THE NATIONAL FALLACY AND THE WHEAT ECONOMY:

NINETEENTH CENTURY ORIGINS

OF THE

WESTERN CANADIAN GRAIN TRADE

by

David Robert McQueen Jackson, B.A.

A Thesis Submitted to

The Faculty of Graduate Studies,

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In Partial Fulfillment of the Degree

of Master of Arts.

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ABSTRACT

Scholars have long assumed that the Western Canadian wheat economy of the early twentieth century was the consequence of a nineteenth century federal government program, known as the 'national policy', inspired by Sir John A. Macdonald. However, when the basic elements of this alleged policy are investigated, it becomes apparent that no systematic strategy to promote an agricultural staple economy was forwarded by the federal Conservative government. Indeed, the concept of fostering another export staple economy was anathema to nineteenth century Canadian toryism. As such, the development of the Western Canadian grain industry must be re-examined from a perspective that recognizes alternative causation.

When the various components of the developing nineteenth century grain trade are unravelled, the immense impetus provided by indigenous regional elements becomes apparent. Hamstrung by federal government policies, early western branch line construction was made possible only through the financial aid of the Manitoba legislature and the municipal bonusing craze. Although the initial impetus was provided by CPR regulations, the pressures of world economic deflation caused local grain men to develop and utilize vast grain elevator networks. Also, by virtue of the contrary designs of the Eastern Canadian milling establishment, Winnipeg grain interests were forced to erect a powerful, centralized marketing apparatus to secure international demand for Western grain. Operating in tandem, these components created a great wheat funnel which was able to competatively spout the prairie staple onto the world's markets and usher in the wheat 'boom' of the early twentieth century.

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Acknowledgments

This thesis is the final result of a long and trying fascination with the mysteries of the Canadian grain trade. It began all too many years ago in my father's livingroom where he and his good friend Professor W.D. Smith once shared with me some stories surrounding that infamous 'house with the closed shutters,' The Winnipeg Grain Exchange. These tales of decadence and commercial piracy so sparked my curiosity that when I eventually found myself in a graduate thesis program the subject of my studies was never at issue.

Many people have assisted me in this project and before I single-out the very special few to whom I am particularly indebted, I wish to awknowledge the unqualified support and assistance I received from the entire Department of History at the University of Manitoba. Whenever difficulties arose, there wasn't a member of the faculty, support staff or student body who didn't do everything in his or her power to help. Moreover, without the financial support it provided through various assistantships and a Manitoba Graduate Fellowship, it would have been practically impossible to carry out this venture. Thus, to 'The Department' I express my unreserved gratitude.

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Two grants from the J.S. Ewart Memorial fund provided me with the time in Ottawa to complete the necessary research at the Public Archives of Canada. Roy Madocks exceeded even the traditionally generous bounds of archival assistance by soliciting the Winnipeg Commodity Exchange on my behalf for special access to the restricted Winnipeg Grain & Produce Exchange records.

Finally, I wish to thank both Maryam and Noah for supporting my obsession with the grain trade. The amount of time it separated me from them has been my irretrievable loss.

To my Mother and Father,
for their support and inspiration.

What is history but a fable agreed upon?

Napoleon Bonaparte

INTRODUCTION

The dawn of the twentieth century witnessed the transformation of the isolated pockets of Confederation into an integrated and prosperous transcontinental economy within the confines of the Canadian state. The principal agent of this transformation was the development of a booming staple trade in Western Canadian wheat initiated by a 'fortuitous conjuncture' of world events.[1] By the end of the nineteenth century, the great western powers had completed a phase of structural economic transition which enabled them to enter a new period of unprecedented industrial growth.[2] This 'second industrial revolution'[3] not only undermined much of Europe's ability to feed itself, but fostered a new dietary preference for 'whitened' breads and flour[4] - necessitating the importation of ever greater quantities of 'hard' wheat peculiar to North America. Industrial upheaval also fostered a vast exodus of population bound for the new world. With the successful application of new dry-farming techniques[5], these immigrants were able to settle the semi-arid belt of the Canadian Prairies and produce the massive grain surplus necessary to satisfy the European demand. Arising in tandem, these forces ushered in the grandiose staple trade known as the Canadian Wheat Economy.

Yet it is doubtful that the development of this lucrative staple trade would have been realized had its entire success been dependent upon this 'fortuitous conjuncture' of European demand and prairie production alone. In his

Principles of the Grain Trade of Western Canada, C.B. Piper cites three basic factors required before a grain trade can be considered feasible: a grain surplus, a purchaser for this surplus, and the "necessary machinery of commerce" by which to transfer this surplus to the purchaser.[6] With this very elementary market model in mind it becomes quite apparent that given all the supply and demand impetus of the early twentieth century, the Western Canadian wheat boom would have been an impossibility without an effective mechanism by which to transfer the commodity from the producer to the consumer. To accomplish this task, a vast grain handling and marketing apparatus was required to harness the prairie region into a 'Great Wheat Funnel',[7] ready to spout the golden elixir through the head of navigation at Thunderbay on to its intercontinental destinations. By 1900 the massive structure of capital equipment, marketing regulations and human expertise creating this funnel had been erected, enabling the full potential of the 'fortuitous conjuncture' to be realized and, in turn, used as an engine of economic growth and development.

But despite its crucial relationship to the establishment of the Wheat Economy, scant attention has been directed toward the early creation of the grain handling and marketing apparatus. Although the major studies of the trade have clearly recognized its importance, and a few have gone into detail concerning the economies provided by some of its components, none have adequately tried to uncover its pre-boom origins. This inadequacy leads to a number of questions concerning the accuracy of the historical analysis of certain turn of the century issues directly related to the grain trade - particularly the Western farm protest movement and its implications. Indeed, much of the early prairie agitation focused on the trade's handling and marketing apparatus. Yet scholars seeking to understand its operation have been limited to two Dominion Royal Commission Reports[8] - produced by Western farmers[9] - which provide little account of its development prior to 1899. Obviously, a void of significant implication exists with regard to this crucial element in the establishment of the Wheat Economy.

Historians, however, have had little desire to investigate this void. For although they have neglected to thoroughly research the origins of the Wheat Economy, they have nonetheless established a theoretical explanation of its creation. Influenced by intellectual trends in the United States, depression era historians evolved a belief that the Wheat Economy was the result of a nineteenth century federal government fiat known to the profession as the 'national policy'.[10] Although an entertaining and persuasive thesis, its monolithic framework has proven far too overbearing to accommodate the diversity of interests which combined to create the early Western grain trade. Unfortunately, this correlation of nineteenth century intent with twentieth century reality has become so axiomatic to contemporary historiography that it is necessary to first trace its tenuous origins and re-evaluate its premises before the historical evolution of the Western grain trade can be presented.

Accordingly, Part I of this study provides a general overview of the traditional literature affecting the early trade, a discussion of the historiographical trends which caused historians to accept fantasy over fact, and a re-evaluation of the national policy. After a brief presentation of the early agricultural development of the Canadian West, Part II illustrates the rise of the basic infrastructure of the 'necessary machinery of commerce': the establishment of an efficient branch line and elevator system. Focusing on the problems of railway finance, economies of transportation, and the evolution of the elevator companies, it uncovers the development of the grain handling system the prairie producers found so offensive. Part III discusses the origins of the grain inspection system and its crucial relationship to facilitating not only the bulk handling apparatus established under Part II, but to the problems of grain marketing as well. Consequently, the rise of Winnipeg as the market centre of the trade and the creation of its Grain and Produce Exchange will also be incorporated within this discussion. Part IV seeks to evaluate the operation of the handling and marketing system in relation to the agrarian onslaught at the end of the nineteenth century. Particular emphasis will be placed upon the creation of the Manitoba

Grain Act of 1900 which seriously undermined the basis of the established handling system for political self-interest.

PART I

CHAPTER ONE

MYTHOLOGY OF THE EARLY GRAIN TRADE

Despite an onslaught of Royal Commission investigators, grain trade 'insiders', and professional historians armed with extensive research grants from the likes of Carnegie, the American Social Sciences Research Council and Canada Council, the early development of Western Canada's grain handling and marketing system has remained a mystery shrouded in illusion. Serving merely as a forum for agrarian discontent, the early Royal Commissions provided a decidedly one-sided interpretation of the apparatus they sought to unravel. Subsequent grain trade handbooks produced by a number of knowledgeable 'insiders' offered great complicated studies of the trade structure but were fraught with idle conjectures and neglected historical development. When professional historians finally entered the field of grain trade investigation, they were content to accept the incidental findings of their predecessors and apply them to deterministic themes and concepts. Operating in this fashion, historians have done more to enhance the primordial mythology surrounding the trade than to uncover its actuality.

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The earliest investigations of Western Canada's grain trade were performed by a number of Dominion Royal Commissions. Long convinced of the existence of a capitalistic conspiracy to extort their wealth, prairie farmers pressured the Laurier government to unmask the hydra of corruption lurking within the system. Consequently, two Royal Commissions were initiated: the first in 1899 to investigate the handling apparatus and a second in 1906 to study the entire trade structure.[1] But unlike later years when 'objective' academics were the major benefactors of Royal Commission boondoggling, Laurier's regime believed the investigations should be carried out by those already familiar with the situation. Perhaps because the business interests denied knowledge of the alleged conspiracy, the administration decided the best approach would be to encourage those who believed in the plot to perform the investigation. As such, the commissioners for both of these inquiries were all farmers.[2] Although these Commissions compiled a great quantity of what one Chairman referred to as "groundless complaints"[3] and very little evidence of conspiracy, they did provide a considerable list of recommendations, usually adopted by the government, to enable farmers to better profit from their labours and prevent the 'non-producing' interests from combining against them. Unfortunately for the historian, these Commissions provided very little information concerning the evolution of the system and are only useful in their description of the trade as the great wheat boom set in. However, because of the obviously limited perspective of the Commissioners, the information provided should be heavily qualified by the scholarly investigator . Subsequent historians have not only failed to do this, but have reiterated the multitude of accusations the Commissions were unable to find evidence of.[4] Yet this is not surprising given the agrarian faith in the existence of the illusive conspiracy. Indeed, during the first half of this century alone, succeeding federal governments were persuaded to initiate four more Royal Commissions of Inquiry into the operations of the grain trade.[5] These also proved unable to legitimate the accusations of the prairie producer and made no further attempt to uncover the evolution of the trade structure.

When the Great War interrupted Canada's brief sojourn with booming prosperity, a retrospective realization of the economic miracle wrought by wheat initiated a new enthusiasism for the workings of the grain trade. The following decade and a half witnessed the publication of a small number of descriptive handbooks purporting to unlock its secrets. Unfortunately, most of these handbooks are disappointing. Written by knowledgeable 'insiders', the focus is confined to the intricate workings of the system at the time of publication and little concern is expressed on historical development.

The first of these handbooks, C.B.Piper's Principles of the Grain Trade of Western Canada, developed from a series of lectures given to the students of the Manitoba Agricultural College and was published in this form during 1915. It was extensively re-written in 1917 only to be seriously outdated by a revision in government grain regulations before it rolled from the presses.[6] Nevertheless, this publication clearly set the structural format employed by its successors: taken on a guided tour of the trade apparatus, the reader is treated to a graphic description of its parts. Fortunately, the author often neglected his desire for objectivity and digressed into defensive analyses of the necessary integration of the system's major components - raising a number of issues virtually ignored in subsequent handbooks.

As an executive director of two elevator companies, Piper was not only well versed in the intricacies of the 'necessary machinery of commerce', but uncomfortably aware of the Western farmers' continuous assaults on its operation. Thus, amidst the comparisons of the relative cost of various modes of transportation and the capital requirements of infrastructure, the author delved into the economies provided by the Western elevator system over the use of flat warehouses and loading platforms.[7] When further elaborations are made concerning the importance of grain inspection to bulk handling and market value,[8] the crucial interlocking nature of the system becomes self-evident. Accordingly, attempts to circumvent the efficient operations of one component, such as the substitution of direct loading platforms for elevators, are likely to undermine the effectiveness of the entire apparatus.

Piper also noted the major historical deformity of the Western grain trade - the fact that Winnipeg, and not Thunderbay, was its marketing centre. As the railhead, where the staple is stored and transshipped to lake vessels, Thunderbay was the natural geographic point for the grain market to be centred. Indeed, the Western Canadian grain trade is the only one in the world where the marketing centre is not at the point of transshipment. Unfortunately, Piper's talent for noting this peculiarity did not extend to providing a satisfactory answer for the condition:

> ...it is impracticable to operate the grain business as a whole from (Thunderbay).... Because of the time consumed in transit of mail....[9]

Despite the naivety of this solution, it has still gained a certain historical precedence as the cause of Winnipeg's hegemony over the grain trade.[10]

Yet if Piper's work provided only a few minor insights into the delicate operations of the grain trade, the subsequent handbooks offered their audiences considerably less. In 1919 the University of Manitoba's world renowned botanist A.H. Reginald Buller published his Essays On Wheat. Although the work contained a valuable account of the development of marquis wheat, its chapter on early grain growing in the West provided little of substance on the origins of the handling and marketing apparatus. According to Buller, with the mere completion of the eastern leg of the transcontinental railway "the agricultural progress and prosperity of the west (was) assured."[11] Having thus settled the fate of the near vacant prairie, the author continues on a guided tour of the vast and complicated network of the grain trade circa 1919 without the benefit of analytic digression or clear insight. The frustrated reader is forced to conclude that this tangled enigma somehow arose upon the completion of the Canadian Pacific Railway.

Any further need to publish descriptive travelogues of the grain trade was withstood until major changes had transformed the system into an even more octopus-like assortment of heavy machinery, federal regulations and vested interest groups. Over the 1920's, farmers' cooperatives, wheat pools and added government controls significantly complicated the apparatus and thus gave W.W. Swanson, an economist at the University of Saskatchewan, and P.C. Armstrong, an agricultural consultant,cause to produce their definitive statement on the great staple trade - aptly entitled Wheat.[12] Enlarging upon the inadequacies of their predecessors, Swanson and Armstrong not only avoided placing their subject in any sort of historical perspective, but lost sight completely of the interlocking nature of the apparatus. Consequently, the work provided only a collection of minutely detailed descriptions of box cars, grain elevators, inspection procedure and so forth without justification for the entire exercise. It remains one of the least used references of the grain trade.

The most well known handbook on the trade is Duncan MacGibbon's The Canadian Grain Trade, published in 1932. Having served as professor of political economy at various Western Canadian universities, a member of the Royal Grain Inquiry Commission of 1923-4, and on the Board of Grain Commissioners, MacGibbon was perhaps the most qualified of the knowledgeable insiders to produce what he deemed as "a comprehensive picture of the Canadian grain trade."[13] Unfortunately, it too compounded the inadequacies of its predecessors. Though clearly focusing his attentions on the existing system, MacGibbon acknowledged the need to provide a preliminary study of the earlier grain trade before a true understanding of the apparatus was possible.[14] But while he provided a useful summary of wheat production from the time of the French Regime to the first exports shipped from Western Canada in the 1870's, the reader is again forced to assume that with the completion of the transcontinental railway in 1885, the vast handling and marketing apparatus - meticulously detailed over the space of 400 pages in the book - miraculously appeared without due circumstance.[15] Indeed, the author found little difficulty in announcing that by 1900 the essential hardware of the grain trade was in place but desperately needed the regulation imposed upon it by the Manitoba Grain Act.[16] Nevertheless, having accomplished this leap between transcontinental railway construction in 1885 and the need for government intervention in 1900, MacGibbon's volume continued with another of the now familiar travelogues of the great staple trade.

Fortunately, MacGibbon's <u>magnum opus</u> proved to the last of the general grain trade handbooks to appear.[17] The historical value of these works remains in their recognition of the existence of the vast and efficient apparatus of the trade. Yet its conception and evolution remained shrouded in mysterious circumstances: somehow, between the construction of the CPR and the turn of the century, a marvelous network of railways, storage elevators, inspection procedures, market centres and grain companies arose to handle the prairie staple. What endured from these lost years was the multitude of unproven agrarian accusations of corruption and conspiracy within the system.

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Thus, after having served almost three decades as the engine of the national economy, the origins of the grain trade remained unknown. And, provided the trade continued to perform accordingly, there was little cause to believe that anyone cared otherwise - least of all professional historians whose concern for healthy subjects was notoriously limited. Yet almost as soon as it gained national predominance, this economic colossus began to display symptoms of ill health. Despite the findings of the early Royal Commissions, Western agrarian interests remained convinced of their exploitation by the 'non-producers' and, harnessing themselves into powerful political and economic organizations, set out to correct the situation. Through their efforts it became apparent that massive injections of capital were required to enlarge a seemingly inadequate infrastructure. Consequently, two additional transcontinental railways were constructed on the public's <u>largesse</u>. Increased government intervention into the trade was sought and obtained, while direct participation in the handling and marketing apparatus was secured through the creation of farmers' grain companies, cooperatives and wheat pools. Nevertheless, the collapse of artificially high grain prices at the end of the Great War[18] sparked a fresh wave of agrarian discontent and left the country's two-party political system in its wake.[19] With these events historians took an immediate delight and a small library of publications purporting to explain the cause of the malady quickly appeared[20] - a glaring display of that profession's preoccupation with symptoms instead of the disease.

Although the mid-1920's seemed to witness a return to the prosperity encountered before the War, even more dangerous problems began to arise. The same industrial transformation which had provided the impetus for creating the Wheat Economy contained also the seeds of its destruction. Rapid technological advances in agriculture and an alteration in nutritional demands began to undermine European needs for North American grain.[21] More importantly, the continued international economic imbalance and a wave of nationalistic protectionism placed greater restrictions on world trade[22] precipitating a drastic fall in Canadian grain exports. With the subsequent collapse of the Wheat Economy in the early 1930's, the time had arrived for professional historians to begin their autopsy.

Yet much more than a tumultuous economic catastrophe was necessary before Canadian historians could exercise their forensic arts in the service of the grain trade. Indeed, the all-dominating conceptual thrust of the local historical community had long been confined to political and constitutional issues revolving around the glamorous theme of the rise to independent nationhood.[23] This provided little accommodation for the likes of business and agricultural subjects. However, with the nominal independence achieved with the Statutes of Westminster in 1931, interest in constitutional matters waned and an opening was thus provided for the importation of a number of American historical themes sympathetic to mundane economic pursuits. But though these themes enabled historians to direct their attention to the Wheat Economy, they subtly submerged the subject into the deterministic confines of prairie settlement and national policy.

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Over the first decades of the twentieth century the scope of American historical thought underwent an unprecedented series of upheavals - a process which would be repeated in Canada a generation later. The historical writing of the nineteenth century had been dominated by political and military subjects dealt within the familiar context of constitutional evolution. But with the publication of Frederick Jackson Turner's "Significance of the Frontier on American History" in 1893 the chains of tradition were removed and an onslaught of new historical interests overwhelmed the old school. Turner's work immediately fostered a now well known interest in the all-persuasive force of western settlement, with its emphasis on environmental determinants, while economic history received a significant boost in 1909 with G.S. Callender's Readings From the Economic History of the United States. An added emphasis on economic determinants was provided by a young Charles A. Beard with An Economic Interpretation of the Constitution of the United States (1913) which emphasized a seductive conspiratorial force within the nation's historical development. In fact, to a new generation of historians fresh from the trenches of Europe, Beard's populist concern for the motivational power of capitalist greed, and his denial of any idealistic or humanitarian elements, has been likened to that of a divine revelation.[24] Consequently, the Progressive school - combining the ideas of Turner, Beard and a few other writers - dominated American historical thought until a wave of Cold War inspired revisionism undermined its anti-capitalist assumptions.

But it was with Beard's 1927 publication of The Rise of American Civilization that three important Progressive themes - western settlement, economic determinism and capitalistic conspiracy - were welded into an overall interpretation of national development that would eventually find its counterpart north of the forty-ninth parallel. The crux of Beard's thesis emerged from the chapters on the Civil War, glowingly referred to as the 'Second American Revolution.'[25] Ignoring the military side of the conflict, the author rapidly unfolded a manichean tale in which Northern capitalists broke the Congressional stranglehold of the feudal Southern planters and effected a scheme of incredible economic grandiosity. Through its servile instrument, the Republican party, Northern capitalists pushed through Congress a legislative package which transformed the

American West into an exclusive colonial market for Eastern industry by way of a protective tariff, the subsidization of transcontinental railways and the promotion of western settlement through various homestead and immigration policies.[26] With this administrative fiat, the Northern capitalists transformed the agrarian idyll of Jefferson and Jackson into a vast industrial empire.

That Canadian historians should have been influenced by the Progressive school was inevitable.[27] By geographic proximity alone it would have been impossible for the new trends in historical thought to escape osmotic importation into Canada. But more importantly, increasing numbers of Canadian scholars sought graduate training in the United States. The elite of Canada's economic historians received their training south of the border.[28] Indeed, it was within the early activities of W.A. Mackintosh, the historian most responsible for the economic interpretation of contemporary historiography,[29] that the undeniable influence of American historical thought becomes readily apparent.

A graduate of Harvard who had at one time taught in a one room prairie school house, Mackintosh acknowledged his intellectual debt to the seminal works of Turner and Callender.[30] Their concepts of the magnetism of the western frontier and the colonial need for staple trade were expertly synthesized by this young historian as early as 1922. With his first address to the School of Economic

History that year, Mackintosh promoted a conceptual paradigm whereby the central focus of Canadian history was to be the process of westward agrarian expansion as motivated by the colonial economic requirement of staple exploitation.[31] Following Mackintosh's lead, professional interest in these economic and environmental considerations began to take shape - particularly H.A. Innis' enthusiasm for staple trades[32] and application of the Frontier thesis by W.N. Sage and E.H. Oliver.[33]

Weaned from political and constitutional themes, and sufficiently familiarized with the new environmental and economic determinants, Canadian historians were thus prepared to tackle the corpse of the Wheat Economy. In fact, directly contrasting their past experiences, they were provided with sizable financial and publishing support for their adoption of American interests. The American Geographical Association initiated a number of studies concerning the Canadian situation and these soon sparked the creation of a special Canadian Pioneer Problems Committee to obtain funding from the American Social Science Research Council to transform the studies into a multi-volume series dealing with the development of the Canadian prairies.[34] The result was entitled the Canadian Frontiers of Settlement Series and W.A. Mackintosh served as its general editor.

Although the series contained a great deal of geographical, scientific and historical information on the prairies, Canadian Frontiers of Settlement was severely limited in its ability to investigate the grain trade proper. The very thrust of the work undermined any such focus; with its deterministic emphasis on frontier settlement, the evolution of the grain trade became the inevitable result of the settlement process taking its course. For example, even though railways, a crucial factor within the grain trade, were dealt with in great detail, they were viewed only as a means of facilitating settlement[35] and thus ignored the very different requirements of transporting staple commodities. Indeed, there is little awareness in the series of the existence of a grain trade before the turn of the century.[36] Yet, despite the inadequacies of the series, it did foster a new perspective on Western Canadian development which would significantly affect any further work in the field.

In Chester Martin's contribution to the series, a monumental complement to Mackintosh's emphasis on settlement and staples emerged. Although initially interested in colonial and imperial affairs, Martin developed an amazing enthusiasm for the prairies after he came to the University of Manitoba to establish its History department in 1909. He saw in the West's subservient position to central Canada an obvious parallel between federal and imperial policies and soon came to sympathize with the various Western grievances of the period.[37] Crushed under the burden of railways, freight rates and a protective tariff sytem, Martin had little doubt that the prairie wasteland he viewed in the 1930's was the result of something more than a 'fortuitous conjuncture.' From the pages of his "Dominion Lands" Policy(1938), the history of Western Canada became the consequence of a grandiose federal government plot:

> The westward expansion of the new Dominion was a 'national necessity', and it could be brought to pass only by policies truly national in their scope. It was determined to retain the public lands as a national appanage to be 'administered by the Government of Canada for the purposes of the Dominion'....The twin problems of railways and settlement could be solved by no other expedients at that time...(This) transformed the Dominion from a federation of equal provinces into an empire...under direct federal administration.[38]

Thus, while still supporting the unalterable pull of the frontier and the process of staple exploitation, Martin pushed Mackintosh's thesis into an entirely new milieu: the process of western settlement, and the subsequent development of the Wheat Economy, received added assistance from aggressive federal government planning.

Mackintosh quickly concurred with Martin and, after adopting a few more minor refinements, unveiled the government's scheme with his 1939 contribution to the Royal Commission on Dominion-Provincial Relations:

> In the period in which Confederation was planned and worked out, there were three decisions looking toward economic integration within a national economy - decisions which were so broad in scope and so important in effect that they continued to mark the main lines of national policy.[39]

Maintaining his Turnerian faith, Mackintosh reiterated the premise that western settlement would be the 'engine of national growth' and then proceeded to unfold the federal policies formed to accomplish it: the acquisition of Rupert's Land as an agricultural frontier, the construction of a transcontinental railway to link it to the world market, and a protective tariff system to maintain the frontier as an exclusive preserve of central Canada.[40] Although he subsequently qualified his thesis by emphasizing the somewhat etherial existence of the policies,[41] the basic structure of what subsequent students of Canadian history would memorize as the 'national policy' had arisen. But even though Martin and Mackintosh had unearthed a theory of Canadian development via administrative fiat, the story still lacked a crucial element before it could seriously rival the conspiratorial splendour of the American Progressive school.

Investigating from an entirely different vantage point, a young Donald Creighton inadvertently completed Mackintosh's unfinished equation. During the early thirties, Creighton set out to re-tell the tired political and constitutional struggles of the pre-Confederation era from a decidedly Tory perspective.[42] However, much to his own chagrin, he discovered that the major influence behind the colony's development was its active merchant class. With the financial assistance of the Carnegie Foundation, Creighton's findings were published in 1937 as <u>The Commercial Empire of the St. Lawrence,1760-1850</u> and its essential contribution to Canadian history was revealed immediately in its preface:

> <u>It was the merchants, above all others, who struggled to win the territorial empire of the St. Lawrence and to establish its institutional expression, the Canadian commercial state</u>; and though their influence was undeniably less than the pressure which they persistently applied, they may be regarded as one of the most continuously important groups in Canadian history.[43] (emphasis mine)

With the release of this monumental study, little imagination was required to extrapolate between the merchants' drive for institutional and territorial control and the subsequent administrative fiat which created the Wheat Economy.

Yet the forces which had led Canadian historians to their initial flirtation with the western staple trade had temporarily dissipated. Clearly, the intervention of the Second World War alleviated some of the economic problems caused by the devastation of the Wheat Economy and initiated an idealistic concern for the 'nation' as something greater than the sum of regional misgivings. But also, the ideas of Martin , Mackintosh and Creighton had made it imperative for historians to shift their emphasis toward more central Canadian themes. The stark reality arising from the investigations of the 1930's was of the historical impotence of the West in face of the central Canadian juggernaut. Therefore, it was not surprising that in its post-War magnificence the Canadian historical community would adopt a concensus interpretation supporting the nation building omnipotence of central Canada. Emerging from Creighton's Commercial Empire of the St. Lawrence, and his subsequent Dominion of the North (1944), the Laurentian school arose.[44] Accepting the historical axioms of the thirties - western thrust of settlement,successive staple economies (fur, timber and wheat) and aggressive federal government policies - it attributed to them a completely centralist ethos: with the St. Lawrence merchants,- and their successive political manifestations, acting as the benign agents of public interest, a nation from sea to sea was slowly forged from the diverse geographic matrix of British North America. The eventual rise of the Wheat Economy thus became the logical consequence of the central Canadian attempt to integrate the vacant North-West into the national economy through a series of federal government policies known as the national policy: erection of a protective tariff, transcontinental railway construction and the fostering of rapid prairie settlement.[45] As such, Creighton provided a full-scale rationale for the administrative fiat suggested by Martin and Mackintosh; but, because of his own Tory sympathies, this Canadianized version of Beard's 'Second American Revolution' temporarily lost its populist inspired, conspiratorial flavour.

Although the Laurentian school provided the conceptual mausoleum for the historical profession to entomb the origins of the Wheat Economy, Vernon C. Fowke produced its final epitaph. In his <u>The National Policy and the Wheat Economy</u> (1957), this long time professor of agricultural and economic history at the University of Saskatchewan published the divine synthesis of Western development and the conceptual parameters of national policy. This work is, paradoxically enough, the closest an historical work has come to dealing with the origins and development of the Western grain trade while at the same time compounding the errors and inadequacies of its predecessors. It is, effectively, the last word on the history of the Wheat Economy.[46]

Originating from S.D. Clark's series on the political eccentricities of Western Canada, inappropriately titled <u>Social Credit in Alberta</u>, Fowke's volume not only provided the factual substance for the Laurentian account of Western development but also returned full-circle to the populist tone of the earlier Canadian Frontiers of Settlement Series. As a life long Western Canadian who had witnessed the devastation of drought and depression on the prairies, Fowke maintained a devout sympathy for the plight of the agrarians confined to a quasi-feudal role within the nation's economy. Thus, although he based his thesis on the framework of the Laurentian interpretation , he viewed the development process as the creation of an unequal exploitive relationship thrust upon the West by the central provinces.[47] Consequently, national policy is but a deceptive persona enclosing a scheme of "central Canadian imperialism."[48] Obviously, this work presented a significant criticism of the Laurentian school's assumption of nation building while returning the story of Western economic development to the populist orientation of the 1930's.[49] Indeed, The National Policy and the Wheat Economy remains the closest Canadian history has come to reproducing the manichean parable of 'national plundering' unfolded by the Progressive historians of the United States.

Fowke began his tale of the origins of the Wheat Economy in the years prior to Confederation. Having been summarily denied access to both the British and American economic systems, the St. Lawrence merchants were forced to create a system of their own.[50] Upon a brief review of their past bouts with temporary prosperity, it was realized that good times were characterized by "abundant immigration and agricultural settlement."[51] According to the author, commercial success was dependent on agricultural success and "staple production...represented the extreme stage of the possible degree of interdependence between agriculture and commerce."[52] As such, it was essential that the St. Lawrence merchants promote the further development of an agricultural staple trade or, as Fowke more precisely phrased in light of its mercantilist origins, "a new frontier of investment."[53]

Having accepted the prerequisite of establishing an 'investment frontier', Fowke's national policy became the "policies and instruments" implemented by the agents of the St. Lawrence merchants - the Fathers of Confederation and their political successors - to accomplish the task. Indeed, the creation of the frontier of investment was well beyond the separate capacity of the St. Lawrence merchants and thus necessitated a grand political project. First, Rupert's Land had to be removed from the control of the Hudson's Bay Company and made a territorial appanage of the United Canadas.[54] In order to integrate it into the commercial sphere of the merchants, the vast transportation problem had to be solved. This necessitated the construction of the transcontinental railway.[55] However, the accomplishment of this "colossal task" was well beyond the already strained resources of United Canada and thus the Confederation of all the British North American colonies was required.[56] This Confederation would create a federal government with the constitutional authority to accomplish such projects and restrict the provinces to purely local functions. More importantly, the province and territories that first emerged from the virgin matrix of the North-West would be further circumscribed in their authority by the federal government's control over public lands.[57] Following this, "a vigorous and successful immigration policy" would be implemented to make certain this national project did not fail.[58] Finally, a protective tariff wall would be created to secure the anticipated Western market for exploitation by the St. Lawrence merchants.[59]

However, upon his completion of this deterministic evolution of the national policy - somewhere between the protective tariff of 1879 and the CPR contract of 1881 - the author confidently skipped over two decades of Western historical development to resume his story with that familiar 'fortuitous conjuncture' at the turn of the century.[60] Satisfied that he had thus accounted for the origins of the Wheat Economy, Fowke subsequently delved into a 'well reasoned' discussion of the exploitive grain handling and marketing system based almost entirely upon the early Western agrarian accusations of conspiracy and farmer dominated Royal Commissions.[61]

Thus, despite his elaboration of the Martin, Mackintosh and Creighton theme of national policy being the causative factor behind the development of the Wheat Economy, Fowke's magnum opus did little to fill the historical vacuum surrounding the erection of the grain trade apparatus between the construction of the CPR and the 'fortuitous conjuncture' at the turn of the century. The creation of that lucrative staple industry remains the assumed consequence of an administrative fiat engineered by central Canadian commercial interests. Obviously, a considerable void in the history of grain trade remains and warrants investigation. What is less obvious is that the relationship between it and the national policy should also bear similar study.

CHAPTER TWO

THE NATIONAL POLICY: FACT OR FANCY?

As the locus classicus of Canadian historical thought, the Laurentian thesis of national development, known as the national policy, has become the conceptual benchmark from which virtually all further investigations into the field take their cue. Indeed, national policy has come to provide such a persuasive and all-conclusive paradigm of historical causation that even antagonists have adopted the seductive framework it offers. That a phalanx of federal government policies, usually narrowed to that familiar trilogy of western settlement, transcontinental railway and protective tariffs, was initiated by central Canadian commercial interests to provide the putsch for national development has become the indispensable axiom of the historical profession. Certainly the issue of national policy has not been neglected in the profession's scholarly publications. In fact, over the last decade and a half, a vigorous debate has ensued concerning its 'nation building' qualities, or lack thereof.[1] Unfortunately, these quarterly donneybrooks have provided little more than a forum for semantic bickering and fail to question the validity of the national policy's form and content. Consequently, the deterministic structure of the Laurentian interpretation of national development remains intact and continues to hold the profession in a near opiatic, interpretive idyll.

Yet should Canadian historians continue to hold in such obeisance this one-dimensional conceptual monolith? Universal in the national policy's application is the assumption of the omnipotence of the St. Lawrence mercantilists and their nineteenth century partner, the federal Conservative government. Dependent upon current regional bias, these central Canadian interests are viewed either as engineers of the transcontinental destiny or exploiters of the virgin West. In both cases, the territory west of the Great Lakes is assumed defenseless against this juggernaut. This displays not only a manichean misunderstanding of federal-provincial powers, but totally neglects the entrepreneurial capacity of the region, particularly the province of Manitoba, to circumvent the central authorities.[2] Indeed, Manitoba's successful struggle over federal disallowance, the CPR monopoly, and the provision of additional railway facilities in the 1880's is a clear example of the very real powers of even a 'have not' province as well as the limitations of central Canadian persuasion.[3] Nevertheless, such a minor inconsistency provides little deterrence to those committed to the catholic powers of the national policy.

But does the national policy actually explain such a phenomenon as the development of the Wheat Economy? According to the major exponents of the all powerful national policy, the creation of the Wheat Economy was the very essence of its success.

Donald Creighton:

> The country, with the assistance of the national policies of immigration, railways and tariffs, was organized on an east-west axis....The climax of this whole phase of our existence came in the great prosperity of the first decade of the twentieth century.[4]

V.C. Fowke:

> The establishment of the prairie wheat economy... may be regarded as its (the national policy's) first major economic triumph....[5]
>
> ...the establishment of the prairie wheat economy ...provided the new economic frontier of investment opportunity without which the first century of the national policy would have been but an empty dream.[6]

Yet even the most adamant supporter of this monumental extrapolation between nineteenth century intent and twentieth century reality raised doubt over the paternity of the Wheat Economy. In The National Policy and the Wheat Economy, Fowke provided this curious revocation of his own thesis:

> The 'wheat economy' is a term that can be used with propriety only in retrospect for there was no time when the molders of the policy deliberately set about the task of building a regional way of life according to any such specific plan.[7]

Such an admission seemed to illustrate that this eminent academic had been performing the art of *post hoc, ergo propter hoc* reasoning. However, a further examination of Fowke's work clearly indicated that he had been operating in a slightly more legitimate area of philosophical prediction:

> Although by no means clearly foreseen in the early decades of the national policy, effective occupation of the central plains as required for the preservation of Pacific frontage...*eventuated in the establishment of the wheat economy*.[8] (emphasis mine)

Unfortunately, this metaphysical relationship tends to undermine not only the deviational consequences of human enterprise, but even the need for the administrative fiat central to Fowke's thesis. Perhaps this national policy is not so efficacious after all?

Indeed, a cursory examination of national policy literature raises serious doubts as to even the reality of such a device. As Fowke noted, "National Policy" proper was only the contemporary title of Sir John A. Macdonald's protective tariff designed to foster central Canadian industry; "national policy", however, is a term used by historians to denote those "policies and instruments" used to erect the Wheat Economy.[9] Even W.A. Mackintosh, the national policy's chief fabricator, was careful to acknowledge the lack of any explicit evidence of its existence.[10] And, although he used the structure of the national policy for his own analysis, J.H. Dales openly recognized that the validity of the concept itself was suspect:

> ...much emphasis is placed on the consistency of the three pillars of the program (western settlement, railway and tariff), while the inconsistencies are either ignored or glossed over....The stereotype of the national policy is powerful enough not only to bridge logical inconsistencies but also abridge time....[11]

Evidently, the existence of the national policy is much more etherial than current teaching practices would have us believe.

What is apparent from the previous chapter is that the emergence of national policy was the consequence of American influenced, depression era intellectual currents, not the discovery of some new research materials. A number of basic assumptions inherent in the national policy are obvious cast-offs from our southern neighbour. The western thrust of agricultural settlement and the idea of an administrative fiat designed by the business class to foster economic opportunity are central to the dominant Progressive school of Turner and Beard.[12] The concept of tracing colonial economic development through successive export staples arose from the work of G.S. Callender.[13] Although these conceptual aids enabled Canadian historians to finally take a reflective look at the Wheat Economy, they each contain a recognized bias the critical investigator should call into question. More importantly, the adoption of these paradigms was made at a time when Canadian historians were beginning to reject political and constitutional determinants.[14] This shift in interpretation caused historical analysts to neglect the very real policy differences concerning national development between the country's two political parties. Also, the era in which historians began to formulate their theories of Western development obviously shaped their analysis: the prairie wasteland of the depression appeared to be caught in a strait jacket of discriminating freight rates and protective tariffs, financially dominated by eastern capital, terminally confined to a staple economy, as well as totally impotent and utterly reliant upon the federal government's <u>largesse</u> for mere survival. No doubt it was natural for historians examining the corpse of the Wheat Economy to assume that this must have always been the situation; for historians with populist sympathies and influenced by contemporary American historiography, it was obvious that the situation reflected the intent of those who controlled national development.[15]

Yet in spite of the post hoc reasoning of its fabricators, and its questionable relationship to historical reality, the national policy remains by accepted precedent the modus operandi by which Canadian historians account for the gowth of the Wheat Economy. As such, it is essential that its various components be examined in relation to their supposed contribution to the creation of a staple trade in Western Canadian wheat. To assist this evaluation, it will be useful to re-introduce the conceptual aid discarded by the depression era historians - the role of conflicting political ideologies in national development. Also, rather than test the generally adopted trilogy of western settlement, railway and tariffs, it will be far more significant to follow the elaborated version forwarded by V.C. Fowke: the historical precedent of prosperity through immigration and agricultural settlement, acquisition of Rupert's Land, construction of the transcontinental railway, union of British North America and a federal system of government to accomplish the above, federal promotion of immigration and western settlement, and a protective tariff system to secure hegemony over the anticipated Western market.[16]

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As noted earlier, the conceptual trends which enabled Canadian historians to examine the Wheat Economy were not adopted without a loss. The new interests in frontier settlement and staples corresponded to dissatisfaction with the then traditional emphasis on constitutional advancement.[17]

Given the ideological look-alike contest which seemed to pervade Liberal and Conservative parties in the twentieth century , it was not surprising that historians should discount party differences as meaningless campaign rhetoric. Consequently, the profession neglected the very significant ideological and class differences of these parties during the period of nation building. The ideological variations between these two organizations inevitably translated into divergent policies - particularly a number of components of the so-called national policy. Thus, before examining the national policy's relationship to the creation of the Wheat Economy, it will be useful to briefly note some of the stronger nineteenth century ideological differences of Canadian Toryism and Liberalism within the context of their political manifestations.

Gad Horowitz has noted that English Canadian Toryism, operating through the agency of Sir John A. Macdonald's Conservative party, has had a great willingness to utilize the powers of the state "for purposes of developing and controlling the economy."[18] This point has been well taken by Canadian historians and is perhaps the reason why they have placed much of the burden of the national policy's formulation on the backs of Macdonald and his party. However, as Christian and Campbell have recognized, this tendency displays not so much a willingness to give commercial interests the wherewithal for national plundering, but an indication of the party's faith in "the primacy of politics over economics" and a nationalistic desire to preserve the

Canadian state against alien political and economic encroachment.[19] The Liberal spirit, as passed down through Reformers, Clear Grits and the volatile party organizations of George Brown, Alexander Mackenzie and Edward Blake, proved quite opposite to its Tory counterpart. With its faith in laissez-faire, the Liberal element found it virtually impossible to support major state involvement with economic development, particularly if it was apt to alter a natural trend or progression.[20] But although it remained violently opposed to grand schemes and economic programs, the Liberal party proved "quick to advocate expansion which would enhance the opportunities for individual enterprise and profit."[21]

Liberal maintenance of laissez-faire also carried profound implications concerning its electoral base of support. An idealistic desire to accomplish the destruction of individual inequality necessitated a strict anti-class stance.[22] In the reality of post-Confederation politics, this translated into a policy of anti-trade unionism, revealed most vehemently in George Brown's personal struggle against the Toronto Typographical Union in1872.[23] For a doctrinaire Liberal, a trade union could be nothing more than a combination in restraint of trade. Paradoxically, maintenance of this eighteenth century ideology also caused the Liberal party to nurture a class bias in favour of agricultural society. Indeed, the yeoman farmer was much idealized by Adam Smith, not only for his circumstantial inability to restrict trade(Smith did not anticipate twentieth century communications) but because agriculture was considered the backbone of the economy and national power.[24] Smith's assumptions were also inherent in the Jeffersonian/Jacksonian ideals of American democracy and thus readily observed in Clear Grittism.[25] The same cannot be said of the party of Macdonald. Canada's Conservative party recognized and accepted the reality of class differences. It maintained a "paternalistic concern for the conditions of the working-class" and served as their "champion against unenlightened elements of the bourgeoisie."[26] Not surprisingly, Macdonald instituted the legislation which legalized trade unions in Canada and undermined George Brown's anti-union crusade.[27] As to the primacy of agriculture within national development, Macdonald was unusually frank:

> ...no nation has ever arisen which had only agriculture as its industry.[28]

Obviously, these political differences would be reflected in such issues as industrial versus agricultural development and policies affecting land settlement, immigration and tariffs.

-iii-

The first plank in V.C. Fowke's national policy was the assumption that the Fathers of Confederation believed that periods of past prosperity were"characterized by abundant immigration and agricultural settlement" and found this a desirable objective for the new nation.[29] Agricultural success fostered commercial success, and staple production "represented the extreme stage of the possible degree of interdependence between agriculture and commerce," it was obvious that all the federation needed to ensure its future opulence was to promote sufficient agricultural settlement and staple production to create a 'frontier of investment opportunity.'[30] During the Confederation Debates, great emphasis was placed upon the magical economic prowess of immigration and settlement. According to George Brown,

> ...there is hardly a political or financial or social problem suggested by this union that does not find its best solution in a large influx of immigration. The larger our population, the greater will be our productions, the more valuable our exports, and the greater our ability to develop the resources of our country.[31]

W. McGiverin, the one-term representative from the notoriously Grit riding of Lincoln, contended that success was dependent upon the creation of a great staple trade.[32] However, this emphasis was not axiomatic. Sir John A. Macdonald was noticeably silent on these matters while a few lesser figures duly expressed grave reservations over the quality of the past prosperity Brown and McGiverin wanted to repeat and enlarge. After recognizing a few incidents of the colony's past economic success, James Cowan was not certain that a repeat performance should be encouraged:

> ...the result (of the boom of 1854-8) was that it unhinged the sober calculations of almost everybody, and we ran into debt individually, municipally and provincially, as if pay day had never been to come....Mr. Speaker, <u>if our prosperity was unprecedented, so were our reverses</u>.[33] (emphasis mine)

Alexander Galt reminded the Assembly that if past emphasis on agricultural development were continued, the colony would remain exposed to those "providential reverses."[34]

The reservations expressed on the nature of pre-Confederation prosperity were well reasoned. Although immigration helped to solve initial problems of 'unused capacity' during the timber trade of the 1820's and 1830's, its long term consequences "implied disequilibrium."[35] As Creighton recognized,

> ...(immigration) emphasized agriculture at the expense of the old commercial undertakings.... Immigration meant settlement, increased production, the strengthening of the agricultural interest and the intensification of agricultural convictions and grievances....thus the very trade which prospered the fortunes of the new commercial system, helped to bring the crisis of the Canadian state.[36]

From fur to timber to wheat, pre-Confederation reliance upon export staples not only kept the colony utterly dependent on the tenuous demands of European fashion and Imperial preference, but eventuated the radicalism from which the reform movement and its Liberal successor arose. With this in mind, there can be little doubt that the political coalition of Confederation held very mixed views about the desirability of prosperity through immigration and agricultural settlement. For the laissez-faire oriented, promotion of an agricultural staple trade would provide the obvious means by which a country such as Canada could be a useful component of the world economy. It would also create an electoral balance against the commercially inclined Conservatives. For those who viewed British North America in a somewhat more nationalistic vein, or at least wished to avoid the volatility of the world market, the prospect of being a useful contributor within the international trade apparatus held little attraction. For a politician with decidedly Tory connections, increasing the agrarian content of the electorate would be tantamount to professional suicide. (The political divergence over immigration and agricultural settlement becomes fully apparent in the application of western settlement policies discussed later below.)

Nevertheless, having assumed the political desire for immigration and agricultural settlement, Fowke provided the next logical corollary of the national policy - acquisition of Rupert's Land.[37] With the rapid depletion of quality agricultural land in Upper Canada, a new frontier was required to accommodate the levels of settlement necessary for staple production. Thus, in the late 1850's, with the added prompting of George Brown's Globe, Canadian agitation for the annexation of this Hudson's Bay Company property became rampant. That Canada actively sought this 'paradise of fertility' cannot be denied, but certainly its subsequent acquisition reflected more than the need to provide a new agricultural frontier. Indeed, Canada had also actively sought to preserve the Corn Laws - far more essential to national economic survival than the accumulation of a few more acres of snow - with an obvious lack of success. Fortunately, the same Victorian spirit which refused to maintain the Corn Laws forwarded the cause of Canada's annexation of Rupert's Land. As W.L. Morton recognized, the 1860's were the very"hey-day of Victorian anti-imperialism and laissez-faire"[38] which proved instrumental in the British Parliament's decision to discontinue the HBC's monopoly. Also, the threat of forced American annexation of the North-West, particularly as an easy means of settling Civil War claims against Great Britain, gave added Imperial incentive to provide Canada with the region's legal title and concomitant defense obligations.[39] Although a few major figures from both Tory and Grit camps supported acquisition of Rupert's Land as an objective of Confederation,[40] a small contingent proved skeptical of such a move.[41] Conservative Walter Shanley feared that if Canada acquired this vast domain, it would be rapidly depleted of capital, young men and enterprise.[42] No doubt others shared a belief that any Western development should not proceed at the expense of the rest of the nation.

But even Canada's annexation of Rupert's Land did not guarantee it a future as an agricultural investment frontier. Geographically denied ready access to its new hinterland, central Canada required a transportation mechanism to develop the region. Thus, the next plank in Fowke's national policy was the construction of a transcontinental railway.[43] Yet, the federal government's railway scheme proved to be far more concerned with nationalistic defense objectives than with creating a means of exploiting an agricultural staple trade.

One of the most fundamental requisites of a commercially useful agricultural frontier is the accessibility of low cost transportation.[44] Freight rates must be sufficiently low to ensure that the producer not only cover his expenses but receive sufficient profit to purchase central Canadian manufactured goods. Logically, export commodities will follow the most economical paths available to market. In nineteenth century terms this translated into the utilization of water transport over railways.[45] Due to the St. Lawrence navigation system, the prairie agricultural frontier required rail transportation only to the nearest head of navigation at Thunderbay. Consequently, the most expensive components of the transcontinental railway, the Lake Superior and Rocky Mountain sections, were not only unnecessary to the creation of a staple trade in Western grain, but placed additional overhead costs on the entire line resulting in higher freight rates on the prairie section. This fact was readily apparent to the economically oriented Liberal party which opposed the Conservative government's promise of an all-rail connection with British Columbia in 1871.[46] In fact, Alexander Mackenzie recognized the possibilities of utilizing the West's natural waterway system and initially proposed an elaborate canal network to harness the region to the lakehead.[47] When during their brief tenure as the governing authority the Liberals finally accepted the need for railway over canals, it was not surprising that they provided only a southern rail connection, the Pembina branch, to give the prairies access to the American port of Duluth and pursued the construction of the Canadian route in a 'pay as you go' fashion between Winnipeg and Thunderbay.

Problems of western agricultural development and transportation economics were clearly secondary to the grandiose designs of Macdonald's Conservative government. Through the entire period preceding the final negotiation of the Canadian Pacific Railway Contract, the Conservatives refused to negotiate anything but an "all-Canadian"route in spite of the contrary pressures of the Grand Trunk, American syndicates and the CPR's James J. Hill. The real and constant fear of American intervention in Anglo-Canadian affairs, particularly in the North-West, necessitated this. Indeed, this anti-American stance was so overwhelming that, in one of the rare instances of this country's history, ownership of the railway company was to remain in the hands of British subjects.[48] Even V.C. Fowke was forced to acknowledge that defense of the North-West was the primary factor behind transcontinental railway construction.[49]

More important, however, was the fact that the transcontinental railway could not in itself provide the requisite transportation structure to harness the productive capacity of the grain producing region, and the Conservative government made little attempt to rectify the situation. As previously stated, the success of the agricultural investment frontier was dependent upon minimal freight costs. This included not only rail and water tariffs, but the cost to the farmers of transporting the harvest from his grainaries to the nearest rail point. For the farmer to succeed, this cost and the overhead in crop production must not exceed the price of grain paid trackside. These cost factors create what Robert Fogel refers to as "the boundaries of feasible commercial agriculture":[50] a distance restriction necessitating that a farmer must be within 'x' miles of the nearest rail point. This is a fluctuating and highly controversial measurement which will be further discussed in Chapter Three; but for the purposes of this analysis it is possible to assign the arbitrary figure of fifteen miles as the extremity of commercially feasible agriculture. As such, the only agricultural land available for exploitation was a result of the transcontinental line would be a narrow thirty mile strip stretching accross the prairies. And even the potential of this area was significantly reduced when the Conservative government permitted the CPR to by-pass the fertile belt of the North Saskatchewan River in favour of the semi-arid lands of the southern route. To increase the area of commercially feasible agriculture to a size sufficient to foster a lucrative staple trade, additional railways or branch lines were required. Fowke recognized this requirement but proved noticeably silent on the cause of their development.[51] Although Macdonald's government had been more than willing to pay the expense of laying rail over the unproductive rock and muskeg of the Rocky Mountain and Lake Superior sections, such largesse was not available for the prairies. Much to the chagrin of the normally astute CPR financiers, legal provision for financing branch lines was inadvertently excluded from the contract. George Stephen lamented on this problem to Macdonald:

> We have no right to put a bond on a branch, nor can we issue common stock to cover the cost....The power to bond a branch and issue common stock was omitted by oversight.[52]

Consequently, the CPR was forced to adopt less respectable means to furnish additional rail lines. Even when the Prime Minister was pressed by his Minister of the Interior to encourage branch construction over the main line[53] the reverse occurred as soon as financial difficulties threatened transcontinental construction.[54] Although a federal land grant system slowly evolved to the point where so-called Colonization railways were given free land for completed rail sections, additional incentives from outside Ottawa were necessary before construction crews were sent to work.[55] Thus clearly, agricultural exploitation was not a primary consideration within the transportation component of the national policy.

The next major factor within the structure of the national policy was the Confederation of the British North American provinces as a means of accomplishing the "colossal task involved in the projection of transcontinental facilities into the western interior."[56] Regardless of the other numerous factors influencing the final creation of the Canadian federation, without this achievement it remains extremely doubtful that the United Canadas alone could have provided the wherewithal to ensure its transcontinental destiny. But beyond the necessity of a larger financial base capable of supporting such a project, Fowke's emphasis was upon the constitutional aspect of federal-provincial authority. Indeed, Confederation provided a federal system of government whereby the central authority could harness the combined resources of the regions without the interference of the provincial authority's parochial proclivities.[57] By this means, the federal government could circumvent the racial conflicts that had interfered with various canal and railway schemes during the pre-Confederation era. But the assumption here is that the federal authorities acquired an almost absolute financial power over the provinces, rendering them incapable of directing their own destinies. Consequently, virtually all nineteenth century Western development has been discussed within the exclusive confines of federal policy. Clearly, Section 91 of the British North America Act, 1867, gave the federal authority tremendous powers over interprovincial activities, but intraprovincial development remained the expressed responsibility of the province. During the Confederation Debates, Macdonald was most concerned with this point:

> It will be seen that the local legislatures have control of all local works; and it is a matter of of great importance, and one of the chief advantages of the Federal Union and its local legislatures, that each province will have the power and means of developing its own resources and aiding its own way. Therefore, all the local improvements, all local enterprises or undertakings of any kind, have been left to the care and management of the local legislature of each province.[58]

However, the provincial powers were altered somewhat in the case of the Canadian West. This was the federal government's retention of Crown Lands, as the only means of accomplishing its railway policy, and thus, in the hyperbole of Chester Martin, transformed "the Dominion from a federation of equal provinces into an empire...under direct federal administration."[59] But though Manitoba held no control over its public domain, it still retained and exercised considerable financial and developmental powers. Through Sections 92 and 95 of the BNA Act, the Western province would borrow money on the sole credit of province; legislate municipal institutions with the same financial power; implement taxes; raise revenue through the licencing of tarverns, shops and so forth; incorporate companies; and direct agricultural and immigration schemes.[60] The financial power derived from these sources proved capable of forwarding various provincial projects, including a number in direct defiance of federal policy.[61] Thus despite the traditional assumption of the omnipotent federal juggernaut, the 'have not' Western province was far from powerless. For the populated areas outside the provincial boundaries, municipal incorporation provided the chief means of encouraging local development.

But the most crucial component of Fowke's national policy was the fostering of rapid western settlement. Indeed, the very premise of the national policy, the creation of the frontier of investment opportunity, was inextricably bound to an ambitious agricultural settlement policy and, although he readily concurred that "the national policy would have failed without" it, Fowke admittedly failed to discuss its actuality.[62] Without an enthusiastic settlement program, the central pillar of the national policy collapses. In fact, it was because of the extremely limited quantity of settlement in the West during the last decades of the nineteenth century that the national policy has been often branded a 'dismal failure.'[63] Yet even the most cursory examination of western settlement policy reveals that the federal government, or at least the federal Conservative government, was not just indifferent toward the idea of fostering rapid settlement, but often deliberately discouraging its eventuality. Even V.C. Fowke was once forced to acknowledge this and stated that the federal government "(lost) sight of its own western purposes."[64] The limited encouragement that is so often cited as displaying the federal authority's desire for western settlement proves more often than not the consequence of latent Grit influence in the post-Confederation coalition cabinet or the brief tenure of Mackenzie's Liberal administration between 1873 and 1878.

The two major factors within the federal government's western settlement program were free land and immigration. Both illustrate the ideological conflict between the Liberals and Conservatives as well as their subsequent policy formulations. During the pre-Confederation era, it was the Clear Grits who focused upon land policy and western expansion while the Conservatives confined themselves to 'big business' ventures and the cultural antagonism between Upper and Lower Canada.[65] Nevertheless, Conservatives remained "instinctively' opposed to the Grits on questions of western expansion and land policy.[66] This was especially apparent on the key element of rapid settlement - free land. Lavish free land grants had been utilized as early as Governor Simcoe's time to attract 'Loyalists' but the distribution process had degenerated to such an extent that they were abolished in 1826.[67]

Tories continued to abhor any re-institution of such programs while the agrarian oriented Grits adopted free land as a permanent political goal.[68] During the Confederation years, however, party lines relaxed sufficiently to enable the coalition of Brown and Macdonald to achieve its politcal ends. Although the Conservatives led the first federal administration following Confederation, a significant Grit contingent remained in the cabinet until the formal return of party government in 1872.[69] Consequently, the Conservatives temporarily acquiesced on a number of party differences - most notably western settlement and free land. From the numerous compromises composing the terms of Confederation, the acquisition of Rupert's Land was tactically agreed upon.[70] Over the next few years it was William McDougall, a long time Clear Grit and George Brown's successor as the exponent of western expansion, who used his position in Macdonald's cabinet to negotiate the transfer of Rupert's Land and develop the government's free land policy.[71] In fact, McDougall and Col. Dennis drafted the Homestead Policy of 1872 which supposedly entrenched 'free land' as the "fundamental feature" of the federal western settlement policy.[72]

Yet it was doubtful that Macdonald, who had never held McDougall or his schemes in high regard,[73] should wish to give the Grits _carte blanche_ over western development. Thus despite its initial claim, 'free land' deteriorated to the point where it was best understood as an anachronism. Indeed, by the time of its ratification, the Homestead Policy had already been severely circumscribed. McDougall and Dennis, having foreseen the need for larger than usual acreages in prairie farming, had settled upon a 200 acre free grant to each homesteader.[74] The government quickly reduced this amount to the notoriously inadequate quarter section which necessitated that the homesteader purchase additional lands for successful farming.[75] Maintaining his traditional Tory sympathies, Macdonald had little desire to transform the North-West into an agrarian paradise, at least not at the government's expense. In fact, land 'sales' were originally to play a significant role in financing the federal government's grandiose schemes. According to a Dominion government estimate of income from land sales, Macdonald anticipated a projected revenue of $71,305,000 for the decade of the 1880's alone.[76] More importantly, the free lands were initially laid out to be the furthest distance from the rail line - thereby discouraging their alienation in favour of expensive lands more within the boundaries of commercially feasible settlement - and it required a good deal of effort on the part of the CPR to discourage the practice.[77] Thus, as Chester Martin was forced to conclude,

> The free homestead policy was scarcely more than a half policy at best....[78]

Not surprisingly, avid federal government promotion of free land did not occur until the Liberals regained power at the end of the century.[79]

Free homestead lands, however, were but a part of any program to rapidly settle the West - an energetic immigration policy was crucial to any such intention. But here too, conflicting ideological concerns translated into Conservative government policies contrary to Liberal designs and the anticipated objectives of the national policy. Liberal elements had long accepted the primacy of immigration and agricultural development within any national development scheme. At Confederation, some Conservatives had expressed reservations about this philosophy and came to view favourably the idea of breaking away from the confines of staple production. In fact, by the early 1870's Canada had developed a small but significant industrial economy and with it a constituency of over 50,000 industrial labourers displaying what Creighton referred to as "habits of cooperation among themselves."[80] With Macdonald's introduction of the Trade Union Bills of 1872, the Conservative party secured the official political backing of much of this constituency against the anti-unionist Liberals[81] and showed little desire to lose it. As such, Conservative planning, both political and fiscal, became less concerned with agricultural pursuits and more sympathetic to the requirements of an industrial state. This became particularly apparent within the development of federal immigration policy.

Until 1872, Canada's federal government had provided no financial incentives by which to foster immigration into the country. Indeed, as early as 1868 the federal authorities placed severe restrictions on any immigrants sent to Canada by British philanthropic societies trying to solve that country's unemployment problems.[82] The promotion of immigration and colonization was of such minor importance that the constitution initially gave both the federal and provincial powers concurrent jurisdiction over it[83] and the former authority delegated it to the multiple list of inconsequential resposibilities of the Department of Agriculture. (In 1892 it fell into the control of the Department of the Interior.) When overlapping authority eventually led to conflict, the Immigration Act of 1869 was instituted, giving the federal government powers over all foreign and domestic immigration agencies while the provinces retained control over settlement.[84] After the acquisition of Rupert's Land, however, the Immigration Conference of 1871 decided that Manitoba needed colonization, and protection from American immigration agents.[85] A number of Dominion agents were subsequently established at various frontier points to assist immigrants but nothing was done to provide any business for them to handle.

According to A.S. Morton, aminor piece of legislation in 1872 provided the wherewithal of federal government incentives toward promotion of agricultural settlement.[86] But this legislation provided only the legal machinery for establishing Immigration Aid Societies which could only "make applications for workmen, of whateverkind, from the United Kingdom, needed by any particular employer or employers committed to employ them on arrival in Canada, and might receive all or part of the passage money."[87] (emphasis mine) Such legislation hardly displayed much government intent to open the flood gates of immigration. That same year, the federal government also offered a system of passenger warrants which gave a 30 per cent reduction in ocean rates to "approved immigrants."[88] Yet though Norman Macdonald initially claimed that this was used to turn the scales of immigration "in favour of Canada", it is quite apparent from his own discussion that these reductions, paid in equal proportion by the government and the steamship lines, were used to secure an advantage in the maritime rivalry of St. Lawrence and Eastern Canadian sea ports against New York.[89]

But with the defeat of the Macdonald Conservatives over the Pacific Scandal in 1873, and the asendancy of Mackenzie's Liberals, the question of immigration was transformed into a major governmental platform. The value of immigration was immediately affirmed by a Standing Committee of the House of Commons as being "out of all proportions greater than the cost of judicious and official services."[90] With the Immigration Conference of 1874, the federal authority "pledged itself to promote immigration by every means in its power:" it exacted exclusive control of immigration and accepted full responsibility for the colonization of the North-West.[91] This proved to be no idle pledge. With the country falling into one of its worst periods of economic depression[92] - so bad in fact that the staunch free trader Sir Richard Cartwright was even forced to raise tariff levels to sustain falling revenues - the Mackenzie government boosted immigration spending by very impressive amounts. Whereas total expenditure on immigration services for 1872 had reached $196,123.41, the average annual expenditure of the Liberal administration (1874-78) was $240,281.65.[93] Although the great depression made it impossible for actual immigration to achieve the levels desired by the Liberals, this over twenty per cent spending increase is a clear indication of that administration's intent.

Yet the Liberal's ambitious immigration program was not viewed with favour by a large portion of the electorate. In fact, it was totally out of step with the needs of the country. With the world depression, and the dumping of American manufactures in Canadian markets, unemployment increased steadily as the Mackenzie government gloriously opened immigration agency after immigration agency.[94] Although the stated emphasis of Liberal immigration promotion had been to obtain agriculturalists for the North-West, the actual percentages of farmers to all other occupations average only from ten to thiry per cent between 1874 and 1878.[95] Such an immigration program inevitably did more to foster unemployment and net emigration loss from the country than to settle the West. Consequently, public demands were made to "expose the emigrant swindle" while labour organizations pleaded for "the cessation of all emigration(sic), on the grounds that even in normal times the labour needs of the country were spasmodic in character."[96]

With the election of 1878, however, Mackenzie's party was removed from office and replaced with a Conservative administration which would remain in power until almost the end of the century. Recognizing the problems of unemployment, the new Conservative government quickly adopted a policy of retrenchment in immigration matters.[97] In 1879 it recalled nine of thirteen foreign immigration agents[98] while special bonuses to colonists and all commissions to steamship agents were halted.[99] Total Immigration department expenditures for the Conservative administration did not reach Liberal levels until 1882 when additional labour was required for transcontinental railway construction.[100] Expenditures were again drastically reduced in the later 1880's.[101] Average annual immigration expenditures during the period from 1878 to 1886 have been estimated at $228,000 while during the period from 1887 to 1896 they fell to the 1872 level of $196,000 - annual immigration expenditure during the subsequent Laurier administration averaged an incredible $748,000.[102] In addition, the Conservatives took steps to ensure that various British schemes for state-aided emigration to Canada were thwarted.[103]

From the general information available, it appears quite conclusive that if western settlement was a crucial factor within some form of national policy, it was systematically undermined by the Conservative administration. Free land and massive immigration were Liberal policies and not those of the party that dominated the federal government for the latter half of the nineteenth century. Consequently, serious doubts must be cast upon the primacy of western agricultural settlement within post-Confederation nation building. In fact, with a casual examination of the final component of the national policy, it will become apparent that Conservative 'national policy' was adverse to the creation of the export staple economy so fundamental to Fowke's frontier of investment opportunity.

The "National Policy" tariff of 1879 provided the coup de grace to the collection of national policies from which Fowke believed the Wheat Economy would emerge. The protective tariff was the final assurance that the western investment frontier would remain the exclusive preserve of central Canada.[104] Although the Canadian economy did come to resemble this scenario, much more practical considerations were at work in the establishment of the tariff barrier. By 1879, almost a decade after its annexation to Canada, the North-West still provided little if any market for Canadian commercial pursuits and the prospect of someday completing the necessary transportation link into the region could hold little attraction for those central Canadians already failing under the weight of economic depression. Confined to its traditional role as a supplier of industrial Europe's raw materials, the Confederation was thrown into the depths of economic hardship by the volatile nature of the world economy. Obviously, the ability to produce ever greater quantities of export staples was of little consequence if there happened to be no buyers.

Although Canada's Liberals would devoutly maintain their faith in the primacy of agriculture and the need for closer trade relations with foreign markets, the Conservatives had come to anticipate a somewhat more independent future.

As early as Confederation, Alexander Galt had questioned the wisdom of maintaining a single-staple economy:

> ...as long as we are dependent on one branch industry as a purely agricultural country, we must always remain exposed.[105]

And by 1872, Sir John A. Macdonald had come to view the development of industry as a useful political program. After investigating the electoral potential of labour prior to the election that year, Macdonald adopted the "firm conviction that tariff protection would be a popular policy to advocate."[106] In fact, it was during the election of 1872 that the Conservatives first suggested a "National Policy" of tariff protection, not 1878.[107] But with the onset of the great depression at the end of 1873, the dangerous consequences of a staple-based economy, dependent upon world prosperity, became extremely evident. As both international prices and credit contracted, an abrupt halt was made on expansion in various industrial nations. The first repercussion of this was the collapse of Canada's staple trade in lumber. Between 1873 and 1879 the exports of this commodity fell by one half.[108] Subsequently, prices of agricultural products also collapsed. More importantly, these years also witness a 26 per cent drop in the price level of Canada's imports which in turn destroyed the domestic market for indigenous products.[109] Urban unemployment and a net population loss by way of Canadian emigration to the United States ensued.[110] Faced with this situation, the Conservative party formulated a new economic strategy for the country which aimed to isolate the economy from the traumas of international interdependence, break the over-reliance upon agricultural pursuits and foster domestic industry and interprovincial trade.

Sir John A. Macdonald introduced the Conservatives' new economic program in the form of an Opposition resolution delivered to the House of Commons on March 7, 1878:

> ...the Welfare of Canada requires the adoption of a National Policy...that such policy will... encourage and develop interprovincial trade....[111]

After following with an attack on Free Trade, which emphasized the necessity of "national status" above "the mere question of trade advantage,"[112] the Conservative leader denounced the primacy of agriculture and called for the development of new industry:

> So long as we have a Free Trade system, we can only have substantially one description of industry, and that is agriculture....But no nation has ever arisen which had only agriculture as its industry. There must be a mixture of industries to bring out the national mind and the national strength and to form a national character....We must, by every reasonable means, employ our people, not in one branch of industry, not merely as farmers, as tillers of the soil, but we must bring out every kind of industry....[113] (emphasis mine)

The means by which to accomplish this task was through the erection of a protective tariff system. This would foster not only domestic production, but domestic markets as well:

> The resolution speaks not only of a reasonable readjustment of the tariff but of the encouragement and development of interprovincial trade. That is one of the great objectives we should seek to attain....I believe that, by a fair readjustment of the tariff, we can increase the various industries which we can interchange one with another, and make this union a union in interest, a union in trade, and a union in feeling. We shall then grow up rapidly a good, steady and mature trade between the Provinces, rendering us independent of foreign trade....[114] (emphasis mine)

The Conservatives' desire to break the shackles of primary production and staple export was again reiterated in Leonard Tilley's introduction of the legislation encompassing the National Policy tariff:

> ...the time has arrived when we are to decide... whether we will be simply agriculturalists raising wheat, and lumbermen producing more lumber than we can use, or Great Britain or the United States will trade from us at remunerative prices....at all events, we will maintain for agricultural and other productions largely, the market of our own Dominion.[115] (emphasis mine)

Clearly then, the Conservative party's introduction of the protective tariff system was not the finishing touch to some program designed to create a great export staple trade, but the hoped for means of avoiding such a consequence.

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For over a generation, historians have been intoxicated with the belief that this federal administrative fiat known as the national policy transformed the virgin matrix of the Canadian prairies into a grandiose staple economy. Yet it is not only unlikely that a small elite of St. Lawrence merchants and corrupt politicians could have performed such a feat, it is extremely doubtful that such a plan was ever instigated. Indeed, national policy appears as little more than an inaccurate over-generalization based on an unlikely combination of Liberal national designs and actual Conservative policies. The very premise of this national policy, the creation of Fowke's frontier of investment opportunity through the promotion of western agricultural settlement, was no more than a partially effected Liberal scheme, contrary to the intentions of the party which controlled and directed national development for the last half of the nineteenth century. As such, it is not at all surprising that historians have discovered western settlement proceeding at a 'dismal' pace during that era - there was never any real attempt to let it do otherwise. Although a Conservative administration acquired Rupert's Land and exerted tremendous financial energies to ensure its preservation with a transcontinental railway, ideological considerations and economic reality made it imperative that western development take a back seat to national survival and stability. The Conservative government, and its "National Policy", did not attempt to foster another staple export subject to the chaos of Free Trade, but to promote sufficient industrial development and diversification to employ the nation's work force and obtain reasonable immunity from the contractions of world demand. According to the statistical compilations of both Firestone and Bertram, the Conservative program did prove remarkably successful in this goal: as the rest of the world strained under the weight of the great depression, Canada experienced impressive levels of balanced industrial growth during the last decades of the nineteenth century.[116]

But if national policy is unable to account for the creation of the Wheat Economy, Canadian historians have caused a remarkable vacuum, containing twenty years of national development, to escape serious investigation.

Although the final promotion of western agricultural settlement essential to the eventual rise of the Wheat Economy can be explained with the ascendancy of the Laurier Liberal Party and the 'fortuitous conjuncture' of world circumstances that followed, a lucrative grain trade had already evolved in the Canadian West - and with it the massive handling and marketing apparatus that would provide the structure for its twentieth century successor. Historians have never investigated this early grain trade; they have only conjectured and mythologized. It is time to study its evolution without the aid of fallacious paradigms.

PART II

CHAPTER THREE

EARLY WESTERN AGRICULTURE AND TRANSPORTATION REQUIREMENTS

To those who looked out over Rupert's Land during the first half of the nineteenth century, its vast geographical matrix must have appeared an unlikely birth place for a great agricultural export staple. It was but an empty wasteland, almost incapable of sustaining the few human beings who inhabited the region to serve its one feeble connection to western civilization, the fur trade. Though a small farming community had arisen along the banks of the Red and Assiniboine Rivers, the land remained universally accused of impotence.[1] Indeed, the agricultural prowess of the tiny Red River settlement appeared as the one exception capable of proving the accusations. Whereas on a number of occasions since 1812 - when the Selkirk settlers began to till the soil they shared with the Metis and Canadiens - abundant harvests had been reaped, the settlement remained incapable of supplying the Colony's meager requirements.[2] When any extra demand for foodstuffs arose, as when the garrison of British regulars arrived in 1846, additional flour had to be imported from Canada.[3]

Early agriculture in Red River was indeed primitive. Most farmers were either Selkirk's Scottish crofters or retired hunters and trappers whose agricultural expertise proved medieval.[4] Also, agricultural pursuits remained confined to the river lots bordering the Red and Assiniboine for it was generally held at this time that " it was impossible to cultivate the plains."[5] In fact, as early as 1852 the river lots in the area of St. Andrew's and Middlechurch had become congested[6] despite the assimilation of the Selkirk settlement's young men into such non-agricultural ventures as the fur trade or into the ranks of the mixed-blood population.[7] Subsistence necessitated the practice of mixed farming but some grain growing was carried on utilizing the settlement's own peculiar variety of soft wheat, Prairie du Chien, which required from 125 to 145 days to ripen.[8] As if this millennial maturing requirement did not make wheat production sufficiently tenuous, an onslaught of floods, droughts, wet falls, early frosts, and locusts seemed to plague the region until the 1870s. And, despite the richness of the black Red River soil, the milled Prairie du Chien produced such a dark unpalatable hard bread that it seemed to " have rejoiced only the very hungry."[9] It was far too inferior in quality to attract the attention of any civilized market and, nevertheless, any chance grain surplus was quickly absorbed by the local distilling industry and the resultant product used in the 'private' fur trade.[10] Obviously, major refinements would be necessary before the desolate lands of the North-West could be transformed into a great grain producing region.

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Yet in spite of its lack of agricultural promise, by the mid-nineteenth century new interest was being cast upon Rupert's Land. In 1847 Alexander Isbister initiated a crusade against the Hudson's Bay Company's continued monopoly over the North-West and a number of British visionaries began to view the previously neglected region within the larger context of Imperial aspirations.[11] Isbister's crusade also coincided with the western world's early infatuation with railways. Accordingly, various pipe dreams of transcontinental lines traversing and settling the wilds of British North America began to invade the minds of the less inhibited and thus eventuated the adoption of a "new perspective on the land and climate of the North-West" which centred on an agricultural destiny.[12] Although the new interest in Rupert's Land was initially found in Great Britain, a growing number of Canadians began to evolve imperial ambitions of their own. In 1850, one of George Brown's correspondents remarked that

> ...the interior of Rupert's Land beolongs to the people of Canada both by right of discovery and settlement and it is therefore our business more than that of the people of England to claim the restoration of rights of which we have been so unjustly deprived.[13]

By 1856 the debate on the future of the North-West, reproduced and enlarged in George Brown's Toronto Globe, aroused widespread English Canadian interest and, in 1857, a Select Committee of the British House of Commons accepted in principle Canada's "just and reasonable wishes" to eventually annex parts of that region.[14] More significantly, the Select Committee offered a certain vindication of those who had begun to view the lands of the North-West as a potential agricultural frontier. Indeed, the Committee's 1857 Report claimed that "more wheat could and would be grown in Red River if there were a market."[15] The following year, two expeditions travelled the region to assess its agricultural potential. The first, a Canadian pilgrimage led by Colonel S.J. Dawson and Henry Yule Hind, proved enthusiastic about the land's possibilities and suggested that its major inadequacy was a lack of markets to dispose of surplus production.[16] The second, a British contingent led by Captain John Palliser, considered the possibility of wheat growing precarious, particularly within the semi-arid belt following the international boundary west of 105° longitude.[17] Nevertheless, both parties agreed that the valleys of the Red and the Saskatchewan Rivers, along with the fertile belt that stretched over them, held great potential as a settlement region.[18] Not surprisingly, the reports of these expeditions were immediately translated as documentary assurance of the North-West's future as a 'paradise of fertility.'

In the wake of the Hind and Palliser expeditions, a few immigrants from Upper Canada flowed into Rupert's Land and began to settle along the Saskatchewan Trail, particularly within the vicinity of Portage la Prairie.[19] And, despite the subsequent drought and grasshopper plagues, a steady trickle of Canadian settlers came into the region during the early 1860's. These new settlers introduced both modern agricultural machinery and farming techniques as they cultivated lands further and further from the river, though none were as yet daring to favour the open prairie over a congested river lot.[20]

Following the completion of Canada's annexation of Rupert's Land in 1870, however, the agricultural settlement of the new province of Manitoba began a rapid phase of development. Various Canadian expansionist organizations such as the Canada First Movement initiated active promotional campaigns for western settlement[21] and during 1871 "hundreds" of Ontario farmers travelled the newly opened Dawson Route into Manitoba.[22] These seasoned agriculturalists settled in the areas north of Winnipeg, around Stonewall, and up the Saskatchewan Trail beyond Portage la Prairie. In 1874 colonization parties from Michigan and Wisconsin settled at Emerson while further north another Ontario contingent established themselves at Morris and rapidly pushed westward into the Pembina Mountain District with its attractive woodlands.[23] Also in 1874, the first of Manitoba's two great Mennonite colonies was established within the southeastern portion of the province.

Despite this progress, Manitoba settlement was still confined to a few small strips and areas. New settlers proved adamant in their desire to maintain close proximity to wooded river areas and the open plains remained vacant.[24] So dominant was the general antipathy to the prairie that incoming settlers squeezed themselves onto farms averaging only 30 to 50 acres in order to obtain wooded areas and river frontage.[25] Even the systematic dispersal of the local Metis population and the confiscation of 1300 of their choice river lots[26] did little to relieve the impending shortage of lands attractive to the Ontario-bred agriculturalists. Indeed, by 1875 the province's choice (ie.wooded) lands were virtually settled and the 'paradise of fertility' had as yet to produce anything resembling a marketable grain surplus.

Fortunately, with the establishment of the second Mennonite colony in 1876, located west of the Red River near the Pembina Mountains, the sod of the open prairie was at last broken.[27] Utilizing the dry-farming techniques acquired on the Russian Steppes, the Mennonites successfully farmed lands as far as twenty miles from river or wood.[28] The myth of the indispensability of wooded lands thus began its erosion and over the course of the late 1870's settlement pushed into the open areas west of the Pembina Mountains and up the Saskatchewan Trail to Gladstone.[29] By 1881, settlement had followed the Trail even beyond the provincial boundary in its quest for the fertile lands of the North Saskatchewan.

Yet, more than agricultural settlement alone was required before the prairies could assume the mantle of a great grain producing region. The standard wheat variety had remained the unsavory Prairie du Chien with its dangerously long maturing requirements. However, as the locust plagues of the early 1870's depleted the available wheat supplies, different seed varieties were imported from Minnesota, among them "Red Fife."[30] This 'hard' wheat strain matured from ten to thirty days sooner than the traditional variety and produced an extremely fine quality of flour. (Later, as the world's milling industry was revolutionized with the adoption of the Hungarian roller processes, hard wheats like Red Fife became indispensable for the production of high grade flour.[31]) In fact, the new wheat produced by the region began to acquire a status far superior to that grown anywhere else. By the late 1870's, a myth of Northern primacy had come to dominate the thoughts of various grain experts. To a special House Committee established by the federal Liberal regime in 1877, James J. Hill exclaimed that " the farther north that it is raised, the better wheat it is" while the Department of Agriculture boasted that the North-West was destined to become the "granary of the continent."[32] When a serious crop failure devastated Ontario in 1876, Manitoba grain was sought by that eastern province for seed purposes. Consequently, 857 1/6 bushels of Manitoba wheat were sent to Ontario that Fall, symbolizing the beginning of the North-West's career as a grain export region.[33]

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By 1878 the principal problem facing prairie grain growing was no longer inadequate settlement, availability of cultivable farm lands, or a poor quality product, but the need to obtain access to the world's grain markets. The City of Winnipeg's aspiring business community had since 1876 dabbled in the buying and exporting of local grain and when the regional wheat harvest surpassed the magical one million bushel level in 1878, they managed to export 20,000 bushels through the complicated river and railway system of the United States to Duluth where the commodity was then transhipped to Toronto - some of this export grain also crossed the Atlantic Ocean and reached Liverpool.[34] But even this miniature export trade was beyond the capacity of the steamboats that plied the North-West's river navigation system. The Red and Assiniboine steamers, " with their limited capacity and in the short season, could not hope, even in the years of high water, to deal with the mounting (grain) surpluses."[35] Consequently, rail transportation, connecting the agricultural lands at least as far as the Great Lakes where the wondrous St. Lawrence navigation system, or its American competitors, could be utilized, became essential to the viability of a western Canadian grain trade.

Some progress had been made in this direction by Alexander Mackenzie's federal Liberal government which, by December of 1879, had resulted in the final completion of a railway between St. Boniface and the American border along the east bank of the Red River. Complemented on the American side with the construction of the St.Paul, Minneapolis and Manitoba Railway, a limited portion of the region had thus obtained a direct rail route to the port of Duluth. Also, by 1880 the federal government had completed a line west of Winnipeg to Portage la Prairie via Stonewall, as well as a line east as far as Rat Portage,[36] enabling these settlements to benefit from the American outlet for surplus grain. However, with the resurgence of the federal Conservative party it soon became apparent that grander schemes were in store for the region.

The Conservatives had pledged the federal government to the rapid construction of a transcontinental railway as early as 1871 with British Columbia's admission to the Confederation; and it had been in the pursuit of this objective that the party met defeat in 1873 over the Pacific Scandal. Unfortunately, Mackenzie's Liberal administration tactically reneged on the transcontinental commitment and substituted a piece-meal construction program which placed the North-West under potential American commercial dominance before an 'all-Canadian' connection to the lakehead could be effected. But with the electoral ascendence of the Conservatives in late 1878, the original commitment to the construction of the transcontinental railway was reiterated. By late 1880 the Conservatives had successfully negotiated a contract for its completion with a group of Montreal financiers who had previously displayed some railway expertise with the construction and operation of the St.Paul, Minneapolis and Manitoba line. With the contract's final ratification by the House of Commons in early 1881, the Canadian Pacific Railway syndicate had become a reality and would soon offer the North-West a direct outlet to the eastern Canadian markets and beyond.

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Yet, as noted in Chapter Two, the construction of a transcontinental railway could not in itself satisfy the basic transportational needs of the aspiring prairie grain producers. Given the low and generally unstable monetary value of wheat and other grains, a value that must remain relatively low if its demand is to continue, and fairly inflexible fixed-costs of production, it is essential that the expense of its physical movement be minimal otherwise the viability of commercially producing and marketing the commodity becomes non-existent. Three major cost factors regulate the entire feasibility of a grain trade: the cost of commercial grain production to the farmer, the volatile world market price set at Liverpool, and the complete freight and handling charge for transferring grain from the farmer's granary to the world market. (Clearly not all grain goes to the world market and often local and national milling requirements will influence regional prices. However, unless extraordinary circumstances are affecting the trade, the Liverpool price will generally regulate the entire price structure down to the level of the local farmer's market.) Due to its large freight capacity and low fixed-capital requirements, lake and ocean shipping provide the least expensive means of grain transportation.[37] Because of its lower capacities and higher fixed-capital requirements, railway shipment costs approximately twice as much.[38] Restricted by the same geography that had given it the potential for surplus grain production, the North-West desperately needed railways to export its golden staple, but only to the nearest head of navigation - Thunderbay. As such, the extremely costly but non-remunerative Rocky Mountain and Lake Superior sections of the transcontinental placed an added financial burden upon the freight costs of the entire system. Only on a few exceptional instances did the expensive all-rail route over the Great Lakes prove a viable outlet for export grain. More importantly, with central Canadian commercial goods utilizing the all-rail route to the West, and western grain opting for Lake transportation eastward, "unused capacity" became a built-in and long term inefficiency in Canada's transportation system.[39] Indeed, although the CPR had been chartered only to build the transcontinental railway, it found itself required to provide a system of lake transportation (without government subsidy) if it was to profit from east bound grain traffic. Consequently, it had to operate a large section of railway which paid revenue for largely one direction only,while it also controlled a line of lake steamers with the same disability - compounding the upward pressure on grain transportation costs.

A more immediate handicap, however, was that although large amounts of capital were allocated to the construction of non-remunerative sections of the transcontinental railway, nothing was provided to enable most of the prairie's surplus production to benefit from the new outlet to the lakehead. This proved to be crucial because as far as the grain growing regions were concerned the usual transportational alternative to railways proved to be the horse drawn wagon. In practice this alternative provided grain transport at over sixty times the cost of rail.[40] Due to this expense, the grain producer was required to operate lands within a relatively short radius from the nearest rail point if the maximum costs allowable to grain shipment were not to be exceeded. Given the very scattered nature of prairie settlement, the need for a large number of additional rail lines, or branch lines, was readily apparent. But just how many additional rail lines would be another question altogether.

Canadian historians have generally adopted W.A. Mackintosh's estimate of a twelve to fifteen mile radius as being the maximum distance from the railway that commercially feasible agriculture can take place, even though the rationale behind this figure is obscure and , as even Mackintosh noted, prairie grain producers were often known to have travelled fifty miles to the nearest railway to sell grain.[41] In an exotic counter-factual analysis of the transportational requirements of the

American mid-west during the same era, Robert Fogel estimated that the absolute limit of commercially feasible agriculture could range between forty and fifty miles,[42] while during the traumatic period of the American Civil War, when grain prices escalated to highly extortionate levels, Minnesota farmers were apt to travel 150 miles to market their product.[43] In fact, if the various cost factors controlling the local grain trade are taken into account, it becomes quite apparent that the limit of twelve to fifteen miles is an unwarranted assumption.

The limit of commercially feasible agriculture must be regulated by the 'street' price paid to farmers at the nearest rail point - this street price is in effect the world price less costs of transportation and profits taken by the various marketeers between the local and world markets. If the street price is less than the cost of production plus wagon freight to the railway, then grain production is not commercially feasible and the farmer will be forced to either diversify production in order maintain subsistence until street prices rise or fail. Obviously, the street price less the farmer's costs of production will provide a monetary figure which can in turn be translated into a mileage distance obtainable from wagon freight rates - the limit of commercially feasible agriculture.

Street grain prices, as world grain prices, fluctuated violently during the last two decades of the nineteenth century.[44] During the 1880's and 1890's, street prices at various Manitoba and North West Territories rail points ranged from well over $1.00 per bushel for No. 1 Hard wheat to less than $0.40.[45] With the relatively inelastic costs of grain production and wagon freight, it is quite evident that the limits of commercially feasible agriculture must have fluctuated violently.[46] Indeed, if grain production costs are assumed to average $0.40 per bushel[47] on a quarter section of land producing twenty bushels per acre during this period, and wagon freight charges are estimated at $0.25 per ton-mile,[48] then the absolute limit of commercially feasible agriculture for a wheat farmer dependent on the Brandon street price of $0.52 per bushel of No.1 Hard in early October 1886 would be 17 miles. At the same time, a farmer with a similar operation but within the vicinity of Gretna, where prices were $0.04 higher per bushel, the distance would be 25 miles. However, at this outermost limit the grain producer is only just covering his basic expenses and not receiving a livelihood. If the Gretna area farmer wishes to earn an annual return of $300, slightly better than the average unskilled Ontario labourer,[49] he must be operating a farm within ten miles of the rail point; if he wishes to earn $500 that year, slightly better than the average highly skilled Ontario labourer,[50] his farm must be located within one mile of the rail point. Yet, if the same Gretna area farmer were to increase his operations to a ½ section of wheat, his production costs per acre would decline while profitability, and the limits of commercially feasible agriculture, would increase. Assuming that the farmer with a ½ section put to plow can produce wheat at $0.35 per bushel,[51] then the absolute limit of commercially feasible agriculture, with the early October 1886 grain prices, would be 24 miles while the proximity necessary to obtain annual income levels of $300 and $500 would be 17 miles and 12 miles respectively. Accordingly, in a year with unusually low grain prices, such as 1894 when most country points in Manitoba were paying farmers as little as $0.38 per bushel for No.1 Hard,[52] it would not be feasible to commercially produce wheat unless operating a ½ section within about four miles of a rail point. Conversely, when the Brandon street price shot to $1.04 per bushel, as in October 1888,[53] the absolute limit for a ¼ section would reach well over 90 miles. If the same small operation was carried out within six miles of a rail point the farmer could earn earn over four times the salary of any highly skilled Ontario labourer.

Obviously, any mileage claiming to denote the limits of commercially feasible agriculture is in itself an over-generalization and subject to the extreme and rapid gyrations of market prices as well as the usual complications of weather, fertility, and local milling needs. Farmland that during one season may provide a generous return to its owner could the next season create huge losses. Yet even with the extremely low 'street' prices which prevailed during the 1880's and 1890's, limits of commercially feasible agriculture were considerably larger than the arbitrary twelve to fifteen mile distance usually cited. With the early October price of No. 1 Hard averaging slightly over $0.60 per bushel at Manitoba country points between 1886 and 1896,[54] it was still possible for a farmer with a ¼ section committed to wheat (acre @20 bushels) to cover his costs within 28 miles of a rail point. If he was within 16 miles he could earn $300; within six miles, $500.

However, if the farmer committed a ½ section to wheat production, and this was the usual Manitoba acreage by the early 1890's,[55] the limits for breaking even, obtaining a $300 return, and for a $500 return would have been 36 miles, 29 miles and 21 miles, respectively.

No doubt settled areas of the prairies required branch lines if they were to have an opportunity to export grain, though they would not necessarily need the large quantity suggested by a twelve to fifteen mile limit of commercially feasible agriculture. But what should be blatantly apparent from the above calculations is that the distance between farm and railway governed far more than the mere feasibility of commercial grain production - it regulated the magnitude of farm profitability. Indeed, potential agrarian opulence was directly proportional to railway proximity. For example, a farm 21 miles from a rail point with a ½ section put to wheat, producing twenty bushels per acre, and a street price of $0.60 per bushel, will net its owner $500 for the season. However, if a railway line could be brought within twelve miles of the farm, the owner would net $1000 as well as additional unearned increment because of the increased value of land.[56] Consequently, the legendary claim that the West 'needed all the railways it could get' bore a stronger tie to reality than its hyperbole led many to suspect. Whereas only a few branch lines were necessary to ensure sufficient facilities to transport the region's exports, a great many additional lines would significantly raise farm income, land values and, more importantly, local commercial opportunities. An extensive branch line system would provide an economic elixir of near magical properties.

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Unfortunately, railway construction was an extremely expensive enterprise and the federal government's contract with the CPR made no provision for the additional financing of any branch lines.[57] This is not to say that branches were not anticipated. Indeed, by late 1881 four branch lines were proposed to accommodate both existing settlement and the region's most fertile areas: the Assiniboine branch, beginning some forty miles west of Portage la Prairie and extending 300 miles through Rapid City to Fort Ellice; the Saskatchewan branch, starting at the forks of the Qu'Appelle River and traversing 435 miles to Fort Edmonton; a Souris branch, running south-westerly from Brandon 200 miles to Souris; and the Pembina Mountain branch, extending from Winnipeg south to the Pembina Mountains and westerly along the international boundary.[58] But, as noted earlier, Sir John A. Macdonald's Conservative government held little interest in anything but the transcontinental line and the CPR negotiators neglected to provide the contract with the facility to finance branches separate from the main line with common stocks or bonds.[59] Apparently, the famed financial wizardry of the Montreal syndicate was initially counter-balanced with a healthy dose of railway naivete. Without branches to act as feeder for the transcontinental line, the CPR would have carried traffic essentially in one direction. If operated in this fashion for long, the 'National Dream' would likely have proven itself a national calamity. Even the railway company's first General Manager, Alpheus P. Stickney, seemed infinitely more concerned with private land speculation than with devising means for successful railway operation.[60] In addition, the precarious possibility of developing east bound traffic without branch lines became even more unlikely when, in the spring of 1881, the CPR directorate decided the prairie section of the main line would run in a southerly route through the semi-arid lands the Palliser expedition had been sceptical of, instead of the fertile belt around the North Saskatchewan River.

Thus, by mid-1881, the railway strategy of the federal government and the Canadian Pacific Railway Company clearly provided only a partial fulfillment of the needs of the existing grain producers. Although the North-West would have an outlet to the lakehead, the main line through the prairies was but a faulty half-measure which by-passed the opulent lands of the north and the settlements along the Saskatchewan Trail. The old Pembina branch, now in the hands of the CPR, provided facilities for the sparsely settled east bank of the Red River but could do little for the settlers pushing westward between the Assiniboine and the American border. These areas needed transport facilities the CPR contract was unable to accommodate. If the situation was to be rectified, new stimulus would have to be found to advance the special needs of the aspiring western wheat economy.

CHAPTER FOUR

THE EVOLUTION OF A BRANCH LINE NETWORK

The people of the Canadian North-West recognized from an early date that the success of their regional economy was dependent upon the acquisition of a great number of railways. This recognition was not inexplicable. Indeed, the higher the concentration of railways in the region, the lower the cost to the farmer for freighting his grain to the local markets and the greater the level of farm income which could, in turn, be used to purchase commercial goods and services. Farm profits lubricated the machinery of early western commerce; farm affluence could transform the region into a haven of economic opportunity. Consequently, nearly everyone with a stake in the region - farmers, merchants, land speculators and even bootleggers - became so overwhelmed by the spirit of the railway era that they were willing to mortgage their entire future on the devout faith that two thin lines of steel would usher in a gilded age.

Since the early 1870's the government of Manitoba had been in the practice of issuing as many railway charters as almost anyone cared to request. Unfortunately, the mere printing of a charter seemed to hold little relation to whether any track would actually be laid. The difficulty remained that railway construction, even on the relatively unobstructed prairies, required great quantities of capital to see it through. And, though early entrepreneurs had evolved a very practical and often profitable method for financing railway construction, the great depression of the late nineteenth century, along with the collapse of all too many once lucrative railway ventures, had made potential investors overly cautious, creating the need for specific financial guarantees before any serious contruction work could take place.

The traditional formula for capitalizing potential railway enterprises had been unfurled by American entrepreneurs in the years before that country's Civil War.[1] In fact, within Mark Twain's marvelous parody of the era, The Gilded Age (1873), a simple and yet most accurate synopsis of the financial techniques utilized by the rising railway tycoons was presented in a most lucid fashion. In an attempt to float the Tunkhannock, Rattlesnake and Youngwomans-town railway, a character aptly named Mr. Bigler disclosed the nuances of railway finance:

> We'll buy the lands ...on long time, backed by the notes of good men; and then mortgage them for money enough to get the road well on. Then get the towns on the line to issue their bonds for stock, and sell their bonds for enough to complete the road, and partly stock it, especially if we mortgage each section as we complete it. We can then sell the rest of the stock on the prospect of the business of the road through an improved country, and also sell the lands at a big advance, on the strength of the road. All we want...is a few thousand dollars to start the surveys.[2]

Many North-Western entrepreneurs, often with lands or money gained from the recent debauchery in Metis land scrip,[3] began to eye longingly the prospect of further profits through various railway enterprises. More importantly, budding metropolitan centres sought ways and means to ensure financial ability to participate in, or foster, the life-giving railway ventures. As far back as 1877 the bootleggers and land speculators who comprised Winnipeg's municipal heirarchy[4] offered a $200,000 bonus to anyone willing to construct a line from that point to the western boundary of the province.[5] The following year it offered $300,000 to assist the construction of bridge across the Red River and thus encourage a western railway to connect with the Pembina branch at St. Boniface.[6] Accordingly, a number of aspiring Winnipeg developers, including Dr. John Schultz, William Kennedy, Captain (later Colonel) D.H. McMillan, and Rodmond P. Roblin[7] chartered the Manitoba South Western Colonization Railway (MSWC) in 1879. This company was allowed to purchase 3840 acres of federal government lands for each mile of track laid at $1.00 per acre in 1880, though the following year this privilege was increased to 6400 acres per mile.[8] Yet the possibility of selling the line's stocks and bonds remained tenuous at best: the international securities market, uncomfortably familiar with the techniques of railway capitalization, would accept only "first class, guaranteed bonds of long-established dividend-paying companies"[9] while any local capital was quickly swallowed in Winnipeg's ill-fated land boom.[10] Consequently, by 1882 the MSWC had progressed only as far as Barnsley - fifty miles out of Winnipeg.

Other local railway schemes fared even less well. The Westbourne and North-Western Railway had received a provincial charter in 1879 but it was not until 1882, when Sir Hugh Allan acquired the company, that it obtained the right to purchase 6400 acres per mile at $1.00 per acre under a new name, the Manitoba and North-Western Railway (M&NW), and proceeded to construct a line north-westerly from Portage la Prairie.[11] As of February 1883 this line had progressed as far as Gladstone, a distance of thirty-five miles.[12] Yet at least this company managed to perform some semblance of construction activity. In 1880 the Nelson Valley Transportation Company and the Winnipeg and Hudson's Bay Railway Company both received charters to construct lines to Hudson's Bay. Although these enterprises received generous land purchase agreements, and in 1883 were amalgamated as the Winnipeg and Hudson's Bay Railway and Steamship Company, no track was apparently laid.[13] In fact, hundreds of western lines were chartered which never saw the light of day.[14]

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More than regional affluence depended on branch line construction. Without a vast network of feeder lines, the Canadian Pacific Railway would have little chance of paying its operating expenses. As Harold Innis recognized,

> ...the pressure of overhead charges occasioned by the increasing length of the main line, and the competitive and less remunerative character of through traffic, intensified the necessity for the development of local main line and branch traffic.... The barren character of the country from Winnipeg to eastern Canada, and the consequent heavy overhead charges on this section of the road, continued to be decided stimuli to the early extension of branches and the development of traffic in Western Canada.[15]

The CPR definitely needed branches to tap the grain producing districts and thus secure a measure of east bound traffic. Yet this would only encourage traffic in one direction and, more importantly, by-pass the Lake Superior section of the line. If sufficient west bound traffic was to be secured - traffic which would utilize the Lake Superior section - then Western demand for Central Canadian goods had to be facilitated.

In real terms this meant that farm profits had to be kept as high as possible. This situation was instantly recognized in the fall of 1881 when the CPR's new General Manager, W.C. Van Horne, scouted the potential traffic sources of the new line. With considerable self-righteousness he would later claim that

> ...the success of the country and the railway depends mainly upon the successful production of wheat.... it would be suicide on the part of the company to do anything that would damage the farming interests to the extent of one dollar.[16]

The necessity of farm prosperity to CPR survival became even more apparent after the Company commenced regular operations. CPR income from grain handling alone was comparatively small[17] and often dropped to well below ten per cent of total earnings.[18] It was the inward traffic that produced " the Company's most profitable business" and the CPR Annual Reports never ceased to lament any decline in grain prices for the inevitable consequence it had upon west bound traffic.[19] The CPR was thus placed in an ackward predicament: to ensure its own survival and eventual prosperity, it had to make certain that farm profits were quickly made as high as possible; however, in order to do this, the Company would have to construct a large number of branch lines, which it could not afford or finance, for a highly specialized form of traffic which generally occurred only during the Fall season and produced very little direct revenue.

The CPR also needed branch lines to develop its own real estate potential. Recalling the strong land sales found during the construction of the St. Paul, Minneapolis and

Manitoba Railway, George Stephen had initially anticipated that similar land sales would provide needed revenue, and subsequent traffic, for the transcontinental.[20] Yet, unlike the other western railways which often obtained lands within a reasonable proximity of their lines, the CPR located the major blocks of its government land grant a considerable distance from the main line. The two largest components of the land grant were selected in October and November 1882: the Northern reserve, located roughly between Saskatoon and the Rockies, contained the rich lands of the North Saskatchewan district; and the Southern reserve, which encompassed much of the lands between the Red River and the Coteau Hills, south of the main line to the American border.[21] If the company was to profit from these lands, the transportational needs of the areas in which they were located whould have to be accommodated. Consequently, throughout the last years of the century, the CPR's branch line construction and acquisition policy would primarily reflect its land development requirements.[22]

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The CPR had initially graded a branch south from Winnipeg to the Pembina Mountains after assuming the construction responsibilities for the main line in 1881;[23] but this venture had been pursued to stave-off the much feared encroachment of the Northern Pacific Railway which had temporarily gained control over the MSWC.[24] The CPR also constructed a short line from Emerson to Rosenfeld at the behest of a $200,000 bonus from the former [25] - this line was abandoned following the completion of the Pembina Mountain branch. Yet even such minor endeavors as these rapidly became too much of a financial burden as the costs of main line construction accelerated. By late 1882 Van Horne reported that the CPR would be unable to provide construction materials for any branches the next year[26] while Winnipeg's new business jounal, The Commercial, weekly publicized the dire predicament:

> Numerous branches are wanted throughout the North-West, which it seems private railway enterprsie is powerless to undertake. And these branches must each and all prove of great value as feeders to the (CPR's) main lines, and contribute much towards...satisfying the general cry for railways in the North-West.[27]

Pushed by the rising public agitation, the Manitoba government of John Norquay began to provide the legislative wherewithall to promote the province's railway development.

The original CPR contract with the federal government had given the company and its lands a complete exemption from federal, provincial and municipal taxation for a period of twenty years.[28] Following this line, the Manitoba legislature passed "An Act Respecting the Taxation and Suites Against Railway Companies" in 1883.[29] This gave all railway companies complete exemption from provincial and municpal taxation of their lines and provided that railway lands be taxed at a rate no greater than agricultural property. Of greater importance that year, the Norquay administration reorganized the municipal system of government, giving these local bodies the power to assist railway construction through bonuses, stock purchases, loans, tax exemptions and debenture guarantees up to $0.25 per acre of its alienated lands.[30] Shortly after this legislation received Royal Assent, the municipality of Louise promptly offered the CPR a $100,000 bonus to extend the Pembina Mountain branch into its area.[31] In June of that year, Morris made a $55,000 contribution for the same line[32] - this amount was later raised to $100,000. Through these devices, the Pembina Mountain branch was finally constructed 102 miles from Winnipeg to Manitou before the end of 1883. This bonusing system proved especially helpful to the settled regions along the Saskatchewan Trail which had been by-passed by the CPR decision to run the main line south in 1881. With a generous grant from Minnedosa, Sir Hugh Allan's M&NW was constructed as far as that budding metropolis before the end of November 1883.[33] Thus 1883, the same year in which the CPR's main line was opened as far as the lakehead, witnessed a small railway boom in the province with the construction of 236 miles of branches.[34] Before the municipal bonusing craze was halted in 1897,[35] both Selkirk and St. Andrew's provided the CPR with an additional $70,000 for branch line construction, while the M&NW accumulated over $185,000 from the rate payers of Westbourne, Portage la Prairie, Shoal Lake, Birtle and Strathclair.[36]

The CPR also found means of enhancing the branch line boom fostered by the province's small concessions. Restricted by its own contractual obligations, the CPR encouraged the construction and later operations of other western railways. As the Company's infamous monopoly clause restricted its western competitors from obtaining a southern outlet, virtually all of the early regional lines operated as useful feeder for the transcontinental. Consequently, the M&NW and the Great North-West Central(GNWC) both received generous traffic sharing agreements with the Montreal syndicate while all materials for line construction were transported on the CPR at a 40 per cent tariff reduction.[37] More importantly, the CPR began to recognize a desirable means of circumventing the financial restrictions the contract placed in the way of branch construction by acquiring control over various so-called colonization railways - particularly, the MSWC. Indeed, the CPR had always felt uneasy about that line's American influence and quickly set out to obtain the railway by any possible avenue. As early as December 1881 John Schultz began to assist the CPR in gaining influence over the line[38] and by the Fall of 1883 it had effectively been placed under the Company's control[39] - though it was not until 1884 that its $1 million purchase[40] became public and had been placed under a directorate consisting of such CPR notables as Van Horne, Donald A. Smith and R.B. Angus, as well as Manitoba's then Lieutenant-Governor, James Cox Aikins. But the major importance of the MSWC to the Company was that, although a subsidiary, it was not restricted by the CPR charter. Consequently, it could issue common stock and bonds to build its lines, and develop the CPR's Southern land reserve, without becoming a direct liability. The ersatz branch line potential of the MSWC and other colonization railways rose significantly in 1885 when the federal government began to change the privilege to purchase land up to 6400 acres per mile into a number of free grants.[41]

But despite the CPR's clever circumvention of the charter's financial encumbrances against branch lines with the acquisition of the MSWC, western railway constructinn ground to a halt in 1884. The already pressing costs of the main line were made absolute that year when the Macdonald government provided the railway with an emergency loan. George Stephen's attempt to obtain financing for the MSWC proved futile in both the London and New York money markets because of the anti-monopoly agitation of the Manitoba Farmer's Union[42] and the rival machinations of the Grand Trunk and Northern Pacific railways.[43] Similar financing difficulties no doubt faced the M&NW for despite bonus offers from Russell and Birtle that year,[44] the Allan syndicate initiated no further construction.

Unwilling to see the province's earlier progress in branch line creation thwarted, the Norquay government took a bold step and legislated the "Railway Aid Act" in 1885.[45] This legislation empowered the provincial authorities to finance railway construction to the extent of one dollar for each acre of the railways available lands. Through this device the MSWC received \$899,846 and the M&NW, \$787,426.[46] Although the CPR's subsidiary repaid its debt, the latter concern defaulted on its interest payments every year until 1900 when it was temporarily leased to the Montreal syndicate. Nevertheless, with provincial loans in one hand and municpal bonuses and tax concessions in the other, the MSWC and M&NW entered into another period of rapid line construction. By 1889 both companies had extended their local operations an additional 284 miles and in 1891 the M&NW penetrated Assiniboia Territory as far as Yorkton.[47] Also, an additional short line (16 miles) had been completed in about that time by the Saskatchewan and Western Railway Company between Minnedosa and Rapid City with a $1200 per mile subsidy from the provincial government and a $10,000 bonus from Rapid City.[48]

After the MSWC had largely benefitted from Manitoba's Railway Aid Act, relations between the CPR and the provincial authorities suffered a temporary breakdowm over the maintenance of the Company's monopoly clause. This ushered in a brief era where the province's energies were consumed in numerous attempts to circumvent the monopoly and the floating of ill-fated schemes for constructing a Hudson's Bay railway. With the end of monopoly in 1888, the new provincial regime of Thomas Greenway entered into an agreement with the Northern Pacific railway to construct the 65 mile line from Winnipeg to the international boundary with financial aid of $6400 per mile and a twenty year exemption from provincial and municipal taxation.[49] Over the following two years the Northern Pacific's Manitoba operation, the Northern Pacific and Manitoba (NP&M), constructed branches from Winnipeg to Portage la Prairie, as well as from Morris to Brandon, totalling some 200 miles. But by 1891, the province was more than willing to make amends with the CPR and, in early March, Joseph Martin and Col.D.H. McMillan made a personal visit to Montreal in order to offer Van Horne $150,000 for the construction of a branch into the lucrative Souris coal fields.[50] By the following year, the Souris branch had been pushed as far as Estevan and another line was added to connect Deloraine to Napinka. Also, a 62 mile line was completed between Chater and Hamiota in late 1891 by the much scandalized Great North-West Central Railway of Ottawa; but most of its construction appears to have been financed by shady government land grants.[51]

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Outside the province of Manitoba, the ability to foster branch line construction was severely handicapped until the territories received provincial status in 1905. Although a few incorporated towns and cities were capable of providing bonus offers, such as the $25,000 bond guarantee from Calgary,[52] the North-West Territories held little means of its own to encourage railway construction. Given the limited immigration and settlement trends of the era, perhaps there was little need for the level of branch line concentration found in Manitoba; but a few lines were still essential if the rich lands of the North Saskatchewan were to be tapped. Indeed, with its largest land grant reserve confined to this fertile belt, the CPR would have to ensure that the transportation requirements of the district were met. But without the usual financial guarantees, how were territorial lines to be floated?

The needs of the CPR and the agriculturalists of the North-West Territories were initially accommodated by two more colonization railways[53] and their erstwhile promoter, E.B. Osler - a CPR director and financier _par excellence_. The first of these colonization schemes, the Qu'Appelle, Long Lake and Saskatchewan Railway (QL&S), had initially received its charter to build from Regina toward the North Saskatchewan district in 1883. The Company received federal government lands in 1885 and 1887[54] and managed to lay 25 miles of track between Regina and Craven[55] before E.B. Osler[56] and its other promoters realized that they alone were incapable of completing or operating the line. Osler was again at the head of another colonization railway effort as the QL&S was collapsing[57] - the Calgary and Edmonton Railway (C&E). Yet almost as soon as this line was chartered, its officials also realized that any construction was well beyond its means. Consequently, at the CPR's Annual Meeting in May 1890, Van Horne announced that both the QL&S and C&E had been leased by their directors to the Montreal syndicate rent-free for six years.[58]

Although Thomas Shaughnessy later claimed that the Company had leased the two colonization roads merely "with a view to keeping the roads going, and to prevent the complete collapse which would have occurred in both cases,"[59] it is quite evident that the true life of the QL&S and C&E operations did not occur until after their acquisition. Indeed, significant construction of these railways did not occur until the financial gnomes of the CPR obtained a means of guaranteeing the securities necessary to float the lines. In 1890 the QL&S received an annual mail subsidy of $80,000[60] and this was quickly utilized as a quasi-interest guarantee for $3,500,000 worth of bonds.[61] With financing in hand, this line was pushed the 230 miles from Craven to Prince Albert before the end of the year.[62] The success of this device proved worthy of an encore and in 1891 the C&E received an identical mail subsidy.[63] This enabled the Company to guarantee interest on a $5.5 million bond issue and arrangements were made to pay the subsidy directly from the federal treasury to the London bond agents.[64] By August of 1891 the C&E had been constructed the 200 mile distance between Calgary and Strathcona.[65] The following year the C&E was constructed south from Calgary some 100 miles by the issue of CPR debentures[66] but this line was principally motivated to develop the southern Alberta coal lands, not as a transportational device for agricultural output.

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With the completion of the QL&S and the C&E lines, the immediate railway needs of the West had been taken care of. By 1895 Van Horne boasted that

> ...the railway mileage in the Canadian North West is already excessive in proportion to the population, and until something is done to stimulate immigration, I am pretty sure that no more lines can be built....[67]

In fact, between 1892 and 1900 the CPR and subsidiaries constructed only a single 18 mile section, connecting Deloraine to Waskada.[68] Even as far back as 1889 the Commercial had been forced to admit that southern Manitoba was so well saturated with railways that there was not a farmer in the area any further than six to twelve miles from a station point.[69] And, in but a very few localities of the Territories were settlers any further than ten miles from a rail line.[70] In areas where railway concentration was particularly severe, as around Rosenfeld, some railway companies were even forced to improve local highway facilities to entice producers away from competing lines.[71]

Yet the province of Manitoba still desired more and more railways, and through the ingenuity of its Attorney-General, Clifford Sifton, it set out to acquire them. The province had already utilized the usual assortment of tax concessions, municpal bonuses, loans and direct subsidies to amass an effective network of rail lines to service its grain producing districts; but, with the clever practice of transforming mail subsidies into ~~as~~ *de facto* bond guarantees on the QL&S and C&E, Sifton recognized a means of alternative financing potentially capable of placing a railway on almost every farmer's doorstep: the government of Manitoba would guarantee both the principal and interest of bond issues for specific lines constructed.[72] As such, the province virtually guaranteed the marketablility of any required bond issue and removed much of the financial risk to the promoters. But despite this blushingly generous offer of financial aid, Sifton was hard pressed to find any railway companies willing to engage in further Manitoba branch line construction.[73] The CPR was already quite satisfied that it had constructed a network of feeders beyond the capacity of the region[74] and no doubt realized that any further concentration of lines would drain traffic revenues from existing lines. Unlike prairie producers, and the politicians covetous of the farm vote, railways must remain conscious of the law of diminishing returns.

In addition, throughout this period western railways had faced great difficulty in covering their operating expenses and by the mid-1890's both the M&NW and the Saskatchewan & Western railways had fallen into receivership. Although the Northern Pacific and Manitoba remained afloat, it too had found the province lucrative only in its contruction aid, not operational returns. In fact, Thomas Shaughnessy felt confident that if it so chose, the CPR could have purchased the NP&M lines "at a fraction of their cost."[75] Nonetheless, Sifton found Donald Mann, an unemployed railway contractor who, along with William Mackenzie, would utilize the province's largesse to erect a conflagration of local railways and, eventually, a short-lived transcontinental operation.

After Mackenzie and Mann acquired the near-worthless stock of the long dormant Lake Manitoba Railway and Canal Company (LMR&C), the Manitoba legislature guaranteed the principal and interest on that firm's four per cent bonds to the extent of $8000 per mile and also provided a healthy tax exemption.[76] By this means the LMR&C was completed the 123 miles from Gladstone to Lake Winnipegosis by September of 1897.[77] Such success inevitably spawned further ventures and in 1898 the legislature provided the LMR&C with the same bond guarantees and tax concessions for a line running from Sifton Station towards the Saskatchewan River district.[78] By this time Mackenzie and Mann had also acquired the Manitoba and Southeastern Railway - another defunct operation with no existing facilities but a large land grant - and the government extended similar financial and tax aid for its completion between Winnipeg and the southeastern tip of the province.[79] By 1900 this railway had progressed as far as Beaudette, and the provincial government had even included a provision to finance the line extraterritorially through its Minnesota sections.

Although Mackenzie and Mann remained the only party willing to utilize the province's bond guarantee package during this period, neither the NP&M nor the CPR were without government financial aid. During the 1898 session, the legislature provided the NP&M with over $100,000 in subsidies to extend a line 50 miles from Belmont to Hartney and thus concentrated additional rail facilities in the Souris area.[80] That same year the provincial authorities provided the CPR with a $3200 per mile subsidy for the 18 mile branch connecting Deloraine with Waskada.[81] Not surprisingly, by early 1900 the Commercial could claim that Manitoba alone had over 2000 miles of railway[82]- ensuring that only a minute number of settlers were much further than ten miles from a rail point.[83]

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Without the financial encouragements provided by the government of Manitoba, or the unorthodox contruction techniques of the CPR in the North-West Territories, little if any of the region's elaborate branch line network would have been constructed. If George Stephen's early inability to obtain financing for the MSWC and Van Horne's consistent remarks on tight money markets throughout the 1880's and 1890's[84] are any indicatinn, then other railway promoters, with no where near the prestige of the CPR magnates, must have found it virtually impossible to obtain access to development capital without the provincial and municipal guarantees. The net result of local aid to railway construction is readily discernible in the higher concentration of branch lines in Manitoba over the rest of the North-West: by 1900 the postage stamp province of Manitoba boasted almost 1500 miles of branch lines alone while the entire North-West Territories could not surpass 800 miles.[85] And, of the NWT's total branch mileage, over half was composed of the QL&S and C&E lines which had contrived their mail subsidies into de facto bond guarantees.

It is thus valid to assume that without the financial support of the regional authorities, a prairie branch line network capable of transporting the region's grain production would have remained an unlikely prospect. Such evidence tends to correlate with Ken Norrie's thesis that " branch lines in this period reflected the pattern of existing settlement rather than explain it."[86] Without pre-established settlements, willing either to flex their municipal resources or apply political pressure on the provincial authorities, there would have been insufficient means of financing such ventures. Consequently, branch line construction reflects not only pre-established settlement patterns, but the power of provincial entrepreneurship. Not surprisingly, significant concentration of branch lines in the prairie region beyond Manitoba did not occur until after the mass influx of immigration at the turn of the century and the creation of the provinces of Saskatchewan and Alberta in 1905.[87] Ironically, the increasing levels of branch line concentration which followed occurred at a time when fewer railways were in fact required. Indeed, when world grain prices began to escalate after 1903[88] the margin between wheat production costs and street grain prices expanded accordingly. This situation provided that the boundaries of commercially feasible agriculture could also be expanded, but instead the over-building of railway facilities greatly reduced the transportation costs between farm and rail point causing farm profits to increase by manifold proportions.

CHAPTER FIVE

THE DEVELOPMENT OF AN ELEVATOR SYSTEM

Although the people of the Canadian West had been quick to sense their special need for railways, additional facilities were required to effectively serve the transportational needs of the prairie grain producer. Steps were taken to provide these facilities shortly after Van Horne became the CPR's General Manager in late 1881. The new General Manager's immediate task was to construct the Company's transcontinental line and his activities have been greatly popularized in such works as Pierre Berton's The Last Spike. Yet perhaps Van Horne's greatest accomplishment lies not in the submersion of construction trains in muskeg or the quantities of dynamite he used to transform the Rocky Mountains into a thoroughfare, but as the godfather of Western Canada's modern grain handling system.

Even though the construction of the CPR's main line was Van Horne's immediate responsibility, profitable operation of the line upon its completion was the obvious objective. During his earlier years in the American mid-west, Van Horne had developed various techniques for "creating traffic" and thus transforming unprofitable lines into lucrative operations.[1] Unlike numerous railway builders of that era who seemed to think profitable operations required the exploitation of the surrounding territory for all its worth,[2] the CPR's General Manager realized that for a railway to be successful, particularly with a line as long as the CPR, the region it served must be equally successful. As noted in the previous chapter, the CPR's profits directly from transporting grain were comparatively small; it was through the indirect benefits of a prosperous grain trade - the Westerners' ability to purchase goods and services from the east - that the railway enterprise could prove remunerative. With this premise in mind, Van Horne set his traffic creating talents to work.

As Van Horne well knew, access to rail facilities alone would not be sufficient to ensure the success of the grain trade.[3] Storage at railway points and subsequent transfer into rail cars could easily add prohibitive charges in both time and labour to grain handling. Much of this additional expense could be eliminated with the adoption of mechanized bulk handling practices which utilized the liquid-like properties of the commodity in its free state and could transfer it through a combination of elevating machinery and the force of gravity. This process could be accomplished by the erection of grain elevators. With these devices in place, rail cars could be loaded in less than forty minutes each.[4] The handling of grain through elevators further ensured the quality and value of the commodity, for it made damage less likely during transshipment and severe weather conditions. But, as in the case of railways, construction of grain elevators in sufficient numbers to handle the mounting North-Western harvests required a considerable investment of fixed-capital. (Capital investment in country elevators was approximately $0.20 per bushel capacity including the cost of elevating machinery, or about $6000 for the standard 30,000 bushel capacity elevator; lakehead terminal elevators required approximately $0.50 per bushel capacity.[5]) However, construction of elevators was seriously impeded by the already established practice of erecting 'flat warehouses' to handle grain.

At a fraction of the investment required for elevators, country rail points could be equipped with flat warehouses. Although these structures provided storage facilities, they generally operated on man-power and required a full day to load each rail car.[6] As such, operating costs were higher than that of elevators, particularly as volume increased. Indeed, the Commercial estimated that costs for loading a rail car by one of these "monuments of shiftlessness" were twice that of an elevator.[7] Also, since an elevator could service at least twelve cars per cay, while the warehouse could accommodate only one, the former's cost effectiveness was magnified by economies of scale. Consequently, the Commercial estimated that if the projected nine million bushel Western grain harvest of 1884 were handled exclusively by elevators instead of warehouses, the immediate saving would be in excess of $100,000.[8] Not surprisingly, Van Horne reported to George Stephen that grain warehouses could not handle wheat and get within five cents of its per bushel value.[9] Despite the inefficiency, however, the lower capital investment required to construct a warehouse made it, and not the elevator, the initial preference of local grain dealers. By 1881, with the questionable exception of Niverville,[10] all six known grain handling structures in the West were flat warehouses.[11] In 1882 both D.H. McMillan's City Mills and the Ogilvie Milling Co. constructed elevators in Winnipeg,[12] but these were merely to service their mill operations and provided no benefit to the prairie producers. Thus, despite the fact that elevators could handle the commodity much more efficiently and reduced costs, local grain dealers erected flat warehouses - if they bothered to erect any storage and handling facilities at all.

The principal difficulty encountered with flat warehouses, however, was that they placed additional costs upon the entire grain handling system which could significantly raise overall costs, particularly as volume increased. The key to understanding this is the speed at which these devices could load rail cars. The rapid processing provided by the elevators meant that rolling stock would be tied up at loading points for far shorter durations than if warehouses were used. The efficiency of each car would thus be increased and, as such, less rolling stock would be required by the railway to service the grain harvest. Indeed, the demands of the grain trade upon the railway are overpowering, yet seasonal - necessitating that the railway maintain a vast number of rail cars capable of handling the crop during the Fall months, which must stand virtually idle much of the rest of the year. With the utilization of elevators over warehouses, the railways could reduce their seasonal freight car requirements. Van Horne estimated that if the North-West used warehouses instead of elevators, the CPR would require fifty per cent more rolling stock.[13] By the end of the century, F.W. Thompson of the Ogilvie Milling Co. claimed that this figure would be closer to 75 per cent.[14] The ability to keep rolling stock at a minimum would also lessen the possibility of blockades due to congestion at shipping points.[15] Also, with fewer cars necessary, engine requirements and rail siding length could be kept at a minimum. In short, these reductions translated into lower railway operating costs and , in turn, could reduce shipping charges. Obviously, the profitability of grain handling and railway operations was directly related to the wholesale utilization of grain elevators in the West.

Both the farming and the commercial interests of the region recognized the need for elevators,[16] but enticing local grain dealers and entrepreneurs to satisfy the need proved to be another problem entirely. Until the end of 1882 it was likely that any entrepreneurial talent searching for opportunity in the West would have found the real estate business a far more gainful proposition than the construction of grain elevators. Even if any would have been so inclined as to be interested in the latter, it was quite apparent that the financial houses had restricted their lending to land dealings in Winnipeg's infamous boom.[17] In fact, this trend had become so strong that even after the collapse of the boom, these institutions were unable to provide much in the way of investment capital.[18] For already established grain dealers faced with the same borrowing restrictions, there was little incentive to obtain the $6000 for an elevator when a warehouse required only a small fraction of that amount. Indeed, for a few hundred dollars any budding grain magnate could erect a small warehouse near a prospective rail point and commence operations. It mattered little whether he could reduce handling costs or affect railway efficiency provided his own profit on transactions was forthcoming. He especially held no practical interest in whether the farmer obtained a large return for his labours: whereas the railways profited from agrarian affluence, albeit indirectly, the grain dealer did not - he acquired his 'squeeze' of the enterprise only through the direct proceeds of the buying and selling of grain. Consequently, if the West was to procure sufficient elevator facilities to handle the ever increasing volumes of grain efficiently and economically, measures would have to be taken to encourage their erection.

Having dealt with much the same situation on the Southern Minnesota Railway during the 1870's, Van Horne evolved a basic plan for the forced growth of elevators along railway lines. It involved a careful balance of both restriction and incentive. As was generally known, the CPR's standard elevator contract provided that anyone desiring to erect an elevator on its lines would receive a lease on the track site free of rent for a term of ten years.[19] The CPR would also ship the construction materials for the elevator to the site for one-half the regular freight tariff.[20] Elevators constructed at various points would also have to be of a specified capacity dependent upon the grain production of the surrounding area. Originally, capacities were set between 10,000 and 30,000 bushels, but after local agitation these were reduced to between 10,000 and 20,000 bushels.[21] Nevertheless, few elevators constructed at this time were less than 30,000 bushels in capacity. If the current production of an area did not warrant the immediate construction of an elevator, then a flat warehouse could be erected on condition that it be replaced with an elevator within a specified length of time.[22] Believing that no one would invest in an elevator if other dealers were permitted to put up warehouses at the same point, Van Horne promised that no railway cars would be loaded from warehouses or directly from wagons at any station where an elevator was in operation, although any number of elevators could be erected at the same point.[23] This restriction was the basis for the Nor'West Farmer's claim that the CPR had created an elevator monopoly in 1883,[24] but in practice the railway did not always enforce this rule and whenever additional storage capacity was required, warehouses and even direct wagon loading were permitted.[25]

What was not generally known, however, was that elevator operators would receive a sizable rebate on grain freight rates. The standard practice on the Southern Minnesota Railway had been a flat one cent per bushel,[26] but on the CPR these kick-backs reached a far greater magnitude. When the line connecting the prairie sections to the lakehead was first opened in 1883, the standard freight tariff between Winnipeg and Port Arthur was \$0.36 per hundredweight (cwt).[27] Most operators received a \$0.28 rate for the same distance[28] - a rebate of \$0.08 per cwt. But this practice was sometimes graduated to favour operators with the incentive and capacity to expand facilities. The Ogilvie Milling Co., the western subsidiary of A.W. Ogilvie & Co.

of Montreal, clearly received the most advantageous arrangements. Having already been attracted to the North-West in 1881 because of the favourable quality of its hard wheat varieties, Van Horne offered the firm a special deal. In return for providing at least 25,000 sacks of flour to remain at Port Arthur over the 1883-4 winter in order that the CPR's new lake steamers would have return loads for the opening of navigation in the Spring, The Ogilvie Milling Co. would receive a $0.15 per cwt rebate on all grain it shipped to the lakehead.[29] By the close of navigation in 1884, Ogilvie had shipped 550,000 bushels along this route (73 per cent of that season's entire grain export.)[30] providing an under the counter return of over $50,000, or enough for the construction of seven 30,000 bushel elevators and one 40,000 bushel elevator. Early the following year, Ogilvie requested leases for eight new elevator points.[31] For a short time the Ogilvie Milling Co. also received a secret telegraph arrangement whereby the CPR telegraph operators were instructed "not to wire anything against the interests of the (firm)."[32] Just how long these rebates continued remains unclear. As late as 1888, firms such as Ogilvie and the McBean Brothers received a $0.09 per cwt rebate on the Pembina Mountain branch;[33] but as grain tariffs continued to fall to extremely marginal levels and the region became well saturated with elevator facilities, it is most probable that the practice was phased out. After Van Horne's promotion to the presidency of the CPR, and the financially doctrinaire Thomas Shaughnessy gained an ever increasing hold over the Company's day to day operations, it was unlikely that any sort of rebate agreements were entered into.[34]

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With these rebates and various elevator restriction in mind, it is not surprising that R.T. Naylor should suggest that the CPR and the Ogilvie's "worked hand in glove" to fleece the prairie producers.[35] Although an extremely popular hypothesis, it is far from accurate. Clearly the elevator restrictions against flat warehouses would tend to limit the number of grain buyers at station points; this was Van Horne's intention[36] for two reasons. In the first instance, during his years on the Southern Minnesota Railway, Van Horne observed that permitting warehouses encouraged the establishment of a large number of small enterprises which, because of their uneconomical nature and the limited volume of grain available, tended to form combinations and put down the prices paid to farmers.[37] Winnipeg's commercial interests concurred with Van Horne on the devastation wrought by small grain dealers in Minnesota[38] while, as if to prove the point, the city's grain buyers continuously opposed the warehousing regulation as a device for limiting their participation in the trade.[39] Secondly, with only a few operators at any one point, the CPR could much more easily guard against price cutting.[40] In tandem with this, the rebate system played an important role.

Upholding his basic principle that the CPR's ultimate success was dependent upon regional prosperity, Van Horne realized that wheat production would have to be made a profitable venture. To encourage this, the CPR's rebate agreement required that the beneficiaries raise grain prices paid to the grain producer.[41] Although the rebates tended to expand already large holdings of elevators at the expense of others, it can be recognized as a necessary step if the region was to obtain the requisite quantity of these mechanized bulk handling facilities. As previously noted, wholesale utilization of elevators could greatly assist the reduction of the transportation system's operating costs, particularly as the volume of grain exported increased, enabling it to benefit from economies of scale. In fact, freight rates on grain dropped by over fifty per cent between 1883 and 1893[42] and by 1895 the Railway Rates Commission could report that the CPR tariffs were lower than their American counterparts in both ton-mile rates and absolute charges between the producing areas and the respective lakehead ports.[43] (It should be recognized that these rate reductions were effected long before the politicization of grain freight rates following the 1897 Crow's Nest Pass Agreement.) Certainly such reductions did not prove detrimental to the farming interests of the North-West.

Unfortunately, the elevator operators did not always live up to their side of the rebate agreements and other arrangements had to be made to keep local grain prices up. When in the Fall of 1884 the CPR's agents discovered that Ogilvie buyers were repeatedly cutting street grain prices set in the agreement, and local producers began to cry 'monopoly', Van Horne set up a temporary organization to repair the damage. Consequently, the CPR, in collaboration with Alexander Mitchell and the Bank of Montreal, floated $4 million for the exclusive purpose of purchasing Western grain.[44] This 'combination', which soon gained title as the "Philanthropic Triumvirate," managed to raise street prices an additional ten cents per bushel in the Qu'Appelle region-forcing other concerns to do likewise.[45] This operation proved so successful that a large number of American farmers found it profitable, even after paying Canadian Custom's duty, to ship their grain north to Canadian rail points for sale.[46] In a signed affidavit sent to a St. Vincent, Minnesota newspaper, one farmer reported the situation:

> St.Vincent,Minnesota
> 2nd December,1884
>
> I certify that I took the two first loads of wheat I sold this year to St.Vincent, and was paid for it 42 cents and 37 cents per bushel. Thinking I could do better in Manitoba, I took over a number of loads to Emerson, paying 15 cents per bushel duty, and for every load I was paid by Messrs. Ogilvie's agents 56 cents per bushel. Today I tried the St.Vincent buyer with another load for which he paid me 39 cents per bushel. It is my intention to take the rest of my wheat and sell at Emerson.
>
> (signed)
> James G. Mortimore[47]

Van Horne and Mitchell had believed that if they held the purchased wheat until the usual spring advance in world prices, and sold it directly to British millers, they could perform the feat without serious loss.[48] Over the following years Van Horne kept a close watch over Western grain prices and on a number of occasions he found it necessary to place 'special' buyers along the line.[49]

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Despite these difficulties, Van Horne's forced growth techniques soon began to show results. By the end of 1884, the CPR lines held eighteen separate elevators at thirteen different points.[50] Without the adoption of the same techniques, the M&NW had but two elevators - both located in the industrious hamlet of Minnedosa. A few of the more productive centres along the CPR lines, such as Gretna, Brandon, Portage la Prairie and Winnipeg, boasted more than one of these devices. Most were operated by small local millers or grain dealers; but, clearly, the Ogilvie organization controlled the largest single line of elevators (nine) while its closest competitors, D.H. McMillan & Co. of Winnipeg and the McBean Brothers of Winnipeg and Montreal, operated two apiece.

In order to maintain its authority over the entire handling system, the CPR constructed and operated large terminal elevators at the lakehead where final inspection and grading was to take place before the grain was transferred onto lake steamers.[51] The first of these terminals, a 300,000 bushel unit at Port Arthur, was completed in 1884 after George Stephen convinced the federal government to let the Company reallocate funds from constructinn work on section 'B' of the main line toward the essential facility.[52] The following year a 1,350,000 bushel terminal was constructed at Fort William after Sir Hector Langevin agreed that the federal government would build the necessary harbour facilities.[53] In anticipation of increasing grain shipments, Van Horne ensured that these terminals were designed for further enlargement.[54] By controlling the storage and transhipment facilities at Thunderbay, Van Horne believed that he could best preserve the integrity of the entire western grain handling system as well as the quality of the product itself.[55]

Yet, lakehead terminal facilities were only the apex of the 'Great Wheat Funnel' which channeled the grain harvest eastward. In order to spout the commodity to the country's ocean ports, and still maintain effective control over the product, the CPR also provided transportational services on the Great Lakes. Through the agency of Henry Beatty, the CPR operated a line of Clyde-built steamers between the Thunderbay ports and Owen Sound where western grain was again transhipped through a large terminal elevator and routed over the Ontario and Quebec Railway (another CPR subsidiary) to Montreal.[56] Thanks largely to the Montreal Harbour Commission, the eastern terminus was provided with two 1,200,000 bushel capacity terminals - these were both placed under the control of the CPR.[57] By January of 1885 Van Horne could report to the Company's London agent that

> (the) Canadian Pacific owning, as it does, a continuous line from the wheat fields of the Northwest to the Port of Montreal will be able to secure beyond question the integrity of the grades of wheat shipped on its line. It will be practically within our controll from the time it is loaded into the cars at the shipping stations until it is spouted into the holds of the steamships at Montreal as we control the transferring and shipping elevators as well as the railways and lake steamers.[58]

(It should be noted, however, that because Montreal did not become a first-class ocean port until 1909, and that Canadian water-routes were commercially inferior to their American counterparts, grain destined for the European market was typically routed through the Erie Canal for export via New York. see: Chapter Seven)

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After 1885, a wide-spread belief in eminent prosperity developed in the West. The collapse of the North-West Rebellion, the completion of the CPR's transcontinental line and the initiation of local branch line construction gave fresh impetus to the region's development. As the Commercial noted,

> ...there is undeniable evidence of a great improvement in trade and a feeling of confidence pervading mercantile life at industrial and commercial centres.[59]

The same spirit was again reflected in G.F. Galt's presidential address to the Winnipeg Board of Trade in 1888:

> ...underlying all this is the strange and well founded conviction that the country is entering upon a period of prosperity....[60]

The anticipation of a new era of economic prosperity was not unfounded. After suffering a pronounced decline since 1883, grain prices began a short term rise after 1886.[61] The same provincial legislation that had enabled municipalities to offer financial assistance to railways was now also used to foster local grain milling operations.[62] By 1886 the production of North-Western mills had taken control of the British Columbia flour market away from the California millers.[63] These local mills usually erected adjacent elevators along the rail lines, providing additional storage and handling capacity to the system. The government of Manitoba also began the official compilation of wheat and flour export statistics. In 1886 the province exported over four million bushels.[64] The following year the figure rose to over ten million, straining the capacities of the system. The Winnipeg Board of Trade initiated a short-lived crusade against the CPR for not providing sufficient rolling stock to transport the region's commercial elixir to market, but Van Horne was adamant that insufficient elevator capacity was the true culprit.[65]

By 1890, the number of elevators in the North-West had increased enormously. The CPR lines held 74 of these devices at 37 station points while only 18 points used warehouses exclusively.[66] Terminal elevator capacity at the lakehead had been increased by an additional 1,250,000 bushels while corresponding increases were carried out at both the Owen Sound and Montreal facilities. The M&NW had only six elevators at four stations with ten points exclusively served by warehouses. The NP&M lines held ten elevators and three warehouses at thirteen points.

The Ogilvie Milling Co. still maintained the largest single line of elevators, 24 (or 26 per cent of the regional total), but indigenous grain dealers centred in Winnipeg had begun to expand their holdings. D.H McMillan & Co. now operated a line of seven elevators while Martin, Mitchell & Co. had obtained almost exclusive control over the NP&M branches. A few other aspiring Western grain dealing firms, such as Roblin & Atkinson, Nicholas Bawlf, Campbell & Green, and G.J. Maulson & Co., had also began to establish storage and handling facilities at country points in order to secure adequate grain supplies for their trading operations; but these concerns still confined their endeavors to flat warehouses. Operating as partnerships or non-incorporated companies, these indigenous firms were no doubt limited in their ability to raise development capital to expand to a level comparable to the Ogilvie operations. By 1890 it had also become apparent that some grain producers were not prepared to let private dealers provide all of the region's handling facilities. At both Manitou and Portage la Prairie, local farmers set up joint-stock companies for the purpose of erecting and operating grain elevators. Nevertheless, the majority of elevator facilities on the prairies (51 per cent) were provided by small milling and grain companies confined to single-point operations.

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During the 1890's major developments began to take place which would inevitably affect elevator construction and concentration. After two years when North-Western wheat and flour exports had dropped below five million (1888 &1889), the years following 1890 witnessed a period of increasing output with 1895 reaching a new export high of 29 million bushels.[67] But, despite these increases, foreign demand and, as such, grain prices fell drastically. Winnipeg wheat prices, which had been hovering around the $0.90 per bushel level in 1890, dropped to about $0.60 in 1894[68] - rural prices fell to a low of $0.38 per bushel for No.1 hard in October that year.[69] Although this price collapse was immediately reflective of a decline in investor confidence in the world's money markets, making it impossible for speculators to carry large stocks of grain,[70] larger forces were at work. Indeed, the last decades of the nineteenth century experienced a prolonged deflation which reduced general price levels by a third, and "both new and old industrial economies ran into problems of markets and profit margins."[71] The per bushel profit levels of prairie grain dealers declined rapidly - by the disastrous 1894 season, wheat was handled by the elevator companies on a margin of just half a cent per bushel.[72] Consequently, survival in the trade made it essential to expand and economize handling operations in order to maintain profitability. Also, if profits were to be made on the short-term fluctuations of the world's markets, it had become apparent that grain dealers needed the capacity to store large quantities of grain in order to provide the commodity the instant prices reached their highest levels.[73]

The Ogilvie Milling Co. had long understood the merits of maintaing complete lines of elevators throughout the producing region and, with the assistance of the CPR's generous rebate system, it had amassed a large number of these devices. Because of this, the Company held complete control over the quality of the commodity it purchased, was not obliged to pay tolls to local elevator and warehouse operators, and was more inclined to profit from the usual gyrations of the markets.[74] With its control over the purchasing, storage, handling, processing and marketing of the grain, Ogilvie held a decided advantage over any milling enterprise which did not. This fact became readily apparent to the Lake of the Woods Milling Co. (LWM). Incorporated in 1887 with generous financial assistance from George Stephen, Donald A. Smith and a directorate of other leading Montreal financiers, this company constructed a 1000 barrel per day flour mill and a large adjacent storage elevator at Keewatin.[75] Van Horne advised the LWM management on the necessity of operating elevators throughout the prairies in order to "compete on a sound footing" with Ogilvie [76], but, despite its apparently limitless line of credit, the firm declined to follow suit. However, after losing somewhere between $75,000 and $100,000 during its first year of operation,[77] the LWM management was replaced by three former Ogilvie employees - W.A. Hastings, G.T. Hastings, and S.A. McGaw - and plans for the firm's vertical integration into the elevator business were initiated. By the beginning of 1892, the Lake of the Woods Milling Co. had erected eighteen elevators along CPR and M&NW lines[78] and the following year it was able to pay its stock holders a six per cent dividend.[79] In fact, throughout the 1890's, the firm continually expanded its elevator operations and was able to pay dividends ranging between six and ten per cent.[80]

Despite the rise of another Montreal controlled firm, indigenous grain dealers were not to be left behind. Dependent purely upon export operations to Eastern and European markets, and unable to profit from the processing of the grain into flour, North-Western grain dealers came under increasing pressure to expand and economize their operations if they were remain competitive with the likes of Ogilvie and LWM. Firms such as Roblin & Atkinson and Nicholas Bawlf began to convert their warehouses into elevators. Other concerns, such as S.P. Clark & Co., Martin,Mitchell & Co., and H. Crowe & Co., set out to expand their established elevator holdings. Yet, by continuing their operations on a non-incorporated basis, and on such a limited base, the Western grain dealers were severely handicapped in their ability to expand to the level of the large milling firms. Unlike LWM , they were unlikely to benefit from the largesse of the Montreal financial community and it became obvious that other methods of expansion had to be utilized to reach a scale of operations necessary for survival. Not unlike business enterprises throughout the industrial world,[81] these small grain companies sought to consolidate their holdings and organize the resultant entities as joint-stock corporations.

During the Fall of 1893, Arthur Atkinson, Rodmond P. Roblin, Nicholas Bawlf, Herbert Crowe, Samuel P. Clark, and J.A. Mitchell combined most of their individual elevator holdings under the banner of the federally chartered Northern Elevator Company of Winnipeg,[82] and thus virtually overnight created the second largest line of elevators in the region. Capitalized at $250,000, this new organization initiated further construction and by early 1896 it boasted a line of 36 elevators.[83] The following year its capitalization was doubled to $500,000 and by 1900 it operated the largest single line of elevators in the North-West - surpassing both Ogilvie and LWM.[84] As a reflection of its mounting predominance over the entire trade, the Northern Elevator Co. received the infamous title of "the syndicate."[85]

The rapid success of the Northern Elevator Co. soon inspired imitation. To any who possibly doubted the economies of scale realized by wholesale elevator consolidation, Northern Elevator's ability to reduce its standard elevator charge for handling and twenty days storage from two cents per bushel to one and a half cents[86] just a few months after its organization must have proved a rude awaking. But, more importantly, the magnitude of operations carried out by a company the size of Northern offered a means of using the fluctuations of the world market to its own advantage. As Van Horne repeatedly told all those interested in the grain trade,

> the large grain dealers, with stocks on hand in the east and available for immediate shipment, are able to take advantage of...changing conditions, and to make up lots of grain to suit the requiements of a particular vessel by which it is to go. Very commonly, shipments of wheat going eastward from the elevators on the great lakes and intended for export are, because of some sudden drop in the foreign market or some special local demand, directed and sold locally, and very frequently the reverse is the case.... It is only by taking advantage of a good many different markets, at home and abroad, and of shipping opportunities, that the buyers are able to get any profit out of the business.[87]

Accordingly, fresh from his success in the Northern Elevator scheme, R.P. Roblin, along with Col.D.H. McMillan, set out to organize another consolidation venture. By July 1897, Roblin and McMillan, with the assistance of W.W. McMillan, S.A. McGaw, Robert Muir, H.S. Paterson and Joseph Harris, chartered what would become the second largest elevator concern in the North-West, the Dominion Elevator Company of Winnipeg.[88]

The mere consolidation of smaller elevator operations did not prove universally successful, however. Early in 1894, a small Brandon grain dealing partnership known as Parrish & Lindsay, captured the expansionist spirit and set out to build their personal elevator empire. After acquiring considerable notoriety for their activities along the GNWC railway, this operation purchased several small grain concerns in the Edmonton district.[89] In 1897 the two partners moved their headquarters to Winnipeg where, along with the firm of Chalmers Brothers & Bethune, they resurrected the long dormant Manitoba Grain Co.[90] This enterprise proved ill-fated. By early 1898, Parrish & Linday retired from the Company and, although the remaining entity attempted to diversify into the milling industry,[91] Chalmers Brothers & Bethune were also soon forced to break from the enterprise as well.[92]

Yet, one firm's demise fuelled another's ascendancy. In 1898 both the Parrish & Lindsay and Chalmers Brothers & Bethune elevator holdings were acquired by the energetic organization of Bready, Love & Tryon.[93] John Love and Charles Tryon had originally worked as bankers and general merchants in the town of Grenfell, but in 1897 the two moved to Winnipeg and established a partnership with Thomas Bready, a local respected grain dealer.[94] Following a highly profitable operation in 1898, Bready,Love & Tryon were able to acquire most of the elevators of the defunct Manitoba Grain Co. and secured the enthusiastic support of two Toronto capitalists, also experienced in the grain business: James Carruthers and Charles Band.[95] The enlarged partnership was converted into a joint-stock company named the Winnipeg Elevator Co.[96] By 1900 this firm operated 45 elevators - the fourth largest single line of elevators in the North-West. Along with the Northern and Dominion elevator companies, the Winnipeg Elevator Co. became known as the "syndicate of syndicates."[97]

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By 1900 the North-West had obtained a vast bulk grain handling system by which to funnel its production onto the world's markets. With well over 450 country elevators lining thousands of miles of railway throughout the grain producing region, the prairie producers had ready access to what was perhaps the world's most efficient and economical grain handling network. As early as 1893, the CPR had boasted that its freight rates on grain were the lowest in the world;[98] and while the 1895 Rates Commission upheld this claim within the North American context,[99] further reductions occurred in 1897 with the Crow's Nest Pass Agreement. Country elevator charges were by far the lowest in North America with one and a half cents for handling and twenty days storage per bushel. With considerable agitation in the 1890's, American farmers had been fortunate to have their charges reduced from three and a half cents per bushel to two cents for the same service.[100] Lakehead terminal charges, which provided for handling, cleaning, and twenty days storage, had been reduced from one and a quarter cents per bushel to three-quarters of a cent during 1894.[101] Not surprisingly, North-Western grain prices were consistently higher than those found at comparable points in the United States.[102]

Controlling 65 per cent of the region's total quantity of grain elevators, five large firms - Northern, Dominion, Winnipeg, Ogilvie and LWM - had clearly come to dominate the prairie horizon.[103] Strictly local, single-unit elevator operations had been reduced to slightly over twenty per cent of the total, though a quarter of these independent operations were farmer-owned - illustrating the prairie producers' early designs to integrate their control over the entire system. Yet, despite the scale of operations carried out by the five large concerns, on only but a few railway points were they in a position to directly monopolize grain purchasing operations. In fact, of the 133 points along the CPR lines, only 32 were served by a single elevator; and of these, only sixteen were operated by a member of the big five. Points along the M&NW, GNWC, LMR&C and MSE had very limited concentration. But along the Northern Pacific and Manitoba, the line imported to break the 'stranglehold' of the CPR in the region, sixteen of a total of 37 points were served by a single storage and handling facility - of these points, fourteen were operated by members of the big five. At an additional ten points, the only competing structures were also operated by one of the big five firms.

The level of structural competition visible throughout the North-West does not rule out the possibility that large elevator operations could set up exploitive buying arrangements with competitors, only that the absolute number of elevators controlled by the five large operations did not correspond to a domination over a comparable number of grain marketing points. Indeed, ownership of 65 per cent of the region's total number of elevators provided the five great firms with exclusive elevator operations at only 30 per cent of all rail points.[104] Consequently, attempts to keep street grain prices down could still be circumvented by the introduction of 'special' buyers as the CPR had found occasion to do in the past.

But the major problem facing the West's elevator operators at the turn of the century was not any attempt to force down prices paid to the producer, but to reduce operating costs sufficiently to survive. With the total elevator storage capacity of the North-West, excluding terminal elevators, exceeding 15 million bushels in 1900,[105] the system suffered from over capacity. According to a later investigation by the agrarian controlled Saskatchewan Royal Elevator Commission, an elevator charging the standard one and a half cent per bushel fee would have to handle approximately three times its capacity each season to break even.[106] As grain production in the North-West averaged only 20 million bushels annually during the 1890's,[107] and barely exceeded 50 million bushels during the blockade years of 1901 and 1902, it is quite likely that many elevator operations proved uneconomical. Even with the immense expansion of production and exports following the wheat boom, the West's elevator system continued to suffer from over capacity.[108] With profit margins squeezed to the minimum and insufficient production to cover the operational costs of the region's elevator service, the pressure towards further concentration of ownership could only increase if prices paid to the producers were to be kept up. And grain prices not only kept up, but increased. Over the 1897 and 1898 seasons, when Western farmers alleged that a monopoly had been effected between the CPR and the large elevator companies to bring down prices and force small grain dealers out of the trade by the enforcement of the railway's warehouse restrictions,[109] - restrictions which had been in various stages of enforcement since 1883 - prices paid to farmers for grain were escalating to a six year high.[110] (The alleged elevator monopoly of 1897 will be further discussed in Part IV.)

Perhaps the most significant observation to be made of the region's elevator system in 1900 was its domination by indigenous line elevator companies centred in Winnipeg. Whereas before 1894 two Montreal controlled milling companies, Ogilvie and Lake of the Woods Milling, dominated the elevator operations of the North-West, by 1900 two new Winnipeg companies held elevator lines far larger than the eastern concerns. In addition, a third Winnipeg company operated as many devices as LWM. The rapid advance of these Winnipeg based concerns becomes even more impressive when understood in the light of the initial advantage Ogilvie obtained through the CPR's rebate system and the largesse afforded LWM by its Montreal financiers. Without these advantages, Western grain men gained hegemony over their eastern competitors.

PART III

CHAPTER SIX

THEORY AND EARLY IMPLEMENTATION OF THE GRADING AND INSPECTION SYSTEM

Western Canada's vast transportation and handling system would have provided little benefit to the grain trade were it not for the adoption of standardized grading and inspection procedures.[1] The quality of wheat and other grains varies widely according to such principal considerations as purity of type (eg. percentage of red fife to admixture), test-weight per bushel(heavier wheat is typically preferred by flour millers), regional origin and overall condition (ie. cleanliness and dryness)[2] As such it is important to keep different qualities of wheat separate from each other if the full value of the commodity is to be obtained. During the early grain trading experience of North America, preservation of a particular quality of grain remained fairly simple because a farmer's crop was handled in bags and thus maintained its separate identity until it was sold, by sample, to either a miller or an exporter. But as the grain trade grew in magnitude and complexity, this procedure became increasingly inadequate.[3] The adoption of bulk-handling practices for grain transportation circumvented the costly exercise of bagging but it also removed the means of preserving the commodity's qualitative identity. Consequently, a system of standardized grades was developed in order to categorize the divergent qualities of grain into a limited number of classes or grades. This enabled grains of uniform quality, but of separate origin and owner, to be binned and transported together in bulk fashion without loss of value.[4]

A standardized system of grain grades also provided the trade with benefits far beyond the necessary accommodation of bulk-handling methods; it increased the commodity's value, both immediate and potential, and vastly improved the entire grain marketing process.[5] Although a system of grain grading benefitted all parties involved throughout the marketing chain, it above all provided a guarantee of quality to the final buyer[6] which greatly reduced the risk element in commodity transactions. Indeed, a miller must insure that his primary materials meet his requirements in every detail in order to produce the desired grade of flour. If he is forced to purchase grain ungraded in round lots, he takes a risk that a certain percentage of these lots will not be suitable for his needs; consequently, he will buy the lots only at a price which will guarantee a profit sufficient to cover the possible losses - a de facto insurance charge which effectively reduces the price of the grain.[7] If, however, the grain has been graded, the miller can purchase the specific quality of grain necessary for his requirements and thus alleviate the risk of obtaining inferior materials. As such, the miller can afford to pay the full value of the grain. In addition, if a particular grade proves especially well suited to certain milling requirements, and its integrity remains constant from one season to the next, its attractiveness will be reflected in better prices and larger sales - thus effectively providing a propaganda-like influence capable of increasing markets as well as absolute value.[8]

If recognized grades can be officially assigned to grain fairly early in its movement between producer and final consummer, the need for numerous personal inspections by each participant of the marketing chain can be dispensed with.[9]

This is not just a convenience to those marketing the product, but greatly facilitates long-distance trade by making it unnecessary for the final buyer to inspect the goods before accepting delivery.[10] More importantly, standardized grades make possible the establishment of market prices.[11] Without standard grades, grain must be priced according to sample and thus each sample would receive a separate price - every sale would become a matter of individual bargaining. According to Professor John Horner,

> (it) would be impossible to convey any idea of how much wheat was worth unless an idea of the quality... could also be conveyed....Without grades, significant price quotations would be impossible, and unless quotations could be used, world markets could not be developed....Such a handicap would slow up the wheels of commerce and turn back the hands of the business clock several generations.[12]

With graded grain, large scale transactions can be carried out in auction fashion at an open exchange with its inherent economies of operation.[13] All of these trade extrications invariably reduce marketing expenses and thus increase the commodity's value to the producer.[14]

Of further consequence, it is only through the utilization of standardized grades that 'forward contracts' and 'futures' trading activities are possible.[15] The major difficulty inherent with the grain trade is that it is required to market a purely seasonal commodity with a consistent, year-round demand. In order to smooth over the natural cycle of over-supply and scarcity, with its corresponding effect upon prices, all parties to the trade enter into forward contracts whereby set quantities of grain are contracted 'to arrive' at a certain destination for a settled price on a specified future date. However, because of the tremendous variations in the quality of grain, such contracting would be impossible to achieve without descriptions that conveyed the same concept of the product to both the buyer and seller. Although in some forward contracting arrangements it would be possible for both parties to inspect samples before final commitments are made, most contracts are necessary long before the grain has been harvested. Without the ability to interchange different lots of identical grades of the commodity, many of the more speculative processes involved in futures marketing, particularly short selling,would be impossible [16] - thus making any legitimate hedging operations improbable. In addition, standardized grades make it possible for milling concerns to enter into 'long-time' contracts whereby arrangements similar to those of forward contracting are made for deliveries of set quantities of grain but at a scheduled number of intervals over the year.[17]

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To those who during the 1880's contemplated the future of the Canadian North-West in terms of its potential as a world grain producer, the need for a standardized grain grading system, and a means of applying it through official inspection procedures, was readily apparent. One needed only to glance south of the border to observe a lucrative staple industry spawned to no small degree by the utilization of standardized grades. In the years immediately following the American Civil War, the prairie lands of Minnesota and the Dakota Territories rapidly became the bread basket of the industrial world and the designation of Minnesota No.1 Hard came to be regarded by both the eastern and European millers as the most desirable wheat available for its high quality and consistency.[18] To accommodate the operation of the trade in Minnesota grain, Duluth and Chicago quickly acquired port and terminal facilities which made them centres of Great Lakes commercial navigation; Minneapolis utilized its natural advantage in water power to develop a monstrous flour milling industry; and the Chicago Board of Trade became the dramatic centre of the entire enterprise where every grain dealer, speculator, miller, elevator concern, and railway connected with the industry converged into a flagrant display of power and opulence. Not surprisingly, the various aspirants of the Canadian North-West desired to perform a similar miracle north of the border.

Unfortunately, the ability to acquire a standardized grading system which would accommodate the particular designs of the Canadian prairies upon the world's grain markets was restricted until 1885 by the contrary aspirations of two much more influen ial producing regions. Until 1883, the grain production of the North-West remained, in practice, supplementary to the American trade because of the region's reliance upon transportation through Duluth, and thus Minnesota grading and inspection. And while western grain could receive Canadian inspection and grading between 1883 and 1885, all official grades were designed to accommodate only eastern Canadian grains.

The railway link wich connected Winnipeg to Duluth in late 1879 not only provided a viable outlet for the staple production of the Canadian West, it temporarily placed the region's grain trade under the commercial dominance of the United States. Although western grain was tentatively graded and binned for transport by car lot north of the border, official inspection and grading was performed only at Duluth.[19] American authorities refused to recognize Canadian grades[20] and thus caused all grain exported through the United States to be graded, stored, and marketed as Minnesota grain.[21] This proved especially frustrating to the producers and traders of the North-West because even most American grain authorities recognized 'Manitoba' wheat (term includes all wheat produced in the North-West) as far superior to that of Minnesota.[22] Unfortunately, no 'Manitoba' designated grain was being sent eastward from Duluth and,thus, no eastern or European millers could acquire it; its superior qualities merely enhanced the reputation of the Minnesota grades. As such, the grain industry of the Canadian West suffered unjustly: the prairie farmers were deprived of the additional value due to Manitoba wheat; there was no opportunity to enhance future demand because no officially recognized grade of Manitoba wheat was available for eastern and European millers to compare with the Minnesota variety; and, because grain cannot be effectively traded until it receives its grade, no large scale indigenous marketing centre could evolve similar to that of Chicago. In short, the southern rail outlet provided the North-West in 1879 did more to further the hegemony of the Chicago Board of Trade than to foster the economic development of the Canadian state.

Although the completion of the CPR's line from Winnipeg to the lakehead circumvented the American control over the trade, it initially gave the producing region an even greater constraint against participating the world's grain markets. As western grain was shipped through an all-Canadian transportation network to the East, inspection and grading of the commodity came under the auspice of the federal government's General Inspection Act,(1874).[23] This legislation proved to be merely a consolidation of earlier regulations enacted by the central Canadian provinces to standardize the peculiarities of their produce and, thus, provided a system of grain grading far more hazardous to the interests of the North-West than was the case with Minnesota grades. Whereas Duluth inspection could not accommodate some of the regional nuances between Manitoba and Minnesota Hard Wheats, the inspection provided by the Canadian government made no provision for the hard spring wheat varieties peculiar to the West. Indeed, the half-dozen official grades designated in the legislation suited only the soft Ontario wheats.[24] Of equal importance, the General Inspection Act provided that only nine eastern cities could send representatives to the annual meeting of the Dominion Grain Examiners Committee which fixed the final working standards - typically higher than those scheduled in the legislation - as to the season's harvest. Thus, although Winnipeg received the right to establish an official grain inspection service in 1883,[25] the West had no voice in the selection of grain standards. Obviously, the General Inspection Act would have to be amended in order to accommodate the special needs of the West.

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From the vantage point of his private railway car, W.C. Van Horne could readily observe the immensity of the great grain funnel arising under his direction during the Fall of 1884. Indeed, the CPR controlled virtually the entire grain transport mechanism from the prairie shipping stations to the Montreal ocean terminals and its General Manager was most desirous of exercising this wondrous feat of bulk-handling engineering to its full capacity. With his experience in the grain trade of the American Mid-West, Van Horne understood that the entire success of the marvelous transportation network he was now completing ultimately rested on a properly designed grading and inspection system.[26] As such, he set out to formulate the guidelines of such a system himself.

The first concern of the CPR's General Manager was the actual point of inspection for western grain by the federal officials. Following the railwayman's mania for efficiency and economy, Port Arthur became the logical selection:

> (the) chief object of the inspection is to grade the grain for storing in quantities in (terminal) elevators, where many car loads go into one bin....There is no possible use of any inspection until grain reaches the elevator.[27]

But a serious encumbrance to Van Horne's plan for Port Arthur inspection had already taken shape: Winnipeg had already been authorized as an official inspection point and its grain interests were determined to make it the final inspection point for all western grain.[28] Nevertheless, Van Horne was adamant that the CPR was "anxious to secure a perfect system of inspection at Port Arthur";[29] and since official government inspection was not mandatory, while the CPR terminals refused to accept grain on anything other than a Port Arthur inspection certificate (the CPR provided its own inspection service until the federal government appointed official inspectors), the western grain dealers were given little cause to utilize the Winnipeg inspection services over its lakehead counterpart.

Van Horne also devised an 'inspection certificate' which was to be provided to the commodity's owner as acknowledgement of the quality and quantity of the grain in storage at the lakehead terminals.[30] This receipt effectively became a negotiable instrument by which the various transactions involved in the consequent marketing of the commodity could be better facilitated - Van Horne assumed the centre of this market activity would be the Montreal Corn Exchange.[31] The inspection certificate also became a useful means of collateral for financing the marketing operations of the grain dealers.[32]

But above all else, the CPR's General Manager sought to design a series of grades which would adequately promote the high quality of Manitoba wheat in face of the Minnesota grades which then dominated the export market.[33] Accordingly, Van Horne produced a schedule of grades, including No.'s 1 and 2 Hard and No.'s 1,2 & 3 Northern, which were identical to their Minnesota counterparts in test-weight per bushel but carried significantly larger percentages of red fife wheat to admixture.[34] To further insure the recognition of the extra-special quality of

Manitoba wheat, he also created an exclusive premium grade, superior to any commercial grade available. This fancy No. 1 Hard, or "extra Manitoba Hard" as it came to be known, boasted a test-weight several pounds higher than Manitoba No.1 Hard and was the only grade which required one hundred per cent red fife.[35]

Satisfied that he had devised the best possible system for grading and inspecting western grain, Van Horne submitted his scheme to the federal department responsible for any amendments to the General Inspection Act, Inland Revenue.[36] Inland Revenue was perhaps the least glamourous of the federal government departments and had served in the past mainly as a temporary rest stop for government ministers _en route_ to political obscurity.[37] John Costigan had been given the Inland Revenue portfolio as a means of securing the Irish-Catholic vote for Macdonald's Conservative party but he resented his ineffectiveness, particularly because of the lack of patronage afforded to him, and often attempted resignation.[38] Consequently, much of the department's responsibilities fell to Edward Miall, deputy-minister and, subsequently, Commissioner of Inland Revenue. Van Horne discussed his desired amendments to the Inspection Act with both Costigan and Miall and soon these men became regular recipients of CPR rail passes.[39] Indeed, Costigan was soon actively soliciting, albeit unsuccessfully, a corporate promotion for his nephew within the upper echelons of the railway.[40] But whether because of this friendly relationship existing between Inland Revenue and the CPR, or merely because of a lack of direction from higher government authorities, both Costigan and Miall came to represent a clandestine lobby for the grading and inspection scheme promoted by Van Horne.[41] When Costigan submitted to Parliament a series of amendments to the General Inspection Act to accommodate the grain trade of the North-West during the Spring of 1885, the plan differed only marginally from the General Manager's early drafts.

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Van Horne's amendments to the General Inspection Act were bound to conflict with the contrary designs of a number of other parties interested in the budding grain trade of the North-West. That most of the West's export grain would receive its official inspection at Port Arthur was most offensive to the commercial interests of the city of Winnipeg.[42] With but limited quantities of grain receiving inspection at its facilities, Winnipeg would be unable to benefit from the river of grain that was to pass over its doorstep.[43] More importantly, inspection at Port Arthur meant that control over grading and inspection would be exercised by Ontario commercial interests, particularly the powerful Toronto Board of Trade.[44] And, Toronto's interest over the development of an export trade in western grain were somewhat contrary to the interests of the producing region itself. Aside from the West's claim that it was only morally and geographically correct for each region to control its own grading and inspection regulations, the Toronto interests were often inclined to depreciate the value of Manitoba wheat.[45] This was due not so much to regional 'jealousy' - the standard accusation of the western grain men - but of the eastern millers' desire to obtain high quality wheat for less than its full value. Indeed, the milling interests on the Toronto Board of Trade realized that if the test-weight of each Manitoba wheat grade could be raised just slightly above its Minnesota counterpart - ie. raise the test-weight of No.1 Hard from 60 lb. per bushel to 61 lb. - it would be unlikely that world market prices would differentiate between the two.[46] As such, the millers would obtain a better quality wheat without the added expense of purchasing "extra Manitoba Hard" and the prairie producer would effectively lose this difference in value to the miller. It was thus also in the eastern millers' interest to denigrate the export potential of Manitoba wheat in order that world demand did not raise the commodity's value to a level that would prohibit eastern processing: far better that the foreign markets purchase the already processed flour made from Manitoba wheat in the East than to encourage the Europeans to process it themselves.

Inevitably, the western interests, led by the Winnipeg Board of Trade, set out to make Winnipeg the final government inspection point for all western grain exported out of the region and to secure control over the regulation of its grain standards.[47] At the same time, the Toronto Board of Trade attempted to have the test-weights of Manitoba No.'s 1 and 2 Hard raised from 60 lb. and 50 lb., respectively, to 61 lb. and 59 lb.,[48] and to insure that the North-West did not become a separate inspection district removed from Ontario control.[49] Consequently, the Department of Inland Revenue was besieged by delegations from both the Winnipeg and Toronto boards of trade seeking to gain favor for their particular amendments to the Inspection Act.[50] But whereas the Department was prepared to make some accommodation with the boards of trade in order to obtain their acquiescence, it was not willing to undermine the primary objectives of Van Horne.

During the early months of 1885, Miall negotiated with the boards of trade and came upon a politically feasible solution. The West would be allocated separate grades based upon Minnesota standards but with higher percentages of red fife wheat; this was not only Van Horne's choice but was also supported by western grain men and even the Montreal Corn Exchange.[51] The West would also be designated as a separate inspection district; but the seasonal adjustment of the grades would still be governed by the Dominion Grain Examiners and, as Ontario representatives dominated this committee, the power to increase the standard requirements remained with the Toronto Board of Trade.[52] Port Arthur was added to the list of inspection points and all official government inspection services remained 'optional' in order that the CPR could avoid accepting Winnipeg inspected grain through the lakehead terminal elevators.[53] However, a small concession was provided to the Winnipeg boosters by way of another CPR regulation which required grain shipped all-rail to the East to receive Winnipeg inspection.[54] In the Spring of 1885, Costigan slid the amendments to the General Inspection Act through the House of Commons where they passed with scarcely a murmur.[55]

The North-West had thus obtained the legislative wherewithal to effectively transport and competitively trade its staple on the world's markets. Yet, Inland Revenue's accommodation with the conflicting interests of the grain industry was temporary. Indeed, as the volume of grain exported from the prairies mounted, the western grain men began to realize that their participation in the great staple trade was to be confined to that of petty handlers and agents; because of the organization of the grading and inspection system, power over the trade would reside with those who controlled the marketing of grain in the East. Accordingly, an intricate esclandre evolved between the western grain men who had resolved to seize control of the trade, the eastern millers who wanted to maintain their authority over western grades, and the CPR, which above all desired to uphold the efficiency of the transportation system it had developed.

CHAPTER SEVEN

WINNIPEG'S ASCENDANCE OVER THE TRADE: EVOLUTION OF MARKETING DOMINANCE

As the first city of the West, Winnipeg had assumed its illustrious commercial future to include sovereignty over the region's developing grain trade. It had been that city's aggressive merchant community which initially dabbled in the marketing of the early wheat surpluses and handled the first exports to the East over the old river route through St. Paul.[1] In fact, by the late 1870's such entrepreneurs as D.H. McMillan and Nicholas Bawlf were positioned to deal exclusively in grain full-time, not merely as a side-line. Thus, with the promise of increasing agricultural settlement and the long awaited transcontinental railway, Winnipeg's preponderance over the grain trade appeared but a mere formality. Indeed, with the region's branch line network converging either at or before the city, it became an indisputable fact that all export grain would be directed right through the city's main business district on its movement eastward. Positioned accordingly, local grain men could feel confident that they would be the masters over a staple empire of infinite wealth and consequence.

Yet, the transportational logistics which Winnipeg entrepreneurs faithfully assumed would insure them of the golden calf were from an era now past. Whereas Winnipeg's crossroads position on the old fur trade canoe routes, and even the north-western steamboat network, had dictated its rise as an entrepot, a similar geography in railways carried no such guarantee. Much to the chagrin of those who predicted the city's destiny as centre of the region's grain trade, the rail cars loaded with wheat from Gretna, Brandon and Regina shot past Winnipeg as if it were just another empty siding along the line to the lakehead. For, as Van Horne noted, unless grain received official inspection at or before Winnipeg, that point would have little chance of developing itself as a central market for the commodity:

> If grain should be bought and sold on the Board of Trade at Winnipeg, as at Chicago or Montreal, the transactions being based on fixed grades, an inspection at that point would be necessary....[2]

This requisite was soon realized by the Winnipeg boosters for in 1883 the local Board of Trade secured for the city a position as an official government inspection point; but, because government inspection remained 'optional' - an option which placed additional handling costs upon each bushel of grain[3] - and since CPR terminals accepted grain for lake shipment only on Port Arthur inspection, virtually all grain, except that necessary for purely local transactions, sped past Winnipeg for eastern destinations.

To Winnipeg's aspirant grain dealers, this miracle of railway transportation was an unqualified disaster. In anticipation of their presumed authority over the trade, these men had taken steps to centralize grain marketing with the creation of a grain exchange organization in 1883. During June and July of that year, George J. Maulson, D.H. McMillan, Nicholas Bawlf, and a dozen other local grain dealers set up the "Winnipeg Grain and Provision Exchange" with the self-righteous objective of "preventing the transactions of the (trade) from drifting into illegitimate channels."[4] But even with the arrival of a bountiful wheat harvest that Fall, the organization collapsed for want of business.[5] Most of the grain exported from the region (either unprocessed or as flour) until 1885 was handled directly between shipping points and eastern buyers by the vast apparatus of Montreal's Ogilvie Milling Company - 73 per cent of the 1884-5 season exports[6] - and thus effectively circumvented the need to operate a central grain exchange. Indeed, even by 1885 a western M.P. could report that

> Winnipeg handles probably less grain than any town of 200 or 300 inhabitants in the North-West. There are few markets along the line of railways that do not handle more wheat than does Winnipeg.[7]

To add insult to injury, Winnipeg's wretched position over the trade received legislative legitimacy when the 1885 amendment to the General Inspection Act reaffirmed eastern domination over the annual selection of western grades. As the only western voice against nine eastern representatives on the Domminion Grain Examiners Committee, Winnipeg held little leverage by which to promote any actions which might interfere with the eastern milling community's desire for good cheap wheat.[8] Consequently, it was not long before the city's Board of Trade deplored its impotence and demanded amelioration.[9]

Thus, by the completion of the transcontinental railway in 1885, Winnipeg's anchorage as gateway to the West had not secured it a position from which to benefit from the mounting grain export industry. But by 1900, control over the entire enterprise was clearly concentrated into the hands of the Winnipeg grain interests.[10] With virtually every major participant of the western marketing apparatus organized around the city's Grain and Produce Exchange, Winnipeg could figuratively lay claim to the title, 'Chicago of the North.' How then did this small entrepot on the Red River come to be the hub of the region's grain marketing apparatus, particularly as this result was contrary to both the omnipotent CPR and the rival machinations of the eastern milling establishment?

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As of 1885, Winnipeg's influence over the grain trade was indeed marginal: Between the CPR's need to secure official grain inspection at Port Arthur and the eastern domination of the selection of grain standards, the city's grain interests were confined to an insignificant position within the industry. More importantly, no recourse seemed to be available by which to rectify the situation. Since the CPR totally dominated the means of transporting grain between the prairies, the eastern markets and the Montreal terminals, and as railway efficiency dictated that grain utilizing the lake route East not be handled on Winnipeg inspection, the city on the Red could not develop a central market in graded grain. In tandem with the CPR's transportation monopoly, the Ogilvie Milling Co.'s initial domination of grain export insured that independent Winnipeg grain dealers were not large participants in the trade. Also, because of the entrenched governmental influence of the eastern boards of trade, and the general lack of federal electoral power in the West during this period, it was apparent that prairie grain would continue to remain under eastern subjugation through the Dominion Grain Examiners Committee.

Fortunately, Winnipeg's apparent impotence was not permanent. The city was fortunate to boast an aggressive and articulate business community which understood not only man's ability to undermine any so called natural advantage, but also man's ability to circumvent any man-made advantage. Indeed, it was Winnipeg's business community which first witnessed with horror the fallibility of favorable geography as the CPR announced its main line would be located thirty miles north of the city; it was this same group which utilized its influence to financially seduce the railway into moving the line back through the junction of the Red and Assiniboine rivers.[11] No doubt Winnipeg's business element realized that the various obstructions blocking the city's hegemony over the grain trade could also be circumvented.

Of these business interests, the small contingent of grain dealers were the most "like-minded"[12] and aggressive. Such notables as D.H.McMillan, George Maulson, and R.P. Roblin had followed the course of such north-western entrepreneurial perquisites as Metis land dealing and regional railway chartering before giving their attention to grain marketing. As they invariably interacted within the close confines of the city's business district, they realized the similitude of difficulties and objectives shared among them. Unlike the Ogilvie Milling Co., whose financial resources and operational scale enabled the single firm to carry grain from the prairie shipping station to the eastern buyer without recourse to independent buyers and brokers, western grain men were typically confined to small operations which were financially and organizationally restricted to a narrow field of transactions. Country buyers and warehousemen seldom had the resources to complete the export process to the eastern markets. Indeed, confined by the lack of available credit, small dealers had to develop a velocity of transactions, continuously turning-over their limited inventories, in order to finance continued operations. Thus, it required a multitude of limited transactions between country buyers, warehouse or elevator operators,brokers, shipping companies and eastern agents before a carload of independently handled grain could be moved to an eastern market.[13] With so many separate participants engaged in the grain marketing chain, the costs of handling the commodity inevitably reached a level uncompetitive with the likes of Ogilvie. However, a sizable portion of the expenses incurred in carrying grain is due to the risk of acquiring an undesirable quality of the commodity or of the need for individual inspection prior to every transaction. Much of this expense can be alleviated if an officially recognized inspection has fixed a commercial grade on the grain early in the marketing process.[14] The subsequent utilization of official inspection certificates as collateral for financing further transactions also facilitates the trade process. Further costs and inconveniences incurred by the multitude of transactions necessary for the marketing process, such as the need for a country buyer to solicit a shipping company or a broker to accommodate the next stage of its commercial voyage, can be greatly reduced by the utilization of a central market apparatus or exchange.[15] Of course, establishment of a central market also required official inspection of grain before any transactions could occur. As such, the impediments which stood in the path of the Winnipeg grain men's ability to deal in officially graded grain became anathema.[16]

Despite the limited scale in which the western grain men were forced to operate, they nonetheless developed an international perspective whereby they visualized their own interests within a metropolitan network that included Liverpool, Chicago, Paris and Amsterdam, instead of the typical Canadian preoccupation with Montreal, Toronto and Ottawa. For although most of the early prairie grain exports were easily absorbed by eastern Canadian flour millers, the prospect of increased grain production and the attainment of the highest possible prices, necessitated the stimulation of international demand. This required the establishment of a special reputation for western grain.[17] Accordingly, Manitoba wheat had to be graded so as to facilitate its comparison with the famous Minnesota Hard variety.[18] But with the eastern millers who dominated the annual fixing of the grain grades, unwilling to accommodate the western objectives, the Winnipeg grain men were inevitably united in a common desire to assume authority over grain standards.

Consequently, Winnipeg's grain interests set out to alleviate the series of encumbrances which blocked their power over the trade: transference of market domination from the Ogilvie monolith to indigenous grain merchants, creation of a centralized grain exchange organization, western control over the selection of grain standards, and Winnipeg inspection for all grain exported from the region.

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Shouldering past the Ogilvie operations into market predominance proved to be the simplest task of the Winnipeg grain men. Whereas during 1884 Ogilvie handled over 70 per cent of the season's wheat exports, by 1885 the figure stood at only 25 per cent[19] - opening a sizable portion of the trade to indigenous western operators. But the decline of Ogilvie participation was not so much the result of westerners gradually adopting more advanced operating techniques as the consequence of the dramatic increase in overall wheat export levels. While total prairie wheat exports totalled only two million bushels in 1883, two years later the figure had escalated to five million.[20] And, while Ogilvie had marketed some export grain to its eastern milling competitors, its primary concern remained the provision of sufficient high quality wheat to satisfy its own milling operations which, despite continued expansion, required but a declining portion of the ever increasing volume of western grain. Also, as smaller eastern milling houses intensified their demand for Manitoba wheat, western agents were required to bridge the gap between the two regions.[21]

Thus, when the first crop estimates for the 1887 harvest predicted a wheat production figure of fourteen million bushels in Manitoba alone, western grain men must have realized that they were finally responsible for facilitating the flow of a mighty river of grain over much of the width of the continent. Positioned as such, they could begin directing the control of the trade into their own hands. Accordingly, the Winnipeg grain dealers again attempted to organize the trade around themselves. Through the initial prompting of Arthur Atkinson and J.A. Mitchell, the Winnipeg Board of Trade announced the appointment of a special committee to begin organizing a grain exchange.[22]

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On Thursday, November 24, 1887, the first meeting of the "Winnipeg Grain and Produce Exchange" was held in the Board of Trade offices at Winnipeg's City Hall. After electing its first series of officers,[23] the new organization outlined its primary objectives: it would provide the facilities and regulations by which a commodity exchange could be operated and "encourage the centralization of the produce and provision trades of the city thereat."[24] The Exchange formally opened its trading floor on December 7, 1887 and thereupon D.G. McBean immediately purchased a carload of No.1 Northern wheat from J.A. Mitchell, signifying the organization's first transaction.[25]

Unlike its still-born predecessor of 1883, the Winnipeg Grain and Produce Exchange was in a position to survive as a device for facilitating some trade until it had an opportunity to promote its larger designs. Thanks largely to the nuances of seasonal trade, freight rates and storage costs, a small quantity of western grain had begun to receive its official inspection at Winnipeg and was thus available for open trading on the Exchange. As Great Lakes navigation usually closed before much of the fall harvest had been shipped to the East, a number of variables came into play which encouraged all-rail exports and thus, because of CPR regulations, received Winnipeg inspection. Indeed, if the grain was stored over the Winter freeze-up, at least an additional twelve cents would be added to the per bushel carrying charges.[26] (This was prior to the 1894 reduction of elevator charges.) If, in turn, eastern millers happened to deplete their stores of Manitoba wheat during the Winter months it was likely that prices on their local spot markets would escalate to level where immediate all-rail shipment from the West would be economical and profitable. But, it was in the category of European exports that the nuances of trade would often dictate the shift from Winter storage and Spring lake shipment to immediate all-rail grain movement.[27] If the grain prices obtainable in various European markets temporarily surged over the Winter months because of supply shortages, speculation or threat of war, it became advantageous to supply Manitoba wheat before the markets fell-off. Consequently, large shipments would travel all-rail to American Winter ports for overseas delivery. During the 1887-8 season, close to one million bushels of Manitoba wheat opted for the all-rail route and thus provided sufficient stock to keep the Winnipeg Exchange open one-half hour per day.[28] In fact, once the Winnipeg Exchange proved that it was able to sustain market operations, however limited in volume,[29] some merchants found it advantageous on occasion to expend the extra charges of a Winnipeg inspection in addition to the reguired Port Arthur inspection - risking also the possibility of obtaining two different gradings on the same carload - in order to utilize the Exchange's central marketing facilities.[30]

At the same time, it was anticipated that an even greater volume of western grain would soon receive Winnipeg inspection. Manitoba's victory over the issue of federal railway disallowance facilitated the construction of a southern rail outlet by the Northern Pacific Railway to compete with the CPR. Provided the Minnesota authorities could be convinced to allow bonding privileges for Manitoba wheat exported through Duluth, any grain shipped through the southern outlet would have to receive Canadian inspection at Winnipeg (or Emerson) and would thus offer both an alternative export route and an increased volume of graded grain available for trade on the Winnipeg Grain and Produce Exchange.

But while the Minnesota authorities agreed to provide bonding privileges in September 1888,[31] the Canadian Custom's department carefully undermined much of the potential advantage the southern rail outlet had to offer. In the final bonding agreement effected between the Canadian and U.S. custom's authorities, it was specified that Canadian grain exported in bond from Duluth could only be carried on Canadian ships and, more importantly, to Canadian destinations.[32] As the existing Canadian lakesteamer fleet was already insufficient for the volume of grain exported through Thunderbay,[33] it would only be through the offer of higher lake freight charges that Canadian vessels would be attracted to serve the Duluth route.

Also, with the rise of exports to Europe, less grain was being shipped through Canadian ports. With the significant savings obtained by shipping grain through the Buffalo-Erie Canal route for New York export over Canadian routes,[34] the restriction forcing western grain shipped through Duluth to arrive only at Canadian ports insured that virtually no grain shipments destined for overseas would utilize this route. Nevertheless, from the opening of the Northern Pacific line in 1888, a limited volume of western grain flowed through the Duluth export route[35] providing additional fuel for the activities of the Winnipeg Grain and Produce Exchange.

Yet, provision of Winnipeg inspection for such a small portion of the grain funneling past the city's door step provided the Exchange organization with only temporary survivance: centralization of the entire trade within its apparatus required all western grain to receive final inspection at that point. But as the CPR remained totally opposed to any revision of its terminal requirement demanding Port Arthur inspection, the Winnipeg grain men set out to circumvent the obstruction by encouraging the greater utilization of the all-rail export route. Now, the likelihood that the variables of rail and water freight tariffs, elevator storage charges and market price fluctuations should dictate an advantage to all-rail over Winter storage and Spring lake shipment were most pronounced when handling grain for the European export market. As the largest potential market for western grain was also to be found in Europe, it became inevitable that the Winnipeg grain merchants should determine to conquer this field with their product.

However, before the European markets could be properly opened, Manitoba wheat had to gain a reputation for high quality consistent with that of the current dynamo, Minnesota No.1 Hard. In order to accomplish this, western grain dealers believed that a downward revision of the Manitoba wheat standards set in 1885 would be necessary. Thus, on the same day that the Winnipeg Grain and Produce Exchange opened its trading floor, the Grain Committee of the Winnipeg Board of Trade submitted a report to its members demanding conformity between Manitoba wheat grades and their Minnesota counterparts.[36]

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Although the standards for both Manitoba Hard and Northern wheat grades set in 1885 were designed in the hope of securing an advantage in the European market over Minnesota wheat, they clearly proved unsuccessful. As the Winnipeg Grain Committee pointed out, Minnesota Hard wheat was only required to contain "mostly" red fife wheat while Manitoba Hard grades required a red fife content of at least 85 per cent.[37] As such, where an American wheat crop just slightly better in quality than the Northern category - requiring "not less than fifty per cent" red fife - would be graded as Minnesota Hard, an identical crop in the Canadian West could not be graded higher than Northern.[38] Of course, this sort of variation in standards would matter little if foreign buyers recognized the true differences between the competing Hard grades, but this was not the case. In fact, probably because of its established reputation, Minnesota No.1 Hard frequently sold at three to five cents per bushel more than Manitoba No.1 Hard,[39] while the Northern grades of Canadian origin, which were often equal in quality to the Minnesota No.1 Hard, were valued lower still.

While this situation was a great boon to the eastern milling industry, if placed a serious impediment in front of the North-West's aspiring wheat economy. Indeed, the inequity in grain values not only affected the health of the existing grain industry, it was injurous to its further growth; because of the difference in grain standards, it appeared that Minnesota and the Dakota Territories, with their apparently larger percentage of Hard wheat production, were agriculturally superior to the Canadian North-West. This not only discouraged the marketing of Manitoba wheat in the European markets, but injured the region's reputation as a field for profitable immigration and settlement.[40]

With grading inequities thus undermining the region's wheat producing reputation, causing both farm profits and settlement to suffer, the Winnipeg grain interests soon began to receive active and powerful support for desired reforms from Van Horne and the CPR. In fact, the Winnipeg Grain Committee solicited Van Horne's advice before openly attacking the existing standards. But where the initial Winnipeg plan had been to adopt standards identical to those of Minnesota, Van Horne successfully argued that there would still be some merit in keeping the quality of the Manitoba Hard grades marginally above the competition.[41] As such, the Winnipeg Board of Trade's Grain Committee reduced the red fife composition of the Hard grades from its previous level of 85 per cent to

65 per cent.[42] Van Horne's premium grade, the 'extra Manitoba Hard' variety, had its red fife content reduced from 100 to 85 per cent since it had been discovered that there was in fact "no absolutley pure red fife wheat."[43] With the revisions thus agreed upon, Van Horne instructed Deputy-Minister Miall to acquiesce on the Winnipeg demands - one week before the Grain Committee published its intent to memorialize Inland Revenue for the proposed revisions.[44] The new standards were adopted by order-in-council before the end of the year.[45]

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The downward revision of the Manitoba Hard wheat standards unleashed an immediate torrent of outrage from the seriously jolted eastern milling establishment. In late December 1887 the Grain and Milling Section of the Toronto Board of Trade denounced the move as a "deranging (of) grades" and "resolved to obtain ...the rescinding of the order-in-council."[46] A Deputation was quickly dispatched to secure the change from the Minister of Inland Revenue and, with additional pressure applied by the Montreal Board of Trade, the modifications to the General Inspection Act were withdrawn.[47]

Having thus witnessed its interests thwarted by the contrary designs of the eastern boards of trade, the West rose in unequivocal condemnation of the irresolution of Inland Revenue. Under this onslaught, Inland Revenue sheduled an open confrontation between the disputants as a means of settling the issue.

On May 15,1888, delegates from the country's principal boards of trade met in Ottawa with the Minister of Inland Revenue. Both the Montreal and Toronto representatives charged that the revisions first proposed by the Winnipeg Board of Trade were "not in the interests of either the grain producers or dealers of the North-West," but Winnipeg's D.G. McBean immediately pointed out that all of the western boards, including Brandon, Regina, Portage la Prairie and even Port Arthur, passed resolutions supporting the revised schedule of grain standards and that the western press supported it as well.[48] But, between the indecisiveness of Inland Revenue and the antipodal positions of the boards of trade, no resolution was obtained and the delegates were forced to return home while the Ottawa authorities solved the quandary in secret.

Just how or why Inland Revenue came to its final decision is indecipherable. With its own records destroyed,[49] and the correspondence of the disputants revealing no insight on the subject, the arbitration process must remain a mystery. Although Van Horne repeatedly expressed his support for the Winnipeg proposals, this was prior to the unsuccessful May 15 meeting and he did not repeat it until late July, a month after Inland Revenue had made its verdict known.[50] More importantly, the combined political leverage of the Montreal and Toronto boards of trade must appear in excess of even the transcontinental railway syndicate and the western electorate, as their initial objections to the order-in-council had been sufficient to secure its withdrawal. Nonetheless, on June 7, 1888, Inland Revenue forwarded to the country's boards of trade a revised proof of the General Inspection Act which completely encompassed the standards sponsored by the Winnipeg Board of Trade.[51] By August 9 the revisions were again implemented by order-in-council and became effective September 1, 1888.[52]

Yet, the victorious Winnipeg grain merchants had not anticipated the vindictiveness of the now slighted eastern grain and milling community. When the samples of Manitoba wheat were presented for acceptance as the season's standards to the annual meeting of the Dominion Grain Examiners on October 1, 1888, the specimens were promptly rejected.[53] Although the Grain Examiners stated that this was due to an admixture of frosted wheat in the samples, the Commercial reported that "enough is known to show that the eastern men wanted the standards fixed much higher in quality than those selected."[54] Indeed, because the grades established in the legislation were only minimum standards, the Dominion Grain Examiners could request significant upward revisions each season. But whereas the eastern representatives no doubt believed that their action would seriously undermine the value and marketing of the 1888-9 western wheat harvest, the objective backfired. When it became apparent that the season's prairie grain production was half of the previous year,[55] prices escalated. More importantly, Inland Revenue empowered the North-West to select its own working standards for the season[56] - thus setting a precedent for the removal of eastern participation in western grade selection. Indeed, when the decision of the Dominion Grain Examiners was first announced, western grain men demanded that "standards for graded grain from the West should be selected (at Winnipeg) instead of Toronto"[57] while Van Horne pressured John Costigan on the merits of their case:

> As a rule, I think the wishes of the people who have the grain to sell should govern in such a (?) matter than the wishes of those at a distance who buy it. The grain men in Winnipeg undoubtedly know very much more about the particulars of their crop than the grain men of Montreal and Toronto. The latter make the prices in the Eastern markets, and if the former fix the standards that will not bring the best prices it will be their own loss, and I do not see why the Eastern grain poeple should complain or look to interfere in the matter, anymore than New York grain men should complain of Chicago standards or interfere with them.[58]

Consequently, the Inland Revenue authorities announced on October 27, 1888 that a special committee composed of the Winnipeg and Port Arthur inspectors and three members of the Winnipeg board of Grain Examiners would select the final standards for the season.[59]

This "special" standards selection committee was still but a temporary expedient. Its creation was simply a means of accommodating the rejection of the Dominion Grain Examiners for the duration of the 1888-9 season. However, with precedent set, the western grain interests set out to present a case for its permanent establishment. In February 1889, representatives from throughout the North-West met with Winnipeg's most distinguished grain merchants to articulate demands for a purely western board of grain examiners.[60] Adopting the premise that the date set for the annual meeting of the Dominion Grain Examiners in Toronto was "fixed to suit the interests of the grain trade of Eastern Canada, and (was) too early to meet the requirements of the West," the gathering resolved that Inland Revenue appoint a western examining committee to be called the Manitoba Board of Examiners and Arbitrators comprised of five members: three chosen by the Winnipeg Board of Trade and one from each the Brandon and Port Arthur boards.[61] This body would be authorized to settle disputes regarding grade and to approve the samples selected to represent the annual western grain standards at a meeting held not later than October 25 each year.

As these recommendations were passed onto Inland Revenue, the CPR provided its support for a separate western examining board. In a confidential communication to Costigan, Van Horne stressed the injustice of the existing legislation:

> Under the act as it stands, the buyers of North-Western wheat (Ontario) hve eight votes in fixing the standards to two on the part of the sellers (Man. & NWT) and the Ontario peninsula has four votes. This power on the part of the buyers...might be used to the great disadvantage of the producers of the North-West. Moreover, Ontario is the chief competitor with the North-West in the production of wheat, and its preponderating influence in fixing the grain standards may possibly be exercised for its own particular advantage.[62]

Under this influence, the Minister of Inland Revenue presented an amendment to the General Inspection Act during the Spring of 1889. Although the revision did not fully encompass the demands of the region, it did provide for a separate Grain Standards Committee composed of grain men resident west of Port Arthur to fix the annual standards.[63] In addition, the Winnipeg Board of Trade was authorized to send a representative to the annual meeting for the selection of flour standards.[64] But as a consolation to the displaced eastern concerns, choice of selection for the western Grain Standards Committee was placed in the care of the Governor-General-in-Council instead of the resident boards of trade.[65] On August 20, 1889, Costigan's amendment to the General Inspection Act passed Parliament and subsequently received Royal Assent on May 2.

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With the threat of continued eastern contravention removed, and the downward revision of the grain standards secured, the western grain men were thus armed to conquer the European export markets and expand Winnipeg's authority over the trade. By 1891 the Winnipeg Board of Trade could report that an increasing volume of western grain was finding a market in Great Britain and, the following year, Manitoba wheat overran the victor's circle at the International Milling and Baking Competition held in London.[66] By 1894 Manitoba No.1 Hard wheat often sold at premium over its Minnesota counterpart on the Liverpool Exchange.[67]

With the international prestige and rising demand for Manitoba wheat, Winnipeg's advantage over the trade was further facilitated by declining winter freight rates causing an increasing volume of export shipments to utilize the all-rail transportation route. Between this and the steady use of the Duluth export route,[68] a greater and greater proportion of western grain received its official inspection at Winnipeg instead of Port Arthur. Whereas in 1887 slightly over 36 per cent of the season's ten million bushel wheat export received Winnipeg inspector's certificates, by 1891 the figure had risen to 62 per cent of that year's fourteen million bushel wheat export.[68] And, through the combined efforts of the city's organized grain interests and the CPR, all-rail export via New York was procured. In 1891 an agreement was reached with the West Shore Railway to provide the CPR with through connections from several eastern Canadian points to its New York export terminals, though only two grades of Manitoba wheat could be consigned.[69] Later the following year an agreement was reached between the great Trunk Line Association of the U.S., the CPR, and the Winnipeg Grain and Produce Exchange whereby three grades of Manitoba wheat could be consigned through the Association's export terminals.[70] In addition, this agreement demanded that all Manitoba wheat exported through the Association's facilities at New York be "inspected and graded before being forwarded from Winnipeg on the Canadian Pacific Railway, or Emerson on the Northern Pacific Railway"[71] - thus further insuring Winnipeg's authority over foreign export of prairie grain.[72] The CPR also negotiated a similar arrangement for the export of frosted wheat and barley through Boston.[73]

Winnipeg's consequent predominance over the grain trade was inevitably reflected in the operation and development of its Grain and Produce Exchange. Although this organization had installed a regular Call Board and established regulations governing futures contracts during the Fall of 1888,[74] it was not until 1890 that a sufficient volume of transactions warranted its operation.[75] In fact, by that same year daily transactions on the Exchange floor required a full hour as opposed to the half-hour operations of 1887 - within but a few more years the Exchange would find it necessary to keep its doors open for the entire morning.[76] By 1892 the Exchange could boast that its yearly aggregate of grain transactions was far in excess of any other grain market in the country.[77] Through its available wire services it provided its expanding membership - over one hundred by 1892[78] - with daily quotations from Chicago, Duluth, Liverpool and Montreal. When the government of Manitoba discontinued its crop reporting agency, the Exchange organized its own service.[79] By 1891 the organization had also progressed somewhat to its later 'closed shutter' policy whereby meetings were held in secret.[80] The sanctity of its contracts was also carefully guarded, with any violators quickly expelled,[81] and continuous refinements made regarding the actual procedure of forward contracting.[82] It is interesting to note that the Exchange's authority and influence extended beyond the small contingent of actual grain merchants to include all those parties with an interest in the growing wheat economy: when Manitoba's Mennonite population continued to produce lower quality wheat and grains, the Exchange obtained the cooperation of the CPR, the farm implement firms and the loan companies to coerce them into using higher quality seed and thus add to the region's Hard wheat production figures.[83]

Inevitably, the Winnipeg Grain and Produce Exchange assumed its own spatial predominance. In 1892 Nicholas Bawlf organized the construction of the city's first Grain Exchange building on Princess Street.[84] Sharing its facilities with the Board of Trade, the new office complex came to symbolize the organization's centralization of the trade. Indeed, as the representatives of all the successful grain firms removed their offices to the new centre, both the government grain inspectors and the CPR telegraph services were pressured into taking up similar accommodation.[85] The Winnipeg Grain and Produce Exchange had thus assumed its own trajectory; pulling the various components of the grain industry into its gravitational field, its control over the inflating staple trade was almost unquestioned.

CHAPTER EIGHT

WINNIPEG'S ASCENDANCE OVER THE TRADE: REGRESSION & REFORMATION

Despite Winnipeg's predominance over the grain trade, adverse forces soon arose to test the stability of its position. By 1892 eastern milling interests had regrouped under the agency of the Dominion Millers' Association[1] and set out to regain their lost influence over the grading and inspection system. Early that January, the Association petitioned the federal government to provide it with a voice on the western Grain Standards Committee.[2] This petition was also endorsed by the Toronto and Montreal boards of trade who initiated a similar plea for representation during the annual selection of western grain standards.[3] Although Winnipeg's Grain and Produce Exchange dispatched its own delegation to Ottawa as a means of counteracting the eastern <u>putsch</u>,[4] the Dominion Millers' Association unleashed a public denunciation of both the quality of Manitoba wheat as set by the western Standards Committee and the honesty of Winnipeg inspector's certificates. It claimed that it was "a notorious fact that nearly all the Manitoba wheat coming forward is much inferior to the standards of grade at which it is certified" and requested that eastern buyers refuse to purchase the commodity on a Winnipeg inspection certificate.[5] As the controversy mounted, western farmers also entered the debate with a variety of conflicting demands that the standards were too high, too low, or totally unnecessary.[6] Inevitably, the Manitoba Farmers' Institute requested that it too have a voice on the western Standards Committee.

Faced with this massive onslaught, Inland Revenue exercised the government's authority over the selection of the Standards

Committee membership and gave representation to all those parties who desired it. Accordingly, the Committee was increased to thirteen: Winnipeg,3; Brandon, 1; Portage la Prairie, 1; Regina, 1; Toronto, 1; Montreal, 1; Dominion Millers' Association, 1; Farmers, 2; and the government grain inspectors for Winnipeg and Port Arthur.[7] Winnipeg's shattered position was improved somewhat when the Grain and Produce Exchange was also given a seat on the Committee.[8] By 1896 the membership reached a total of eighteen, half of whom were farmers. Yet, before significant actions could be taken to resume its previous authority, Winnipeg found its position further eroded by an alteration of that familiar western bogey, the freight rate.

For as long as the West had railways, the organized business interests of the city of Winnipeg had agitated for freight rate reductions as a means of furthering their trade advantage. With freight rates representing a principal cost factor for nearly every regional transaction, it was only logical that any reduction of this cost could add to the returns of the participating business interests. Witness then the surprise of the Winnipeg grain merchants when the CPR initiated a twenty per cent reduction in only its rates between prairie shipping stations and the lakehead[9]- thus seriously undermining the winter advantage of all-rail grain shipments. Because of this move, the point at which it was advantageous to ship wheat all-rail eastward instead of holding the commodity for lake shipment in the Spring decline in favor of the latter. With grain thus forced to receive inspection at the lakehead instead of Winnipeg, the advantage of marketing grain on the Winnipeg Exchange declined. The Grain and Produce Exchange was outraged and immediately initiated demands for a corresponding reduction in the all-rail freight tariffs.[10]

To compound the disadvantage of the all-rail exports, and Winnipeg grain inspection, elevator storage charges were also drastically reduced. In the Fall of 1894, country elevator charges were cut by 25 per cent while terminal charges at the lakehead fell by 40 per cent.[11] The net effect of these various reductions is readily observable in the declining percentage of Manitoba wheat exports receiving Winnipeg inspection: whereas in 1891 over 60 per cent of the season's export wheat received Winnipeg inspection, by 1893 the figure had dropped to 40 per cent; by 1895, slightly above 30 per cent.[12] By January 1897 the Winnipeg Grain and Produce Exchange could claim that if the all-rail freight rates were not reduced, no grain would be exported that way.[13] Instead, the CPR entered into its infamous Crow's Nest Pass Agreement with the Liberal government causing a reduction of the grain freight tariffs to the lakehead by 20 per cent and further diverted grain inspection responsibilities to Thunderbay.

In spite of the declining percentage of western grain receiving Winnipeg inspection, the volume of trade on the Winnipeg Exchange remained fairly stable. Between 1893 and 1898 an annual average of 7 million bushels of wheat still received final inspection at Winnipeg,[14] keeping the Exchange's trading floor active. And, with nearly 95 per cent of the western crop handled by members of the Exchange during the mid-1890's,[15] the operational convenience provided by the Winnipeg facilities maintained its position over the operations of both the Montreal Corn Exchange and the Toronto Board of Trade. Thus, despite the inconvenience, the velocity of transactions sustained on the Winnipeg Exchange made it a sufficiently effective market as to attract the marketing of some grain with Port Arthur inspection certificates - in spite of the added expense incurred by a ten day delay between the actual inspection at the lakehead and the transfer of the inspection certificates back to the brokers in Winnipeg.[16] Nonetheless, the membership of the Exchange realized that if the complete market dominance of their organization was to be realized, and the trading process operated at the lowest possible expense,[17] Winnipeg would have to be designated the final inspection point for all grain exported from the North-West.[18]

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Thus, by the mid-1890's, Winnipeg's grain interests again found themselves handicapped by the same obstructions that had plagued them for nearly a decade: although the standard grades designated for Manitoba wheat in the Inspection Act were at a desirable level, eastern influence at the annual standards meeting could fix the season's grades significantly above the minimums set in the legislation - this occurred in 1893 and 1894;[19] and, while the Winnipeg Grain and Produce Exchange held a position as <u>the</u> central market for western grain, the savings and opportunity it provided the industry could not be totally effected until all western grain received final inspection at Winnipeg. In early 1894, Winnipeg's organized grain merchants set out on a final six year effort for the removal of these obstructions.

On January 10, 1894 the Winnipeg Grain and Produce Exchange adopted a resolution demanding that the General Inspection Act be so amended as to remove all eastern participation in the western Grain Standards Committee and that henceforth the annual fixing of grades be based entirely on the minimum standards set forth in the legislation without any seasonal revisions.[20] The eastern reaction to this demand was predictable: both the Toronto and Montreal boards of trade petitioned Inland Revenue to maintain their positions at the annual selection of western grain standards and to disallow any attempt to grade strictly according to the letter of the Inspection Act.[21] The controversy raged throughout the 1894-5 season while both eastern and western interests denounced each other's sorid attempt to depreciate the value of the western wheat standards.[22] Consequently, no action was taken by Inland Revenue to alter the situation and at the annual meeting of the Standards Committee the minimum test-weight of Manitoba No.1 Hard was set one pound above that listed in the General Inspection Act.[23]

By the following year the eastern representatives on the Committee pressed their advantage to the limit. At the annual selection meeting held in September 1894, samples selected to govern inspection of No.1 Hard were raised to nearly that of the premium 'Extra Manitoba Hard' wheat, and corresponding increases were also set for the Northern grades.[24] Outraged by this over-grading of the season's wheat harvest, the Winnipeg Grain and Produce Exchange held a special general meeting on September 31 where it was resolved that "the standard samples...selected by the Standards Board...be rejected and that the inspectors be instructed to grade all grain according to the wording of the Inspection Act."[25] In addition, the congregation claimed the current Standards Committee to be "altogether too cumbersome" and demanded the establishment of a permanent Board of Examiners and Arbitrators composed exclusively of western grain men - as had initially been created in 1890 - to replace it.[26] More significantly, Winnipeg's grain interests began to rationalize their demand for grading based entirely upon the inspection legislation guidelines in light of "fixed" or "permanent" standards and that these would have upon European export markets. In its defence of the Exchange's resolutions, the <u>Commercial</u> claimed that

> ...the fixing of the standards for each crop year is neither necessary nor advisable....No.1 Hard wheat this year should be No.1 Hard wheat next year. Conformity is necessary in the interest of the trade.... The great bulk of the crop must be exported, and in the interest of the export trade, uniformity is necessary.... It is now high time that regulations governing the grading of our grain should be made fixed and permanent.[27]

The logic of the permanent grade argument provided the Winnipeg interests with a favorable tactical advantage over its eastern adversaries. Whereas the now traditional confrontation between the eastern and western grain men had fallen into the politically irreconcilable arguments of standards being set either too high or too low, or who should receive representation on the Standards Committee, the notion of permanent grades made reasonable sense and did not resound with connotations of trade advantages and so forth. As the existing standards designated in the Inspection Act already conformed to western needs, fixed grades would remove the annual donnybrook over standard sample selection as well as the controversy surrounding the Standards Committee without the usual political bloodshed.[28] By early 1896 rumours began to circulate from Ottawa that "permanent" grades were a feasible solution and were likely to assume legislative reality.[29] Yet, these were only rumours issued by a Conservative government electorally on the wane. When the general election of 1896 returned a Liberal government, a much more complicated situation arose to undermine the long sought objectives of the Winnipeg grain interests.

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Whereas the Conservative government had typically upheld a position of disinterest in the operation of western grain standards, and had effectively left the Inland Revenue authorities to negotiate compromises between the opposing interests which would prove as politically inoffensive as possible, the newly elected Liberal regime of Wilfrid Laurier was especially concerned with promoting a lucrative grain industry. Indeed, Canada's Liberal party had been intrinsically allied with the farm interests from its early grit origins and the plan of national development articulated by the new regime envisioned the establishment of a great staple economy in the North-West.[30] More specifically, a number of elected

Liberal representatives from the West were radical agrarians[31] - particularly R.L. Richardson, J.A. Macdonell, J.M. Douglas, Frank Oliver, and Nicholas Davin - whose ultimate aim lay in placing the farm community in control of the grain handling and marketing system. Consequently, within a few months of the Liberal victory, proceedings for a major revision of the grading and inspection system were initiated.

But it was not Laurier's Minister of Inland Revenue, Joly de Lotbiniere, who organized the movement for revision. It was Douglas and Davin who took it upon themselves to reform the inequities that they believed existed in the inspection system. In late September 1896, Davin formally requested, and received, all of the government correspondence concerning grading and inspection in the West.[32] Douglas promptly followed with the notice of a coming motion "in favor of an investigation into the present methods of grading Manitoba wheat". Yet, it seems that Douglas was already quite aware of just what the investigation would reveal because he unfurled his own list of revisions which included that: the Standards Committee be comprised of a majority of farmers and fixed standards for export wheat grades be set at levels far in excess of those currently scheduled.[33] (This latter suggestion is, indeed, suspicious for western farmers, however fickle, typically inclined towards a lowering of grain standards. Douglas himself was not a farmer and it soon became apparent that the request for raising the grades arose from a poorly attended meeting of the Manitoba Farmers' Institute. The demand was seriously at odds with the stated policy of the

Patrons' of Industry.)[34] Richardson, Macdonell and Douglas soon acquired from the Minister of Inland Revenue a promise to recommend the scheme to cabinet[35] whereupon the already selected membership of the western Grain Standards Committee was removed in order to accommodate immediately the necessary majority of farmers.[36] Provision was also made to implement Douglas' revised grain standards even though the season's crop had already begun to move through the marketing network.[37]

The Grain Committee of the Winnipeg Board of Trade was dispatched to Ottawa to plead against both the nature of the grading revisions and the insanity of changing them mid-season.[38] The Grain Committee also used the opportunity to present its case for the dissolution of the western Standards Committee and the adoption of permanent grades:

> ...the present Standards board is altogether too cumbersome and its membership too sharply divided to act in the capacity of judicious grain experts.... The fact that successive standards boards meet year after year and submit samples which vary materially, injuriously affects trading in Manitoba grain and renders it well nigh impossible for dealers to make any sales of a crop for delivery ahead of the Standards board meetings, for no one knows what sort of samples this board will select....This unstable system is in glaring contrast to the methods of grading at Duluth where there being no standards board, the inspectors, year after year, grade according to the State act. As Manitoba wheat has to compete on the markets of the world with the Duluth article, which can be sold with safety for delivery months ahead, the farmer is handicapped at the very start,...affected as it further is by annually recurring agitation for amendment and change.[39]

Whereas the logic of grain export advantage had seldom received much attention from the previous Inland Revenue authorities, it appears to have had its effect upon the department's Liberal Minister. Under the force of C.N. Bell's presentation of the Winnipeg case, Joly acquiesced in so far as to permit the newly selected Standards Committee the opportunity to reject the new grades at its first meeting in favor of the previous standards.[40] Much to the chagrin of the western Liberal representatives who initiated the reforms, the farmer dominated Committee rejected the new grades on October 21, 1896 - only the two representatives of the Manitoba Farmers' Institute voted with the eastern delegates in favor of the revised standards.[41]

Despite this minor victory, the Winnipeg grain men had merely staved-off an action which threatened to undermine their already weakened position over the trade. In fact, the possible attainment of their principal objectives had become severely complicated by the new political authority wielded by the western farm interests. Without the support of some powerful patron of Liberal persuasion - as Van Horne had provided during the Conservative era - the Winnipeg grain interests held little leverage by which to realize their ultimate designs. Fortunately, such a patron arose in the personage of Clifford Sifton.

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As Clifford Sifton ascended the Liberal party hierarchy during the late 1890's, the final impediments lying in the path of Winnipeg's complete conquest of the western grain trade faced inevitable removal. A chauvinistic westerner, Sifton maintained strong ties with Winnipeg's business community - particularly such Liberal grain merchants as McMillan and Bawlf -

and was not above forwarding their cause. On one occasion, he remarked that

> (one)of the principal ideas western men have is that it is right to take anything in sight provided nobody else is ahead of them. As a rule, it is sound policy for the government to fall in with this idea and encourage the people to go ahead.[42]

Indeed, Sifton had long been convinced that government was an extremely useful contrivance by which to promote economic prosperity and from his early railway financing schemes as Manitoba's Attorney-General to his adventures as Laurier's Minister of the Interior, he consistently exercised his authority in this regard.[43] Thus, it was only fitting that this aggressive politician whould use his power to secure his western cronies the necessary wherewithal for their complete hegemony over the grain industry.

Yet, more important than patronage and influence, Sifton envisioned a destiny for the North-West that closely meshed with the designs of the Winnipeg grain men. He drew up a grandiose scheme to unleash a massive wave of settlement on the vacant farm lands of the prairie region; a scheme for which Laurier provided his Minister of the Interior with _carte blanche_.[44] But although he could allocate gargantuan sums from the federal treasury towards immigration and settlement promotion, successful agricultural settlement on the scale anticipated required a massive market demand for the resultant produce; and, according to the proclivities of of prairie agriculture, this translated into a high demand for Manitoba wheat. Winnipeg's grain interests had long shared this vision of the complete agricultural exploitation of the North-West, but they were also aware of the difficulties involved in marketing the few million bushels of wheat currently produced due to the instability of the existing grading system. If the great wheat surplus resultant from Sifton's pipe dream were to be disposed of, this final impediment to proper European export marketing would have to be removed. Consequently, when the western grain men organized one more offensive against the existing inspection system during the early Spring of 1899, Sifton insured that Inland Revenue was sympathetic to their demands.[45]

During March 1899, the Council of the Winnipeg Grain and Produce Exchange organized its plan of attack. Upon an initial recommendation that the matter of "irregular grading of Manitoba wheat during successive seasons" be tabled for discussion, the Exchange suggested that a special meeting of the Grain Standards Committee be called " to discuss (the recommendation that) the... inspectors grade on the wording and meaning of the Act."[46] By the end of the month the Exchange had also passed a further recommendation that "all grain from Manitoba and the North-West Territories passing Winnipeg to Fort William and east thereof, be inspected at Winnipeg and warehoused at Fort William, or other eastern terminal elevators, on Winnipeg inspection" and a delegation was sent to Ottawa to pressure Inland Revenue for the desired changes.[47] Following this, the Winnipeg Board of Trade's Grain Committee also passed resolutions in support of the Winnipeg Grain and Produce Exchange's demands.[48] When at last the special meeting of the Grain Standards Committee was held in April, both the western farm and business representatives found that they could fully sympathize with the Exchange's recommendation and thus resolved to send its own delegation to Ottawa to gain support for the measure.[49]

The Toronto Board of Trade attacked the revisions demanded by this western triumvirate as being "of a most dangerous kind, the enactment of which might result in great injustice and injury to those who handle or mill Manitoba grain."[50] Other eastern boards and, of course, the Dominion Millers' Association supported Toronto's contention[51] and rapidly deployed their own lobbyists to counteract the western onslaught. Iven the CPR, now without the political leverage available to it during the Conservative era, solicited Inland Revenue not to acquiesce in Winnipeg's demand for all western grain to be graded by its inspection services. Yet, unlike the blatant self-interest observable in the demands of the eastern milling establishment, the CPR's request was made with reference to a potential consequence liable to greatly hinder the prosperity of nearly all envolved in the trade:

> ...if Winnipeg is to be designated as the only place of inspection, I am afraid that very serious results will follow. It is not a matter of any importance to us where the inspection is conducted, provided the cars are not delayed. There is always a rush to market the crops immediately after threshing begins in the Fall, and the short period before the close of navigation makes it absolutely essential that all the machinery required to move the largest possible quantity of traffic be kept in motion. Any delay to our cars would be most serious to us and to the public, and, therefore, we view with a good deal of apprehension any changes that may have the effect of tying up a number of our cars every day at Winnipeg.[52]

But whereas every other issue was vigorously debated in April between the various boards of trade and a government committee including Joly, Douglas and Sifton, this potential difficulty was not raised.[53] And, despite the protestations of the eastern establishment, the government committee agreed in principle with the recommendations of the Winnipeg Grain and Produce Exchange.[54] Consequently, on May 27, 1899, Joly submitted to the House of Commons bill no.132 which provided that the export grades of Manitoba wheat - Manitoba Hard and Northern - be inspected and graded according to the letter of the General Inspection Act, and that all western grain exported through Winnipeg receive final inspection at that point.[55]

The agencies allied to the eastern milling interests inevitably attempted to thwart the legislation and on June 1, 1899 a large number of Ontario millers and grain men converged on the offices of the Toronto Board of Trade to demand that the old practices be continued.[56] Following their usual line of complaint, they argued that fixed grades would destroy the reputation of Manitoba wheat and that any Winnipeg inspection was unreliable compared to that performed by the authorities at Thunderbay. The complainants also requested that Inland Revenue delay the bill sufficiently that its particular recommendations be discussed with Inland Revenue and the western representatives.[57] Resulting from the subsequent discussion, bill no.132 was withdrawn and substituted with bill no. 156 which differed only in that eastern millers were given"the right, in case of dissatisfaction, to have another inspection made" at the lakehead in addition to the Winnipeg inspection.[58] Following an uneventful debate, bill no. 156

was passed by the House on August 5 to come into effect September 1, 1899.[59]

Thus was removed the last impediment to Winnipeg's ascendance over the grain industry of the North-West.

PART IV

CHAPTER NINE

THE STATE OF THE WHEAT ECONOMY AT THE END OF THE NINETEENTH CENTURY

By the last years of the Nineteenth century, before that great fortuitous conjuncture of world circumstances worked its miracle on the national economy, the Canadian North-West had already acquired the essential apparatus by which to operate a successful and expanding staple trade in grain. Manitoba No.1 Hard had gained renown as one of the world's best wheat grades, equal, if not superior to the established Minnesota Hard variety. The adoption of recognized grain standards, made permanent in 1899, further encouraged the foreign demand for Manitoba wheat by guaranteeing its continuous quality and facilitating the promotion of forward contracts. Equally important, an efficient and economical handling and marketing system had been built by which to place the prairie staple in the world's markets on a competitive basis. Consequently, the region's mounting grain surplus was quickly swallowed by the national and international milling industry. In fact, throughout the 1890's the North-West consistently exported an annual average of nearly 20 million bushels exclusive of other grains; and by 1899 the figure reached was over 35 million.[1]

This expansion of the prairie grain industry was most readily observable in the repeated spatial transfigurations of the Winnipeg Grain and Produce Exchange. Indeed, from its inception in 1887, the Exchange had operated as a "gypsy institution", holding its activities in four different borrowed locations before its first permanent residence was erected by Nicholas Bawlf in 1892.[2] Yet, by 1898 a larger structure was placed adjacent to the Princess Street Exchange in order to accommodate the increasing number of grain merchants involved in the trade. All of the city's grain dealers, with the exception of the Ogilvie and Lake of the Woods milling companies, located their offices in the Grain Exchange complex.[3] (Scarcely a decade later the magnitude of the trade had increased to such a scale that the organization was forced to erect an entirely new mammoth-sized complex on Lombard Street.)

In fact, the Winnipeg Grain and Produce Exchange was quickly becoming a major force within the world's grain marketing apparatus. By 1899 representatives from Chicago, Montreal, St. Paul, Minneapolis, Toronto, and even New York grain merchants held seats on the Exchange and frequented its trading floor.[4] During the next few years the organization of "options trading" and the establishment of an Exchange clearing association would greatly facilitate both the speculative and hedging operations in the industry.[5] Within but a short time, the Exchange could also boast of the creation of distinct and respected "risk-bearing" class, better known as "plungers", whose gambling in grain futures provided a <u>de facto</u> insurance mechanism for the legitimate grain carriers and helped to bolster the market in the off-season.[6] Soon the prices set on the Winnipeg Exchange would no longer be a mere reflection of the Liverpool prices less freight and handling charges, but would significantly influence prices throughout the world.[7]

Inevitably, the success of the western grain trade would be reflected in the personal affluence of the Winnipeg grain merchants and their great mansions gradually came to litter the city's river banks. Equally inevitable was the fact that the affluence of these grain men would be taken by many as evidence of their exploitation of the prairie producer.

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In the manichean mind of the western farmer, the apparatus which made possible a commercial grain industry was a sinister contrivance by which the non-producing class could best return the producer to a neo-feudal position of indentured servitude. The popular claim that "all grain buyers are theives and that hell's divided equally between the railways and the milling companies"[8] was no doubt regarded as gospel on the prairies and both the Winnipeg Grain and Produce Exchange and the CPR came to be the principal symbols of the producers' alleged exploitation. Invariably, this belief in the parasitic nature of the early handling and marketing system, and the impoverished state of the prairie farmers, assumed widespread popularity. It has, in fact, become the axiom of nearly all significant studies of the grain trade, prairie settlement and the farmers' movements.[9] The vision of the poor western farmer, whose only desire is to eke out a meager and honest livelihood from his tiny piece of land, being ruthlessly violated and plundered by a hoard of pirates disguised as merchants and railwaymen seems to fester in the imaginations of all those who purport to understand the era.

Yet, if the prairie grain farmer was held captive in such a parasitic yoke of exploitation and impoverishment, how then did the vacant agricultural lands of the region prove so attractive to that massive onslaught of immigrants at the turn of the century? It is interesting to note that from the initial outbursts of farmer discontent in the 1890's, through two decades of unmitigated agrarian agitation preceding the First World War, the rate of prairie settlement doubled, tripled and soon reached ten times the figure of the early 1890's.[10] And, despite even the efforts of Clifford Sifton's immigration program, it was most unlikely that prairie settlement would have proceeded at such a pace if the aspiring farmers believed for one instant that they would be fleeced by the piratic combinations effected between the railways and the grain interests. Indeed, it is most unlikely that prairie settlement would have proceeded at all unless these incoming farmers believed they could profit considerably by the commercial production.

This contention is readily supported by W.A. Mackintosh who, in considerably muted tones, acknowledged that the conjuncture of falling handling costs and rising world prices in wheat - which translate into higher returns at the individual farm level - "caused the occupation of 73,000,000 acres of lands between 1901 and 1916."[11] Thus even this devoted agrarian sympathizer was forced to acknowledge that handling charges and prices had approached levels whereby the risks of prairie wheat production were out-weighed by the potential return. However, as world prices did not begin to exceed those obtained during the early 1890's until 1909, a time at which the annual rate of prairie settlement had already reached its maximum levels, the savings effected by the handling and marketing network must be recognized as fundamental to the great settlement boom.[12] Consequently, there exists a slight inconsistency between the premise assumed by traditional literature regarding the livelihood of the prairie farmer and the massive influx of settlement in the first years of the Twentieth century which finalized the creation of the great Wheat Economy. What then is the true situation existing between the operations of the vast handling and marketing network and the profitability of the prairie producer at the end of the Nineteenth century?

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As documented in Chapters Four and Five, the CPR understood that its own success was inextricably bound to the final prosperity of the western wheat farmer and it set out to provide a grain handling network by which this goal could be obtained. Whenever agrarian agitation arose against the CPR, the company invariably stated this point - though it was naturally discounted by the farmers and their political sycophants. Nonetheless, the net reduction effected on grain handling charges bears out the contended objective of the railway company. Between 1886 and 1900 the railway freight rate on grain shipped from Regina to the lakehead declined by 39 per cent; when the decline in country and terminal elevator charges are also added to this figure the decline remains an equally impressive 41 per cent.[13] When it is noted that the total freight cost between Regina and Liverpool declined by only 24 per cent[14] during this period, the reduction made on the great wheat funnel conveying the prairie staple to the lakehead becomes highly significant. At the same time, the costs incurred for marketing grain also declined immensely, though these cannot be compiled in a like-manner to freight rates. Thanks largely to the operations of the Winnipeg Grain and Produce Exchange, grain dealers claimed to be able to handle the commodity on a margin of from two to three cents per bushel in 1895 where several years earlier they had required ten cents; by 1899 this margin was alleged to have dropped to only one and one-quarter cents per bushel.[15] The net effect was to increase the price of grain paid to the farmer in relation to the world price. With the spread between the average annual Winnipeg and Liverpool wheat prices for 1890 taken as a base point, the difference separating the two prices had declined by 31 per cent in 1900.[16] The savings effected here invariably added to the profitablility of grain production on the prairies.

It must also be acknowledged that the costs of prairie grain production were extremely marginal. Indeed, with every settler virtually assured a half-section of land at almost no capital expense due to the homestead and pre-emption privileges, the principal factor of production was provided free of charge - many new farmers did, however, have the means to purchase already cleared and proven lands at exceedingly high rates.[17] After an intense investigation carried out during the 1891-2 season, the Commercial estimated that wheat production costs on the prairies averaged from $7 to $8 per acre while a North Dakota investigation asserted that the production costs for a quarter-section were $8 per acre, including cost of land, and that this figure dropped to $7 per acre when operating a half-section.[18] Given that these figures are accurate, the production expenses of growing wheat in the early 1890's, with an average production of 20 bushels per acre, amounted to approximately 35 cents per bushel on a half-section operation - the typical size found in Manitoba at this time.[19] This is, in fact, a generous estimate for Manitoba farmers often boasted of 25 cents per acre production costs, the figure including land and grain hauling to the shipping point.[20] When it is recognized that the October wheat price paid to the western farmer averaged slightly over 60 cents per bushel between 1886 and 1896,[21] the margin of profit realized by a moderately successful prairie wheat producer would make even the CPR envious.

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Although empirical information regarding the economic circumstances of the prairie producer is generally scarce, a few examples of mounting agrarian affluence can be witnessed during the last two decades of the Nineteenth century. In private correspondence with Sir George Stephen in October 1888, Van Horne informed his superior of the

> ...wonderful reports of moneymaking on this crop - in one case a man bought some land near Portage la Prairie at $16 per acre, broke it, put it into wheat this Spring, and realized from the crops considerably more than the cost of the farm, improvements and all expenses, and there are hundreds of cases almost as marvelous.[22]

The <u>Commercial</u> reported the example of Mr. Kee who purchased a quarter-section near Emerson in 1889: during the first summer he only broke and cleared the land but the following year he sowed grain and after paying the farm's purchase price of $1600 out of the proceeds of the harvest, he still retained $300 and 1000 bushels of oats and barley.[23] By early 1892 one of the major grievances of the western agrarian was not the freight rate or the grain prices, but his inablility to obtain sufficient farm labour to increase the bonanza.[24] In fact, in anticipation of further enlarging their profit potential that year, Manitoba farmers "outbid speculators" at the sale of 50,000 acres of provincial school lands.[25] Increasingly, individual farms ranged from 320 to 1000 acres in Manitoba.[26] During the Fall of 1892 the Commercial spotted another indicator of growing agrarian opulence:

> The quantity of merchandise purchased by (farmers) indicates that they must be getting ahead fast. The Brandon Mail recently published figures showing the business done by the agricultural implement dealers of that place, which tell a tale of anything but impecunity on the part of farmers in that district.... no less than 400 carriages and buckboards sold at Brandon during the past season. Carriages are not a necessary article in the cultivation of a farm.[27]

It should be recognized that this level of success was obtained even before two significant reductions occurred in the freight rate (1893 and 1897), the 1894 drop in elevator charges, and the boasted decline of dealer margins. Thus, it is not surprising that by the beginning of the Twentieth century the prairie grain producer was likely to take the contemporary equivalent of thenow popular Florida winter vacation: a three month excursion to eastern Canada.[28]

The generous return obtained by Canadian grain farmers was not shared to the same extent by their counterparts south of the border. Indeed, despite the perennial assertions that prices were always higher in the United States because of its supposed lack of railway and elevator monopolies, comparisons of street prices at comparable Canadian and U.S. shipping points reveal a slightly different conclusion. While Gretna farmers could unload wheat at 85 cents per bushel in early June 1895, producers immediately accross the border at Neche were lucky to receive 65 cents per bushel.[29] And, though this was somewhat of an exceptional example, a comparison of related Canadian and U.S. shipping points held between September and December 1896 revealed a consistent advantage given to the Canadian producer of from one-half to six cents per bushel.[30] As such, it was not at all surprising that by the late 1890's even successful American grain farmers were finding it advantageous to liquidate their Minnesota and North Dakota operations and re-settle in the Canadian North-West where their capital could receive a more lucrative return.[31]

Clearly then, the staple producing yoke into which western farmers placed themselves in this era was hardly one of abject poverty and hardship. In fact, the wonderous grain handling and marketing apparatus which prairie producers found so offensive was responsible for providing a degree of agrarian opulence previously unheard-of. Nonetheless, in the last years of the Nineteenth century the western producers initiated a powerful political movement determined to undermine this very apparatus.

CHAPTER TEN

EARLY AGRARIAN DISCONTENT
AND THE
MANITOBA GRAIN ACT, 1900

Various farm grievances against the grain trade apparatus had circulated throughout the North-West since the Manitoba Farmers' Union first took offense against the CPR's regulations restricting the use of flat warehouses and direct-loading platforms in 1883.[1] Yet, despite the assorted mutterings with regard to excessive freight rates, improper grading or the use of unfair weights and measures, this remained the principal farm grievance until the end of the century - the alleged CPR elevator 'monopoly' which forced farmers to sell to a limited number of elevator owners instead a large number of smaller buyers. But, until the beginning of the 1897 crop movement, rumblings against the elevator system had almost vanished: because of the growth of elevator facilities in the early 1890's, the railway had been somewhat lax in enforcing its regulations and a significant number of the flat warehouses remained alongside existing elevator facilities;[2] and, despite drastically low world prices for grain, 'street' prices paid to farmers remained at levels that were still highly remunerative. Perhaps most important of all was the fact that very few shipping points suffered under an elevator monopoly <u>per se</u>: of 139 shipping stations located throughout the North-West in 1896, only 36 were limited to a single buyer operating from either an elevator or warehouse, and only eleven of these points were controlled by the large milling or line elevator companies.[3] Consequently, prairie farmers could still travel to the shipping point and select between a number of separate buyers who issued prices at least fractionally different from each other. Thus, with at least the guise of competition presenting itself, and respectable street prices paid out, there was little cause for the grain producer to grieve in a very audible voice.

With the beginning of the 1897 grain movement , however, the prairie producer was apt to notice a significant marketing innovation at the shipping points - competing elevator operators now typically issued identical prices for grain. As noted in Chapter Five, rapidly falling profit margins during the 1890's caused numerous small grain dealers to consolidate their enterprises into larger operations in order to benefit from economies of scale and market integration. The most visual result of this was the creation of three large line elevator concerns comparable in size to the large Ogilvie Milling Co. This integration and consolidation trend was not halted by the mere transformation of small enterprises into several large corporations. With margins ever declining, these firms sought to further reduce operational expenditures wherever possible. What was readily apparent to the close clique of Winnipeg grain merchants who controlled the large concerns was that the services required to sustain a line of elevators need not be duplicated by each company. Indeed, each elevator required the purchasing and delivery of such basic supplies as gasoline and oil, collection and distribution of crop statistics, and the daily telegraphic reports from the Winnipeg office setting the price to be issued for various grains.[4] Now, as these firms had come to operate on virtually identical margin levels and were forced by their competitors[5] to keep prices at the equilibrium level, it was only logical that each firm should be forced to purchase grain at or near the same price. As such, the large Winnipeg firms organized a central agency by which to consolidate these duplicate activities - this agency would eventually be re-organized as the North-West Grain Dealers Association in 1901 and its activities vindicated by the farmer led Royal Commission on the Grain Trade, 1906.[6]

In spite of rapidly escalating grain prices, the reaction to this sudden lack of "competition" was immediate. On September 14, 1897 the Winnipeg Daily Tribune, political organ of western Liberal M.P. R.L. Richardson, reported the existence of a "gigantic combination" effected between the elevator companies which was in the process of reducing street prices by six cents per bushel and discouraging the smaller concerns from sharing in the resultant increase in profits.[7] Within a few days Richardson's parliamentary cronie, James C. Douglas, addressed a gathering in Winnipeg to gain support for a plan that would provide the western producers with the means of circumventing this 'monopoly'. This plan simply desired to impose upon the grain transportation system of the North-West the same privileges possessed by the farmers of Minnesota: that flat warehouses be permitted without restriction and that the railway companies provide direct-loading platforms and rail cars on demand for farmers to load, transport and market their grain individually.[8] This second privilege was paramount to both Douglas and Richardson and soon a great number of regional farm organizations enthusiastically endorsed the scheme.[9]

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The significance of this demand for direct-loading and individual grain shipment by farmers has never truly been recognized in the Canadian context. To the traditional (read _liberal_) interpretation[10] of the western reaction to the alleged elevator combine, the actions of the farmers are logical and justified: the farmer - that citadel of _laissez-faire_ individualism - was merely reacting to a conspiracy of the money power to restrict trade. Hence, the agrarian demands are virtuous - simply an attempt to restore the 'natural' balance of forces in the market place. Probably a devout Marxist historian would see this agrarian upsurge within the inherent conflict between the pre-capitalist strata of the population and the progress of capitalist development where the peasant grain farmer is merely revolting against the continuing industrial process.[11] Hence, the agrarian demands are reactionary and futile. Yet, it is interesting to note that at no time during the elevator controversy was there a serious demand for disassembling the alleged combination, in the trust-busting fashion of the U.S., nor was there some crude luddite-like attempt to do away with the elevators altogether. Certainly the demand for removal of the railway restrictions against flat warehouses was a means of obtaining a certain leverage against the elevator operators. According to Douglas, Richardson and Davin, the farmers had little desire to actually deal with warehouse operators; they only wanted to be in a position to say to the elevator companies "If you are nor going to do what is right, we will ship through flat warehouses."[12] But the additional demand for direct-loading and individual grain marketing by farmers themselves provided little re-balancing of the market place and certainly was no brain-storm from a sub-proletarian. Indeed, the desire to obtain individual loading, shipping, and marketing privileges was the work of parvenu businessmen seeking to integrate their operations and thus gain higher capital returns.

In his classic investigation of the American populist and progressive movements, The Age of Reform(1955), Richard Hofstadter dispelled the myth of the yeoman farmer spritually ingrained by the Jeffersonian-Jacksonian tradition and historically legitimized by Frederick Jackson Turner. Hofstadter recognized the "dual character" of the agriculturalists which combined aggressive economic self-interest with a self-righteous agrarian mythology.[13] Consequently, the great populist movement becomes not a part of the frontier inheritance, but a continuation of the American tradition of "entrepreneurial radicalism".[14] To Hofstadter,

> (the) characteristic product of American rural society was not a yeoman or villager, but a harassed little country businessman who worked very hard, moved all too often, gambled with his land, and made his way alone.[15]

But even by the 1890's these agrarian businessmen had discarded much of their rugged individualism. American farmers quickly organized themselves into joint-stock companies, cooperatives and pools.[16] Indeed, these business ventures found themselves pushed by the same economic forces as their brethern in other commercial disciplines: farm business and cooperative ventures consolidated and expanded marketing operations at the expense of open competition throughout the country. In fact, a number of farm organizations come under fire for violations of the American anti-trust laws.[17]

Western Canadian farmers were as desirous to market their own grain as their American counterparts, though their maintenance of the sanctity of individualism was upheld long after it had disappeared south of the border - whereas both American and Canadian farmers were integrating their operations into the marketing sphere during the early 1890's, the first western Canadian cooperative did not become a reality until well into the next century and pools were not organized until the 1920's. Following 1890, Manitoba grain farmers were subscribing to joint-stock elevator companies, erecting such private operations at Portage la Prairie, Brandon, Gretna and a host of other centres.[18] By 1900 there were 26 of these independently operated farmer elevators but their ranks had already been depleted. Over the course of the 1892-3 season, a number of these operations speculated unsuccessfully, forcing them into receivership.[19]

The marketing problems faced by these producer differed little from those of the small grain dealers: grain elevators were expensive, requiring a heavy outlay of fixed-capital investment that could perhaps find a better return elsewhere - such as increased farm acreage. Even by 1899 it was recognized that the typical grain elevator needed to be filled at least three times per season to cover operational expenses and this proved difficult for even the large elevator firms to attain.[20]

It is also interesting to note that before the majority of grain buyers sucumbed to CPR pressures, the Winnipeg Grain and Produce Exchange actively attempted to convince the railway to remove the restrictions against flat warehouses and thus enable the dealers to integrate their operations at a fraction of the cost entailed by elevators.[21] Obviously, if the capital requirements necessary to enter the field of grain marketing were either greatly reduced or, preferably, removed altogether by the legalization of direct-loading privileges, anyone with limited means could set up shop at a shipping point and commence grain marketing operations. The Douglas plan unveiled at Winnipeg in September 1897 tempted the prairie producer with just this opportunity. It also received the initial support of the smaller grain dealers on the Winnipeg Exchange.[22]

That the prairie producers were far more interested in securing their own niche within the grain marketing field than in creating greater competition amongst commercial grain dealers is readily apparent in the months following Douglas' introduction of the plan to the House of Commons in February 1898. Whereas the small independent grain dealers initially cooperated with various farmers' organizations to lobby for an end to all warehouse restrictions,[23] western farmers soon moved to a position whereby they demanded warehouse and direct-loading privileges be <u>for farmers only</u>, thereby adding no further to the number of small grain buyers able to participate in the trade and re-balance the market place. In March 1898 the Manitoba legislature dropped an initial motion requesting

Ottawa to "do away with the present monopoly" in favor of one requesting only that farmers be allowed to load grain directly onto railway cars themselves.[24] Soon a number of western M.P.'s agreed to modify the initial Douglas bill to the effect that erection of flat warehouses and direct-loading privileges be the exclusive right of farmers and the initial union forged between the small independent grain dealers and the producers evaporated.[25]

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Both the CPR and the elevator companies were wary of the farmers' attempt to circumvent the existing grain handling mechanism and were quick to impress upon the Liberal government the sensitive balance existing between grain elevators and the efficient operation of the railways.[26] Through the utilization of grain elevators, the savings effected on the railway had been ultimately reflected in lower freight rates on grain and with the Crow's Nest Pass Agreement of 1897 the CPR had given up its right to increase these rates. Now, prairie producers were in a position to significantly increase the railway's transportation costs with a wholesale re-introduction of antiquated grain handling devices without fear of higher transportation charges. Also, reduced efficiency of grain movement would greatly reduce the volume of grain exported through Thunderbay before the winter close of navigation and increase the likelihood of rail blockades.[27] Any additional delay in grain movement, particularly if it must be held in Winter storage, invariably increases overall handling charges and, in turn, reduces the street prices payable to farmers.

Yet, both the elevator companies and the CPR were willing to make accommodation with some of the producer demands. Indeed, both agreed "that all farmers should be allowed to load their own grain on cars" but desired to prevent a system of warehouses and loading-platforms from replacing the existing elevator network.[28] In fact, even after the 1898 version of the Douglas elevator bill was halted,[29] the CPR announced that it would henceforth "furnish cars to producers of grain to be loaded directly from wagons or teams, provided there be no unreasonable delay about loading the cars."[30] Demurrage charges were incurred if the cars were held over two hours. No doubt the CPR was aware that in Minnesota not more than five per cent of the grain was shipped in this fashion[31] and the direct-loading concession would hopefully place little stress on the system while at the same time defuse the movement for re-introduction of flat warehouses and loading platforms.

This would not be the case. Western farm leaders were determined to keep the issue burning and in June 1898 Richardson and the Tribune established the "Anti-Elevator Monopoly Association" for just that purpose.[32] When in March 1899 Douglas introduced a new elevator bill, which included amongst the previous demands a requirement that railways provide the rail cars without demurrage charges, he was assured the popular support of the western farm population.[33]

Understandably, both the CPR and the elevator interests were vehemently opposed to this debauching of the grain handling system and pleaded with Clifford Sifton for moderation.[34] More significantly, the commercial interests of the North-West found cause to memorialize the Minister of the Interior against the sweeping demands encompassed in Douglas' Proposed legislation.[35] No doubt the region's commercial men sympathized with their brethern in the elevator industry, but their own profitability was inextricably bound to that of the prairie grain farmer - the more money the producer made, the more he would have to purchase commercial goods and services - and thus they opposed any move which might decrease farm revenues. Accordingly, the Winnipeg Board of Trade pointed out that: (1) the producers already held the right to ship grain directly without recourse to elevators and (2) if the Douglas bill became law, "only a portion of a year's crop could be handled before the close of navigation" and would thus " seriously interfere with our most important industry."[36]

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Despite the reasonable assertions of the railway, elevator and commercial concerns that utilization of flat warehouses and loading platforms would strain the transportational network to the point where grain movement would congest and reduce prices, farm interests remained obstinate in their demands. It is here that the prairie producer becomes most visibly a parvenu in the grain trade for as much as he desired to integrate his operations into independent marketing, he was willing to risk a significant decline in grain prices only to save a few cents per bushel in elevator charges and dealer margins. Is it not surprising then that one well-known moral philosopher should have denounced the "idiocy of rural life"?[37]

But idiotic or not, the farmers' demands were placing sufficient stress on the Liberal government and its western warlord, Clifford Sifton, to eventuate their realization. Within the short period since the federal Liberal victory in 1896, a serious cleavage had spread between a number of western Liberals and the party leadership.[38] Laurier had seduced much of the western electorate with his promises for federal responsiveness to western needs and, particularly, drastic reductions in the protective tariff; but it soon became apparent that these were not to be made good and the radical wing of the western Liberal organization, led by Richardson and Douglas, dissociated themselves from the party hierarchy in order to assume leadership over the disenchanted masses. When the issue of the elevator monopoly first arose, it was this faction which sought to remedy the situation with the imposition of direct-loading and warehouse privileges.

As the western leader of the Liberal organization, Clifford Sifton had little sympathy for the objectives of the Douglas plan and reported the entire scheme to be "on par with the proposition to encourage oxcarts as compared with railroads."[39] It was an "artificial agitation raised by three of four scamps for the purpose of making themselves popular, totally regardless of what harm they may do to the permanent development and interests of the country."[40] But as D.J. Hall recognized,[41] Sifton's opposition to the plan was most likely based on political egotism than national self-interest: he could not afford to let Richardson or Douglas appear as the true spokesman of the western producers. Accordingly, when the 1899 version of the Douglas elevator bill followed its passage through the House of Commons, Sifton channelled it to a special committee whereupon its demise was secured.[42]

Unfortunately, the Liberal government was looking towards a general election in 1900 and with the blood of the Douglas bill still on Sifton's hands much needed western electoral support would be withheld. Laurier soon received reports of the Party's declining position because of the issue while Sifton faced a small rebellion in his own Brandon constituency.[43] To remedy the situation, the government responded in September 1899 with the first of what would become the standard Liberal panacea of the following century, the Royal Commission of Inquiry. Inevitably, Sifton was made responsible for organizing the affair[44] and it soon became apparent that he expected to reap a great political harvest for both the Party and himself.[45] To manage this, however, the demands of the prairie producers could not just be vocalized in the Commission hearings and conveniently jettisoned as had been the case with the last Douglas bill. The government would have to move a considerable distance towards accommodating the farmers' wants however damaging or absurd.

The Royal Commission on the Shipment and Transportation of Grain received a great deal of fanfare and Sifton was careful to make it gleam with responsiveness to the demands of the western farmers. After appointing Justice E.J. Senkler (later replaced by A.E. Richards) as Chairman and C.N. Bell as Secretary, the Minister of the Interior secured three Manitoba farmers to act as Commissioners - J.M. Douglas declined an offer to act in this capacity.[46] Despite the monopoly of the farm interests, Richardson's Tribune questioned the influence of Bell, who was also Secretary to both the Winnipeg Grain and Produce Exchange and the Board of Trade. Sifton chastised the newspaper for "belittling" the role of the farmers[47] though, in fact, the Exchange permitted Bell's participation only if "he be not required as a member of the Commission to recommend any particular system." [48] From October 1899 until early January 1900, the Royal Commission held open meetings throughout the prairies and accumulated some 2000 pages of evidence from which it was forced to conclude that "there has been no evidence to show that any elevator owners have been consenting parties to any acts of extortion."[49] The Commission acknowledged that there had indeed been restrictions upon the use of warehouses and loading platforms and concluded thatit was "unfair to require a farmer to pay to have his grain passed through an elevator, so long as , either by loading direct on cars, or by the use of a flat warehouse...he can save of decrease that expense."[50] Accordingly, the Commission drew up a list of recommendations, based principally on the Railroad and Commission Act of Minnesota,[51] to legislatively entrench the producer's right to transport his grain in any manner he desired and to regulate the operation of the existing grain handling system. These included[52]: the appointment of a Warehouse Commissioner to supervise the operation of the elevator system, investigate grievances and enforce all rules and regulations; the licencing and regulation of all country and terminal elvators; the continued operation of all existing flat warehouses; that the railways provide, at the standard rental fee, a siding location for "one flat warehouse of not less than 6000 bushels capacity at a shipping point" upon the written application of ten farmers residing within twenty miles of a shipping point; that this warehouse only be used by farmers to ship their own grain; and that upon similar written application by ten farmers the railway company must provide a loading platform and a rail car with the provision that no demurrage charges be taken until after 24 hours.

Sifton quickly endorsed the recommendations and commissioned Secretary Bell to draft the proposed legislation whereupon the importance of its parliamentary passage was stressed to the Minister of Inland Revenue:

> I may say to you confidentially, that it is an absolute necessity to the success of the Liberal Party in the West that a Bill should be carried through and this question dealt with this session.... Our people in the North-West are very much excited about the question and they would regard the failure of the Bill to become law...as a very serious reflection upon me."[53]

The bill was introduced to the House on May 1, 1900. James Douglas announced himself in full satisfaction with the legislation[54] but both Richardson and Davin pressed for extra concessions to the farmer. These included: farmer exception from licencing of warehouses, no minimum warehouse capacity set, and that farmers be permitted to erect any number of warehouses at each shipping point without the need to pay rental fees to the railway company.[55] Consequently, amendments acquiescing to most of these demands were passed, though Prime Minister Laurier noted that giving the farmers the right to build more than one warehouse per shipping point gave "very extraordinary powers, and powers which, if carried out to their full extent would mean confiscation."[56] This fact was duly noted by the CPR when Thomas Shaughnessy protested to Laurier "against any commissioner being clothed by Parliament with authority to enforce the surrender of (CPR) station grounds to individuals for the construction of buildings or to compell us to build sidings for private individuals."[57] Despite this, the farmers were given the right to erect any additional flat warehouses at shipping points provided it was approved by the Warehouse Commissioner, though these additional facilities were not to be excempt from the rental fees due to the railway. By the end of May, the bill had passed its final reading and on July 7 it received Royal Assent as "The Manitoba Grain Act, 1900."[58]

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The significance of the Manitoba Grain Act has long been upheld as an "Agrarian Magna Charta".[59] It is typically regarded as the first important recognition by the federal government of western agrarian rights[60] and it is certainly the first crucial move in the near systematic regulation of the country's grain industry. Unfortunately, the primary agrarian demands encompassed in the Manitoba Grain Act were decidedly short-sighted and, in the long run, inherently suicidal. Indeed, the abolition of the railway elevator restrictions and the utilization of flat warehouse and direct-loading platforms for individual farmer grain exports was, to use Sifton's analogy , not unlike preferring oxcarts over railways. Without the wholesale use of mechanized bulk-handling facilities, undue pressures were placed upon the railways making them ill-equipped to handle the increasing magnitude of prairie grain exports. This consequence was clearly presented to the Liberal government by various authorities from the moment the first Douglas bill was introduced in 1898; but, once it became apparent that greater political capital could be made by succumbing to the producer demands, the warnings were discarded. Disaster was inevitable.

The year following the implementation of the Manitoba Grain Act witnessed the largest grain blockade of its time and the western farmers now charged the CPR with maintaining an inadequate supply of rolling stock. Despite perennial revisions of the legislation to insure proper allocation of rail cars to producers and further controls on elevator operations, the demand for increased railway facilities rose louder and louder as the answer to the plight of the 'poor' farmers. Again the Liberal government found it advantageous to follow the wisdom of the western agrarians: its solution proved to be two more transcontinental railways the country did not realy need and, as time would prove, could ill afford. [61]

CONCLUSION

For nearly half a century scholars have undertaken to investigate, interpret, and debate western Canada's development from the vantage point of federal government policy. Whether it be the beginnings of the Wheat Economy or the current controversy surrounding natural resource exploitation, analysts have found it impossible to discuss any social-economic issue without first making due homage to Sir John A. Macdonald and the 'national policy'. Having asserted that western development has since time immemorial been dictated by eastern politicians and their projects for national economic salvation, it becomes a very simple matter to analogize the continuity of federal scheming up to the present. Current opponents of federal control of economic development capitalize on this alleged continuity by emphasizing the traditional failings of the western economy, particularly over-reliance on a monolithic staple trade and a concommitant inability to diversify into secondary industries. Thus, in light of the federal government's past record, it would be certain folly to allow them to do it all over again.

But it is all too easy for western Canadians, whether they be loud-mouth provincial potentates or their intellectual sycophants, to blame the federal government for every hardship that has ever befallen the region. In the popular _putsch_ for provincial sovereignty it is readily assumed that the west was as helpless as a babe in arms during the early development period. Indeed, in the mythology of the 'New West', the old federal Conservative government of Sir John A. Macdonald has assumed the role of a tyrannical, hydra- headed monster which through the magic of administrative policy institutionalized the eastern rape of the virgin prairies. While such fancy might be analogous to the designs of modern federal regimes, I think westerners have deluded themselves into denying their own filial relationship with the process of early regional development, particularly the Wheat Economy.

To begin to understand the relative importance of indigenous forces in the development of the Wheat Economy it is necessary to recognize that the federal government of Sir John A. Macdonald had no interest in creating a great export staple economy. The concept of a 'national policy' designed to foster western agriculture has been a great farce caused by a misconstruction of Conservative "National Policy" with Grit rhetoric in the light of American paradigms of national development. Charles Beard's persuasive theory of a 'Second American Revolution' seemed to provide a ready explanation of our own national development. The post- Civil War erection of protective tariffs, massive railway subsidies and the promotion of western settlement provided the basis of an American economic strategy which transformed a loose federation of states into a highly-centralized,industrial machine designed to exploit the population on behalf of eastern capitalists. Certainly the Macdonald government unleashed a plan of national development with the erection of a protective tariff and a transcontinental railway, but the similarity to the American model ends there. Western settlement and agricultural development were the policies of the Grits and were keenly opposed by the party that dominated federal politics until the end of the nineteenth century. Even as early as Confederation, Tories criticized the use of staple trade as a means of inducing national prosperity. They recognized that over-emphasis on agricultural export had inhibited the opportunity for a balanced development. Infact, some Tories even opposed the plan to acquire Rupert's Land for fear it would undermine central Canada's own capacity for economic advancement. When the Conservatives introduced their "National Policy" of tariff protection in 1879, the idea was to remove the country from the hazards of a staple dominated economy through the promotion of an indigenous manufacturing sector and intra-provincial trade. Although a railway accross the vacant west was actively sought, the Conservatives treated it as a defensive measure against possible American encroachment; they openly refused to alleviate such inhibitions to western agricultural development as the absence of branch lines or the economic burden created by the Lake Superior section. Most significantly, the Conservative government systematically undermined the process of western settlement by slashing immigration expenditures. Consequently, when it is realized that the fundamental structure of the western grain trade had been firmly implanted before the end of the nineteenth century, it would be more appropriate for historians to assert that the Wheat Economy arose inspite of the policies of the Macdonald Conservative government.

Who then is responsible for promoting the staple trade which eventually shaped the region into a monolithic Wheat Economy? Certainly the CPR must be afforded some of the credit. Once it had become committed toproviding a transcontinental railway over the empty prairie, it had to find a way of making the system pay. As such, it actively promoted western settlment. Indeed, the CPR not only promoted western immigration, but also fostered the erection of an efficient grain handling apparatus, including elevators and a commercial grading system, without which Canada's later domination of the world grain trade would have been impossible. Thus, if there is any 'policy' to which the Wheat Economy owes its inspiration, it must be that of the CPR and not the Macdonald Conservative government.

(Of course some dedicated exponents of the causal relationship between federal policy and the Wheat Economy will naturally argue that the CPR was essentially the government's western agent or 'proxy'. According to their calculus, the Macdonald Conservative regime created the CPR and thus, ipso facto, created the Wheat Economy as well. This metaphysical extrapolation not only ignores the government's anti-settlement policies, but also attributes the CPR with an omnipotence that exceeds even popular folk legend.)

The CPR, however, could not erect an agricultural staple empire purely on its own initiative. Had it not been for indigenous regional forces, a grain trade in western wheat would have been an impossibility. Perhaps the key to understanding this begins in recognizing that before the CPR was chartered - even before the federal government had completed the first rail outlet for prairie grain via the old Pembina Branch in 1879 - the existing western population had managed to produce an annual wheat harvest in excess of one million bushels. It had also exported significant quantities of that harvest to the east, albeit through an inadequate river navigation system. Some members of the existing western settlement had even set out to provide a rail outlet for the region's produce, though the venture had collapsed for want of more creative financing. Although the CPR and the federal government did come to provide one thin line of railway accross the prairie, creation of a viable grain industry required a network of branch lines which the federal government refused to finance. Without the assistance of the prairie region, the CPR would not have been able to build these lines. This aid came from a western population desirous of creating its own opportunities. Local municipalities borrowed on their meager lines of credit to finance the CPR and other ventures in providing railway access to the producing region. Local politicians used the financial power of the Manitoba Legislature to further encourage the process.

The reason for this popular support was simple self- interest. The creation of a viable grain trade would not merely allow prairie settlers and the CPR to survive, it promised nearly everyone in the region a piece of the action. Indeed, if the farmer could sell his grain and earn a profit, he could buy goods and services from the local commercial men. Local commercial men would in turn buy more goods and services from the wholesale operators at the nearest entrepot. The expansion and profitability of the agricultural sector could be shared throughout the commercial network and before long every shopkeeper's assistant in the region appreciated that his future was inescapably bound with the success of prairie wheat. So long as it was grain that greased the wheels of local commerce, every westerner would support policies which promoted an agricultural economy. When it became popular knowledge that farm profits could be enhanced by increasing the concentration of branch lines, the mania for promoting railway construction would be insurmountable.

But the development of the grain trade required more than railways. Indeed, it necessitated the establishment of a vast commercial machine dedicated to moving the prairie produce onto the world's markets. Although the CPR took initial steps to provide adequate facilities through the promotion of grain elevators and grain inspection legislation, western entrepreneurs rapidly assumed control over all the non-railway components of the trade. Virtually over-night, western men erected a commercial empire out of grain. Organized in grain companies, boards of trade, and the Winnipeg Grain and Produce Exchange, these men assumed such economic and political power that they were able to influence international markets and dictate many of their demands to Ottawa over the opposition of eastern commercial interests and, sometimes, even the CPR.

Thus, contrary to the popular myths, indigenous western interests were very much involved in this initial phase of regional economic development. Working in tandem with the CPR, the western population, its representatives and local business community provided the entrepreneurial impetus to the western grain industry. The rising trade in grain effected by this 'combination' was to no small degree a regional economic miracle.

Unlike the tales found in farm folklore, the grain producers managed to profit immensely and thus made the prairies a promised land for increasing waves of settlement. Despite generally unimpressive grain prices until the end of the nineteenth century, producers still managed to flesh-out an exceedingly affluent existence. This was primarily due to the efficient grain handling and marketing apparatus that had been erected. Indeed, it is quite apparent that the western grain farmer stood to earn several times the annual income of the typical skilled labourer in Ontario. As the rumours of this agrarian paradise spread eastward it was inevitable that thousands of fortune hunters should seek out success in the west with an ox and a plow. Consequently, even before the notorious 'fortuitous conjuncture' of world forces allegedly ushered in the era of unprecedented growth, the west had been blessed with a budding wheat economy. With increasing levels of prairie settlement and grain production, the CPR, western businessmen and prairie producers were all benefitting from the staple economy.

Soon, many came to believe the already impressive levels of success that had been obtained from the trade could be increased a hundred fold if only settlement were further increased and more railways built. The old fears of the possibility of enterring a staple trap and causing imbalanced growth were quietly swept aside by the new faith in prairie wheat exports. Western political mouthpieces, notably Clifford Sifton and his influencial Manitoba Free Press, bellowed demands that the flames of the industry be fanned into a great conflagration of economic opportunity. After the federal election of 1896, the demands were answered.

After nearly twenty years of federal Conservative indifference to the notion of western agricultural development, the election of Sir Wilfrid Laurier and the Liberal Party sealed the fate of the Wheat Economy. With a traditional Liberal emphasis on agricultural expansion, it was natural for the new regime to view the prospect of an expanding staple economy with considerable delight. But when the new government offerred Clifford Sifton the opportunity for translating his western development schemes into reality with an almost unlimited budget, the process of expansion in the industry accelerated grossly. Thus, at a time when that legendary 'fortuitous conjuncture' was just beginning to take effect with higher grain prices and mass immigration, Sifton was further inflating the bubble with his settlement schemes.

The Laurier Liberal victory also coincided with the initial upsurge of political participation by the prairie grain producers. Having been amply rewarded in their agricultural endeavors, western farmers took their seats in Parliament along with the traditional assortment of lawyers and businessmen and proceeded to forward their own special interests. Their immediate concern proved to be the vast handling system that transported their grain onto the markets of the world. Not unlike other commercial interests, prairie producers desired to integrate their operations into the sphere of grain shipping and marketing in order to increase returns. With their new found political clout, these farmers set out to circumvent a crucial component of the integrated handling apparatus that had effectively made wheat a viable export commodity on the world market - the elevator system. Western boards of trade, the Winnipeg Grain and Produce Exchange, and the CPR all argued that the undermining of the elevators would cause the entire handling apparatus of congest. Clifford Sifton was readily aware of the fundamental connection between handling grain through elevators and the economies of the entire transport network. Nevertheless, the Liberal government balanced its electoral prospects and leaned in favour of the producers. When the producers attempted to ship their grain without elevators <u>en masse</u> in 1901, the inevitable occurred: the great wheat funnel jammed-up. No one could move their grain and local wheat prices fell. But instead of causing the government to reconsider its elevator policy, the grain blockade amplified the west's demands for more and even more railways as the universal panacea. Enraptured by the prospects of unceasing expansion in the grain trade, the Laurier government ignored the flaw they had institutionalized into the grain handling system and authorized the unnecessary construction of two new transcontinental railways.

Although the wheat 'boom' continued almost until the First World War, all the old Tory fears concerning over- dependence on export staples in an unpredictable world market rang true. As the temporary world prosperity transformed itself into economic imbalance, nationalistic sentiments throughout the world came to restrict international trade. When the imbalance eventually led to a world depression, the over-inflated Wheat Economy 'burst' - never to recover its previous glory. Surveying the subsequent prairie wasteland of abandoned farms and rusted railway lines, western Canadians began their search for a scapegoat.

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6. C.B. Piper, Principles of the Grain Trade of Western Canada, 2nd ed., Winnipeg: Empire Elevator Co., 1917, pp.2-10

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8. Canada, "Royal Commission on the Shipment and Handling of Grain, Sessional Papers (SP), no.81, 1900; "Report of the Royal Commission on the Grain Trade of Canada," SP, no.59, 1907-8; Although numerous other Commissions have investigated the Grain Trade of Canada, only these two provide the basis of contempory historical understanding of the early apparatus.

9. V.C. Fowke, "Royal Commissions and Canadian Agricultural Policy," Canadian Journal of Economics and Political Science, May, 1948, pp.167-9

10. Unless otherwise specified, "national policy" denotes the "policies and instruments" allegedly designed by the federal government to promote the creation of V.C. Fowke's "frontier of investment opportunity".

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27. Careless recognized the influence of a number of Progessive themes on Canadian scholarship; while Carl Berger has noted the pipeline between Callender, Mackintosh, Innis and the Canadian enthusiasm for a staples approach to economic development: Careless, "Frontiers," pp.67-74; Carl Berger, The Writing of Canadian History, Toronto: Oxford University Press, 1976, pp.91-2

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29. Mackintosh edited the Canadian Frontiers of Settlement Series, and later provided the primary historical backgraund for the Royal Commission on Dominion- Provincial Relations which, as Berger has noted, marked the "fruition of the economic interpretation of Canadian History." Berger, Writing, p.188

30. W.A. Mackintosh, "Economic Factors in Canadian History," Approaches to Canadian History, p.1

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34. T.D. Regehr, "Historiography of the Canadian Plains After 1870," A Region of the Mind, Richard Allen, ed., Regina: Canadian Plains Research Centre, 1973, pp.90-1

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36. ibid., pp.119-139; This is also especially evident in one of Mackintosh's own volumes in the series where great stress is placed on the boom and post-boom eras. For Mackintosh, the development of the grain trade only really begins with the "fortuitous conjuncture" of world events. Mackintosh, Economic Problems, p.8f

37. Berger, Writing, pp. 34,38 &240

38. Chester Martin, "Dominion Lands" Policy, Toronto: Macmillan, 1938, p.196

39. W.A. Mackintosh, Economic Backgraound to Dominion-Provincial Relations, Ottawa: King's Printer, 1939, p.15

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42. Donald Creighton, "Decline and Fall of the Empire of the St. Lawrence," Towards the Discovery of Canada, Toronto: Macmillan, 1972, pp.148-9

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47. Fowke, National Policy, p.87

48. This is the term coined by J.H. Dales to express Fowke's thesis. J.H. Dales, The Protective Tariff in Canada's Development, Toronto: University of Toronto Press, 1966, p.148

49. It is with this neo-imperialistic theme that Fowke clearly illustrates his link to Chester Martin's analysis of Western Canadian colonialism.

50. Fowke, National Policy, p.26

51. ibid.,p.10

52. ibid.,pp. 18 & 21

53. ibid.,p.8

54. ibid.,p.28

55. ibid.,pp. 29 & 42f

56. ibid.,p.29

57. ibid.,pp.41-57

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11. Dales, The Protective Tariff, pp. 147 &149

12. see: chapters on Beard and Turner in Richard Hofstadter, The Progressive Historians, New York: Alfred A. Knopf, 1969.

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14. J.M.S. Careless, "Frontierism, Metropolitanism, and Canadian History," in Carl Berger, ed., Approaches to Canadian History, Toronto: University of Toronto Press, 1967, p.67

15. Both Careless and Regehr have recognized the questionability of the depression era historical analysis: ibid., p.74; T.D. Regehr, "Historiography of the Canadian Plains After 1870," in Richard Allen, ed., A Region of the Mind: Interpretations of the Western Canadian Plains, Regina: Canadian Plains Research Centre, 1973, p.92

16. Fowke, National Policy, pp. 9-63; The political economists of the New Left may feel that I have performed a disservice by not utilizing Tom Naylor's thesis of Canadian economic development policy stunting the country in a mercantilist stage of capitalist evolution. Fowke's argument, however, not only deals specifically with the relationship between federal government policy and the Wheat Economy, but is also based on the primacy of the St. Lawrence commercial interests and thus effectively anticipates the same neo-colonial process as does Naylor: R.T. Naylor, "Rise and Fall of the Third Commercial Empire of the St. Lawrence," Capitalism and the National Question in Canada, G.Teeple, ed., Toronto: University of Toronto Press, 1972, pp.1-41

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19. W. Christian & C.Campbell, Political Parties and Ideologies in Canada, Toronto: McGraw-Hill, 1974,pp.84-5

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80.Creighton,"George Brown," p.178

81. Charles Lipton, The Trade Union Movement of Canada, 1827-1959, Toronto: NC Press, 1973, pp.32&46

82. Norman Macdonald, Canada, Immigration and Colonization: 1841-1903, Toronto: Macmillan, 1966, pp. 94-5

83. B.N.A.ACt,1867, 30-31 Vic, ch.3, s.95

84. Macdonald, Immigration and Colonization, p.95

85.ibid.,p.96

86. A.S. Morton, History of Prairie Settlement, Toronto: Macmillan, 1939, p.53

87. ibid.,p.53

88. Macdonald, Immigration and Colonization,p.45

89.ibid.,p.108

90.ibid.,pp.121-2

91.ibid.,p.96

92.R.T. Naylor, History of Canadian Business, V.1, Toronto: James Lorimer & Co., 1975, pp. 8 & 35-6

93.Expenditures compiled from Canada, Sessional Papers (SP), no.10, 1880

94. Macdonald, Immigration and Colonization, pp. 113-4; Lipton, Trade Union Movement, p.44

95.Compiled from the Port of Quebec statistics, SP, no.10,1880

96. Macdonald, Immigration and Colonization, pp. 113-4

97.ibid.,p.123

98. Fowke, Canadian Agricultural Policy, p.166

99.Macdonald, Immigration and Colonization, p.123

100. SP, no.10, 1886; Macdonald, Immigration And Colonization, p.46

101. SP, no.5, 1889; Macdonald, Immigration and Colonization, p.46

102.W. Marr & M. Percy, "The Government and the Rate of Prairie Settlement," Canadian Journal of Economics, Vol. XI, 1978, p.760

103. Macdonald, Immigration and Colonization, p.134

104. Fowke, National Policy, pp. 62-3

105. Confederation Debates, p.63

106. Creighton, "George Brown," p.191

107. ibid.,p.192

108. Canada, Royal Commission on Dominion-Provincial Relations, Book I, Ottawa: King's Printer, 1940, p.50

109.ibif.,p.51

110.ibid.,p.54

111. Canada, House of Commons Debates, 1878, p.854

112.ibid.,p.855

113.ibid.,pp.858-9

114.ibid.,p.861

115.ibid., 1379, p.429

116. O.J. Firestone, Canada's Economic Development, 1867-1953, London: Bowes & Bowes, 1958; G.W. Bertram, "Economic Growth in Canadian Industry, 1879- 1915," in W.T. Easterbrook & M.H. Watkins, Approaches to Canadian Economic History, Toronto: McClelland & Stewart, 1967, p.78

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1. Doug Owram, Promise of Eden, Toronto: University of Toronto Press, 1980, pp. 11-14

2. W.L. Morton, Manitoba: A History, 2nd ed., Toronto: University of Toronto Press, 1967, pp.84-8

3. ibid.,p.88

4. ibid.,p.85

5. James M. Richtik, "The Agricultural Frontier in Manitoba," CUKANZUS, Sept., 1980, p.1

6. Morton, Manitoba, p.88

7. D.N. Sprague & R.P. Frye, "Fur Company Town: Land and Population in the Red River Settlemnnt, 1820-1870," Unpublished manuscript, University of Manitoba, 1980, pp.50-4

8. A.S. Morton, A History of Prairie Settlement, Toronto: Macmillan, 1938, p.70

9. Morton, Manitoba, p.87

10. ibid.,pp.87-8

11. Owram, Promise of Eden, pp.26-31

12. ibid.,pp.32-4

13. Quoted in ibid.,p.37

14. ibid.,pp.38-9

15. Morton, History of Prairie Settlement, p.32

16. V.C. Fowke, Canadian Agricultural Policy, Toronto: University of Toronto Press, 1978, p.139

17. Morton, Manitoba, p.100

18. ibid.,p.100

19. ibid.,p.103

20. Richtik, "Agricultural Frontier in Manitoba," pp.1-2

21. Carl Berger, The Sense of Power, Tornto: Universwity of Toronto Press, 1970, p.66

22. Morton, Manitoba, pp.156-7

23. ibid.,p.158; Richtik,"Agricultural Frontier in Manitoba,"p.3

24. Richtik, "Agricultural Frontier in Manitoba," pp.1-3

25.ibid.,p.3

26. D.N.Sprague, " Final Report of the Manitoba Metis Land Commission," Submitted to the Canadian Joint Committee of Cabinet on Metis and Non-Status Indian Claims, 1980, pp. 45-67 & 96

27. James A. Jackson, The Centennial History of Manitoba, Toronto: McClelland & Stewart, 1970, p.118

28. Richtik, "Agricultural Frontiers in Manitoba," p.4

29. Morton, Manitoba, pp.178-180

30. Morton, History of Prairie Settlement, p.70

31. ibid.,p.70

32.Quoted in Owram, Promise of Eden, p.112

33. D.A. MadGibbon, The Canadian Grain Trade, Toronto: Macmillan, 1932, p.25

34.ibid.,pp.26-7; The Commercial, (Winnipeg), Feb.11,1889, p.485

35. Morton, Manitoba, p.182

36. M.L. Bladen, "Construction of Railways in Canada to the Year 1885," Contributions to Canadian Economics, V.5, (1932), pp.43-60

37. C.B. Piper, The Principles of the Grain Trade of Western Canada, 2nd, ed., Winnipeg: Empire Elevator, 1917, p.22

38.ibid.,p.21

39.H.A. Innis, "Unused Capacity as a Factor in Canada's History," Canadian Journal of Economics and Political Science, Feb.,1936, pp.1-15

40.Piper, Principles of the Grain Trade, p.22

41. W.A. Mackintosh, Prairie Settlement: The Geographical Setting, Toronto: Macmillan, 1934, pp.55-6

42. Robert W. Fogel, Railroads and American Economic Growth, Baltimore: John Hopkins Press, 1964, p.79

43. ibid.,p.77

44. W.A. Mackintosh, Economic Problems of the Prairie Provinces, Toronto: Macmillan, 1935, p.8

45. Grain prices paid out at various country points were published weekly in the Commercial until James A. Steen left this Journal in 1897.

46. Obviously, the quality of agricultural lands is equally diverse and will ultimately be reflected in higher and lower production costs per bushel; but for the purpose of this analysis, north-west lands are assumed to be of equal productivity.

47. In 1887 the average per acre costs of grain production from the Red River districs of North Dakota were $7.20. In 1892 the Commercial surveyed production costs in Manitoba and found them to range from $6 to $10 per acre but settled upon an average of from $7 to $8. This included the costs of seeding, harvesting, additional labour and land. That same year, North Dakota farmers found production costs to be $8 per acre for a quarter section and $7 per acre for a half section including cost of freighting the grain to the local market. Commercial, Sept,19, 1887, n.p.; Jan. 16, 1893, p.490; April 11, 1892, p.773. I have consequently adopted the $8 per acre figure for quarter sections and $7 per acre for half sections. I have also assumed an average bushel per acre production figure of 20 - in 1892 the Manitoba average was 22.7 bushels per acre while in 1890 the Neepawa district obtained 27.75 bushels per acre. Commercial, Sept.26, 1892, p.36; Oct.6, 1890, p.64. As such, I have arrived at an averageper bushel production cost of $0.40 for quarter sections and $0.35 for half sections. These are, I believe, very generous allocations for per bushel production costs since numerous Manitoba farmers boasted in 1897 that they could produce wheat at from $0.25 to $0.30 per bushel. They did not specify whether they took into consideration any land cost they might have had - many no doubt obtained their lands free of charge by virtue of the Homestead system. Commercial, Sept.20, 1897,pp.29-30

48. There were no estimates for wagon freight rates for Canada in any of the available publications on Historical Statistics. The only wagon rate figure I located was the $0.25 per ton mile rate for 1907 cited in Piper's Principles of the Grain Trade, p.22. As wholesale remained relatively constant between 1880 and 1914, I feel that the 1907 figure if a fairly safe estimate to adopt. Therefore, with a rate of $0.25 per ton mile , and approximately 33 bushels per ton, I have come to a wagon freight rate of $0.007 per bushel mile.

49. M.C. Urquhart & K.A.H. Buckley, Historical Statistics of Canada, Toronto: Macmillan, 1965, p.96

50. ibid.,p.96

51. see: foot note #47

52. Commercial, Oct.1, 1894, p.58

53. ibid., Oct.22, 1898, p.112

54. This is the average price paid at country points as stated in the first week of October of each year in the Commercial.

55. Commercial, Feb. Suppliment, 1892 p.514. This issue also noted that a great many Manitoba farms exceeded 1000 acres!

56. Close proximity to rail transportaion increased a farm's land 'rent' over any farm further from the railway just as high quality land had a higher land 'rent' than lower quality land. As such, differential freight cost perform the same function as agricultural productivity when considering the value of land in Ricardian fashion. David Ricardo, Principles of Political Economy and Taxation, Cambridge: University Press 1951, pp.67-77

57. Although section 14 of the Company's charter gave the CPR the full right to construct and operate branch lines, and would even provide land for stations and roadbeads, section 30 of Schedule A of the contract fixed the land grant bond issue at $25 million to correspond to the 25 million acre land grant. Consequently, additional branch line construction could not be paid by increading the land grant bond issue, only through mortgage bonds or preferred stocks which would constitute a lien on the entire CPR holdings - such financing techniques George Stephen had long been determined to avoid. Any branch line construction carried out in the 1880's diverted necessary monies from the work of the main line; but even this sort of diversion was halted when the CPR required additional loans from the federal government to complete the main line. "Pacific Railway Contract," Canada, House of Commons Debates,1880, pp.28-37

58. Public Archives of Canada, Sir John A. Macdonald Papers, Vol.128, W.B. Smellie, Consulting Engineer, to Macdonald, Dec.,(?), 1881.

59. ibid., Vol. 268, Stephen to Macdonald, Jan.10, 1882; see also: CPR, Annual Report for 1884,p.2

60. Pierre Buron, The Last Spike, Toronto: McClelland & Stewart, 1971, p.44

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1. Mathew Josephson, The Robber Barrons: The Great American Capitalists, New York: Harcourt, Brace & Co., 1934,pp.23-4

2. Mark Twain & Charles Dudley Wagner, The Gilded Age: A Tale of To day, V.1, New York: P.F. Collier & Son, 1873, pp.145-6

3. D.N. Sprague, "Final Report of the Manitoba Metis Land Commission," Submitted to the Canadian Joint Committee of Cabinet on Métis and Non- Status Indian Land Claims, 1980, pp.72-3

4. David Specter, "The Financial Scandals and Establishment of Business Government in Winnipeg," Prairie Forum, Vol.2, no.2,

5. Winnipeg Board of Trade, Annual Report for 1884, p.9

6. J.M.S. Careless, "The Development of the Winnipeg Business Community, 1870-1890," Transactions of the Royal Society of Canada, Series IV, Vol. VIII: (1970), p.245

7. Hugh R. Ross, Thirty-Five Years in the Limelight: Sir Rodmond P. Roblin and His Times, Winnipeg: Farmer's Advocate Press, 1936, p.21

8. Chester Martin, "Dominion Lands" Policy, Toronto: Macmillan, 1938, pp.283-4

9. Dolores Greenberg, " A Study of Capital Alliances: The St. Paul & Pacific," Canadian Historical Review, March: 1976, pp.33-5

10. The Commercial, (Winnipeg), Oct.31, 1882, p.90; Dec. 19,1882, p.229

11. Martin, "Dominion Lands" Policy, pp.284-5

12. M.L. Bladen, "Construction of Railways in Canada to the Year 1885,"Contributions to Canadian Economics, Vol.5,1932, p.59

13. Martin, "Dominion Lands" Policy, pp.290-2

14. Manitoba, Historic Resources Branch, "Railways with Manitoba Charters,"Unpublished Branch Report, Winnipeg

15. H.A. Innis, A History of the Canadian Pacific Railway, Toronto: McClelland & Stewart, 1923, p.140

16. Public Archives of Canada (PAC), Canadian Pacific Railway Collection (CPR), Van Horne Letterbooks (VHLB), no.6, Van Horne to George Purvis, July 4, 1884

17. CPR, Annual Report for 1889, p.12

18. CPR earnings on wheat for year-end 1893 were only 8% of total. PAC, CPR, VHLB, #.47, Van Horne to Sterling, July 23, 1894

19. CPR, Annual Report for 1889, p.12; Annual Report for 1893, p.9

20. W. Kaye Lamb, History of the Canadian Pacific Railway, New York: Macmillan, 1975, p.216

21. James B. Hedges, Building the Canadian West: The Land and Colonization Policies of the Canadian Pacific Railway, New York: Macmillan, 1939, p.38

22. The CPR's Annual Reports are very explicit on the point that potential profitablility and sales of the Company lands are the key determinents for positioning branch lines. CPR, Annual Report for 1889, p.18 points out that the Qu'Appelle, Long Lake and Saskatchewan Railway and the Calgary and Edmonton Railway were both acquired in order to develop the Compnay's Northern Reserve. The Annual Report for 1890, pp.14-5 states that the Souris Branch will land sales and coal reserves in the Southern Reserve.

23. PAC, CPR, VHLB, v.#3, Van Horne to E.T. Talbot, Nov.26, 1883

24. Lamb, CPR, p.157

25. James A. Jackson, "Disallowance of Manitoba Railway Legislation in the 1880's," Unpublished M.A. Thesis, University of Manitoba, 1945, p.41

26. PAC, CPR, VHLB, v.#1, Van Horne to David Rogers, Dec.5, 1882

27. Commercial, Dec.12, 1882, p.207. See also March 6, 1883, p.550 Articles of this nature appear weekly throughout the early 1880's.

28. see: section 15, "Pacific Railway Contract," Canada, House of Commons Debates, 1880, pp.28-37

29. Statutes of Manitoba (SM), 46-7 Vic., Ch.4

30. SM, 46-7 Vic., Ch.1, ss.124-5

31. Commercial, May 22, 1883, p.691

32. ibid., July 26, 1883, p.811

33. Barry Potyondi, "Country Town: History of Minnidosa, Man.," Unpublished M.A. Thesis, University of Manitoba, 1978, p.34

34. Bladen, " Construction of Railways in Canada to the Year 1885," pp.59-60

35. Commercial, April 12, 1897, p.750

36. "Municipal Aid to Railways," Canada, Sessional Papers (SP) no.10, 1900, pp.78-9

37. PAC, CPR, VHLB, #6, Van Horne to James Beatty, May (?), 1884; #12, Van Horne to Kerr, June 20, 1885

38. PAC, Baron Mount Stephen Papers, John A. Macdonald to Stephen, Dec.13, 1881

39.PAC,CPR,VHLB,#3, Van Horne to Egan, Sept.26, 1883

40. Lamb, CPR, p.157

41. In 1878 the federal Liberal government's Minister of the Interior, David Mills, introduced a Railway Aid bill which would have given any western railway a 6400 acre per mile free grant or if Parliament so chose, to convert the land grant into direct monetary aid. This bill was withdrawn in the Spring of 1878. House of Commons Debates, 1878, pp.567, 1478-81, &2485. In early 1880, the federal government began offerring prospective colonization railways the right to purchase large acreages, initially at 3200 acres per mile. In 1881, Col. Dennis pressed Prime Minister Macdonald to adopt Mill's 1878 proposal for 6400 acres per mile in free grants. Macdonald only increased the amount of purchasable land to 6400 per mile. PAC, Sir John A. Macdonald Papers, vol.111, Dennis to Macdonald, Feb.23, 1881. In 1884, the federal government provided a 6400 acre per mile free grant for a Manitoba Railway to Hudson's Bay as a sop to the "disallowanced" -crazed province and thus set the precedent for free grants to railways. Statutes of Canada (SC), 47 Vic., Ch.25, s.7. Consequently, from 1885 until 1894 various so-called colonization railways were each, individually authorized by Act of Parliament to obtain 6400 acres per mile free grant for various stretches of line. "Land Subsidies," SP,no.10, 1900, pp.60-5

42. PAC, CPR,VHLB,#4, Van Honre to T. Duncan, Feb.2, 1884

43. Sir Charles Tupper, Recollections of Sixty Years in Canada, Toronto: Cassell & Co., 1914, p.148

44. Commercial, Dec.25, 1883, p.245; Mar. 11, 1884, p.465

45. SM, 48 Vic.,Ch.42

46. "Report of the Royal Commission into the Financial Affairs of the Province of Manitoba," Manitoba, Sessional Papers, no.21, 1900, pp.448-9

47. M.L. Bladen, "Construction of Railways in Canada from 1883 to 1931," Contributions to Canadian Economics, V.7, 1934, p.83

48. "Municipal Aid to Railways,"pp.78-9; SM, 53 Vic.,Ch.41

49. SM, 52 Vic.,Ch.2

50.PAC,CPR,VHLB,#37, Van Horne to Greenway, Mar.31, 1891

51. Martin, "Dominion Lands" Policy, pp.287-8; Gustave Myers, History of Canadian Wealth, Toronto: James Lorimer, 1975, pp.284-96

52. "Municipal Aid to Railways," pp.78-9

53.I have not bothered to include the Alberta Railway & Immigration Co. which constructed its line into coal and timber lands and held no real significance to western agriculture.

54. SC, 48-9 Vic.,Ch.60

55. Bladen,"Construction of Railways in Canada from 1885 t0 1931," p.83

56. Martin, "Dominion Lands" Policy, p.297

57. ibid.,p.289; R.T. Naylor, History of Canadian Business, V.1, Toronto: James Lorimer, 1975, p.278

58. CPR, Annual Report for 1889, pp.17-8

59. PAC,CPR, Sir Thomas Shaughnessy Letterbooks (SLB), no.50, Shaughnessy to R.W. Scott, Jan.15, 1897

60. SC, 53 Vic., Ch.2

61. Naylor, History of Canadian Business, V.1, p.278

62. Bladen, Construction of Railways in Canada from 1885 to 1931," p.83

63. SC, 54-5 Vic.,Ch.8

64. Naylor, History of Canadian Business, V1, p.278

65. Bladen, "Construction of Railways in Canada from 1885 to 1931," p.83

66. Martin, "Dominion Lands" Policy, p.289

67. PAC,CPR,VHLB,#48, Van Horne to James Humphrey, Feb.16,1895

68. Bladen, "Construction of Railways in Canada from 1885 to 1931," pp.83-93

69. Commercial, Dec.30, 1889, p.334

70. W.A. Mackintosh, Prairie Settlement: The Geographical Setting, Toronto: Macmillan, 1934, p.48, figure 32

71. PAC,CPR,VHLB,# 38, Van Horne to Whyte,Oct.3, 1891

72. T.D. Regehr, The Canadian Northern Railway, Toronto: Macmillan, 1976, p.27

73. ibid.,p. 27

74. PAC,CPR,VHLB,#48, Van Horne to Humphrey, Feb.16, 1895; #52, Van Horne to J.S Thompson, Mar.13, 1897

75. PAC,CPR,SLB,# 50, Shaughnessy to R.W. Scott, Jan. 15,1897

76. SM, 59 Vic.,Ch.10

77. Bladen, "COnstruction of Railways in Canada from 1885 to 1931," p.84

78. SM, 61 Vic.,Ch.43

79. ibid.

80. SM, 61 Vic., Ch.44

81. PAC,CPR,VHLB,# 54, Van Horne to Sifton, March 3, 1898

82. Commercial, Jan.6, 1900, p.552

83. Mackintosh, Prairie Settlement, p.49, figure 34

84. PAC,CPR,VHLB,#2, Van Horne to J.M. Daly, Sept. 2, 1883; #3, Van Horne to Norquay, Dec. 8, 1883; #4, Van Horne to T. Duncan, Feb.2, 1884; #5, Van Horne to Rogers, Mar.27, 1884; #44, Van Horne to Greenway, Aug.8, 1893; #51, Van Horne to Whyte, Mar.28, 1896; #52, Van Horne toThompson, Mar.13, 1897

85. Figures compiled from Bladen, "Construction of Railways in Canada to the Year 1885," and "Construction of Railways in Canada from 1885 to 1931."

86.K.H. Norrie, "The Rate of Settlement of the Canadian Prairies, 1870- 1911," Journal of Economic History, Vol 35, June, 1975, p.424

87. Mackintosh, Prairie Settlement, pp.50-2

88. Liverpool wheat prices steadily rose from $1.00 per bushel on No.1 Northern to $3.00 between 1904 and 1920; street prices throughout the west correspondingly sky-rocketed. W.A. Mackintosh, Economic Problems of the Prairie Provinces, Toronto: Macmillan, 1935, p.8

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1. Walter Vaughan, The Life and Work of Sir William Van Horne, New York: Century, 1920, pp.48 & 98-9

2. Gustav Myers, History of Canadian Wealth, Toronto: James Lorimer, 1975, Ch.15; R.T. Naylor, History of Canadian Business, V.1, Toronto: James Lorimer, 1975, Ch.8

3. Public Archives of Canada (PAC), Canadian Pacific Railway Collection (CPR), William Van Horne Letterbooks (VHLB), no.4, Van Horne to Stephen, Jan.14, 1884

4. The Commercial, (Winnipeg), Mar.4, 1884, p.448

5. ibid., April 8, 1884, p.545; C.B. Piper, Principles of the Grain Trade of Western Canada, 2nd. ed., Winnipeg: Empire Elevator Co., 1917, pp.79 & 109

6. Commercial, Mar.4, 1884, p.448

7. ibid., p.448

8. ibid., p.448

9. PAC, CPR, VHLB, #4, Van Horne to Stephen, Jan.14, 1884

10. It is generally agreed that the first elevator in Western Canada was built at Niverville in 1879 by a Mr.Wittick. It was a circular structure, powered by a horse which walked around the building. It had a capacity of 25,ooo bushels. (Apparently, a photograph of this original structure is available at the Provincial Archives of Manitoba.) However, the Niverville elevator was not a true country elevator as it did not spout its contents directly into the railway cars but loaded them with wheelbarrows - just as in the traditional flat warehouses. Special thanks to Niel Einarson of the Historical Resources Branch, Government of Manitoba, for access to his personal files on Manitoba's early elevators.

11. Henderson's Directory of the City of Winnipeg and Incorporated Towns of Manitoba, 1881, p.196

12. Commercial, Jan.4, 1892, p.367

13. PAC, CPR, VHLB, #4, Van Horne to Stephen, Jan.14, 1884

14. Commercial, Mar.23, 1896, p.618

15. PAC, CPR, VHLB, #4, Van Horne to Stephen, Jan.14, 1884

16. Nor'West Farmer, (Winnipeg), August, 1883, p.214; Commercial, Oct.10, 1882, p.32

17. Commercial, Oct.31, 1882, p.90

18. ibid., Dec.19, 1882, p.229

19. PAC,CPR,VHLB,#5, Van Horne to Egan, Mar.26, 1884

20. ibid.,#2, Van Horne to J.C. Brydges, July 26, 1883

21. ibid.,#3, Van Horne to Egan, Dec. 6, 1883

22. ibid.,#2, Van Horne to Brydges, July 26, 1883

23. ibid.,#3, Van Horne to Stephen, Dec.3, 1883

24. Nor'West Farmer, December, 1883, p.302

25. Commercial, Jan.4, 1891, p.367

26. PAC,CPR,VHLB,#9, Van Horne to W.W. Cargill, Jan.15, 1885

27. ibid.,#1, Van Horne to E.B. Osler, Jan.26, 1883

28. ibid.,#4, Van Horne to Andrews, Jan.5, 1884

29. ibid.,#3, Van Horne to Harder, Nov. 12, 1883; & Nov.16, 1883

30. Commercial, Nov.25, 1884, p.165

31. PAC,CPR,VHLB,#11, Van Horne to Egan, Mar.29, 1885

32. ibid.,#4, Van Horne to Egan, Jan.31, 1884

33. ibid.,#24, Van Horne to Whyte, Feb. 20, 1888

34. Highly orthodox in his economic thought, Shaughnessy was vehemently opposed to the concept of secret rebates and informed his subordinates to avoid such"violations of the law" in favour of open tariff reductions. PAC,CPR, Sir Thomas Shaughnessy Letterbooks (SLB),no.53, Shaughnessy to Underwood, July 31, 1897

35. Naylor, History of Canadian Business, V.1, p.16

36. PAC,CPR, VHLB,#25, Van Horne to Whyte, April 20, 1888

37. ibid.,#3, Van Horne to Stephen, Dec.6, 1883

38. Commercial, Nov.27, 1883, 168

39. PAC, Winnipeg Commodity Exchange Collection, Minutes of the Winnipeg Grain & Produce Exchange, vol.1, Sept. 12, 1888; June 29, 1895; Oct.20, 1897; Commercial, Sept.23, 1895, p.37

40. PAC,CPR,VHLB,#3, Van Horne to Stephen, Dec.6, 1883

41. ibid.,#9, Van Horne to W.W. Ogilvie, Dec. 10, 1884; #11, Van Horne to Kerr,April 27, 1885

42. Commercial, Aug. 21, 1893, p.1331

43. Canada, "Railway Rates Commission Report," Sessional Papers(SP), no.39, 1895

44. Commercial, Dec.2, 1884, p.185

45. PAC,CPR,VHLB,#10, Van Horne to Sykes, Feb.24, 1885

46. Canada, "Report to the Minister of Agriculture," SP, no.8, 1884, pp.57-8

47. ibid.,p.58; the Sessional Papers printed two other similar affidavits from the Minnesota newspaper.

48. PAC,CPR,VHLB,#10, Van Horne to Mithchell, Feb. 20, 1885; #13, Van Horne to George Purvis, Sept.16, 1885

49. ibid.,#9, Van Horne to Kerr, Dec.8, 1885; #36, Van Horne to R. Meighen, Nov.27, 1890; #36,Van Horne to E.Miall, Dec.17,1890; see also: Commercial, Sept. 16, 1895, p.19 for when the Lake of the Woods Milling Co. agents, closely affiliated with the CPR, began purchasing grain at 5¢ per bushel above the going rates.

50. Fully accurate elevator statistics for this period are unobtainable - the best compilations were started in the 1890's by the Winnipeg Grain & Produce Exchange. The Statistics for 1884 were compiled and cross-tabulated from: SP, no.8, 1885, p.61; Commercial, September, 1882 to December 1884; Nor'Wester, Special Edition, 1883; and Henderson's Gazetteer and Directory of Manitoba and the North West Territories, 1884.

51. PAC,CPR,VHLB,#9, Van Horne to Alexander Begg, Jan.24,1885

52. Heather Gilbert, Awakening Continent: The Life of Lord Mount Stephen; Vol.I,1824-1891, Aberdeen: University of Aberdeen Press, 1965, p.159

53. PAC,CPR,VHLB,#5, Van Horne to Langevin, April 14, 1884; #6, Van Horne to Niblock, May (20), 1884

54. ibid.,#1, Van Horne to J. Harvey, April 30, 1883

55. ibid.,#38, Van Horne to Miall, Aug. 26, 1891

56. ibid.,#3, Van Horne to E.T. Talbot, Nov.26, 1883; H.A. Innis, History of the Canadian Pacific Railway, Toronto: McClelland & Stewart, 1923, p.133

57. PAC,CPR,VHLB,#7, Van Horne to the Montreal Board of Harbour Commissioners, Sept. 16, 1884

58. ibid.,#9, Van Horne to Alexander Begg, Jan.24, 1885

59. Commercial, Oct.26, 1886, p.87

60. Winnipeg Board of Trade (WBT), Annual Report for 1888, p.13

61. W.A. Mackintosh, Economic Problems of the Prairie Provinces, Toronto: Macmillan, 1935, p.8

62. Almost every issue of the Commercial after 1883 lists at least one , and often more, bonus offers for flour mills, usually of the roller variety, in various northwestern districts.

63. WBT, Annual Report for 1886, p.27

64. WBT, Annual Report for 1896, p.110

65. PAC,CPR,VHLB,#25, Van Horne to C.N. Bell, Mar.21, 1888

66. Following statistics compiled from the Winnipeg Grain & Produce Exchange (WGPE), 2nd Annual Report, pp.23-7

67. WBT, Annual Report for 1896, p.110

68. R.H. Coats, Wholesale Prices in Canada, 1890-1909: Special Report, Ottawa: Government Printing Bureau, 1910, p.65

69. Commercial, Oct.1, 1894, p.58

70. PAC,CPR,VHLB,#45, Van Horne to Charles Braithwaite, Nov. 18, 1893

71. E.J. Hobsbawm, Industry & Empire: An Economic History of Britain since 1750, London: Weidenfield & Nicolson, 1968, pp.105-6

72. Commercial, Sept. 9, 1895, p.1110

73. PAC,CPR,VHLB,#49, Van Horne to D.F. Jelly, July 30, 1895

74. ibid.,#24, Van Horne to J. Mather, Feb.20, 1888

75. Commercial, June 13, 1887

76. PAC,CPR, VHLB,#24, Van Horne to Mather, Feb.20, 1888

77. Commercial, May 27, 1889, p.897

78. ibid., Jan.4, 1892, p.367

79. ibid., Oct.9. 1893, p. 81

80. Dividends for the Lake of the Woods Milling Co. were reported in the Commercial every October.

81. Hobsbawm, Industry & Empire, p.106

82. SP, no. 16, 1894, p.33

83. Commercial, Annual Supliment, Feb. 15, 1896, n.p.

84. WGPE, 12th Annual Report, pp.44-65; "Royal Commission on the Shipment and transportation of Grain," SP,no.81a, 1900, p.9

85. Commercial, Sept.20, 1897

86. ibid.,Sept.3, 1894, p.1223

87. PAC,CPR, VHLB,#49, Van Horne to D.F. Jelly, July 30, 1895

88. SP, no.16, 1898, p.31

89. Commercial, Jan.1, 1894, p.365; Jan.14, 1895, p.411

90. ibid., Aug.16, 1897, p.1139

91. ibid., Feb.19, 1898,p.631

92. ibid., Dec.3, 1898, p.387

93. ibid., Dec.3, 1898, p.387

94. ibid.,July 19, 1897, p.1037

95. ibid., Jan.7, 1899, p.543

96. SP,no.16, 1900. p.16

97. Canada, House of Commons Debates, 1898, p.2965

98. PAC,CPR,VHLB,#44, Van Horne to Royal, Oct.2, 1893

99."Railway Rates Commision," SP,no.39, 1895

100. House of Commons Debates, 1898, p.2079

101. Commercial, Sept. 3, 1894, p.1223

102. This will be fully elaborated in Part IV

103. Compiled from WGPE, 12th Annual Report, pp. 43-65;"Farmers' Elevator Company" designations are infact separately chartered local farmer owned enterprises.

104. Total rail points in the North-West with elevators and/or warehouses=210; number of points with only one storage facility, but owned by a member of the big five= 35; number of points where only elvators are controlled exclusively by members of the big five = 28; $\frac{35 + 28}{210} \times 100$ = approx. 30%

105. WGPE, 12th Annual Report, p.65

106. Sasketchewan, Report of the Royal Elevator Commission, 1910, Regina: King's Printer, 1910, p.43

107. D.A. MacGibbon, Canadian Grain Trade, Toronto: Macmillan, 1932, p.31

108. *Report of the Royal Elevator Commission*, pp. 42 & 95

109. *House of Commons Debates, 1898,* pp.2060-2083

110. *Commercial*, Dec. 6, 1897, p.321; Coats, *Wholesale Prices*, p.65

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1. James S. Schonberg, The Grain Trade: How it Works, New York: Exposition Press, 1956, p.158; D. A. MacGibbon, The Canadian Grain Trade, Toronto: Macmillan, 1932, p.183; John T. Horner, Agricultural Marketing, New York: J. Wiley & Son, 1925, pp.39-40

2. Schonberg, The Grain Trade, pp.163-4

3. A.H.R. Buller, Essays on Wheat, Toronto: Macmillan, 1919, p.69

4. ibid., p.69

5. Schonberg, The Grain Trade, p.158; Horner, Agricultural Marketing, pp.34-40

6. The Commercial, (Winnipeg), Aug.5, 1884, p.889; Schonberg, The Grain Trade, p.158

7. Horner, Agricultural Marketing, pp.34-6

8. Theodore Macklin, Efficient Marketing for Agriculture, New York: Macmillan, 1921, pp.58-69

9. ibid., pp.58 &66

10. Horner, Agricultural Marketing, pp.36-7

11. ibid., p.38

12. ibid., p.38

13. ibid., pp.40-1

14. Macklin, Efficient Marketing, pp. 58 &66

15. Horner, Agricultural Marketing, pp.38-9

16. Schonberg, The Grain Trade, p.158

17. Horner, Agricultural Marketing, p.39

18. Commercial, June 27, 1885, pp.348-9

19. ibid., Feb. 13, 1883, p.388

20. Public Archives of Canada (PAC), Winnipeg Commodity Exchange, Minutes of the Winnipeg Grain & Produce Exchange, Vol.1, Aug.31, 1889 & Oct.2, 1889

21. Commercial, Aug.5, 1884, p.888

22. Canada, House of Commons Debates, 1885, p.1307

23. Statutes of Canada (SC), 37 Vic., Ch.45

24. V.C. Fowke, Canadian Agricultural Policy, Toronto: University of Toronto Press, 1978, p.242

25. SC, 46 Vic., Ch.29

26. PAC, Canadian Pacific Railway Collection (CPR), William Van Horne Letterbooks (VHLB),no.7, Van Horne to Egan, Sept. 10, 1884

27. ibid.

28. Commercial, Jan.30, 1883, p.348; Feb.13, 1883, p.388

29. PAC,CPR, VHLB,#7, Van Horne to Egan, Sept. 10, 1884

30. ibid.,#7, Van Horne to the Montreal Board of Harbour Commissioners, Sept. 16, 1884

31. ibid.

32. Horner, Agricultural Marketing, p.40

33. PAC,CPR,VHLB,#8, Van Horne to John Costigan, Nov.24,1884

34. ibid.,#7, Van Hone to Egan, Sept. 25, 1884

35. Commercial, Oct.7,1884, p.28

36. PAC,CPR,VHLB,#7, Van Horne to W.W.Ogilvie, Sept.23, 1884; Van Horne to Costigan, Nov.24, 1884

37. Two of Costigan's predecessors, Joseph Cauchon and James Cox Aikins, were political embarrassments to their parties and were temporarilypositioned in Inland Revenue until more ineffective appointments could be obtained.

38. PAC, Sir John A. Macdonald Papers, vol.206, Costigan to Macdonald, Feb. 18,1884

39. PAC,CPR,VHLB,#8, Van Horne to Costigan,Nov.24, 1884; #9, Van Horne to Costigan, Dec.26, 1884 & Jan.5, 1885; #17; Van Horne to Costigan, July 10 & 15, 1886; #10, Van Horne to Miall, Feb.25, 1885; #12, Van Horne to Miall, July (?), 1885; #13, Van Horne to Miall, Sept. 15, 1885

40.ibid.,#17, Van Horne to Costigan, July 18, 1886; #18, Van Horne to Costigan, Oct.13, 1886

41. ibid., #7, Van Horne to Egan, Sept. 25, 1884; Commercial, May 12 1885, p.655; PAC, Montreal Board of Trade, Minute Book VII, Correspondence from Miall, Nov. 27, 1884 & Dec. 2, 1884

42. Commercial, Jan.30, 1883, p.348; Aug.5, 1884, p.888-9

43. see: Chapter Seven

44. Commercial, Sept. 16, 1884, p.1008; Jan. 7, 1885, pp.384-5

45. PAC,CPR,VHLB,#10, Van Horne to Miall, Feb. 13, 1885

46. ibid.

47. Winnipeg Board of Trade, Annual Report for 1884, p.21; Commercial, Aug. 19, 1884, p.(?)

48. PAC,CPR,VHLB,#10, Van Horne to Miall, Feb. 13, 1885

49. ibid.,#9, Van Horne to Costigan, Jan.8, 1885; #9, Van Horne to John Ogilvie, Jan. 13, 1885

50. Although the numerous petitions and delegations to Inland Revenue are duly noted in the press, it is unfortunate that their actions cannot be traced through the bureaucratic channels of the Department itself - the Inland Revenue records from this era have all been destroyed.

51. PAC,CPR,VHLB,#10, Van horne to Miall, Mar.7, 1885; House of Commons Debates, 1885,p.2552; PAC, Montreal Board of Trade, Unmarked Letterbook, "Special Report of the Montreal Board of Grain Examiners" and " Resolutions Adopted by the Committee of Managment of the Montreal Corn Exchange."

52. Commercial, May 12, 1885, p.655; PAC,CPR,VHLB,#29, Van Horne to Costigan, Mar.3, 1889

53. As the CPR dictated that grain could only be handled and stored in lakehead terminals - the only access to lakesteammers - only upon a Pt. Arthur Inspection certificate, Winnipeg inspection initially became an unnecessary expense for any grain exported from the region.

54. Winnipeg Board of Trade, Annual Report for 1887, p.29

55. House of Commons Debates, 1885, pp.1306-1313; SC, 48-9 Vic., Ch.66

Chapter Seven:

1. W.L. Morton, Manitoba: A History, 2nd.ed., Toronto: University of Toronto Press, 1967, pp.181-2

2. Public Archives of Canada (PAC), Canadian Pacific Railway Collection (CPR), William Van Horne Letterbooks (VHLB), no. 7, Van Horne to Egan, Sept. 10, 1884

3. Official inspection cost one-sixth cent per bushel while the railway also impos ed demurrage charges on rail cars stopping in Winnipeg for inspection. Statutes of Canada (SC), 49 Vic., Ch.99, s.19

4. PAC, Winnipeg Commodity Exchange Collection (WCE), Minutes, Winnipeg Grain & Produce Exchange (WGPE), vol.1, June 9 & 13, July 4, 1883

5. D.A. MacGibbon claims that the 1883 Exchange died because of a "decline in interest". Yet it is clear from the nuances of grain marketing discussed in evan the primitive works of Theodore Macklin and John Horner, as well as Van Horne's correspondence, that grain couldn't be commercially transacted in an organized fashion unless it received final and official inspection. As such, the 1883 Exchange failed simply failed for the want of a commercially marketable commodity. D.A. MacGibbon, The Canadian Grain Trade, Toronto: Macmillan, 1932, p.33; Theodore Macklin, Efficient Marketing for Agriculture, New York: Macmillan, 1921, pp.58-69; John T. Horner, Agricultural Marketing, New York: John Wiley & Son, 1925, pp.39-40; PAC, CPR, VHLB#7, Van Horne to Egan, Sept. 10, 1884

6. The Commercial, (Winnipeg), Nov.25, 1884, p.165

7. Canada, House of Commons Debates, 1885, p.2553

8. Commercial, May 12, 1885, p.655; PAC, CPR, VHLB# 29, Van Horne to Costigan, Mar. 3, 1889

9. Winnipeg Board of Trade (WBT), Annual Report for 1888, pp. 19-20

10. MacGibbon, Canadian Grain Trade, pp.37-8

11. Ruben Bellan, Winnipeg First Century, Winnipeg: Queenston House, 1978, pp.19-20

12. MacGibbon, Canadian Grain Trade, p.44

13. C.B. Piper, Principles of the Grain Trade of Western Canada, 2nd ed., Winnipeg: Empire Elevator, 1917, p. 172

14. Horner, Agricultural Marketing, pp.34-6; Macklin, Efficient Marketing for Agriculture, pp.58-69

15. ibid.

16. Winnipeg agitation over the location of grading and inspection began as early as January 1883. Commercial, Jan. 30, 1883, p.348

17. ibid.,Jan.27, 1885, pp.348-9

18. ibid., Jan.27, 1885, pp.348-9; Dec. 19, 1887, p.255; April 2, 1888, p.741

19. ibid., Nov.25, 1884, p.165; Feb.11, 1889, p.485

20. ibid., Feb. 11, 1889, p.485

21. By 1886 the Commercial noted the rapidly increasing magnitude of grain business transacted in Winnipeg. ibid., June 22, 1886, p.792

22. ibid., Feb. 11, 1889, p.522; PAC,WCE, Minutes WGPE, vol.1, "Special Report," January, 1889

23. D.H. McMillan, Pres.; G.F. Galt, V.P.; C.N. Bell, Sec.; with the first Management Committee comprised of A. Atkinson, N. Bawlf, D.G. McBean, S.Spink, J.A. Mitchell, W. Hastings and K. Mackenzie. PAC,WCE, Minutes WGPE, vol.1, Nov. 24, 1887

24. Commercial, Dec. 12, 1887, p.235

25. ibid.

26. ibid., Nov.11, 1889, p.166

27. ibid.

28. PAC,WCE, Minutes WGPE, vol.1, Dec. 20 &29, 1887

29. The very limited volume of trade conducted on the Winnipeg Exchange was noted by the Commercial, Feb. 11, 1889, p.523

30. Commercial, April 1, 1899, p.85

31. "Report of the Delegation to Duluth," submitted on Sept. 26, 1888 in the WGPE, 1st Annual Report, pp.21-3

32. Commercial, Feb. 10, 1890, Suppliment, n.p.; WBT, Annual Report for 1889, pp.13-4

33. Commercial, April 29, 1899, p.965

34. ibid., Dec.21, 1891, p.319; T.L.Hills, The St. Lawrence Seaway, London: Methuen & Co., 1959, pp.39-42; Montreal did not become a first-class Ocean port until 1908 and the overseas export charges were considerably cheaper out of the Port of New York.

35. Commercial, Feb. 11, 1889, p.486; Feb. 10, 1890, February Suppliment, n.p.; WGPE, 16th Annual Report, p.7

36. Commercial, Dec. 19, 1887, p.255

37. ibid.

38. ibid., Aug.20, 1888, pp.1210-1

39. ibid., Jan. 9, 1888, p.312

40. ibid., Aug.20, 1888, pp. 1210-1

41. PAC,CPR, VHLB#24, Van Horne to Miall, Dec. 11, 1887

42. Commercial, Dec. 19, 1887, p.255

43. PAC,CPR,VHLB,# 24, Van Horne to Miall, Dec.11, 1887

44. ibid.

45. Commercial, Jan. 2, 1888, p.285; Jan. 9, 1888

46. PAC, Toronto Board of Trade, Council Minute Book, vol.4, Dec. 29, 1887

47. WBT, Annual Report for 1887, p.12

48. WBT, Annual Report for 1888, p.34

49. Author's personal correspondence with Denis Brulé, State and Military Records, Public Archives of Canada, May 22, 1980

50. PAC,CPR, VHLB,#25, Van Horne to Miall, May 10 & 12, 1888; #26, Van Horne to Miall, July 26, 1888

51. Commercial, June 11, 1888, p.981

52. ibid., Aug.20, 1888, pp.1210-1

53. WBT, Annual Report for 1888, p.20

54. Commercial, Oct.8, 1888, p.60

55. MacGibbon, Canadian Grain Trade, p.31

56. WBT, Annual Report for 1888, p.20

57. Commercial, Oct. 22, 1888, p.105

58. PAC,CPR, VHLB, #27, Van Horne to Costigan, Oct.9, 1888

59. Commercial, Oct.22, 1888, p.105

60. ibid., Feb. 18, 1889,p.553

61. ibid.

62. PAC,CPR,VHLB,#29, Van Horne to Costigan, Mar.3, 1889

63. SC, 52 Vic., Ch.16, s.3

64. House of Commons Debates, 1889, p.1399

65. SC, 52 Vic., Ch.16, s.3

66. WBT, Annual Report for 1891, p.13; Commercial, Aug. 29, 1892, p.1340

67. Commercial, Nov.12, 1894, p.197

68. WBT, Annual Report for 1896, pp.109-110

69. PAC,WCE, Minutes WGPE, vol.1, Nov.18, 1891

70. Commercial, Oct.31, 1892, p.209

71. WGPE, Fifth Annual Report, pp.30-1

72. Thus, northwestern grain could not be exported via New York on a Pt. Arthur or any other Inspection certificate.

73. WGPE, Fifth Annual Report, p.32

74. PAC,WCE, Minutes WGPE, vol.1, Oct. 18, 1888; the futures contracts are in actuality nothing more than forward contracts at this stage of the Exchange's development.

75. WGPE, Third Annual Report, p.15

76. ibid.; PAC,WCE, Minutes WGPE, vol.1, Dec. 16, 1896

77. Commercial, Nov. (?), 1892, p.286

78. WGPE, Fifth Annual Report, p.39

79. WGPE, First Annual Report, p.14

80. PAC,WCE, Minutes WGPE, vol.1, Nov. 18, 1891

81. In 1891 William Clougher was expelled for "breach of business contract" and in 1895 Oscar McBean, brother and partner of the Exchange's very influencial D.G.McBean, was removed for "nonfulfillment of contract." ibid., Jan. 18, 1891 & June 28, 1895

82. ibid., Jan. 13, 1892

83. ibid., Feb. 8, 1893

84. Commercial, Nov. (?), 1892, p.286

85. PAC,WCE, Minutes WGPE, vol.1, Oct.12 & Nov.2, 1892

Chapter Eight:

1. The Commercial, (Winnipeg), July 18, 1892, p.1167

2. Public Archives of Canada (PAC), Toronto Board of Trade, Council Minute Book, Vol.4, Jan. 18. 1892

3. ibid.

4. PAC, Winnipeg Commodity Exchange (WCE), Minutes, Winnipeg Grain & Produce Exchange (WGPE), vol.1, June 22, 1892

5. Commercial, July 11, 1892, p.1140

6. ibid., Aug.8, 1892, p.1251

7. ibid., Oct.3, 1892, p.69

8. PAC,WCE, Minutes, WGPE, vol. 1, Sept. 6, 1893

9. Commercial, Aug. 21, 1893, p.1331

10. PAC,WCE, Minutes, WGPE, vol.1,Nov.22, 1893

11. Commercial, Sept. 3, 1894, p.1223

12. Winnipeg Board of Trade (WBT), Annual Report for 1896,pp.109-10

13. WGPE, Eighth Annual Report, p.13

14. WGPE, Twelfth Annual Report, p.73

15. Commercial, Feb. 15, 1895, Annual Suppliment

16. ibid., April 1, 1899, p.851

17. The savings effected by making Winnipeg inspection final for all grain exported through the lakehead is readily observable in either the removal of the ten day carring charges incurred from any attempt to market Port Arthur inspected grain on the Winnipeg Exchange; or the cost of having grain inspected at both Winnipeg and Port Arthur with the added risk that the two inspections did not correspond.

18. Commercial, Nov.28, 1892, p.303

19. ibid., Sept. 17, 1894, p.5; Sept. 24, 1894, p.29

20. PAC,WCE, Minutes, WGPE, vol.1, Jan. 10, 1894

21. PAC, Montreal Board of Trade, Unmarked Letterbook, G. Hadrill to Miall, April 20, 1894

22. Commercial, Sept. 17, 1894, p.5; Nov. 5, 1894, p.213

23. ibid., Sept. 24, 1894, p.29

24. ibid., Sept. 31, 1895, p.58

25. PAC,WCE, Minutes, WGPE, vol.1, Sept. 30, 1895

26. ibid.

27. Commercial, Oct. 7, 1895, p.65

28. ibid., Feb. 24, 1896, p.510

29. ibid.

30. see: Chapter Two

31. see: Chapter Seven

32. Commercial, Sept. 21, 1896, p.29

33. ibid.

34. ibid., Oct.5, 1896, p.78; OCt. 12, 1896, p.114

35. ibid., Sept. 21, 1896, p.30

36. ibid., Oct.26, 1896, p.142; Sept. 28, 1896, p.53

37. ibid.

38. ibid., Oct.12, 1896, p.114

39. ibid.

40. ibid., Oct.12, 1896, p.102

41. ibid., Oct.26, 1896, p.149

42. quoted in Edgar McInnis, Canada: A Political and Social History, Toronto: Holt, Rinehart & Winston, 1969, p.442

43. See: Chapter Four; also John W. Dafoe, Clifford Sifton: In Relation to his Times, Toronto: Macmillan, 1931, Ch. Five.

44. ibid.

45. PAC, Sir Clifford Sifton Papers , vol. 56, Bell to Sifton, April 28, 1899: "(Miall) wishes that you should also look over the draft (of the proposed legislation encompassing the Winnipeg demands) so that you may see it is in accord with the program drawn up by us and already approved by you."(emphasis Mine)

46. PAC,WCE, Minutes, WGPE, vol.1, March 1 & 8, 1899

47. ibid., March 29, 1899

48. WBT, Annual Report for 1899, p.50

49. Commercial, April 8, 1899, p.887

50. PAC, Toronto Board of Trade, Council Minute Book , vol.5, April 13, 1899

51. Commercial, April (22), 1899, p.939

52. PAC, Sifton Papers, vol.63, Shaughnessy to Joly, April 2,1899

53. Commercial, April (22), 1899, p.939

54. ibid.

55. Canada, House of Commons Debates, 1899, p.3751; Additional amendments to the Inspection Act were made in regard to mixing wheat and the method of the actual inspection process.

56. Commercial, June 3, 1899, p.1147

57. House of Commons Debates, 1899, p.5099

58. ibid., p.5100

59. ibid., pp.9639-9660

Chapter Nine:

1. Winnipeg Grain & Produce Exchange (WGPE), Twelfth Annual Report, p.72; this includes Manitoba wheat processed into flour prior to export , but not other grains.

2. Commercial, Nov.(?), p.1892, p.286

3. ibid., Sept. 23, 1899, p.73

4. WGPE, Twelfth Annual Report, pp.3-6

5. WGPE, Fourteenth Annual Report, p.12

6. Alfred Marshall, Industry and Trade, London: Macmillan, 1923, pp.791-800

7. Ruben Bellan, Winnipeg First Century, Winnipeg: Queenston House, 1978, p.72

8. R.C. Brown & R. Cook, Canada, 1896-1921: A Nation Transformed, Toronto: McClelland & Stewart, 1974, p.154

9. L.A. Wood, History of the Farmer's Movement of Western Canada, Toronto: Ryerson, 1924; W.A. Mackintosh, Agricultural Cooperation In Western Canada, Kingston: Queen's University Press, 1924; W.L. Morton, The Progressive Party, University of Toronto Press, 1950; V.C. Fowke, The National Policy and the Wheat Economy, Toronto: University of Toronto Press, 1957; see also Chapter One

10. W.A. Mackintosh, Economic Problems of the Prairie Provinces, Toronto: Macmillan, 1935, p.282

11. ibid., p.10

12. Both the average annual Liverpool wheat wheat prices and the annual level of homestead entries are provided in Appendix 'A' ibid., pp.282-3

13. ibid.,p.284; Elevator charges were obtained from the Commercial, Sept.3, 1894, p.1223

14. Mackintosh, Economic Problems of the Prairie Provinces, p.284

15. Commercial, Feb. 15, 1895, Tenth Annual Suppliment; Canada, "Royal Commission on the Shipment and Handling of Grain," Sessional Papers, no. 81, 1900, p.9

16. Mackintosh, Economic Problems of the Prairie Provinces, p.283

17. Public Archives of Canada (PAC), Canadian Pacific Railway Collection(CPR), William Van Horne Letterbooks (VHLB), no.27, Van Horne to Stephen, Oct. 14, 1888; Commercial , Mar. 16, 1891, p.643

18. Commercial, Jan. 16, 1892, p.490; April 11, 1892, p.773

19. ibid., Feb. 1892, Annual Suppliment, p.514

20. ibid., Sept. 20, 1897, pp.29-30

21. see: Chapter Three

22. PAC, CPR, VHLB, #27, Van Horne to Stephen, Oct. 14, 1888

23. Commercial, Mar. 16, 1891, p.643

24. ibid., Feb. 22, 1892, p.589

25. ibid., p.590

26. ibid., Feb. 1892, Annual Suppliment, p. 514

27. ibid., Sept. 19, 1892, p.5

28. In his apocryphal illustration of farmer grievances on the prairies, Colquette noted the wide-spread pupularity of these three month sojurns. R.D. Colquette, The First Fifty Years, A History of the United Grain Growers Ltd., Winnipeg: The Public Press, 1957, pp.5-6

29. Commercial, June 3, 1895, p.827

30. ibid., Jan. 25, 1897, p.(?)

31. Paul Sharp, The Agricultural Revolt in Western Canada, New York: Octagon, 1971, pp.1-5

Chapter Ten:

1. Public Archives of Canada (PAC), Canadian Pacific Railway Collection (CPR), William Van Horne Letterbooks (VHLB), no.4, Van Horne to T. Duncan, Feb. 2, 1884

2. see: Chapter five; Commercial, Feb. 15, 1896, Annual Sup.

3. Commercial, Feb. 15, 1896 , Annual Suppliment

4. C.B. Piper, Principles of the Grain Trade of Western Canada, 2nd. ed., Winnipeg: Empire Elevator Co., 1917, p.88

5. Despite the high consentration of trade in the hands of the five large grain companies (circa 1900), considerable competition remained at the shipping points. see: Chapter five.

6. Canada, "Royal Commission on the Grain Trade of Canada,1906", Sessional Papers, no. 59, 1908,pp.14-5

7. Winnipeg Daily Tribune, Sept. 14, 1897

8. D.J. Hall, "Manitoba Grain Act: An 'Agrarian Magna Charta'?", Prairie Forum, vo. 4, no.1, p.109

9. ibid.

10. V.C. Fowke, The National Policy and the Wheat Economy, Toronto: University of Toronto Press, 1957, Ch. 7

11. Eric Hobsbawm,"The Crisis of Capitalism in Historical Perspective," Socialist Revolution, vol.6, no.4, 1976, pp.77-96

12. Canada, House of Commons Debates, 1898, pp. 2061 & 2066; House of Commons Debates, 1900, p. 5764

13. Richard Hofstadter, The Age of Reform, New York: Vintage, 1955, p.47. Special thanks to Prof. Doug Sprague for alerting me to the similarity of my initial findings with those that Hofstater made nearly thirty years ago.

14. ibid., p.58

15. ibid., p. 46

16. ibid., p. 113

17. ibid., p. 113

18. Winnipeg Grain & Produce Exchange (WGPE), Second Annual Report, pp.23-7

19. Commercial, June 6, 1892, p.999; Oct.16, 1893, p.(?)

20. Canada, "Royal Commission on the Shipment and Transportation of Grain," Sessional Papers, no. 81, 1900, p.8

21. PAC, Winnipeg Commodity Exchange (WCE), Minutes, WGPE, vol.1, Sept.12, 1888

22. J. McLennan proposed a resolution to the Exchange on October 20, 1897 supporting the farmers in their demands for direct-loading platforms. It was defeated 30 to 9 but it interesting to note that it was the small operators who supported the mothion while the established elevator men opposed it. ibid., Oct. 2o, 1897

23. <u>Commercial</u>, May 14, 1898, p.939

24. ibid., Mar.26, 1898, p.755

25. ibid., May 14, 1898, p.939

26. PAC, Sir Wilfrid Laurier Papers, vol.73, Bready, Love & Tryon to Laurier, April 18, 1898; PAC, Sir Clifford Sifton Papers, Shaughnessy to Sifton, May 6, 1898

27. ibid.

28. ibid.

29. The bill was halted when D'Alton McCarthy, draftsman of the amended program, died suddenly on May 11, 1898. Hall, "Manitoba Grain Act," p.111

30. <u>Commercial</u>, July 9, 1898, p.1177

31."Royal Commission on the Shipment and Transport of Grain," Schedule 'H', C.N. Bell to Sifton, Jan.4, 1900

32. Hall, "Manitoba Grain Act," p.111

33. ibid.

34. ibid.; PAC, Sifton Papers, vol.71, Shaughnessy to Sifton, April 29, 1899

35. PAC, Sifton Papers, vol.56, "Resolution of the Winnipeg Board of Trade," May 6, 1899

36. ibid.

37. quoted from Karl Marx's"Communist Manefesto" in R.C. Tucker, ed. <u>Marx-Engles Reader</u>, New York: Norton, 1972, p.339. Special thanks to Dave Hall and Prof. M. Gabbert for bringing to my attention this classic invective.

38. Hall, "Manitoba Grain Act," p.107

39. PAC,Sifton Papers, vol. 233, Sifton to Wilson, July 12, 1899

40. ibid.

41. Hall, "Manitoba Grain Act," p.111

42. Sifton and two other members were conspicuously absent from the vote taken by the Special Committee - effectively insuring its demise. House of Commons Debates, 1899, pp. 1916, 5494-5; 9647-9

43. PAC, Laurier Papers, W. Trent to Laurier, June 9, 1899; House of Commons Debates, 1899, p.9647

44. "Royal Commission on the Shipment and Transportation of Grain," pp.1-2

45. PAC, Laurier Papers, vol.145, Sifton to Joly, Mar.7, 1900

46. PAC, Sifton Papers, vol.60, Douglas to Sifton, Sept.20, 1899

47. Hall, "Manitoba Grain Act," p.112

48. PAC, WCE, Minutes, WGPE, vol.1, Sept. 20, 1899

49. "Royal Commission on the Shippment and Transportation of Grain," p.9

50. ibid.

51. ibid.,p.12

52. ibid.,Schedule 'D' and Schedule 'H'. The Report included numerous other recommendations, but those listed here represent the most significant items in relation to this study.

53. PAC, Laurier Papers, vol. 145, Sifton to Joly, Mar.7, 1900

54. House of Commons Debates, 1900, p.5760

55. ibid., pp.5764-74

56. ibid.,p.6260

57. PAC, Laurier Papers, Shaughnessy to Laurier, May 22, 1900; and May 25, 1900

58. Statutes of Canada, 63-4 Vic., Ch.39

59. H.S. Patton, Grain Growers Cooperation in Western Canada, Cambridge: Harvard University Press, 1928, p.30

60. D.J. Hall has recently asserted atht the Manitoba Grain Act provided nothing more than what the railway and elevator interests were willing to conceed, though the evidence above will strongly attest to the railways's opposition to the extent of agrarian demands and even Hall himself was forced to hedge his argument by noting that naither the railway nor the elevator industry were pleased about the measure. Hall, " Manitoba Grain Act," p.115

61. Canada, Royal Commission to Inquire into Railways and Transportation in Canada, Ottawa: King's Printer, 1917

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Canadian Pacific Railway, Sir William Van Horne Letterbooks
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Sir Clifford Sifton Papers
Baron Mount Stephen Papers
Toronto Board of Trade Collection
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