint address was accordingly introduced by the Government into the Legislative Council and the Assembly, professing the loyalty of the people to the Crown, and praying Her Majesty’s Government to repeal the Navigation Laws, and to throw open the St. Lawrence to the free navigation of all nations. In the Assembly, an amendment was moved on behalf of the Tory protectionist members to add a clause to the address in favour of the restoration of the system of protective duties in England. The House refused, however, to dictate the fiscal policy of the motherland, and, after an animated debate, the amendment was defeated by the decisive vote of 49 to 14.\textsuperscript{1} The address was thereupon adopted without further opposition. In the Legislative Council the address was received with general favour, and carried without debate.

The complaints of the Canadian public aroused the English Government to a sense of its responsibility for the serious condition of affairs in that colony.\textsuperscript{2} The speech of the Lords Commissioners at the opening of Parliament recommended the consideration of the Navigation Laws with a view to ascertaining whether any changes could be adopted which might promote the commercial and colonial interests of the empire. Steps were subsequently taken by the Ministry to remedy the grievance of the colonists; but, owing to

\textsuperscript{1} January 24, 1849.
\textsuperscript{2} Lucas, \textit{Historical Geography in the British Colonies}, vol. v. p. 196.
The lateness of the session, and the pressure of domestic concerns, the Government were reluctantly compelled to give up all expectation of passing a Bill for the alteration of the Navigation Laws that session. The President of the Board of Trade, however, promised that the question should be brought to the early consideration of the House at the next session, so that Parliament would be able to pass a well-matured measure.¹

A rumour of the intention of the British Government not to proceed with the Bill for the amendment of the Navigation Laws soon crossed the Atlantic, and at once called forth a strong letter of protest from Lord Elgin to the Secretary for the Colonies.² The report, he stated, had produced a very painful feeling: "The Canadian farmer is a supplicant at present to the Imperial Legislature, not for favour, but for justice; strong as is his affection for the mother country and her institutions, he cannot reconcile it to his sense of right that after being deprived of all protection for his products in her markets, he should be subjected to a hostile discriminatory duty in the guise of a law for the protection of navigation." His Excellency was confident that, "if the wise and generous policy lately adopted toward Canada be persevered in, the connection between the province and the motherland may yet be rendered profitable to both, in a far greater degree than has been the case heretofore." It would be dangerous, however, to Canadian interests, "if provisions are suffered to remain on the British statute book which would seem to bring the material interests of the colonists and the promptings of duty and affection into opposition."

With the withdrawal of the measure to free the St. Lawrence from the baneful restrictions of the Navigation Acts, the gloom of depression settled down more heavily upon the city of Montreal. The views

¹ August 10, 1848.
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of the mercantile community of that city were ably voiced in a petition of the Board of Trade to the Queen at the close of 1848, which set forth:

"That the abandonment by the mother country of her protective policy is producing important changes in the commercial relations of the colony, which, unless regulated or counteracted by wise legislation, may lead in the end to consequences which every loyal subject would deplore. That the most prominent of the changes referred to is a growing commercial intercourse with the United States, giving rise to an opinion which is daily gaining ground on both sides of the boundary line, that the interests of the two countries under the changed policy of the Imperial Government are germane to each other, and under that system must sooner or later be politically interwoven.

"That being deeply interested in the trade and prosperity of this province, and, moreover, in common with the great mass of the population being devotedly attached to the institutions of Great Britain, and desiring to see the existing colonial connections which unite us perpetuated, your petitioners most respectfully take leave to lay before Your Majesty the following representations:

"1. The result of a total cessation of the differential duty on grain in England will be to make New York the port of shipment for the great bulk of the produce of Canada.

"2. The port which is found to be most eligible for the exports will also be found to be the best suited for the imports of a country.

"3. The bonding system introduced by the American Government must have the effect of attracting the merchants of Canada to New York for the purchase of supplies, . . . and thus the ruin of the trade of the St. Lawrence . . . cannot fail to be consummated. It would be superfluous for your petitioners to point out the injurious effect which could not but result from

1 Quebec Gazette, January 8, 1849.
such a diversion of trade; suffice it to say, it would create and cement ties of beneficial interest between Canada and the United States, and proportionally weaken the attachment which this colony entertains for the mother country.

"Your petitioners are indeed aware that it has been asserted by a class of political economists that the colonies are a source of pecuniary loss to England, and that she might profitably abandon them altogether; but your petitioners have too much confidence in the wisdom of Your Majesty's Government to suppose that such sentiments are shared in by them, or that, even were the proposition to be true, they would draw the same precipitate conclusion from it.

"In nations there are interests infinitely transcending those of a mere pecuniary nature, and your petitioners would regard the integrity of the British dominions, the preservation of Britain's political power and influence as cheaply purchased by any pecuniary loss the colonies may occasion her. It is in this belief, and with the desire to avert the dismemberment of the empire, so far at least as Canada is concerned, that your petitioners at this time approach Your Majesty. They do not seek the restoration of the old system of protection; on the contrary, they have no objection to the utmost freedom of trade compatible with the safety of the ties subsisting between the colony and the mother country; but, having shown how that connection must be endangered when the measures of Sir Robert Peel take full effect, they will briefly point out those remedial measures which, in their opinion, would avert the evil, and continue to attach the province to England by the claims of interest, as well as of affection and duty. These measures, as far as imperial legislation is concerned, are:

"1st. The repeal of the Navigation Laws as they relate to Canada, and the throwing open the navigation of the St. Lawrence; and

"2nd. The enactment of a moderate fixed duty, say
not less than five shillings per quarter on foreign wheat, colonial to be admitted free."

The memorial proceeded to set forth in detail the material benefits which such a policy would confer upon Canada, by the diversion of the trade of Upper Canada and the American West through the St. Lawrence. An alluring prospect was held out to the industrial interests of the motherland, that the increased revenue which would result from such an enlightened policy would enable the local legislature "to materially reduce, if not entirely repeal, the import duties on British manufactures." At the same time, the British public was confidently assured that the burden of the duty on wheat would not fall upon the English consumer, but would be borne by the unfortunate foreign producers. "A duty of this kind in favour of Canada would preserve the trade of the St. Lawrence, add to the revenue derivable from the St. Lawrence canals, diffuse universal satisfaction throughout the colony, and, what in the opinion of your petitioners is all-important, would continue to attach Canada to the mother country, thus perpetuating the present connection, and preserving inviolate the British dominions."

The language of the address was severely criticised by the Montreal free traders, as putting the loyalty of the colony on too low a plane. They professed the most self-righteous indignation that their allegiance to the sovereign should be placed upon a purely mercenary basis. Accordingly, a protest was prepared, which won the enthusiastic commendation of Earl Grey as "the most important document which had proceeded from a large commercial body since the famous London petition in favour of free trade." This protest, which was signed by many of the leading Liberals of the city,¹ set out by declaring: "We trust that the loyalty of the province depends upon something loftier than a mercenary motive," and then proceeded by a carefully

constructed argument to draw the sound constitutional conclusion: "We conceive that all we have a right to ask of the mother-country is to repeal the Navigation Laws as far as they relate to Canada, and to throw open the St. Lawrence to the navigation of the vessels of all nations, from which measure, coupled with our own energy and enterprise, we feel confident of being able to secure all that the Council of the Board of Trade expect to acquire from the re-enactment of a tax upon the bread of the people of the United Kingdom."

But little reliance, however, could be placed upon the professions of loyalty of some of the Liberal free traders. In a private communication to their English correspondent, shortly after, the firm of Holmes, Young & Knapp, one of the members of which had taken a prominent part in drawing up the recent protest, declared: ¹ "The feeling of annexation to the United States seems to be the most prevalent at present among our people; could the measure be brought about peaceably and amicably, there is not a doubt but that three-quarters, if not nine-tenths, of the inhabitants would go for it. No country can expect to retain colonies under a free trade system, unless allied to each other by contiguity, or for the purpose of mutual protection. The commercial system of the United States now offers more advantages to the province than any other within view, but to avail ourselves of it is impossible without the question of annexation being involved." The Canadian public were generally disappointed at the non-concurrence of the United States in the scheme for reciprocal free trade, and, in the judgment of the writer, would not rest content until they had secured the free admission of their native products into the American market. There was, however, "but one way to bring it about, and that way was annexation."

The majority of the mercantile community, together with most of the Montreal papers, supported the views

¹ See speech of Lord Stanley in the House of Lords, May 8, 1849.
of the Board of Trade, rather than the more reasonable judgment of the Liberal minority. The prevailing opinion of the business public found expression in a leading article of The Montreal Gazette (Tory), which declared: ¹ "We consider annexation as the last issue on the board and only to be thought of after England has determined to persevere in treating Canada as a foreign nation, instead of as an integral part of the empire. We shall resist it so long as we see a chance of our affairs being placed on a proper footing without it. . . . But the die is in the hands of England."

True to its promise, the English Ministry brought down a measure for the amendment of the Navigation Laws, soon after the opening of the session in 1849. In moving for a committee of the whole House to consider the resolution of the Government, the Hon. H. Labouchere, President of the Board of Trade, stated ² that, in the opinion of the Executive, since the protection which the colonies had hitherto enjoyed in the markets of the mother country has been withdrawn, "it would be the height of intolerable injustice to maintain those restrictions (of the Navigation Laws) upon their trade which prevent them from enjoying the advantages of foreigners—an injustice which I think absolutely incompatible with the continued connection between the most important of the colonies and the mother country." By the surrender of her shipping monopoly, England would confer "a boon of incalculable value" on the North American colonies, and "rivet them by ties of gratitude to the motherland" in the most effective manner. Parliament should not further delay to remove this colonial grievance. "They ought to be sensible of the patience and good feeling which the people of Canada had shown under the most trying circumstances; they should ill repay that patience and good-feeling, if they did not embrace the earliest opportunity to show

¹ May 8, 1849.
² November 14, 1849; Hansard, 1849, vol. 102, p. 682.
themselves anxious to set right a system so impolitic and unjust, which destroys the trade of the North American colonies, which destroys the trade of the inhabitants of the United States of America for no earthly object, which directs the trade from Canada to the United States of America without effecting any benefit in return, which injures the revenue of Canada by preventing the full use and employment of those canals which have been made there at so great an outlay, but which are now completely useless and unproductive, and must remain so as long as the Navigation Laws continue in force."

At the very outset, the proposals of the Executive met with the strongest opposition on the part of the Conservative Party. The members of the opposition, however, were too busy defending the last surviving tenets of the mercantile system to devote much attention to the interests and desires of the colonies. Mr. Herries was the only speaker to consider at length the colonial aspect of the question. He charged the Government with a callous indifference to the sufferings of the colonists; they had driven the Colonies to the point of exasperation, and had finally consummated their ruin by the withdrawal of colonial protection. The relaxation of the Navigation Laws, he contended, would not suffice to repair the mischief which the free-trade policy had inflicted upon the colonies.

The battle was renewed upon the second reading of the Bill. Save for an interesting pronouncement of Mr. Robinson on the subject of imperial relations, and a few scattered references to the state of colonial opinion, the debate was strictly confined to the consideration of the effect of the abrogation of the Navigation Laws upon the commerce and naval supremacy of England. The remarks of Mr. Robinson set forth in the clearest light the mercantilistic theory of the Tory Party in respect to the colonies. "He was satisfied that the ultimate aim of the United States was the possession of the entire American continent.