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Class, Nationality and the Roots of the Branch Plant Economy

GORDON LAXER

"The market is reserved for Canadian manufacturers. The way for our Yankee friends to obtain a percentage of the Canadian trade is to establish their works in Canada." (*Canadian Manufacturer*, Jan. 16, 1891:44).

This was the way Canadian manufacturers set out the welcome mat a century ago for the economic takeover of Canadian industry. The question of why Canada incurred so much foreign ownership of its economy at so early a point in its history has generated three standard explana-

tions: the tariff; proximity to the United States; and weak nationalism amongst Canadian capitalists. This paper outlines an alternative explanation, focusing on Canadian policies which entrenched a conservative banking system, squandered enormous amounts of capital on superfluous railways and failed to develop strong armed forces before 1914. Rather than seek an explanation in the inability of Canadian industrialists to control the Canadian market, this paper explores the policy consequences of the weakness of agrarian-based, popular democratic movements (1867–1914), the latter resulting from the peculiar interaction between class and the binational character of Canada.¹

The explanation that the “high” tariffs of Canada’s National Policy of 1879–1930 blocked the importation of finished goods from the USA is inadequate because it does not distinguish between Canada and other nations. Canada’s branch plant economy emerged before the Second World War² because American companies, in response to the tariff, established branch manufacturing plants in Canada to prevent the loss of their Canadian markets. The problem with this argument is that tariffs did not induce foreign ownership of a large portion of industry in other less developed countries.³ After all, most industrializing countries turned protectionist at the same time as Canada (1870s to 1890s) to meet a general crisis very similar to today’s: overproduction and fierce competition on a world scale.⁴ Furthermore Canadian tariffs were not high by international standards⁵ and the question remains unanswered as to why foreign branch plants came to dominate the high technology sector of the Canadian economy before the First World War when the same was not true of other economies.

At this point the argument usually shifts to the second standard answer and evokes Canada’s proximity to the United States.⁶ It rests on the assumption that the late nineteenth century and the opening of the twentieth century saw the United States as the only expanding, technologically dynamic country. This reasoning overlooked the importance of Germany, who on the eve of the First World War was the leading innovator in the electrical industry, trailing the United States marginally in total production but almost trebling her in exports.⁷ In chemicals, Germany was ahead in some sectors, and the United States in others. Only in machinery manufacturing

was the USA clearly ahead.⁸ These three technologically advanced industries, electrical, chemical and machine manufacturing, accounted for the bulk of America's early direct investment forays abroad (before 1914), signalling the emergence of the American transnational corporation.⁹ Germany established branch manufacturing plants in neighbouring countries in the same fields and, like the United States, it invested in foreign resources. But Germany failed to develop transnational corporations on a substantial scale, partly because its neighbours, for strategic reasons, resisted German economic dominance, even before the First World War.¹⁰ Thus the push factors from the advanced countries were not the only ones that counted. What happened inside the less developed countries mattered as well. I have made these points elsewhere.¹¹

The third standard answer, the unwillingness of Canadian capitalists to defend their own "turf", is the focus of this paper. It has several variations. According to George Grant, capitalists have a higher loyalty to profits than to nation, and only in dominant countries do the two coincide. While plausible, Grant's loyalty-to-profit argument does not explain why other, as-yet undeveloped nations such as Sweden and Japan were able to prevent attempts at foreign economic control in the same period. R.T. Naylor developed a variation on this theme, emphasizing the fact that Canadian manufacturers were too weak during the period of early industrialization (1867-1914) to protect their collective interests against foreign take-overs.¹² This weakness arose because the state and the economy were controlled by another section of big capital: the merchants and the bankers (commercial capitalists). Naylor shows that the long-term investments that Canadian-owned industry required were hindered by the orientation of commercial capitalists to immediate profits from trade.¹³ In other words, commercial businessmen were the ones who collectively sold out their country. The question for Naylor, then, was why commercial capitalists rather than industrialists prevailed in Canada at so late a period in economic development. Naylor's answer focuses on colonial relations with Britain and the resulting links with British capital. Naylor refines the historical dimension but approaches the question too narrowly, focusing on the few who were in the business elites, and ignoring the part played by the vast majority of Canadians.¹⁴ In that period called

"initial industrialization", during which modern industry begins on a wide scale, and which ends when industry overtakes agriculture in its share of the economy, it was to be expected that manufacturers, who were emerging then, would have less influence than merchants and bankers who had already established themselves in the pre-industrial era. Thus, from the perspective of international development, Canada's uniqueness did not stem from the prominence of commercial capitalists during its phase of initial industrialization.¹⁵ On the contrary, Canada's uniqueness arose from the political ascendancy of big capital—commercial and manufacturing—during initial industrialization.

The neglected element in these debates is the agrarian classes. Before industry overtook agriculture, in many countries, classes based on farming (landlords or peasants in aristocratic societies, and, to a lesser extent, free farmers in new settler societies) dominated the political scene. Being less efficient than modern manufacturing, agriculture generally continued to employ larger numbers, even after the initial phase of industrialization was over and farming had lost its economic preponderance. As well, political inertia tended to prolong the power of classes left over from the previous age. Thus almost everywhere agricultural classes, not industrialists, nor even merchants and bankers, tended to rule during initial industrialization.

In England, landlords, by then more capitalist agriculturalists than feudal aristocrats, continued their political domination during the first half-century of the industrial revolution (before the Reform Bill of 1832).¹⁶ In the United States, free farmers and southern plantation owners wielded considerable power in the pre-Civil War years (1825–1860) when the United States passed through its initial phase of industrialization.¹⁷ In contrast, Canada's agricultural classes held little power during initial industrialization, which in Canada's case happened to coincide with the period when the nation state and the branch plant structure were established (Confederation to the First World War).

When contrasted with the experience of other nations, it is striking that the power of big business in Canada remained relatively unchallenged in a new settler society with a broad electoral franchise. Canadian farmers (owner-operators) com-

prised the largest component of Canada's labour force (1870–1910) but did not have the dominant influence on government policies their counterparts did elsewhere in the same economic phase. Why then were popular democratic movements so feeble during the formative period in which the nation state was established and the industrial structure set in its branch plant, resource-exporting mould? Why was the Canadian state not strongly nationalist during this time when foreign ownership became entrenched?¹⁸ To ask these questions is to move from Grant's uninteresting problem of why Canadian businessmen put profits above country, to an analysis of the weakness of popular economic-nationalism in Canada during the age of autarchy.

Nationalist-continentalist categories first arose around the National Policy debates a hundred years ago, and still affect our thinking in unconscious ways. The traditional reasoning goes like this: the conservative-nationalism of Canada's National Policy was predicated on the power of elite elements, a whiggish political philosophy and the British tie, while continentalism was associated with American liberal and democratic influences amongst Canada's farmers.¹⁹ I reject this dichotomy and argue that instead the feeble "nationalism of the National Policy" resulted from the inability of Canada's ordinary people—farmers mainly but also workers—to impress themselves on the political system.²⁰ Nineteenth century nationalism was born, after all, with the popular struggle for democracy.²¹

The European System Complementary to the issue of class were those of national independence, the structure of the financial system and the funding of industrial development. Most observers thought Canada had only two choices in the immediate post-Confederation period: achieve a limited degree of economic independence and industrial development via the National Policy and the British connection; or, opt for a resource-oriented strategy through economic integration with the United States.²² A third possibility, full economic independence, was thought to be a farce by John A. Macdonald and by successive generations of Canadian historians.²³

Was the achievement of an independent industrial economy an unrealizable dream for Canada then? Not if we confine ourselves to the economy. After all, Canada was the eighth

largest manufacturing country in the world in 1867, and seventh largest by 1913.²⁴ Starting from weaker economic positions, Sweden and Japan overcame their respective staples-exporting and colonial-economic handicaps, and developed independent industrial economies. But the answer is yes when we consider the political, social and ideational environments of post-Confederation Canada.

In a seminal article written two decades ago, Mel Watkins argued that Canada's National Policy of tariff protection for domestic industry, public subsidies for private railways to the west, and immigration for settlement was little more than emulation of the "American system" of the 1820s.²⁵ Henry Clay had conceived the American system to be an alternative to a colonial or "British system" of free trade. After assessing the Canadian copy of the American system as inadequate because Canada developed later and in an elitist way, Watkins raised the question of a third possibility, the "European system" for Canada.

By the term "European system", Watkins meant the institutional changes Alexander Gerschenkron has shown were crucial for the independent industrial development of the "backward" countries of Europe.²⁶ In the late nineteenth and early twentieth centuries, backward European countries rejected the economic liberalism that was trumpeted as the new religion in the early industrial starters, especially in England.²⁷ Instead they adopted strong, state interventionist strategies for economic development. An investment banking system that "added entrepreneurial and management functions to the traditional banking function" and a non-elitist, technically-oriented education system to improve the skill-levels of the labour force were the main instruments. Watkins concluded that the much-celebrated intervention of the Canadian state to promote development was little more than a response to the American "threat". The state refrained however from ushering in valuable policies for fear of acting against the interests of the ruling elite: "It is arguable that the Canadian government, rather than being praised by historians for what it has done, should be chastised for what it has failed to do."²⁸ The post-Confederation state fail to champion the third possibility more favourable to independent industrial development, the European system.

To understand the importance of the European system for "late follower" countries—those passing through initial industrialization between 1870 and 1914—we must examine the changed conditions for embarking on development in that era. Canada was among a handful of late follower countries which began to industrialize about a century after England, and about half a century after France, the USA, Switzerland and Belgium. The other late followers were Sweden, Italy, Russia and Japan.²⁹

In the hundred years after economic transformation started in England, the cost of beginning industrialization had climbed considerably, especially with the invention of the railway and steel-making. The early industrializing countries had been able to start modestly, and gradually developed pools of capital for manufacturing, largely by reinvesting industrial profits. The transfer of capital from other economic sectors through the banking system had been less important for their development.³⁰ Late follower countries did not have the luxury of a long gestation period to gradually accumulate industrial capital through reinvestment. Capital was needed on a level that was a complete break with their past. For the most part, late follower countries had to adopt the latest technologies, develop a number of complementary industries and install necessary infrastructure, all within a short period of time.³¹ That is why they could not successfully emulate the economic "systems" (British or American) of the early industrializing countries. Altered conditions called for altered strategies.

To find the capital needed for development, late follower countries had two options: discover new sources of domestic capital, management and technology, and supplement this effort with foreign borrowings—the independent route; or, encourage foreign businesses to do the job by means of subsidiaries—the dependent route. The independent route was the European system.

The European system entailed major changes. To boost domestic pools of industrial capital, the middle classes had to be convinced to invest their savings in fledgling industries in the high technology sectors. The social invention of investment banking was the dramatic change that altered banks from conservative, no-risk pillars of the establishment to entrepreneurial and technological innovators.

European investment banks generated a surplus in new ways. Instead of profiting primarily "from the margin between its borrowing and its lending rates" as did the commercial banks, explained Olle Gasslander, investment banks required "a very large share capital" and profited "from the longer-term commitments entailed in the founding of enterprises and the issuing of securities."³² Lenin called the new banks "finance capital."³³ They invested in and lent money to infant industries, sold stocks to the public, and demonstrated their commitment to the new concerns by taking part in their management. In these ways, non-industrial sources of domestic capital were gathered and transferred via the banks to the industrialization process. In Japan, the state took the place of the European investment banks during the first decade and a half of its modern development (1868 to the early 1880s).³⁴

There was an alternative to the European investment banks that, while not as efficient in transferring domestic capital to the industrialization process, went far beyond the strictly commercial banks. "Unit" banks, organized as local institutions without ties to national commercial banks, were the English-speaking world's variant of investment banking. They were present in England during initial industrialization, in the United States from the 1830s, and in Confederation-era New Brunswick and Nova Scotia.³⁵ Unit banks lent money more readily to local entrepreneurs than did large centralized banks, because local bankers were personally acquainted with the human risks involved. Loans often became long-term investments in industry because they were revolving (semi-automatic) loans for working capital, but not for fixed capital.

American industrial policy was changed in the 1830s by the farmer-led destruction of commercial banking, and its replacement by hundreds and eventually thousands of small unit banks. This was a financial modification of the American system in the direction of the European model. Thus Watkins' description of Canada's National Policy (1879–1930) as a carbon copy of the American System is accurate in so far as it referred to the original, unregenerate American system. Canada rejected, as we shall see later, the modified and more fruitful version.

Government restraint was another element of the European system. In the twentieth century it would be called "planning".

If the state refrained from extravagant spending and ensured cheaply-built transportation and communications systems, the need to import foreign capital would be reduced.³⁶ Late follower countries tended towards frugal public spending, while at the same time borrowing foreign money to accelerate development.³⁷ Foreign direct (ownership) investment, on the other hand, was usually shunned. In contrast to direct investment, foreign loans did not for the most part compromise independence.³⁸

A third institutional modification involved technological sovereignty. It meant generating methods of production that fit a country's unique circumstances, including wage levels, consumer tastes, resource endowments, special skills and size of markets. Retention of domestic ownership and management of industry was crucial to this process, enabling late follower countries to develop a limited range of techniques on their own, as in Sweden, or else to borrow and adapt techniques from the advanced countries, as in Japan and Italy.³⁹

However there was another route by which late follower countries could progress. It was the dependent or easy road to rapid development, and resulted from the failure to adopt the institutional changes of the European system (or its equivalent, as in Japan) during initial industrialization. It was purchased at the price of diminished political, economic and technological sovereignty. I have argued elsewhere that economic development was thereby retarded in the long-run.⁴⁰ Canada was the only late follower country that clearly took this route (Czarist Russia partly did) and the only one that did not achieve an independent and fully-developed manufacturing economy.⁴¹

Popular-Democratic Movements in Canada. Comparative studies of other societies during initial industrialization indicate that farmers movements and parties were the only alternative to rule by big business in that period. Nevertheless, it may strike the reader as odd that farmers should be seen as the potential champions of an independent industrial economy. Why would farmers wish to develop an industrial society at all, let alone one controlled by Canadian rather than foreign capitalists? At first blush it does not appear to make much sense. If a variant of the European system was needed to

create an independent manufacturing economy, why not look to industrial workers as the alternative to big business leadership in Canada? They would seem a more obvious choice.

Canadian farmers did not, for the most part, consciously seek to build an independent industrial Canada during initial industrialization. Far from it.⁴² Most were trying to develop the family farm and prevent the incursions of industrial capitalism from sweeping over them and their communities. But that does not mean that the objective consequences of policies advocated by organized farming groups would not have led to a variant of the European system. The human condition is not always what we would wish. Popular movements usually work in purposive ways to defend and further interests and ideals they hold dear. Issues are usually immediate, arising out of conditions bequeathed by previous generations, but broader goals are generally held, however inchoately. Purposive intention though, does not always triumph. The outcomes of popular struggles against injustices do not always coincide with the movements' goals: consequence is not the same as intention. We shall see that in fact, farmer-led movements, while generally seeking different goals altogether, supported policies along the lines of the European system.

In the decades leading to the 1837 rebellions, strong popular-democratic movements arose in Lower and Upper Canada to challenge the rule of British governors and local merchant-landlord cliques. Led by professionals, the *Parti Canadien* and *Patriote* movements had their main base of support amongst the habitant farmers of Lower Canada.⁴³ Election after election repeated overwhelming victories for the popular nationalists to the elected, but largely impotent, legislature.⁴⁴

The course of popular-democracy in Upper Canada was a little different. The conflict between farmers and urban petit bourgeois elements ranged against commercial capitalists and land speculators was similar. But the Upper Canadian contest lacked the national subordination/alien elite character which so heightened the conflict in French Lower Canada. In an economy still based on agriculture and forestry, Reformers in Upper Canada were led by urban small businessmen and professionals who derived their main support in farm districts. An industrial working class was not yet in evidence, but urban "mechanics" (artisans and workers) were a secondary element

in Reform strength.⁴⁵ Upper Canadian Reformers did not enjoy the overwhelming support accorded to their counterparts in Lower Canada, and had to settle for alternating electoral victories with the Tory elite.⁴⁶ Even when they won at the polls, the colonial state never passed into Reform hands because of continued British rule.

Popular democratic movements were largely absent in the Maritimes during this period. Unconcerned about the threat from below, New Brunswick's politics revolved around a struggle between small lumbermen and local merchant princes, who were sometimes in alliance and sometimes at odds with the coterie of officials surrounding the lieutenant-governor. Farmers, the majority of the population, were peripheral to this contest.⁴⁷ Nova Scotia was even more quiescent. Political contests ran along two dimensions: religion, and Halifax versus the outports. The occasional critic of Halifax oligarchic rule was absorbed quickly into the establishment.⁴⁸ Only in PEI, the sole Maritime province where agriculture predominated, was there sign of much popular unrest in the early 1800s. A movement of tenant farmers, the "Escheat Party", attempted to wrest control of island land from the few powerful, alien landowners to whom it had been granted in 1767.⁴⁹

The 1837-8 rebellions in the Canadas convinced Britain that a second American revolution was in the making, and democratic home-rule was conceded within a decade. Yet when elective government came and popular control of the state was possible, farmer-led movements of reform fell on hard times, for reasons which lie at the heart of this paper. For now, it is sufficient to point out that agrarian-based movements continued to be the alternative to business rule.

After 1837, farmers movements flickered, on occasion brightly, over the next eighty years of nation building and industrial transformation. Once, in 1894, the farmers' Patrons of Industry came close to winning office in Ontario. They had numbers on their side in this era. In 1881, the agricultural work force (mainly owner-operators) made up forty-eight per cent of the total labour force.⁵⁰ But as a group, farmers had little influence on state policy during this formative period.

It was only in 1919-1922, after initial industrialization was completed and farmers were reduced to one-third of the labour force, that agrarian political movements held centre

stage again. Aided by significant numbers of Labour members, these movements took office in three provinces including Ontario, and showed strength even in such unlikely places as the Maritimes, British Columbia and Quebec.⁵¹ In the federal election of 1921, the farmers Progressive Party won a third of the seats, with preponderance from the prairies.⁵²

Such a flowering of political strength was not seen amongst workers and their allies before, during, or after initial industrialization. Individual labour MP's here, a handful of Independent Labour Party members there, even briefly the (Marxist) Socialist Party of Canada as Official Opposition in British Columbia just before the First World War, did not constitute a serious bid for power by working class movements.⁵³ Nor was a syndicalist route to power possible.

Somewhat greater electoral strength was shown immediately after the First World War, but was overshadowed by the farmers surge. The CCF—formed much later (1933) and only partly a working-class based party—never came close to winning a national election.⁵⁴ Thus the idea of a working class dominated government, or even of a state heavily influenced by an organized and determined Canadian working class during initial industrialization, are Alice in Wonderland concepts. However, the possibility of farmer political power in Canada during this period was evidently real, as contemporary Arthur Meighen stressed several years later.⁵⁵ The record supports the argument that Canadian farmers, possibly in alliance with labour as a junior partner, constituted the only alternative to big business rule during the period when the branch plant economy became entrenched. Evidence in other countries during the same economic phase confirms the usual political weakness of the working class during initial industrialization as well.

At this stage we should note that relevant comparisons between societies do not necessarily cover the same time frame. Because of the unevenness of economic development and class formation, societies must be compared at similar economic and social phases, when the class forces of town and country, farmers, industrial workers and the various sections of the bourgeoisie were comparable in numbers and strength. Thus Canada's politics of initial industrialization (1870–1910) should be compared to an earlier United States (1825–1860), an even

earlier Britain (1760s–1830s) or a later Australia (1900–1940s). To examine the power of farmers movements in the United States and Canada at contemporaneous periods in the nineteenth century for example, would be misleading because the industrial revolution created manufacturers and workers as new forces in the US at an earlier point. American farmers had a tougher time influencing the state in post-Civil War, already-industrialized America, than they experienced during the early industrializing, pre-Civil War years.⁵⁶

Only in France and Russia did workers develop a precocious organization and consciousness during the period when their numbers could still be overwhelmed by the rural classes. In France, whose initial industrialization phase stretched almost interminably from about 1785 to about 1870, the Parisian working class could topple governments in that very centralized country, but could not make governments in their own image. After the 1789 revolution, the power of the conservative peasantry stood in their way.⁵⁷ The Russian Revolution (1917) occurred toward the end of initial industrialization (1880s to 1930s) and succeeded only under the unusual circumstance of state disintegration after defeat at war. Peasant acquiescence was crucial to Bolshevik consolidation of power after the October Revolution.⁵⁸ In no other advanced country did the working class come close to gaining state power during initial industrialization. Thus Canada's conformity to this pattern was not peculiar.⁵⁹

On the other hand, the political weakness of Canada's agrarians was then the exception. During the transition period to industrial capitalism, it was no doubt easier for aristocratic landlords to rule in older societies than for independent farmers to hold or share elected power in new settler societies. Aristocrats, the ruling class in the pre-industrial order, generally could retain power by maintaining strict limits against the rising tide of democracy and popular nationalism. Farmer power in new settler societies, however, required an early and quick victory for a broad franchise and the power of elected government. This occurred at an early point in the new settler societies of the United States, Australia and New Zealand, in which popular-democratic movements quickly swept away parties advocating rule by large property holders.⁶⁰ In some older societies such as Sweden, the transition to democracy did not

spell the diminution of agrarian political power, at least for a while. As noble power began to decline in the 1870s and 1880s, the influence of independent farmers grew.⁶¹ As Canada did not share the tendency to agrarian political influence during initial industrialization, an important issue is left to be explained.

It might seem that an emphasis on agrarian movements should lead away from Ontario and Quebec, the industrial heartland, and towards hinterland movements in the Maritimes and the West. This would be a mistake. For most of the initial industrialization period, the West had a small population and fewer than ten per cent of Parliamentary seats. It was only in 1903 and 1907 that western representation rose to fifteen per cent to reflect the rapid settlement of the prairies.⁶² Prairie populism was just beginning to get organized, and its main impact was not felt until after the First World War. The branch plant structure became firmly established toward the latter part of initial industrialization (1900–1910), and since our purpose is to examine state policies leading to branch plant development, we must look at the period before the rise of Western agrarian movements.

What of the Maritimes, which had more people and greater political weight during most of the period (dropping from twenty one per cent of the seats in the 1870s, to sixteen per cent in 1907)?⁶³ It failed to influence the nature of politics in Canada. The major parties had begun to emerge in central Canada in the 1850s, and Maritime and Western Parliamentarians were gradually incorporated into those structures in the quarter century after Confederation.⁶⁴ Thus the class character of parties from central Canada had the decisive influence on post-Confederation politics.

Agrarian Political Weakness in Canada. Agrarian political weakness during the era of nation-building and economic transformation was a key determinant in Canada's future. Canada has been described as organically-conservative, hierarchical, deferential, and not given to the extremes of the republican and liberal experiment to the south. Instead of the triumph of the popular democracy of an Andrew Jackson, we had the victory of people like Sir Francis Bond Head, the Lieutenant-Governor who put down Upper Canada's agrarian-

based rebellion in 1837-8. "That I was sentenced to contend on the soil of America with Democracy, and that if I did not overpower it, it would overpower me, were solemn facts . . . evident to my mind."⁶⁵ British appointees were not the only ones with anti-democratic sentiments. In arguing for an unelected Senate, John A. Macdonald contended that "A large qualification should be necessary . . . in order to represent the principle of property. The minority must be protected and the rich are always fewer in number than the poor."⁶⁶

The common explanation for Canadian conservatism (as opposed to neo-conservatism) is based on Canada's rejection of the ideas of the enlightenment.⁶⁷ As Frank Underhill put it: "Our ancestors made the great refusal in the 18th century. In Canada we have no revolutionary tradition; and our historians, political scientists, and philosophers have assiduously tried to educate us to be proud of this fact."⁶⁸

Seymour Martin Lipset, an American political sociologist with a lifelong interest in Canada, attributes "the variations between Canada and the United States" to: "The founding event which gave birth to both, the American Revolution . . . English-speaking Canada exists because she opposed the Declaration of Independence; French-speaking Canada . . . also sought to isolate herself from the anti-clerical democratic values of the French Revolution. The leaders of both cultures after 1783 and 1789, consciously attempted to create a conservative, monarchical and ecclesiastical society in North America."⁶⁹

Gad Horowitz took up this theme in his famous thesis about the un-American and less "congealed" character of Canada's liberal, "fragment" culture.⁷⁰ The relative strength of socialism in Canada, and its weakness in the United States can be explained, Horowitz argued, as a reaction to Canadian Tory notions of class hierarchy and organic conceptions of the community. In contrast, reactionary politics in the United States emphasize the liberty of the individual, especially the freedom of enterprise, giving birth not to communitarian ideas of socialism, but to a progressive liberalism with an individualist emphasis on equality.

While Toryism may have led to a later socialist reaction, early conservative ascendancy in the "founding of English Canada . . . contrasted with the rapid and easy victory of liberal

democracy (Jefferson, Jackson) in the United States."⁷¹ In other words, after 1837, agrarian radicalism fared poorly.

The Loyalist tradition of associating liberal and democratic movements with Americanization and Manifest Destiny, made the advocacy of agrarian popular democracy difficult. As late as 1946, it could still be said that "every Canadian movement of the Left . . . has had to meet the accusations of Americanism, and in proving its sound British patriotism it has been apt to lose a good deal of its Leftism."⁷² Loyalism was reinforced in every generation in the nineteenth century: the War of 1812; the 1837 rebellions; the US Civil War, annexationist sentiment in the US in the 1880s and 1890s.⁷³ This conservative, anti-American tradition was strengthened by the pattern of immigration and emigration. Despite the presence of many Americans, the character of English Canada was influenced to a greater extent by British immigrants, who occupied leading positions in Canadian society in the latter half of the nineteenth century.⁷⁴ Orangemen, retired military officers, and younger sons and daughters of the British gentry entered and stayed in large numbers, while those of more liberal and democratic persuasion tended to either avoid the destination in the first place, or else move on after a short stay.⁷⁵

But the rejection of the American revolution by Tory Loyalists is not the place to begin an inquiry into the weakness of agrarian democracy. The British Conquest of Quebec was the founding episode leading to the later train of events, including Loyalist immigration. To explain the formative effect of the Conquest, it is best, at least within English Canada, to turn away from historians and political scientists, towards the literary critic, Northrop Frye. In 1952, well before Hartz and Horowitz, and even before Michel Brunet,⁷⁶ Frye commented on the order of events which made Canada distinctive: "Historically a Canadian is an American who rejects the Revolution. *Canada fought its civil war to establish its union first, and its wars of independence, which were fought against the United States and not Europe, came later.* The Canadian point of view is at once more conservative and more radical than [the American] (emphasis added)."⁷⁷

The forced union of English and French in Canada had disastrous effects for agrarian-based populism after the 1837 rebellions, creating a contrasting situation with liberal democ-

racy's usual development in new settler societies. Liberalism rests on beliefs about private productive property and the market economy, but does not necessarily imply political democracy. In fact, democracy was added on to liberalism in every western society which later adopted liberal-democratic systems.⁷⁸ The transition from aristocracy to liberal democracy usually involved a period in which substantial property holdings began to replace inherited social position as the key to political rights. This was the period in which whiggery or plutocracy (rule by the rich) was the dominant ideology. An American Federalist (Whig) and friend of Daniel Webster captured the essence of this view when he wrote "As the wealth of the commercial and manufacturing classes increases, in the same degree ought their political power to increase."⁷⁹

Whiggery usually found fertile soil in older societies with feudal pasts, where aristocratic and plutocratic bases for political rights could co-exist, if uneasily. In new settler societies in temperate climates where slavery or new types of serfdom could not be established easily, plutocratic ideologies usually withered quickly in the rising tide of nineteenth century democracy.⁸⁰ This was the case in Australia and New Zealand. Even in the United States, where an "aristocracy" of slave-owning planters arose in the southern states, the Federalist and Whig parties died by the 1840s. Canada was the exception. Even though feudalism never had deep roots here, plutocratic ideology—often referred to as the British conservatism of restraint—had a surprisingly long life.⁸¹

The unusual character of nineteenth century Canadian politics did not depend on a peculiar class structure and indeed Canada's social formation was typical of new settler societies transplanted from northwestern Europe. The usual stance of emerging capitalists in the age of revolutionary liberalism was typified by alliances which took place during the American revolution when the merchants joined forces with southern planters and free agrarians to demand independence from colonial rule and a broadening of democratic rights.⁸² From the time of the French Revolution of 1789 until the 1848 uprisings, pre-industrial bourgeoisies in northwestern Europe made alliances with the more numerous classes, such as farmers, artisans, shopkeepers and urban plebeians, around an end to autocratic power.⁸³ Capitalists were usually on the moderate

wing of democratic movements to be sure, fearing that mass democracy might lead to a revolution from below. Nevertheless they usually favoured an extension of the franchise, and an elected rather than an appointed executive. In Canada, however, the emerging big bourgeoisie provided the strongest support for continued British colonialism and the arbitrary rule of appointed officials.

The bourgeoisie started off in the usual way. A small number of British-American merchants moved to Montreal between the Conquest (1760) and the Constitution Act (1791), took over most of the fur trade from the French merchants, and began a political agitation typical of their class. They demanded representative government for the middle class, and an end to British military rule. But as soon as their campaign for a legislative assembly succeeded in the 1790s, they abruptly reversed themselves.⁸⁴

In what was to become a firm pattern in Canadian history, the ethno-national question intervened to divert politics away from division along class lines. By carving out a separate colony for Loyalist settlers in Upper Canada in 1791, Britain left the growing number of English-speaking merchants of Montreal surrounded by a sea of French Canadian habitants in Lower Canada. Even though the British were greatly overrepresented, French Canadians controlled the legislature in the Lower province. John Richardson, the leader of the Montreal merchants, complained of his frustrations as an elected representative in the new legislature: "Nothing can be so irksome as the situation of the English members—without numbers to do any good—doomed to the necessity of combating the absurdities of the majority, without hope of success."⁸⁵

The attitude of French Canadian politicians disturbed Richardson and his friends. Instead of pushing for freedom of enterprise and capitalist progress as Montreal's big capitalists expected of a parliament, the Francophone majority used representative government to win recognition for their ethno-national collectivity, and championed the class interests of small-holding farmers who opposed many of the aims of commercial business.⁸⁶ The merchants' answer was to help curtail the colonial Legislature. Thus the big merchants turned against liberal democracy and supported a reactionary and colonial brand of whiggery.

British reaction to American secession after 1783 reinforced the stance of Canada's nascent big bourgeoisie. Britain was not yet ruled in the interests of industrialists, and colonial policy was based on defence of the Empire. In this early period (1783–1846) colonial resources, even if more expensive, were favoured over those from non-Empire sources, and Montreal merchants prospered. Movements for colonial independence and popular democracy threatened colonial preference and were opposed.

The Rise of Populism in Central Canada Despite these factors favouring the longevity of whig ideas in the Canadas, there were strong, popularly-based movements for the extension of political democracy and greater home-rule in the 1820s and 1830s. These movements expressed the petit-bourgeois class interests of the farmers, professionals, tradesmen and artisans, which clashed with the interests of the big merchants on several issues. The thrust of government expenditures, either towards roads for agriculture or canals for commerce, was a contentious one. So too was the level of expenditures. The corrupt practices of local ruling cliques were bitterly resented by reformers, and added to state costs. Who would pay for government expenditures? Would taxes be on commerce (tariffs) or on agriculture (land taxes)? Land, the major resource of unsettled areas, was also at the centre of debate. Farmers wanted cheap land for family farms while colonial-officials and commercial interests favoured speculation and vast land grants for the established churches and the state. Finally, questions about the nature of credit institutions tended to divide along debtor (farmer) versus creditor (commerce) lines.

Class conflicts over these issues formed much of the basis for the great battle between commerce and agriculture that was fought out in the 1837–8 rebellions in Lower and Upper Canada.⁸⁷ These conflicts were reflected in political ideas and institutions as well. The campaign for democracy, local government and greater autonomy was spearheaded by the farming community and their professional and artisanal allies in the towns. On the opposing side, the merchant-colonial-officials faction generally stood for restrictions against the popular will, government-granted privileges to the wealthy, loyalty to Britain, and the unity of the Canadian provinces. Divisions

along these lines occurred in both Upper and Lower Canada. Common class interests overrode those of ethno-nationality as the rebellions approached, and popular movements in both Upper and Lower Canada favoured an alliance between reformers in the two provinces.⁸⁸ Many of the leaders of the insurrectionary movement in Lower Canada were Anglo-phone. Nevertheless, the class conflict in Lower Canada was deepened by national divisions paralleling the class cleavages, with the Anglo-dominated business elite on one side and the French Canadian mass on the other. Papineau's Parti Canadien stood for the national rights of French Canada, as well as for the farming majority.

The events of the rebellions are well-known and need not be repeated. The consequences of their defeat meant an end to popular-democratic control of the legislature precisely at the time when colonial parliaments gained real power. The main drive for Canadian independence was taken up by the plutocratic commercial capitalists. The whig philosophy and the political power of business were entrenched, and remained dominant in Canada in the second half of the nineteenth century when the nation state was established and industrialization begun. These tendencies had major implications for the kind of economic strategy Canada pursued.

Sectionalism and Popular Democratic Movements Canadian farmers and workers did not step aside after 1837–8 and allow the plutocrats to prevail. In almost every decade from the 1850s until the First World War, significant popular-democratic movements challenged the power of commercial and industrial capitalists. Unfortunately, most of these movements fell into the trap of French-English division. In this context big business ruled with ease, and even allowed itself the luxury of public expressions of division amongst various factions, such as manufacturers versus bankers and railway magnates.⁸⁹

Things started off on a familiar foot in the 1850s. Agrarian radicalism had been temporarily eclipsed in the previous decade as moderate whigs led the campaign for responsible government and democratic home-rule. But once responsible government was achieved in 1848 and the former leaders of the rebellions returned from exile, it seemed that politics would take on their previous class divisions. Small independent farm-

ers began to rally against the whiggism of big commerce.

This was a time when a railway clique ran the government and granted itself public largesse on an enormous scale. Allan MacNab, Tory land speculator, hunter of rebels and future premier of the united Province of Canada, captured the essence of the era when he said, "all my politics are railroads".⁹⁰ Nine of the nineteen directors of the Grand Trunk, the major railway of the province, were government members. The chief solicitor for the railway, George Etienne Cartier, changed hats when he entered Parliament to become chairman of the railway granting committee. It was against this union of state and capital that popular movements began to rally. In the western section the Clear Grits carried the flame for popular democracy, while in Lower Canada it was the Rouges.

Several issues inspired these agrarian-based groups. To the farmer, the state represented the rich with their government-sponsored projects, their defence of the last vestiges of serfdom in Lower Canada, and their granting of public lands to the established Churches. As debtors, agrarians wanted freer credit. The extension of fully-elected government was seen as the way to breakdown class rule.

Before the Clear Grits and the Rouges could make common cause, a sectional battle between English and French eclipsed the class-based issues. In the aftermath of the rebellions, Upper and Lower Canada had been merged into a single province to further Lord Durham's aim of "altering the character" of Lower Canada in order to assimilate French Canada.⁹¹ The union forced the question of how English and French would coexist within a unitary state.

The Anglophone commercial elite bridged the ethno-national divide more easily than did popular-democratic movements. Elite unity and popular disunity has been a constant element in Canadian history ever since. The anti-democratic elite of Montreal commerce, composed of ethnically separated groups of Scots, Americans, Englishmen and a sprinkling of French Canadians, found they could still rule under responsible government if they made concessions to French Canadian rights.⁹² The old Family Compact elements of Upper Canada joined Montreal commerce in this new conservative *modus vivendi*. English-Canadian big business would recognize French Canadian rights, within the Lower province, as long as con-

servative, Church and entrepreneurial elements in French Canada supported the schemes of big business.⁹³

Just as the New Democratic Party and the Parti Québécois could not make an alliance in the 1970s when the latter was mildly left-wing, so the early popular-democratic movements found it difficult to establish working relations across ethno-national lines. It was the Clear Grits of Upper Canada who first raised the cry of "French domination" in 1850 and so contributed to the development of political cleavage along sectional rather than class lines. Their press forecast such a development: "We are bound hand and foot, and lie helplessly at the feet of the Catholic priests of Lower Canada. . . . When the civil, political and religious degradation in which we are placed is fully realized, we shall hear very little in Upper Canada of the cry Tory and Reformer."⁹⁴ The Clear Grits championed the sectional issues of the day, opposing a publicly-supported, Catholic school system in Canada West, and campaigning for "representation by population" as soon as it was discovered that such a principle would make French Canada a minority within a unitary state.⁹⁵

The Rouges were not disposed towards an alliance with a xenophobic, anti-Catholic and British-Canadian popular movement. Despite their anti-clericalism and in some cases their agnosticism, the Rouges "believed in Catholicism as . . . a national institution. They rejected its doctrines and beliefs, but they preserved an almost unshakeable confidence in the institutional role of religion."⁹⁶ Although Rouges support was based mainly in the farming districts of the Montreal region and the eastern townships, they were more than simply another North American agrarian movement.⁹⁷ In conquered Lower Canada they were the nationalists, hostile to British rule and to assimilation: "that perfect labyrinth of laws, of manners and of language, which imposes on us a double nationality, so as to render the one necessary, the other useless. . . to make us lose ours and adopt the other. . . . We only wish for one thing, the preservation of our language, our laws and our customs."⁹⁸ Thus, despite the remarkable similarity in their political philosophies and programmes, the possibility of a broad, class-based alliance between the Rouges and the Clear Grits was remote.⁹⁹

In this situation, the two movements weakened each other. Under severe pressure from a reactionary and theocratic Church, the Rouges were seen to be splitting the unity of French Canada in the face of anti-French campaigns in Canada West. For their part, the Clear Grits buried their class differences with big commerce to strengthen the campaign against "French domination", and joined with their former enemy, George Brown of the Globe, after his "no Popery" campaign. Brown represented the emerging merchants of southern Ontario, who began to rival Montreal's elite for economic and political dominance. The Brownites and Clear Grits created the Reform Party (later the Liberal Party) and in this party, big business interests and whiggism prevailed over small business populism.¹⁰⁰ The agrarian radicals of Ontario had given up control of their own vehicle of opposition to commercial privilege. Sectionalism had triumphed over class as the basis for political struggle.

In the 1870s, and again in the 1890s, two farmer movements emerged to challenge the policies of the capitalist-oriented state and the power of Canada's big business class. The Dominion Grange (Patrons of Husbandry) with 31,000 members in the late 1870s, was succeeded by the Patrons of Industry, which claimed double those numbers in 1894. Both movements were mainly an Ontario affair, but they also showed strength in Manitoba, the Maritimes and amongst Anglophone farmers in Quebec.¹⁰¹ The Patrons entered the Ontario election in 1894 and to their surprise, almost captured the government. Seventeen members were elected, and it has been calculated that a three per cent swing in their favour would have led to a plurality of Patron members.¹⁰²

These organizations were typical of movements of small business versus big business. They wanted an end to the monopoly aspects of capitalism, but not to capitalism itself. The Grange's main target was the exactions of the middlemen, who stood between agrarian producers and urban consumers. Lack of access to farm credit was another major concern, leading the Dominion Grange to advocate government ownership of all banks as a way of breaking the monopoly of the commercial banks.¹⁰³ They urged public ownership of railways, telephones and telegraphs for similar reasons.

Agrarian movements in Canada from the 1850s to the 1930s were overwhelmingly petit bourgeois in character, representing the interests of owner-operators in the struggle to preserve the family farm. Other participants in agriculture (farm labourers, tenant farmers, seigneurs, forced labourers) that in other societies played important roles at times, were either absent or of little importance. The seigneurs lost their privileges in the mid-1850s, and early forms of forced labour fell into disuse in the early 1800s.¹⁰⁴ Tenant farmers were few in number, and their status was usually an intermediate stage succeeded by proprietorship.¹⁰⁵

Farm labourers, comprising about one fifth of the male agricultural work force in 1891 and less than that earlier, were the only group of significant size outside of the agricultural small business class. They failed however to form cohesive communities and bring their weight to bear on the political system. The majority were irregular or seasonal workers who moved in and out of an agricultural working class, while another large portion were the sons (rarely the daughters) of farm proprietors. Only a small portion were permanent hired hands. Thus agrarian movements in Canada were of and by the small business class, usually comprising all family members.¹⁰⁶

Labour shared many of the concerns of farmers, and attempts were made to forge a farmer-labour alliance to strengthen the "producing classes" against the "monopolists". In 1886 and again in 1893-4, serious efforts were made to unite the two groups. Although some cooperation occurred around Patron of Industry candidates in the 1894 Ontario election, an alliance was not to be.¹⁰⁷ Failure may have been due partly to the timing of the attempts. In 1886, labour was at its zenith and the farmers movement was at a low ebb, while in 1893-4, it was the reverse. More important though, the attempted alliance foundered on divergences in class interests. As self-employed businessmen, farmers found labour's demand for an eight-hour day hilarious and, as sometime employers of casual labour, costly. The same applied to labour opposition to assisted immigration, a cheap source of agriculture labour.¹⁰⁸ Thus, because of class differences, a farmer-labour alliance (also contemplated in the United States at the same time) did not occur.

The Patrons of Industry, which despite its name was a farmers' organization, had similar concerns to the Grangers. At base there was resentment over the maldistribution of wealth. It seemed to the farmer that those who engaged in physical toil, the "producers", earned the least, while those employed in non-physical occupations did not create wealth yet earned the most.¹⁰⁹ The Patrons favoured low cost government, tariffs for revenue and not industrial protection, and an extension of democratic rights; they opposed railway control of prairie land.¹¹⁰ Although these movements attracted wide support, they could not topple national governments. Several decades later, even though farmers had become a minority of the population, agrarian parties scored considerable electoral success by championing these same issues. Why were farmers not politically powerful at the time when they comprised a plurality of Canadians?

Ethno-national division was in large part responsible. Sectional tensions ran high in the early 1890s when the Patrons emerged. The second Riel rebellion and the subsequent hanging of Riel set English against French, and at a temperature rarely seen in Canada. Fifty thousand people, about one-third of the French population of Montreal, attended rallies where all shades of opinion condemned the execution as an injustice and an attack on their race. Honore Mercier, soon to become Premier of Quebec, called for a national party to unite everyone opposed to Riel's death. The crowd endorsed the idea and thus was born the remarkable alliance between the former anti-clerical and populist Rouges with the ultra-Catholic and conservative Castors. In response, the *Toronto Mail*, until then an unofficial Conservative Party paper, thundered that "as Britons we believe the Conquest will have to be fought over again. Lower Canada may depend upon it there will be no treaty of 1763. The victors will not capitulate next time."¹¹¹

Tempers flared again in 1888 when Mercier settled the long standing Jesuit claim to estates seized in the Conquest by offering monetary compensation. Most English Canadians were incensed when the Quebec Premier requested that the Pope determine how the compensation should be divided between Jesuits and other Church bodies.¹¹² Despite the offer of some compensation to Protestant education, Orange reaction to papal "interference" in Canadian affairs was swift. D'Alton

McCarthy, head of the Imperial Federation League and a promising young Conservative, joined with the Grand Master of the Orange Lodge, forming the Equal Rights Association to battle against Catholic Church influence, to end French domination, and to abolish separate schools in Ontario and Manitoba. McCarthy and twelve other members urged the House of Commons to disallow Quebec's legislation regarding the Jesuits, but failed. Undeterred, McCarthy carried his anti-Catholic, anti-French campaign into Manitoba and scored a major victory. In direct contradiction to its act of inclusion in Canada, Manitoba abolished Catholic schools and the use of French in the Legislature. French was sharply curtailed in schools.¹¹³

Despite concerted attempts by its leaders, the Patrons of Industry could not stay out of these conflicts.¹¹⁴ Shortly after the formation of McCarthy's Equal Rights Association, the Protestant Protective Association (PPA), an even more militantly anti-Catholic organization was born. With connections to the Conservative Party's Orange wing, its aim was to drive Catholics out of political office and boycott Catholic-owned businesses. Fourteen PPA members were elected in the 1894 Ontario election, in most cases by overlapping with other parties, and they elected on a straight PPA ticket mayors in Hamilton, London and other cities.¹¹⁵ The PPA caused problems for the Patrons because many farmers belonged to both. In Ontario's 1894 election, seven candidates nominated by the PPA announced they were Patron candidates as well.¹¹⁶ Thus the Patrons became associated in the public's mind with the PPA. In Manitoba, the Patrons campaigned federally against the restoration of separate schools and alienated their Catholic supports.¹¹⁷ They also endorsed prohibition, another issue dividing Protestant and Catholic, English and French.

The populist dream of forming a national party to fight for the rights of farmers was not realized at this time. The Patrons of Industry, like the Dominion Grange before them, did not develop into a pan-Canadian movement. They made little headway amongst French Canadian habitants who instead were joining Church or government-led agricultural associations during that era.¹¹⁸ Sectionalism was not conducive to farmers' politics. When ethno-national issues predominate, as they did in the late nineteenth century, it is difficult to appeal

to class unity.¹¹⁹ Class politics suffered an eclipse in the United States at a similar point in its class formation, when Civil War issues held the stage.¹²⁰

As we saw, Canadian politics had peculiar features during national unification and early industrialization which allowed anti-democratic ideas to live for an unusually long time in a new settler society, and the largest class, independent farmers, made little political impact during the period when their numbers and economic strength were at a peak. Now we turn to a third related element: the weakness of a popularly-based Canadian nationalism that contrasted for example, with the Australian experience.¹²¹

The truth was that Confederation aroused little enthusiasm amongst ordinary Canadians. Robert Haliburton, poet of the Canada First movement who created the myth of "Canada as a northern country inhabited by descendents of northern races", lamented the prosaic manner in which British North America was unified: "Confederation. . . created as little excitement among the masses as they would feel in the organization of a joint stock company."¹²² Young intellectuals in both English and French Canada wanted to change this.

Canada First was an Ontario-centred nationalist movement founded in 1868 by young followers of the assassinated D'Arcy McGee. Four years later, the Parti National emerged out of the anti-Confederation Rouges Party in Quebec and embraced the new, enlarged Canada. Each movement wanted to throw off the colonial past and develop an independent spirit in Canada:

"We are a national party because, before all, we are attached to our nation, and because we have pledged our unswerving loyalty to Canada above the whole world: Canada against the world. . ."¹²³

The Citizen of the United States has a flag of his own, a nationality of his own—the Canadian has never had to look abroad for his. For years British policy isolated the Provinces, to prevent their absorption in the neighbouring Republic, and in so doing stunted the growth of national sentiment. . .¹²⁴

Both movements espoused popular-democratic reforms such as the secret ballot, broadening the franchise, ending patronage and corruption, tariffs to foster industry, and greater independence in setting foreign policy.¹²⁵ Another loose group of nationalists in English Canada, people like Phillips Thompson, A.W. Wright and E.E. Sheppard who were more pro-

gressive than Canada First, had connections with the emerging labour movement and, except for the latter, joined in the Patrons crusade.¹²⁶ However, these nationalist movements did not form a pan-Canadian alliance or develop a popular-democratic version of the National Policy, even along the lines of the European system, basically because of the chasm in ethno-national relations in Canada. Before the Canada Firsters could get very far in creating myths that would provide "some cement more binding than... a mere community of profit," they became embroiled in the Metis question in Manitoba.¹²⁷ Would the West become a settlement of "French half-breeds" or an extension of Ontario? Colonel Denison, a leading member of Canada First, advocated an "armed emigration" of Ontarians to the West to stamp a British character on the new region. Canada First rushed to the defence of the "Canadian Party" in the Red River and took up the cause of Thomas Scott, an Orangeman executed by Riel's provisional government. On the other side was the Parti National, which campaigned with some success on the maltreatment of Riel in the 1872 federal election.¹²⁸

The nationalist movements had well-defined views of Canada's identity and could appeal strongly to popular, emotional attachments to their respective sections of the country. Yet these ethno-national and at times racist appeals led only to national conflict, not national unity. A popular, pan-Canadian nationalism based on sentiments and identities seemed impossible. The Canada-wide nationalism that did emerge during these years, John A. Macdonald's National Policy, confined its pitch to such prosaic symbols as the tariff and the promotion of home industry. The opening of the Canadian West was the only element that could excite the imagination. Pan-Canadian nationalism has ever since had this dull quality: an obsessive emphasis on geography or "mappism" (to use Abraham Rotstein's phrase) and economic prosperity.

With popular, pan-Canadian independence programmes ruled out, the minimalist stance of the National Policy was the only nationalist possibility. It was designed, as Watkins argued, to ward off full absorption into the United States, but unlike the European system, it was not a strategy to lead to an independent industrial economy. The National Policy was promoted by the factions of Canadian big business which stood

to benefit from commercial and manufacturing protection, government subsidies and bonuses. They took their case to the people on the issues of loyalty to Britain and economic benefits. Even this minimalist programme was challenged by sections of big and small business who favoured closer integration with the United States.¹²⁹ Despite its promising industrial start, Canada did not develop coherent economic policies because of internal conflicts.

Class Power and State Policies Canadian politics, it has been argued, diverged from that of other advanced capitalist countries during initial industrialization. Big business was politically ascendent and faced little challenge because the class that could have ousted them, in the era when the working class was still small, was the farmers and their allies. The latter failed to become a "class for themselves" because ethno-national and loyalty issues restrained class-centred politics. The peculiarity of weak agrarian power affected state policies and foreign ownership, but in order to understand these effects, it is helpful to look at agrarian influence in other countries.

It has been more usual to study the class conflicts between lord and peasant in older societies, or slave owners and free farmers in the United States, than to look at common class interests amongst these groups. The French Revolution and the American Civil War were more vivid than the mundane conflicts between agricultural classes on one side, and the classes based on manufacturing (industrialists and workers) on the other. Perhaps they were more significant too. Nevertheless, town and country stood against each other on many important issues such as industrial protection and taxation levels. The nature of the struggles had profound effects in shaping distinct national patterns during the Industrial Revolution.¹³⁰ For example, the victory for free trade in agricultural goods in England (abolition of the Corn Laws) won by urban manufacturers with the help of urban workers, contrasts with the continuation to the present of agricultural protectionism in France, backed by a strong peasantry. The European Common Market is still bedevilled by these historically-based differences.

During initial industrialization, agrarians of all classes displayed several common political tendencies bearing on eco-

nomic development. Agrarians were oriented to defence, liberal access to credit, low taxes and low state expenditures.

Aristocrats, slave-owners, independent farmers and land-holding peasants provided the strongest support for defence and territorial expansion. They were not as strong advocates of overseas empires. Their stance is not surprising. Banking and industrial capital have no upper limits, are relatively mobile, and can be utilized intensively. In contrast, land is finite in quantity and must be used on an extensive, geographically-dispersed basis. Hence the land-holders' emphasis on defence of territory and expansion into nearby areas.¹³¹

The military character of aristocratic landlords is part of mythology; they were a warrior class. Less well-known was the similar tendency amongst peasants and free farmers during initial industrialization. Marx argued that French peasants, victorious in 1789, were the backbone of "French gloire" under Napoleons I and III.¹³² In the United States, free farmers and the southern planters provided the main force behind the relentless drive to the west at the expense of Amerindians, France, Spain, Mexico and British North America.¹³³ On the other hand, northeastern capitalists tried to block rapid agricultural expansion to the west, fearing that a class of labourers could not be retained when the alternative of free land was available. A similar military orientation was evident amongst agrarians in Sweden, Japan and Russia during initial industrialization.¹³⁴

The political implications were clear. In countries retaining a large dose of "feudalism", the military factor led to spectacular reversals. In several societies, aristocrats ended their own privileges in order to meet military threats. Aristocratic states abolished serfdom in Prussia in 1807 after defeat by Napoleon, Russia in 1861 after the Crimean War, and Japan between 1868 to 1873 after the Unequal Treaties with Western powers.¹³⁵ These were "revolutions from above," to use Barrington Moore's phrase. The primacy of a military orientation was not confined to aristocratic countries however. In the United States for example, President Andrew Jackson (1829-1837), hero of the Battle of New Orleans, was an agrarian-based advocate of low tariffs who made an exception to this principle for armaments in order to build up an American military industry.¹³⁶

The implications of an agrarian military preoccupation were less obvious. For strategic reasons the state fostered a domestically-controlled process of industrialization. Because today's ally could be tomorrow's enemy, especially in the era of shifting alliances characterizing Canadian industrialization, strategic industries had to be free from foreign ownership, technology and suppliers. In the late nineteenth century, the strategic sectors included basic steel and coal, engineering goods and machinery, chemicals, railways, and sometimes ship-building. State interest in an independent army led unintentionally to the creation of a domestically-controlled engineering sector.

War or the threat of war sparked innovation. Interchangeable parts and line assembly occurred first in the manufacture of small military arms. It was in the US, with its "turbulent frontier" of agriculture, as William A. Williams put it, that these innovations were first applied.¹³⁷ Earlier, the British Navy had provided a great demand for iron when the first breakthroughs in iron-making came. Government contracts came in blocks and had to be filled on time, providing an incentive for innovation.¹³⁸ Military preparedness led to the development of heavy industry in late follower countries too. Japan did not innovate, but its first factories produced war goods.¹³⁹ For defence reasons, governments tilted development towards strategic industries by providing them with capital and stable markets.

An agrarian military-orientation was closely related to a nationalism that often had an exclusivist character. By no means comprising the only patriotic elements, agrarian nationalists had their peculiar tendencies: opposition to foreign ownership; support for independent strategic technologies; and often, advocacy of their own brand of protectionism. The build up of the German army in the early 1890s was due to militarism and protectionism marching together, partly under the banner of the Union of agriculturalists, a vocal centre for Junker propaganda.¹⁴⁰ At the same time, the noble-led Protectionist Party in Sweden allied with protectionist independent farmers, and both campaigned for a stronger army and opposed foreign ownership of Sweden's resources.¹⁴¹

In Japan and Russia, aristocratic governments also blocked foreign investment on nationalist and strategic grounds. Fear-

ing a compromise of its independence, Japan refused foreign loans between 1874 and 1896, a period of severe capital shortage.¹⁴² The Czar reversed the German branch-plant movement into Russian Poland in the late 1880s for nationalist and strategic reasons.¹⁴³ Even agrarians in the USA modified laissez-faire views for similar reasons. During the first agrarian attack on commercial banking in the early 1800s, farmers criticized English ownership of the Bank of the United States despite laws forbidding foreigners from voting by proxy, and restricting bank directorships to American citizens.¹⁴⁴ These agrarian tendencies tilted economic development towards autarchy.

Agrarian Tax Revolt Except for defence outlays, politically powerful agrarians tended to support government restraint. High taxes placed a greater burden on agrarians, who were usually cash-poor, than on commercial or industrial capitalists. With their shortages of domestic capital, a frugal orientation had an impact on late follower development. State expenditures affected development alternatives because a frugal state would reduce the need for foreign investment, while a spendthrift one would increase it.

Aristocratic Prussia closely supervised railway buildings, avoided waste, and constructed lines for one third the cost of British lines.¹⁴⁵ The United States built railways even more cheaply, and government railway expenditures were held down by opposition from agrarians. While most agrarians supported railway construction to enhance access to markets, many, especially in the South, blocked a Federal role in railway building, fearing the imposition of higher taxes by means of tariffs. They also suspected that the metropolis would gain the greatest benefit.¹⁴⁶ Sweden's large, non-noble farmers were very economy-minded as well. Three years after the Ruralist Party gained ascendancy in the Lower Chamber, a law was passed limiting the speed of state railway building to a level that would not increase the debt. Perhaps because noble lands were tax exempt, aristocratic governments did not display such a passion for state economy. Nevertheless, in contrast to Canada, Sweden was not extravagant during initial industrialization, and government trunk lines were the cheapest in international comparison: one-seventh the price per mile of British railways.¹⁴⁷

Agrarian political frugality contrasted sharply with commercial business extravagance. With its quick succession of regimes, the 1848 revolution in France threw into relief the political tendencies of the various classes. According to Marx, the finance aristocracy: "bankers, stock-exchange kings, railway kings, owners of coal and iron mines and forests, a part of the landed proprietors" had ruled France under the July monarchy (1830–48). The finance aristocracy "had a *direct interest in the indebtedness of the state*. The *state deficit* was really the main object of its speculation and the chief source of its enrichment. At the end of each year, a new deficit" (emphasis added).¹⁴⁸ The finance aristocracy was overthrown in the February Revolution by an alliance of the industrial bourgeoisie, the petite bourgeoisie and the working class. The revolution looked secure until the provisional government committed the unpardonable sin of saving the Bank of France from ruin by raising taxes. "Who was to be taxed. . . Who was sacrificed to bourgeois credit? *Jacques le bonhomme, the peasant*".¹⁴⁹ From this point on, the Republic was seen as the tax collector, and was quickly ousted by the coup d'état of the peasants, bringing Louis Napoleon to power. Although they did not control his government, Louis Napoleon displayed the usual agrarian tendencies. Railways were rationalized to avoid duplication but there was no restraint on military adventures, the hallmark of this government.¹⁵⁰

Similar tendencies were evident in other countries during early industrialization. Except for the military, agrarian classes usually favoured low-cost government. If their policies held sway, the need for foreign investment was lessened.

Industrial Credit and Agrarian Political Power Perennially short of cash, agrarians usually wanted freer credit and state control of note-issuing (paper money). The break-up of commercial banking systems was related to the political power of agrarians. Although farming classes tended to pursue their own economic interests, their credit orientations were congruent with the greater supply of domestic capital for industry.

In the United States, northeast commerce and industry were the political backbone of Hamiltonian, whiggish banking policies. The whigs set up the Bank of the United States (1791–1811, and 1816–1836), a central bank to conduct commercial

business, expand the money supply and sustain government credit. Like the Bank of England, it was supposed to ensure stable commercial banking. Emphasis on stability masked another feature: the favouring of creditors over debtors. Private commercial banks did not lend readily to farmers, who, in the 1830s, needed capital to mechanize agriculture. The agrarian-based movement sweeping Andrew Jackson to office also destroyed the Bank of the United States and the whole commercial banking system.¹⁵¹ Upon the ashes of the old system, new unit banks proliferated, and several large industrial investment banks rose later. Besides lending more readily to farmers, the new system increased credit to industry.¹⁵²

European investment banks had their most important start in Germany, where they developed in dialectical relationship with Junker-controlled Prussia. These banks originated in the Rhineland, an advanced region of Prussia where they had to deal with an aristocratic state indifferent at best to capitalist development. Prussia's framework for monetary and banking activities was different from that in England and the USA, where banking profit was derived mainly from the issuing of private bank notes. Because it was a major source of state revenue, aristocratic-statist Prussia refused to give up its note-issuing monopoly, and private Rhenish bankers had to find alternatives to note-issuing. Investment banking was their answer. The new banks profited from purchasing industrial shares, acting as stock brokers, and speculating on stock markets with the aid of insider knowledge. Banks thus took an interest in the management of their industrial clients and investment banks became dominant in Germany after 1870. It is unlikely that investment banking would have developed in the Rhineland if bankers, rather than aristocrats, had controlled the state and ended the note-issuing monopoly.¹⁵³

England adopted a purely commercial banking system once industry had taken over agriculture. Because England was the only advanced manufacturing country for over a half century after the 1770s, profits were high, and a surplus of domestic industrial capital developed by the time commercial banking became entrenched. It had been different during initial industrialization when agrarian political power was greater. Then, Britain had a heterogeneous banking system in which numer-

ous country (unit) banks were important. According to Phyllis Deane:

When the pioneers of the industrial revolution went in search of capital, they could hope to find local bankers who had access to enough personal knowledge about the borrower on the one hand, and enough practical knowledge of the trade or industry concerned on the other, to be able to take risks which a less personally involved banker would find incalculable and therefore out of range. Probably the English banks have never been so ready to assist innovation or to finance long-term investment in industry as they were in the period 1770–1830 when the Industrial Revolution took shape.¹⁵⁴

Once Britain passed through initial industrialization, most local banks disappeared, and with them, capital for small innovative industry. The move to commercial banking took place during the tumultuous changes turning Britain from aristocratic to plutocratic rule in the 1820s to 1840s. Merchants and large manufacturers were the strongest critics of the old “unstable” English banking system.¹⁵⁵ In these and other cases, availability of domestic capital for new industry had been dependent on the power of agrarians, whether independent farmer or land-holding aristocrat.¹⁵⁶

Canadian Farmers and State Policies It is commonly thought that Canadian farmers were laissez-faire liberals. If so, greater influence by farmers would have led to a diminished state role during initial industrialization. Since Alexander Gerschenkron showed that laissez-faire policies were inimical to the European system, then agrarian political dominance in Canada would have hurt, not helped, the development of independent, secondary manufacturing in Canada.

The idea of farmer hostility to government intervention is based on several misconceptions. Regarding the tariff, the most controversial issue, farmers often lined up on one side, and the Canadian Manufacturers Association on the other. Farmer support for Alexander Mackenzie's “laissez-faire” government (1873–1878), and opposition to government expenditures for canal and railway projects give the appearance of farmer opposition to state intervention. Reginald Whitaker argued that “toryism”, the creed of the dominant capitalists, favoured intervention, whereas the popular liberal-democracy of the petit-bourgeoisie held to the unregulated freedom of enter-

prise.¹⁵⁷ The historical evidence does not support these arguments. Canadian farmers favoured intervention, but of a different kind to that supported by commercial and industrial capitalists. Since farmers' organizations were out of power throughout initial industrialization (1870–1910), their oppositional role can be misconstrued as opposition to government intervention in principle.

Farmers were ambivalent about tariffs in the 1840 to 1914 period. They tended, as in other countries, to support duties on agricultural imports and oppose tariffs on manufactured goods. After a ten-year battle by farmers for protection, Canada's first tariffs (1843) were raised against US farm produce, not against manufactured imports.¹⁵⁸ Attitudes towards industrial protection were influenced by the type of farming done. If they produced for the home market, many farmers could support industrial protection, but if their produce sold on the export market, most were opposed. When Ontario farmers moved into animal husbandry for the growing Canadian cities, the Tory appeal for farmers to support the National Policy to build up the home market had wide support for a time. It is likely that a majority of Dominion Grangers voted Conservative in the National Policy election of 1878. Economic depression and massive emigration in the late 1880s weakened the credibility of the home-market idea and many farmers changed their minds, but the Grange did not support reciprocity with the United States in 1891. On the other hand, Western farmers who depended on wheat exports naturally supported free trade.¹⁵⁹

On other forms of intervention, the farmers' position depended on class interest, not ideology. In the 1830s, the agrarian-based Reformers of Upper Canada fought for more competitive banking, while 50 years later the Grangers pushed for state-owned banks. These policies seem contradictory but in each case were attempts to break the commercial banking monopoly which provided inadequate farm credit. Farmers displayed the same flexibility towards intervention in transportation projects, supporting cheap government and opposing many of business' railway projects, yet demanding government-owned railways and more road building.¹⁶⁰ Farmers did not adhere to *laissez-faire* in principle. If state intervention was thought of benefit, farmers supported it; if not, they stood

in opposition. The same was true of farmers in the USA and Australia in the 1800s.¹⁶¹

The peculiar political weakness of Canadian farmers did not alter the degree of state intervention pursued by Canadian business elites. Instead it altered the character of intervention. What policies would farmers have implemented if they had held power? We shall never know precisely. What parties or groups advocate outside of office is not always a good indicator of what they will do upon obtaining power. Nevertheless, we can project the main direction of such policies, both from the platforms of contemporary farmer movements, as well as from experiences in other countries where agrarians were in power.

Upper and Lower Canada had modelled their credit systems after the commercial Hamiltonian banks of the United States. By the 1830s and 1840s, Canadian farmers began to adopt new farming techniques, increasing their need for capital.¹⁶² When American agrarians, allied with the working class and some New York banks, assaulted and ended this system in the 1830s, Upper Canadian farmers were impressed.¹⁶³ Reformers advocated a similar system of unit banks and easy-credit for Upper Canada. On the eve of the 1837 rebellions, the Legislature passed bills to increase banking capital by 900% and nine new banks were approved for charter. The Colonial Office though, refused Royal assent because of the "danger of corruption from American influences".¹⁶⁴ For a while, the defeat of the rebellions stopped farmers' attempts at bank reform.

With the renewal of agrarian radicalism (1848) "free" banking made a comeback. In 1850, the united province of Canada established "freedom of banking" laws modelled after those in New York state. Canada's unit banks though were burdened with measures to ease the state's debt, while the commercial banks, free of such restrictions, were more profitable. Because of this, unit banking failed to take hold in Canada.¹⁶⁵ It is not clear why Canadian legislators were able to get away with penalizing the "free" banks. But the political context is known. Agrarian radicalism quickly became mired in sectional squabbles in the 1850s.

The new Dominion entrenched Canada's commercial banking system in 1870-1. The unit banks of New Brunswick and Nova Scotia, and the "French banks" of small-town Quebec

failed in the next few decades.¹⁶⁶ From this point forward, the banking system was set in its centralized, investment-shy mould. Large commercial banks were too powerful to be changed radically by the early twentieth century assault of Western farmers.¹⁶⁷ Canadian banks failed to make substantial long-term investments in Canadian industry, and to participate as entrepreneurs in Canadian manufacturing. These were the functions which the European investment banks took on at this time. It was not that Canadian banks were bereft of domestic capital. In fact Canadian banks were so powerful they expanded abroad on a major scale in the 1900–1913 period, at precisely the time when American branch plants established their first hold on Canada.¹⁶⁸ Canadian industry received the necessary capital, but not from domestic sources. The lending orientation of Canadian banks had been influenced by the defeat of farmers' attempts at credit reform. Canada's failure to adopt the American or German banking system was thus not related to peculiar tendencies of Canadian farmers, but simply to their political weakness.

A similar situation existed regarding state expenditures. As mentioned earlier farmers repeatedly tried to scale down Canada's grandiose railway schemes between the 1850s and the First World War, but without effect. With capitalists firmly in control, the state encouraged the squandering of enormous amounts of capital.¹⁶⁹ Backed by state finance, railway contractors usually adopted expensive British methods of construction rather than the much cheaper American or Swedish ones.¹⁷⁰ This had a different effect in Canada, with its long distances and sparse population, than it had in densely-occupied and capital-rich Britain. As well, railway duplication became endemic and Canada earned the dubious distinction of possessing the most miles of railway per capita in the world.¹⁷¹

In consequence, record amounts of British portfolio capital were borrowed, especially on the eve of the First World War. These capital imports fostered the establishment of American branch plants in Canada by rapidly boosting the size of the Canadian market. In a complicated triangular adjustment, Jacob Viner showed that "the capital borrowed by Canada in Great Britain entered Canada largely in the form of American commodities".¹⁷² Hindered by Canadian tariffs and patent restrictions from exporting to Canada, many large US firms

jumped over the border and set up branch plants in Canada.¹⁷³ Branch plants were an extension of American manufacturing exports. As a US government document put it, the establishment of subsidiaries abroad is, by and large, "merely a more intensive method of selling an American product in foreign markets".¹⁷⁴ Once established, American branch plants in Canada stimulated the further importation of manufactured goods from the United States.¹⁷⁵ Thus the failure of Canadian farmers to impose their views of cheap government on the state during initial industrialization contributed to Canada's heavy reliance on both foreign portfolio and foreign direct investment.

Finally there was the strategic factor that often leads an economy to find industrial maturity through technological innovation. In contrast to other countries, Canadian farmers were not especially military-minded, a fact explainable in terms of the way the nation state was created. Agrarian-based reform movements did not lead the struggle for Canadian independence. Rather, it was the commercial capitalists of central Canada who led reluctant peoples into Confederation in 1867. The new Dominion was not to be an independent country but, in the words of Alexander Galt, scion of the Lower Canadian business community and the first politician to propose Confederation, Canada would remain a "Dependency of the Empire". Furthermore the new nation was to be anti-democratic and whiggish. "Confederation . . . does not profess to be derived from the people but would be the constitution provided by the imperial parliament".¹⁷⁶ These views were echoed by George Brown, the "Reform" father of Confederation. Referring to universal manhood suffrage in the United States, he opined that "the balance of power was held by the ignorant, unreasoning mass".¹⁷⁷ Such was the ideology of the statesmen who pushed the Confederation scheme through the colonial legislatures and deliberately avoided holding a vote on the matter wherever they could.¹⁷⁸ These were hardly the means to arouse popular nationalism amongst ordinary people.

Unpalatable as it may seem, the advent of mass democracy was related to the development of modern armies. Revolutionary France had the first armed people, when the "levee en masse" was raised to defeat the professional armies of emigre nobles who sought to restore the ancien regime. The relation

between democracy, popular nationalism, and mass armies was not confined to old world societies however. The historian, William A. Williams, argued persuasively that the driving force behind American expansionism during most of the nineteenth century, came from the farming majority who believed that freedom was connected to an expanding frontier.¹⁷⁹ If Canadian Confederation had been an agrarian-democratic project, it is likely that Canada would have been more independent from Britain and would have developed larger and more independent forces before the First World War.

By volunteering to be a "Dependency of the Empire", Canada did not develop strong armed forces. The Empire, along with America's Monroe Doctrine, it was thought, would protect Canadian independence.¹⁸⁰ Thus the strategic factor providing the strongest motive for blocking foreign ownership in other countries failed to operate in Canada during the formative period of initial industrialization. In consequence, Canada did not develop a domestically-owned and innovative engineering industry under the protective care of an independent military policy. Instead Canada relied almost exclusively on foreign technology, and this was a major factor in the emergence of the branch-plant structure.¹⁸¹

Conclusion Despite a good industrial beginning, Canada failed to adopt the European system which led to independent development in other late follower countries.¹⁸² Instead of pointing a finger at Canadian capitalists for not protecting their own bailiwick, I have indicted the whole of the social formation. For capitalists everywhere, profits come first. What marked Canada off from other advanced countries was that other classes did not gain state power and guard the domestic ground for native capitalists. Foreign ownership and a truncated manufacturing sector were the result.

It has been argued that the Canadian state missed the opportunity of moving to independent industrialization because of the ways class and ethno-nationality intersected. Inequalities between the two nations, starting with the Conquest, led to a sectional politics that strengthened big capital and weakened popular-democratic forces. It was a peculiar situation for a new settler society in the democratic age. Popular forces, primarily agrarian, failed to take a leading role in

creating the nation state and transforming the economy during the initial phase of the industrial revolution. The usual strategies of late follower countries were not pursued. Credit remained stultifyingly commercial, and state indebtedness grew enormously at the hands of those who benefitted from it. These factors slowed the development of domestically-owned industry that could have more easily kept out foreign subsidiaries. As well, the state discarded the first line of defence against foreign ownership and technological dependence by choosing to be a British dependency.

In this age when serious challenge to the power of capitalists is almost absent in most western countries, the idea that business must dominate the political system has a tendency to become an axiom. This assumption is unfortunate and results from a lack of historical perspective. It is especially dangerous when we delve into the past to examine the period when industrial capitalism was first taking shape. The answer to the question of why the Canadian state did not defend domestic ownership of Canadian industry is ironic. The capitalists were too powerful.

Notes

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1. There are other explanations. Herbert Marshall et al., *Canadian-American Industry: A Study in International Investment* (Toronto, 1976 [1936]), listed factors leading to the influx of US branch plants. The majority of reasons had to do with markets, but lower wages in Canada, the working clause of the Canadian patent law, and the availability of natural resources in Canada were also listed (pp. 198–217). They missed two major explanations: municipal bonusing of foreign subsidiaries, and export barriers erected to induce the processing of raw materials (Ontario's manufacturing condition). See R.T. Naylor, *The History of Canadian Business 1867–1914. Volumes I and II* (Toronto, 1975) and H.V. Nelles, *The Politics of Development, Forests, Mines and Hydro-electric Power in Ontario 1849–1941* (Toronto, 1974).
2. Michael Bliss, "Canadianizing American Business: The roots of the branch plant," in *Close the 49th Parallel Etc*, ed., I. Lumsden (Toronto, 1970) argues that the National Policy tariffs were erected partly to entice American companies into Canada (p. 32). Also see Stephen Scheinberg, "Invitation to Empire: Tariffs and American Economic Expansion in Canada," *Business History Review*, XLVII: 2 (1973), p. 223.

3. In Europe, as in Canada, tariffs induced the establishment of US subsidiaries in the pre-1914 period. See Mira Wilkins, *The Emergence of Multinational Enterprise: American Business Abroad from the Colonial Era to 1914* (Cambridge, 1969), p. 76-110. But the scale was so much smaller. In 1914, Canada had more than half of American manufacturing investments abroad, while all of Europe had only one-third.
4. "Austria raised its duties in 1878, 1882 and 1887 . . . Germany raised its rates in 1879, 1885 and 1888; France, in 1881, 1885, 1887, and 1891; and Russia, in 1877 and 1892." S.B. Clough *Economic History of Europe*, (Boston, 1952), p. 611.
5. O.J. McDiarmid, *Commercial Policy in the Canadian Economy* (Cambridge, 1946), p. 181; and F.W. Taussig, *The Tariff History of the United States*, 5th Edition (New York, 1910), p. 409.
6. Several writers have developed this theme. See D.M. Ray, *Dimensions of Canadian Regionalism* (Ottawa, 1971); "American Direct Investments in Foreign Countries," *Trade Information Bulletin #731* (Washington, 1930); and Wilkins, *Emergence of Multinational Enterprise*.
7. David Landes, "Japan and Europe: Contrast in Industrialization," in *The State and Economic Enterprise in Japan*, ed., W.W. Lockwood, (Princeton, 1965).
8. Eric Hobsbawm, *Industry and Empire* (Suffolk, 1968), p. 172-81.
9. Wilkins, *Emergence of Multinational Enterprise*, pp. 45-62, 208-17.
10. I have not seen a comprehensive account of this question. Defeat in the two world wars was a major factor. So were the national tensions leading up to those wars. In the late nineteenth century, German companies made several attempts to establish branch manufacturing plants and to buy resource industries in nearby countries, but withdrew because of nationalist resistance. See Olga Crip, "French Investment in Russian Joint Stock Companies 1894-1914," *Business History* 2 (June, 1960) and *Studies in the Russian Economy Before 1914* (London, 1976); and E.E. Fleetwood, *Sweden's Capital Imports and Exports* (Geneve, 1947).
11. See Gordon Laxer, "Foreign Ownership and Myths About Canadian Development," *Canadian Review of Sociology and Anthropology* 22:3 (August, 1985), ed., Robert Brym, *The Structure of the Canadian Capitalist Class* "The Political Economy of Aborted Development: The Canadian Case," (Toronto, 1985).
12. George Grant, *Lament for a Nation: The Defeat of Canadian Nationalism* (Toronto, 1965); R.T. Naylor, *History of Canadian Business* and his doctoral dissertation, *Foreign and Direct Investment in Canada: Institutions and Policy, 1867-1914* (Cambridge University, 1978).
13. R.T. Naylor, "Dominion of Capital: Canada and International Development," in *Dominion*, ed., Alkis Kontos, (Toronto, 1975), p. 52. Naylor cites Marx regarding the conflict between merchants and manufacturers in pre-industrial, sixteenth century Europe. See *Capital, Volume III* (Moscow, 1959), p. 323. More relevant to his case is "The Class Struggles in France," where Marx argues that industry and other economic sectors were hurt because the "finance aristocracy" controlled the state. L. Feuer, *Marx and Engels* (Garden City, 1959), p. 285.
14. In "Class Struggles," Marx showed that non-capitalist classes strongly influenced state policies. If these tendencies held in France, Naylor's assumption that in a capitalist society, big business always governs, cannot be sustained.
15. Nor did commercial control of industry necessarily retard development, as Naylor alleges. In late followers Japan and Sweden, commercial capitalists initiated many early industries. Erik Dahmen, *Entrepreneurial Activity and the*

Development of Swedish Industry 1919-1939 (Homewood, 1970), p. 62-3; Olle Gasslander, *History of Stockholms Enskilda Bank to 1914* (Stockholm, 1962); Thomas C. Smith, *Political Change and Industrial Development in Japan: Government Enterprises 1868-1880* (Stanford, 1955).

16. After this period, English landlords had a lot of influence but had to share power with the rising middle class. Hobsbawm, *Industry and Empire*, p. 106. I am indebted to John Hutcheson for making this point.
17. Charles Beard and Mary Beard, *New Basic History of the United States* (Garden City, 1968), p. 236; Bray Hammond, *Banks and Politics in America from the Revolution to the Civil War* (Princeton, 1957), p. 326; and William A. Williams, *The Roots of the Modern American Empire* (New York, 1969), p. 49.
18. By 1913, there were 450 US branch plants in Canada, dominating the growth industries of the 20th century: the chemical, electrical, machinery, appliance and auto and related industries. US capital was also prominent in the resource sector with such companies as INCO, Imperial Oil and International Paper. F.W. Field, *Capital Investments in Canada* (Montreal, 1914), pp. 39-52.
19. J.M.S. Careless, "Frontierism, Metropolitanism and Canadian History," *Canadian Historical Review* 35:1 (1954), pp. 8-14; F. Landon, *Western Ontario and the American Frontier* (Toronto, 1967); G. Smith, *Canada and the Canadian Question* (Toronto, 1971).
20. This term was first used by Craig Brown, "The Nationalism of the National Policy," in *Nationalism in Canada*, ed., P. Russell, (Toronto, 1966).
21. Eric Hobsbawm, *The Age of Revolution: Europe 1789-1848* (London, 1962).
22. Donald Warner, *The Idea of Continental Union: Agitation for the Annexation of Canada to the United States, 1849-1893* (Lexington, 1960), p. 233, 255.
23. *The Toronto Mail*, unofficial Conservative Party organ, admitted in 1878 that "there are probably not a thousand men in Canada who would call for protection if the United States would consent to free trade (13 September, 1878). See Easterbrook and Aitken, *Canadian Economic History* (Toronto, 1956), pp. 381-408, for a standard discussion of Canada's economic alternatives.
24. League of Nations (Hilgerdt), *Industrialisation and World Trade* (USA, 1945); Colin Clark, *The Conditions of Economic Progress* 3rd edition (London, 1960); Alfred Maizels, *Industrial Growth and World Trade* (London, 1963); Simon Kuznets, *Modern Economic Growth: Rate Structure and Spread* (New Haven, 1969). In "International Industrialization levels from 1750 to 1980," *Journal of European Economic History* 11:2 (Spring, 1982), Paul Bairoch disagrees. His estimates, which, he noted in correspondence, are subject to error for the smaller industrial countries, place Canada 20th in 1860 and 13th in 1913 (p. 289). I use the earlier estimates because they coincide with other quantitative and qualitative information about the period. See Laxer, "Foreign Ownership".
25. Mel Watkins, "The American System and Canada's National Policy," *Bulletin of the Canadian Association for American Studies* (1966).
26. Alexander Gerschenkron, *Economic Backwardness in Historical Perspective* (Cambridge, Mass., 1962).
27. The state was interventionist in early American development, a role often overlooked by later ideologues of the laissez-faire persuasion. See W.A. Williams, *The Contours of American History* (Cleveland, 1961), p. 211.
28. Watkins, "The American System," p. 41.
29. "Late follower" countries began industrialization on a wide scale in the 1870s or 1880s and had more than 1.0% of world manufacturing by 1913.

The timing of Germany's development fell between that of early follower France and the United States, and that of the late followers. For a discussion of the timing of initial industrialization in each of the advanced countries, see Gordon Laxer, *The Social Origins of Canada's Branch Plant Economy, 1837 to 1914* (Doctoral dissertation, University of Toronto, 1981). Several countries were excluded from late follower designation. Czechoslovakia was not an independent country until 1918, and there is not adequate data on manufacturing in the Netherlands prior to 1914 to be certain of manufacturing levels. See Maizels, *Industrial Growth*. Although it had barely over 1.0% of world manufacturing in 1913, Australia was excluded because much of its industry entailed processing raw materials before exporting. See Laxer, "Foreign Ownership."

30. Rondo Cameron, *Banking in the Early Stages of the Industrial Revolution* (New York, 1967).
31. Gerschenkron, *Economic Backwardness*, pp. 8–11.
32. Gasslander, *Stockholms Enskilda Bank*, p. 9.
33. V.I. Lenin, *Imperialism, The Highest Stage of Capitalism* (New York, 1939).
34. Japanese banks were too weak in the 1870s to play a major role. Smith, *Political Change and Industrial Development*.
35. Phyllis Deane, *The First Industrial Revolution* (Cambridge, 1965), p. 179. Also see later discussion on banking.
36. For a discussion of state expenditures in late follower countries, see Laxer, "Aborted Development".
37. Kenneth Berrill, "Foreign Capital and Take-off," in *The Economies of Take-off into Sustained Growth*, ed., W.W. Rostow, (London, 1963).
38. This was not always the case. Dependence on foreign money-lenders could reduce independence too, as in the cases of Turkey and Egypt in the mid 1800s (E.H. Norman, *Japan's Emergence as a Modern State* (USA, 1940), p. 116) and Russia in relation to France (H. Feis, *Europe: The World's Banker 1870–1914* (New York, 1930), p. 219.)
39. Landes, "Japan and Europe," p. 172; J.B. Quinn, "Technology Transfer by Multinational Companies," *Harvard Business Review* 47 (1969).
40. Laxer, "Foreign Ownership."
41. Laxer, "Aborted Development," pp. 81–3.
42. Thomas Crerar, House Leader of the Progressives, urged Canada to develop "the natural resources of the country." Morton, *The Progressive Party in Canada* (Toronto, 1978), p. 116.
43. Fernand Ouellet, *Economic and Social History of Quebec 1760–1850* (Toronto, 1980), pp. 318–331; Stanley Ryerson, *Unequal Union: Confederation and the Roots of Conflict in the Canadas 1815–1873* (Toronto, 1968), pp. 69–84.
44. This was until 1836 when a moderate wing of the Parti Canadien split from the majority. Mason Wade, *The French Canadians*, Vol. 1 (Toronto, 1968), pp. 127–157.
45. Ryerson, *Unequal Union*, p. 109; Donald Creighton, *The Commercial Empire of the St. Lawrence 1760–1850* (Toronto, 1937), pp. 255–88; Charles Lipton, *The Trade Union Movement of Canada 1827–1959* second edition (Montreal, 1968), pp. 11–16.
46. Edgar McInnis, *Canada: A Political and Social History* (Toronto, 1969), pp. 252–6.
47. Graeme Wynn, *Timber Colony: A Historical Geography of Early Nineteenth Century New Brunswick* (Toronto, 1981), pp. 49, 113–149; W.S. MacNutt, *The Atlantic Provinces, 1712–1857* (Toronto, 1965), pp. 185–6.
48. J.M. Beck, *Joseph Howe, Volume I. Conservative Reformer 1804–1848* (Kingston, 1982). By 1867, political cleavage revolved around a nation-building

- group led by professional versus liberal anti-Confederate mercantile interests; D.A. Muise, "Parties and Constituencies: Federal Elections in Nova Scotia, 1867-1896," *Historical Papers* 1971, (Canadian Historical Association).
49. F.W.P. Bolger, ed., *Canada's Smallest Province: A History of PEI* (Ottawa, 1973), pp. 95-114.
50. George Haythorne, *Land and Labour* (Toronto, 1941), p. 29.
51. The Progressives ran 20 candidates in Quebec in the 1921 election, and received 18.5% of the vote in those constituencies. Chief Electoral Officer, *General Election 1921* (Public Archives of Canada, 1977), M-4212.
52. Morton, *Progressive Party*; Louis Wood, *A History of Farmers Movements in Canada* (Toronto, 1975), pp. 301-9; Ernest Forbes, *Aspects of Maritime Regionalism 1867-1927* (Ottawa, 1983), p. 15. In Ontario, the United Farmers (UFO) won 43 seats to Labour's 12 seats, while in Manitoba the United Farmers (UFM) won 28 seats to Labour's 6. Morton, *Progressive Party*, pp. 85, 228. See R. James Sacouman, "The Differing Origins, Organization, and Impact of Maritime and Prairie Co-operative Movements to 1940," in Robert Brym and R.J. Sacouman, *Underdevelopment and Social Movement in Atlantic Canada* (Toronto, 1979), regarding the weakness of popular-democratic movements in the Maritimes then.
53. Literature on early labour and socialist parties is scattered. For a start, consult A. Ross McCormack, *Reformers, Rebels and Revolutionaries: The Western Canadian Radical Movement 1899-1919* (Toronto, 1977), pp. 53-97; Gregory S. Kealey, *Dreaming of What Might Be: The Knights of Labour in Ontario, 1880-1900* (London, 1982), pp. 204-247; and Martin Robin, *Radical Politics and Canadian Labour* (Kingston, 1968).
54. There was the famous poll of September 1943 showing the CCF at 29%, slightly ahead of the Liberals and Tories, but by the time of the 1945 election, the surge had abated. David Lewis, *The Good Fight: Political Memoirs 1909-1958* (Toronto, 1981); Derek Black, *Winners and Losers: The Book of Canadian Political Lists* (Toronto, 1984).
55. Morton, *Progressive Party*, p. 114.
56. Richard Hofstadter, *The American Political Tradition And The Men Who Made It* (New York, 1951).
57. Marx, "Class Struggles," pp. 287, 338-343.
58. Note the Bolsheviks early reliance on the Social Revolutionaries. E.H.Carr, *The Bolshevik Revolution 1917-1923* Vol. 2 (Harmondsworth, 1966), pp. 35-61.
59. Greater agrarian compared to working class political power in Canada during initial industrialization (1870 to 1910) was reinforced by greater numbers, a property qualification for male suffrage through the early part of this period and electoral districts weighted toward rural constituencies. Gregory Kealey, *Toronto Workers Respond to Industrial Capitalism 1867-1914* (Toronto, 1980), pp. 367-8; Norman Ward, *The Canadian House of Commons: Representation* (Toronto, 1950), pp. 32-5, 211-232.
60. Laxer, "Aborted Development," p. 87.
61. Dankwart Rustow, *The Politics of Compromise* (Princeton, 1955), pp. 9-47.
62. Ward, *Commons Representation*, p. 56.
63. Ward, *Commons Representation*, p. 56.
64. Escott Reid, *The Rise of National Parties*; in *Party Politics in Canada*, ed., Hugh Thorburn, (Toronto, 1963); George Hougham, "The Background and Development of National Parties," in *Party Politics*, ed., Thorburn; Muise, "Parties and Constituencies," pp. 20-1.

65. Quoted in Frank Underhill, "Some Reflections on the Liberal Tradition in Canada," in Underhill, *In Search of Canadian Liberalism* (Toronto, 1960), p. 3.
66. Joseph Pope, *Confederation* (Toronto, 1895).
67. The term "conservative" is confusing. It used to convey the aristocracy's pre-liberal-democratic values of inequality, obligation and leadership, but has recently come to mean support for classical (nineteenth century) liberalism, emphasizing economic liberty. Milton Friedman, father of neo-conservatism, *Capitalism and Freedom* (Chicago, 1982), p. 6., still calls himself a "liberal". I use the terms "conservative" and "liberal" in their traditional senses.
68. Underhill, *Canadian Liberalism*, p. 12.
69. S.M. Lipset, "Canada and the United States: The Cultural Dimension," in *Canada and the United States*, eds., C.F. Doran and J. Sigler (Toronto, 1985), p. 3.
70. G. Horowitz, "Conservatism, Liberalism and Socialism in Canada: An Interpretation," *Canadian Journal of Economics and Political Science* 32 (1966), and "Notes on Conservatism, Liberalism and Socialism in Canada," *Canadian Journal of Political Science* 11:2 (1978).
71. Horowitz, "Conservatism, Liberalism and Socialism," p. 11.
72. Underhill, *Canadian Liberalism*, p. 15.
73. Warner, *The Idea of Continental Union*, pp. 217-219.
74. T.W. Acheson, "Changing Social Origins of the Canadian Industrial Elite, 1880-1910," *Business History Review* XLVII:2 (Summer 1973).
75. Landon, *Western Ontario*; Smith, *The Canadian Question*, p. 183.
76. Michel Brunet, "The British Conquest: Canadian Social Scientists and the Fate of the Canadiens," in *Approaches to Canadian History*, ed., Carl Berger, (Toronto, 1967).
77. Northrop Frye, *The Bush Garden* (Toronto, 1971), p. 14.
78. C.B. Macpherson, *The Life and Times of Liberal Democracy* (Oxford, 1977), p. 23.
79. A. Schlesinger, *The Age of Jackson* (Boston, 1945), p. 13.
80. L. Hartz, *The Liberal Tradition in America* (New York, 1955), p. 89.
81. R.C. Harris, *The Seigneurial System in Early Canada* (Madison, 1967), p. 7.
82. Hofstadter, *The American Political Tradition*, pp. 3-17.
83. Hobsbawm, *Age of Revolution*, pp. 82, 141.
84. Ouellet, *History of Quebec*, pp. 15, 52; Creighton, *The Empire of the St. Lawrence*, pp. 22-55; Wade, *The French Canadians*, pp. 93-97.
85. Wade, *The French Canadians*, p. 97.
86. P.E. Trudeau, *Federalism and the French Canadians* (Toronto, 1968), p. 104.
87. Creighton, *The Empire of the St. Lawrence*, pp. 255-287.
88. S.D. Clark, *Movements of Political Protest in Canada* (Toronto, 1959), p. 362.
89. S.D. Clark, *The Canadian Manufacturers' Association* (Toronto, 1959), p. 10.
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127. Foster, "Canada First," p. 29.
128. The Parti National's leader, Louis Jette, personally defeated G.E. Cartier on the Riel issue.
129. McDiarmid, *Commercial Policy*; E. Porritt, *Sixty Years of Protection in Canada, 1846-1907* (Toronto, 1908).
130. B. Moore, *The Social Origins of Dictatorship and Democracy* (Boston, 1966).
131. M. Weber, "The Economic Foundations of 'Imperialism'," in *From Max Weber*, eds., H.H. Gerth and C.W. Mills, (New York, 1958), p. 165.
132. Marx, *Capital*, p. 338.
133. Williams, *Modern American Empire*, p. 69.
134. See Rustow, *The Politics of Compromise*, regarding independent farmers and the landed nobility in Sweden in the decades before 1914. Regarding militarism and landed aristocracies, see Norman, *Japan's Emergence*, and Gerschenkron, *Economic Backwardness*, pp. 130-42 for Czarist Russia.
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136. Beards, *New Basic History of the United States*, p. 243.
137. David Landes, *The Unbound Prometheus: Technological Change and Industrial Development in Western Europe from 1750 to the Present* (Cambridge, 1969), pp. 307-8.
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144. Ross Robertson, *History of the American Economy* (New York, 1964), p. 160.
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146. Williams, *Modern American Empire*, p. 58.
147. J.H. Clapham, *Economic Development of France and Germany 1815-1914* (Cambridge, 1961), p. 156; Rustow, *The Politics of Compromise*, p. 26.
148. Marx, "Class Struggles," p. 283.
149. Marx, "Class Struggles," p. 296.
150. Clapham, *Economic Development*, pp. 148-9; Marx, "Class Struggles."
151. The movement was agrarian in its appeal but urban workers and intellectuals provided much of its leadership and thought. See Schlesinger, *The Age of Jackson*.
152. Hammond, *Banks and Politics in America*.
153. Richard Tilly, *Financial Institutions and Industrialization in the Rhineland 1815-1870* (Madison, 1966).
154. Deane, *First Industrial Revolution*, p. 179.
155. William Bowman, *The Story of the Bank of England* (London, 1937), p. 238.

156. This relationship appears to have held in Japan and Sweden during industrialization. See Laxer, *The Social Origins of Canada's Branch Plant Economy*, p. 590.
157. Reginald Whitaker, "Images of the State in Canada," in *The Canadian State: Political Economy and Political Power*, ed., L. Panitch, (Toronto, 1977), p. 32.
158. McDiarmid, *Commercial Policy*, p. 46.
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160. Fernand Ouellet, *Lower Canada 1791-1840: Social Change and Nationalism* (Toronto, 1980), p. 153; Wood, *Farmers' Movements*, p. 104.
161. Henry Broude, "The Role of the State in American Economic Development," and N. Butlin, "Colonial Socialism in Australia, 1860-1900," both in *The State and Economic Growth*, ed., H. Aitken, (New York, 1959), p. 38.
162. Robert L. Jones, *History of Agriculture in Ontario 1613-1880* (Toronto, 1946), p. 93.
163. Hammond, *Banks and Politics*.
164. R.M. Breckenridge, *The Canadian Banking System 1817-1890* (London, 1895), p. 76.
165. Breckenridge, *Canadian Banking System*, p. 133.
166. Naylor, *History of Canadian Business* Vol. 1, pp. 118-26.
167. Easterbrook and Aitken, *Canadian Economic History*, pp. 451-2.
168. Naylor, *History of Canadian Business* Vol. 2, p. 218.
169. G.R. Stevens, *Canadian National Railways* Vol. 2 (Toronto, 1962), pp. 155, 227.
170. British railway philosophy, born during a glut of capital, was to build solidly with high original cost and low upkeep in contrast to the American philosophy, born of capital shortage, to build cheaply and make improvements as revenue allowed (G.P. de T. Glazebrook, *A History of Transportation in Canada* Vol. 1 (Toronto, 1964), p. 66. The following railways were built according to the expensive British methods: The Grand Trunk and the Great Western in the 1850s (p. 166), the Intercolonial in the 1870s (Easterbrook and Aitken, *Canadian Economic History*, p. 412) and the National Transcontinental (Glazebrook, *History of Transportation* Vol. 2, p. 137). On the other hand, the CPR and Mackenzie and Mann's Great Northern were built according to the American standard (Glazebrook, *History of Transportation*, p. 145); Harold Innis, *A History of the Canadian Pacific Railway* (Toronto, 1923), p. 102.
171. In 1914 Canada had 57 km of railway per 10,000 people, compared to 44 km in Australia and Argentina, 41 km in the US and 25 km in Sweden. See Kenneth Buckley, *Capital Formation in Canada* (Toronto, 1974), p. 52, regarding overbuilding Canadian railroads.
172. Jacob Viner, *Canada's Balance of International Indebtedness 1900-1913* (Toronto, 1975), p. 288.
173. Wilkins, *Emergence of Multinational Enterprise*, p. 78.
174. *American Branch Factories Abroad*, Senate Document No. 260, 71st Congress, 3rd Session (Washington, 1931), p. 3.
175. Viner, *Canada's Balance of International Indebtedness*, p. 288.
176. O.D. Skelton, *The Life and Times of Sir Alexander Tilloch Galt* (Toronto, 1920), p. 243.
177. Careless, *Upper Canadian Politics*, p. 59.
178. The advocates of Confederation were able to prevent an election on the issue in the two sections of Canada and in Nova Scotia, but did not succeed

in New Brunswick where they were soundly trounced in 1865. Nova Scotia elected an overwhelming contingent of anti-Confederation members at the first opportunity (1867). PEI and Newfoundland turned down the Confederation scheme outright. See McNinnis, *Canada*, p. 349.

179. Williams, *Modern American Empire*.

180. In 1902, Laurier suggested that the Monroe Doctrine protected Canada and obviated the need for an effective standing army (C.P. Stacey, *The Military Problems of Canada: A Survey of Defence Policies and Strategic Conditions Past and Present* (Toronto, 1940), p. 68.)

181. For the connections amongst defence, foreign ownership and technological dependence see Laxer, "Aborted Development".

182. See Laxer, "Foreign Ownership".