

## CANADA IN THE EUROPEAN AGE

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From the fall of Constantinople to the Ottomans in 1453 until the maelstrom of 1914-1919, the European imperial powers penetrated, dominated, exploited and transformed the globe. By the end of the European Age of world domination, the frontiers of "discovery" and settlement had been pushed to their virtual limits. One continent after another had fallen before the joint forces of European military power and commercial enterprise; and the "native" peoples and societies variously subjugated, absorbed, or, on occasion, obliterated.

While the above generalizations apply to the history of European expansionism in general, they also apply to the history of Canadian economic and social development in particular. In theory that notion should call forth no surprise; in reality it is often met with strong resistance, so deep-rooted is the idea of Canadian exceptionalism in its national mythology. But, historical mythmakers to the contrary, Canadian history is far from being the parish history it is usually presented to be, albeit the corollary proposition that Canadian historians are parish historians remains all too often true.

Although Canada, Newfoundland excepted, has usually had a rather marginal role to play in the evolution of imperial systems over the course of the European Age, the reverse is not true — the ebb and flow of imperial history played the determining role in Canada's pattern of socio-economic evolution. Its exploration, exploitation, and development has been profoundly affected by major events occurring at the four corners of the globe. Thus Canadian history in general is part of the story of the conquest of America by European imperialism; and the fate of the Beothuk, Huron, Blackfoot, and Kwakiutl peoples is in no way qualitatively different from that of the Aztec, the Maya, the Inca or the Arawak. Newfoundland's history is inextricably bound up with that of the West Indies, the cornerstone of European mercantilism. British Columbia's history belongs to that of a Pacific economy called into being by the same set of forces that fired the opening shots in the Opium Wars in China. The decision of a British cabinet in the middle of the nineteenth century to block Russian imperial expansion at the mouth of the Black Sea was more important for the course of Canadian economic development in the 1850's, and perhaps well beyond, than the sum total of all decisions taken by Canadian entrepreneurs in that decade, since the former largely determined the shape of the latter. The building of the Canadian Pacific Railway, long touted as a romantic tale of autonomous nation building, was in fact an imperial event linked inexorably to the progress and protection of British imperialism in India and China — a compelling vision of the 1880's was for a railway, built by Canadian public money, to haul Indian grain to British markets through Canada's empty prairies.

The examples are beyond number. Nor indeed are they merely of historical interest. For the recent sharp deterioration of the Canadian position in the international economic pecking order, measured in terms of per capita income and general economic performance, reflects a social and structural deterioration that bears an uncomfortable resemblance to a process to which Argentina succumbed half a century ago. The debate in Canada over the effects, political and economic, of the proliferation of American-controlled corporations in the 1960s and 1970s, was part and parcel of a world wide process of response to the march of the transnational corporation, a march whose pace flagged sharply with the dethronement of the U.S. dollar in a series of monetary crises of the early 1970s. And the current struggles of the Dene Nation to maintain a minimal control over the pattern and pace of economic "development" in their historic territories in the face of a growing industrial appetite for raw materials is different in degree, but not in kind, from the battle now being waged by the aboriginal population of the Amazon Valley. Nor, niceties of technique aside, is the outcome likely to be much different.

### The Structure of Dependent Relations

However what is involved cannot be reduced to a simple narrative of comparative events, great and small, tragic and comic, well-known and obscure, that make up the framework of five centuries of the history of European colonial expansion. There is a logic and an order to the sequence. History is the unfolding of "economic" systems over time and their accompanying social transformations, albeit such a judgement must be tempered by two further considerations. One is that the economic "motor" of history must be defined in the broadest possible sense, involving the accumulation of the material prerequisites of *social* existence, including the array of intangibles normally and artificially shunted aside into the subcategory of "culture". The second is that if "progress" is defined in modern, western Eurocentric terms, the motor of history must be accepted as being capable of, not just stalling for substantial periods of time, but of actually going into reverse.

It is only since the advent of the European Age that the movement of history even in the long run appears even remotely predictable, and when the propensity to economic integration and commercial homogenization over large social and geographic distances seems the rule rather than the highly aberrant exception. Thus the history of European expansionism in particular is a symptom of a process by which social relations became increasingly commercialized, by which the "market mechanism" flowed across geographic space at the same time that it percolated through social space. The resulting history of contact between societies is one in which the strong exploit and all too often obliterate the weak. Therefore the history of European penetration into "new" parts of the globe can only be seen as an amalgam of destructive and constructive forces, the two sets of forces being inextricably interrelated.

Such a perspective is not intended to suggest that Canada, in its historical

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relations with the great powers, was in any way a defenseless and exploited colony whose population struggled in common with other oppressed peoples for national liberation. "Dependency" in its obvious Canadian manifestations is not a moral condition, but rather a basic structural constraint on autonomous evolution. A country can qualify as "dependent" in a number of ways. It can have the development of its forces of production and exchange derivative from, or even incidental to, the development of the forces of production and exchange in the major metropolises of world capitalism. Its governments may lack, by virtue of the power of exogenous structures and transnational economic institutions, the normal levers of control over the course of a country's economic evolution, thus having its economy become to all intents and purposes a regional adjunct of that of the metropole. It would, however, differ from other regions in having an autonomous *administrative*, as distinct from a genuine policy-making, apparatus. It can qualify as a "dependent" economy in these and other ways, for that reason not being any less a net beneficiary of the development of capitalist relations of production and exchange on a world scale. This, in turn, requires jettisoning the naive and misleading notion that the development of capitalism divides the world neatly into "exploiting" imperial powers and "exploited" colonies in a scenario that owes more to a rejected John Wayne movie script than it does to the critical spirit of classical Marxism.

Empirically and analytically within the various empires that have successively marched across the parade ground of world social history, there are usually an array of politically defined components existing in symbiotic relationship with each other and, more importantly, with the imperial centre. In these cases, the degree of domination of and dependence of each upon the metropole is likely to be highly variable in degree and radically different in form. The notion of an empire of economically interdependent components knit together by an asymmetric distribution of political-military power is most clearly applicable in the pre-industrial period when empires were ordered by legislative fiat as much as, or more than by the market mechanism. Thus in the British mercantile system, Britain, the political metropolis, manufacturing centre and main entrepot for European and Oriental trade, controlled in varying degrees the economic life of West Indian and American plantation economies, West African slave trade posts, Newfoundland fisheries, ports of trade on the coast of India, and white settler communities in New England-New York. All of these areas had complementary economic roles within the empire as a whole. All of them too found their economic development structured in some fundamental way by their links of commercial dependency upon Britain. Yet they exhibited an enormous diversity of institutional forms, and each evolved qualitatively distinct sets of socio-economic relations in which the degree of metropolitan domination and "exploitation" differed drastically depending upon a complex interplay between their primary economic function in the empire, the institutional form of their link to the metropole, and their pre-existing socio-economic structure. Each of these areas was a dependency in some basic way;

yet each developed (and hastened the development of their own hinterlands) along diametrically different principles, both in terms of social formations and the political imperatives that these social formations engendered. Talking merely about an imperium or metropole on the one hand and a set of colonies or satellites on the other and deducing political strategy from little more than a casual reference to a specious dichotomy is thus an abdication of investigative responsibility.

Similarly in the empires of the late nineteenth century there exists a plethora of institutional forms of relations of dependency and an equally wide variety of socio-economic consequences of this diversity. In the British empire, India was by far the most important dependency, and was organized politically as a separate empire in its own right. Along with it came a multiplicity of Crown colonies, self governing dominions, spheres of influence and so forth, each with a different economic and/or strategic role within the imperial whole and each complementing and supplementing other areas. The ensuing social formations, be they in West or East Africa, India, the Middle East, the Pacific or in the white settler states, differed so widely as to once again make the simplistic dichotomy of metropolises and colonies so vague as to be less than useless. These formations must be seen in historically specific settings, and as the outcome of particular temporal-spatial conjunctures in the long term evolution of the European Age.

### Imperialism and the Social Classes

Central to the story is the process euphemistically described as the "accumulation of capital" both in its societal and in its individual manifestations. It is therefore a story of the assault by "entrepreneurs" on the physical environment, on the existing social fabrics, both their own and those of others, and on their competitors, domestic and foreign. It is a story too of power, its accumulation and use for personal and political ends. For, contrary to the mythology of liberal societies, the "market mechanism" which *in theory* (though rarely in fact, and even in those rare instances, only temporarily) diffuses and depersonalizes power is, in its most advanced form, a very recent and still very imperfect instrument for the mobilization of resources for economic pursuits. The alternative to the market and diffused, depersonalized power, is personalized socio-economic relationships — in effect, political power to be exercised over, and often at the expense of others. That too is a central part of the story as it unfolds in both the world context and the narrower Canadian one.

These themes are, of course, inextricably interrelated. As the socio-economic influence of the European imperial powers penetrated new areas of the globe, the accumulation of wealth by European adventurers abroad went hand in hand with the spread of commercial, market-oriented activity into societies and social strata where it had been previously rare or completely non-existent. And as the market system of organizing economic activity spread, it did so not by virtue of the laws of nature, but very much by the laws of man.

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Commercialisation of social relations was at heart a political process reflecting the exigencies of power and the need to increase it through access to economic resources. So too was the accumulation of wealth by the emigré European entrepreneurs and enterprises in the colonies who functioned as part of, and under the protection of, an expanding system of political power.

Thus, particularly in the early stages of European overseas expansion, but continuing in substantial, if diminished importance up to the bitter end, the "value" of the resources, wealth, and profit acquired in the process cannot be assessed in solely economic terms. Wealth was often, perhaps normally, in the form of an intangible stream of social and political privileges that flowed from the control of economic assets, assets which themselves often took a relatively intangible form. Decisions with respect to "investment", including the disposition of armed forces and diplomatic duplicity, were made in order to maximize advantages of every kind, in the economic sphere and certainly in the social and political one, as well, particularly with respect to prestige and social status. Not until the end of the European Age do wealth in the simple, material sense and social status, not to speak of political power, come to be largely synonymous; and even then the process of assimilation was far from complete.

The mechanisms by which the metropolises in the colonial process, or at least certain privileged groups in them, reaped the benefits of imperial expansion, were put into operation through the activities of emigré entrepreneurs or enterprises. The colonies were ripe fields for the exercise of their talents, for the colonial societies were typified by a rather pronounced lack of inhibition in the range of economic behaviour they would tolerate. Though codes of social conduct were scarcely edifying in the European societies that sponsored colonization, in the colonies they were much looser, due to an absence of accumulated social institutions of an inhibitory nature in the early stages of European colonization. This in turn reflected the relative fluidity of the colonial social order, as compared to that in the European metropole.

Within a European state, upward movements in social status were rendered difficult by the rigidity of the social hierarchy and the existence of a set of social mores that rationalized and protected the socio-economic status quo. For the aspirant to a higher position on the metropolitan social ladder, the existence of a frontier of European penetration overseas provided the means by which he could circumvent the barriers to upward social mobility at home by accumulating wealth and social position abroad. When a transfer of wealth and social status occurred within the metropole, it was perceived as benefitting one party at the expense of another. But wealth and class privileges accumulated abroad represented a net addition to the total available to an expanding social system and hence could be assimilated without serious disruption to the socio-economic order. While a metropolitan based *nouveau riche* class could be a threat to the established order, and its emergence often had revolutionary consequences, a colonial *nouveau riche* class was, at least in its formative era, not such a threat. Indeed the diversion of footloose elements of aspiring social classes to the colonies to do their best for themselves and their worst for the

aboriginal societies paid a double dividend to the metropole exporting them. For their predatory instincts yielded the metropole a direct return in the form of expanded political influence abroad, and an indirect one in the form of improved prospects for social stability at home. Hence the diversion abroad of the activities of aspirants to higher status at home. From Columbus to Frontenac, from Clive of India to Strathcona of Fort Garry, the impetus to action was fundamentally the same. So too all too often were the consequences to the aboriginal societies in the areas in which the action took place.

As social conditions stabilised and rigidified in the older colonies, as the initial European acquisitions generated their own social and economic elite, the field of action of the emigré adventurers from the metropolises simply moved elsewhere. For throughout the entire European Age, the general story was one of steady expansion of the frontier of European influence across the globe.

For the European imperial powers as a whole, as distinct from a particular group of entrepreneurs and adventurers who spearheaded the conquest and colonization process, the role of colonies in their socio-economic development was diverse, and tended to vary over time and space. Colonies variously produced certain strategic materials, be they luxuries, essential foodstuffs, or industrial raw materials. They functioned as markets for metropolitan output, as fields for the investment of metropolitan capital, as dumping grounds for surplus population. They were a source of private profit and public gain, swelling the capital stock available to private business and the bullion supplies and tax receipts of the metropolitan government. They, therefore, linked up at different times to different strata of the metropolitan social structure, providing precious metals for the public treasuries, commercial profits to the overseas trading companies, raw materials for metropolitan industrial capitalists and, in a later period, cheaper food for the proletariat and rentier income for the overseas investors. Some colonial possessions were acquired not as economic assets *per se*, but as strategic ones to help defend the trade routes of others. However, direct or indirect, an economic motivation for colonization, both individual and societal, was always present and generally dominant in one form or another, albeit that its precise manifestation varied with the degree and direction of economic development in the metropole, and with the relative amount of political power certain interested business groups in the metropole could wield.

A public presence was invariably much in evidence in the colonization process. Metropolitan entrepreneurs went to work behind the protective shield of military and diplomatic power. Indeed these same entrepreneurs often *were* that military and diplomatic power: for they generally comprised the backbone of the colonial administration; political and military power was directed to the task of enhancing their private interests; and the plunder of the public purse was frequently the first step to personal wealth. But above all else the link to the state was essential because the state was the instrument by which commercial relations could be extended into new territory, and by which the profits from these commercial relations could be tapped.

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Most of the historical time, and social and geographic space, embraced by the European Age involved the evolution of societies that were "non-industrial" (something quite distinct from "pre-industrial" with its historically erroneous implication of the *inevitability* of universal "progress" towards modern capitalist society). Indeed many of the societies that were caught up in the process were non-commercial as well, in which exchange relations were societally determined and reflected, indeed reinforced, the existing political and social hierarchy. Hence the dialectics of relations between groups of actors, and between economic classes, were for the most part quite distinct from the conflict of labour and capital that dominated the more modern scene. Thus the central element determining economic, and, therefore, political power was *not* the "ownership of the means of production". Indeed the very concept of "private property", with its implicit *carte blanche* for utilisation according to the whims and fancies of the owner, as regards natural resources, labour power, and financial capital, was a long time in coming. For many of the metropolitan societies for much of the historical time covered by the European Age, the concept was only in its infancy or at best its adolescence. For many of the non-European societies it was not even conceived. In fact the slow and uneven process by which private property relations spread throughout an ever broader range of human relations is precisely what much of the story of the European Age is all about.

For most of the historical time covered in the European Age, the closest approximation to "free market" activity lay not in the allocation of the elements essential for the production of commodities, but only the process of exchange of the commodities themselves. And in this limited sphere the "market" was long hemmed in by an array of public restrictions imposed on behalf of and at the behest of certain privileged groups that would be threatened by the socio-economic fluidity the market system portended. Hence, once beyond the stage of simple plunder and the imposition of forced tribute payments, essential to the process of accumulation of wealth was the ability to control the *flow* of commodities and of the credit that accompanied those commodity movements. The key to wealth and power, therefore, lay not in the ownership of the means of production, so much as in control over the means of circulation — of commodities and financial capital.

Spatial considerations were a necessary adjunct of the process of securing control of commodity flows. To that avail European factors and merchants planted themselves at the geographic points necessary to control the flow of trade between the aboriginal productive apparatus and that of the metropolises they represented, notably at the junctions of major waterway systems and at well-established coastal ports-of-trade. Even after the phase of aboriginal-European exchange relations gave way, as it sometimes did, to one of white settlement, the pattern of settlement, and the commercial infrastructure that accompanied it, followed trade routes already created and operating in the era of pre-contact or early contact trade.

Contact between European and aboriginal economic systems intermediated

by the European traders did not *automatically and inevitably* involve the aboriginal system succumbing to the corrosive force of market exchange relations. Indeed in the early phases the aboriginal socio-economic system was deliberately maintained intact albeit its substructure eroded by a profound shift in the motivation and direction of societal economic activity. Thus, in North America, furs, originally produced incidentally to the hunt for food, became an object pursued for their commodity value in exchange for European goods, albeit with the institutions of exchange remaining intact and the terms of trade, once established, maintaining a stable relationship for long periods of time. Similarly in West Africa, slaves, originally generated incidentally to the pursuit of prestige in war, became instead an explicit objective of war once their commodity value was established. Again the establishment of relations of exchange between two social systems did not involve the smothering of the weaker by the stronger in the first instance, but rather the establishment of a symbiosis between the two in which the terms of trade were set by diplomacy and custom on a societal level, rather than by individual acts of market exchange. The revolutionary consequences of administrative commoditification of production took some time to fully manifest themselves, and ended up by sweeping aside both aboriginal and European constitutions.

While the political institutional framework within which the aboriginal economies met the European ones is clearly of central importance, so too was the political-institutional framework within which the European traders operated. And the instruments for control of commerce and credit were fundamentally political. The state, both in its metropolitan and its colonial guises, in its military as well as its civil manifestations, was responsible for creating and extending the field of commercial activity. The state was capable of moulding the flow of commodities in desired directions. The state was a key instrument in the mobilization of capital which could then be put to work at the behest of the entrepreneurial class, financing the operation and expansion of the frontier of commercial activity. And the state had the ultimate authority over the financial system on which trade credit, and, therefore, trade itself, ultimately rested.

Given the central importance for imperial-colonial economic relations of the commercial infrastructure, of the transportation system, and of the monetary apparatus, the vital necessity for the entrepreneurial class to have at least partial control of, or, at a minimum, a fair amount of influence on the use of the state apparatus followed. For access to the state apparatus conveyed control over the commercial and financial aspects of economic life, and thus the capacity to manipulate them for private gain. In a full-fledged, freely functioning, liberal industrial economy (or a reasonable approximation thereto) the commercial and financial sectors of the economy exist as dependent subsets of the dominating industrial core. In the non-industrial world, and particularly during a historical age marked by the continuous creation of new fields of commercial activity, the cornerstone of economic power lies in controlling the movement of goods and trade credit. But even after the



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metropolitan economies completed the transition to modern industrialism, in their colonial appendages, where non-industrial conditions continued to prevail, the central role of the commercial and financial sectors, with their interrelations with the state, remained a central structural feature throughout all of the European Age.

### Prelude to a European Age

The process by which Western European states in the mid-fifteenth century began to carve out their trans-oceanic, global empires had its roots in the dynamics of conflict and competition between East and West that followed the disintegration of the Roman Empire and the Mediterranean unity it had created.

After the fall of Rome, the eastern part of the empire, Byzantium, inherited the commercial and cultural crown of the Christian world. But its control of the wealth of the eastern Mediterranean was soon challenged by newcomers from the arid pasture lands of the Arabian peninsula, who shortly carved out an empire that stretched from the Pyrenees to deep into Central Asia. The rise of Arab commercial and military power, the shift of the centre of economic gravity of the Christian world to Byzantium, and the barbarian assaults from east and north combined to assure the continued decline of western European commerce, industry, and cultural attainment alike. The indigenous wealth of the eastern empires, their control of the luxury trades from India, China and beyond, and their monopoly control over the sources of gold and silver, plus their scientific, commercial, and cultural achievements stood in stark contrast to the stagnation of Western Europe. Thus, the military and economic conquest of the East soon became — and long remained — the dominant strategic objective of aspiring western European powers.

There had been two major exceptions to the rule of stagnation of European commerce in the Middle Ages. On the northern periphery, the non-feudal Scandinavian tribes mixed brigandage and extortion with trade and settlement. Apart from their short-lived ventures in the Canaries and Sicily, they managed to conquer and settle Normandy and from there conquered England. They also ventured across the Atlantic to Iceland, Greenland, and northern North America. Iceland, which constituted Western Europe's first bona fide overseas colony of settlement, was soon dotted with farms. Greenland attracted the Vikings to its fur and marine mammal resources. But an attempt at colonization in North America proved abortive.

In the southern periphery the exception was provided by certain Italian cities in which commerce and finance thrived free from the feudal restrictions on usury and trade that the Catholic Church imposed elsewhere in Europe. The Italian cities were the principal intermediaries in the flow of trade between Europe and the Levant, and had close commercial ties to Byzantine and Arab merchants. Venice had links to Egypt and its trade from the Far East flowed along the Red Sea — trans-Egyptian route. Genoa, its principal commercial

rival, traded mainly via Constantinople and the Black Sea. The Italian links to Levantine trade were a major instrument in fostering the rebirth of commerce within Europe itself in the eleventh century and beyond.

On the crest of the revival of commercial activity came efforts by western Europe to launch overseas wars of conquest, pillage, and colonization. The purpose of the Crusades was to reopen the East by rolling back the limits of Arab power, starting in southern Europe and spreading to Arab Spain and the Middle East. Particularly attractive was the Palestine-Syria area with its fertile lands for settlement, its control of the major trade routes, and its rich cities ripe for plunder. And the alliance of Norman knights with Italian cities, blessed materially and spiritually by the Church of Rome, set off in pursuit of these goals.

The Crusades wrote a vital chapter in European commercial history. By whetting the appetites of Western Europe's aristocracy for eastern luxuries, they assured a new urgency to east-west commercial intercourse. Some of the commodities in question were known and coveted before — luxury fabrics and spices for instance. What was different in these cases was the scale and continuity of demand. Other products were new to European tastes, particularly sugar, which singlehandedly revolutionized the European diet and left a trail of bloodshed and human anguish that few commodities before or since, with the possible exceptions of gold and silver, could rival.

A second vital commodity, though far from a novelty to European tastes, whose seeming abundance in the Arab world excited Western Europe, was gold. Gold from sub-Sahara Africa provided much of the commercial lifeblood of the Arab West and from the thirteenth century began moving in greater abundance to Europe to grace its noble tables, decorate its cathedrals, fructify its public treasures, and quicken its commerce. Fables of the great gold resources of the Arab West spread through Europe and kept the fires of expansionism alive even after the main body of Crusades in the Arab East had been defeated, and the East largely closed to the West by the rise of power of the Ottomans.

For the hundred year period from 1350 to 1450 European commercial expansion by and large came to an end. The impetus from the Crusades had run its course. The Norman forces had been expelled from the Levant. Civil War and great plagues ravaged Europe, while the Ottomans continued to press the European powers beyond the Levant and into Southern Europe itself. Economic collapse inside Europe was accompanied by a drastic deterioration of the living standards of the poor. The income gap between social classes was exacerbated by the increasing exactions on the peasantry imposed by a nobility whose extravagant tastes could no longer be satiated by plunder from the East; and it manifested itself in a series of peasant uprisings. Agricultural prices fell; harvests failed; political authority desintegrated; brigandage was rife; while the principal trans-European trade routes declined as the trade of the principal actors, the great Italian cities, with their Oriental suppliers was disrupted.

The 100 years of depression also coincided roughly with the 100 Years War in which the political links between France and England, forged by the

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conquests of the Duke of Normandy 200 years before, were broken. The period that began with the Crusades saw the rising power of central authority in several of the chief political divisions of Europe. Modern warfare required more sophisticated equipment and mercenary armies rather than the periodic calling up of the peasantry and knights loyal to the King. Centralization of power too required more revenue for civil administration, and the Crowns reached out to take control of the commerce that flowed through their jurisdictions to extract tax and tribute from its participants.

In 1453 Constantinople, seat of Byzantium, fell to the Turks and cut off European commerce almost completely from the major Levantine trade routes, a development accentuated shortly thereafter by the Turkish conquest of Egypt and closure of the Red Sea-Suez route as well. To acquire eastern luxuries Europe now had to find new trade routes free of Turkish control. The year 1453 also marked the end of the 100 Years War, and left England and France politically and commercially divorced, but each equipped with central monarchies seeking wealth through overseas expansion to maintain and expand their power. From both the Mediterranean and the North Atlantic, European states were soon poised for overseas commercial conquest.

### **The Age of Bullionism**

Reacting to the Turkish closure of the Mediterranean trade routes to the Orient, Italian capital joined the absolute monarchies of Spain and Portugal, two countries created by the Reconquista, in an effort to circumvent the Turkish and Arab hold on the principal commercial arteries of the day. The Iberian phase of European overseas expansion followed directly from the Crusades and the Islamic resurgence under the Ottoman Empire. The sealing of the Mediterranean destroyed the spice trade of several major European commercial centres and blocked further effort by Europe's landless nobility to seize estates in the East. The Crusades simply shifted from a series of commercial wars in the Mediterranean — where western European nobility allied with Italian merchant capital to further their joint economic interest — to a worldwide movement to encircle Islam and seize control of its sources of wealth.

Portugal initiated the process by sailing south along the West African coast, rounding the African cape, and eventually penetrating into the Indian Ocean and beyond, in quest of gold and slaves from West Africa, spices from the East Indies, and the luxury products of India and China. Commercial aggressivity coupled with advanced military and naval technology sufficed to consolidate the Portuguese hold on the far eastern trade to western Europe, but only briefly.

Spain, also prompted by Italian capital and expertise, reacted to the Turkish closure of the Mediterranean routes, and the Portuguese control of the African one, by focussing its commercial aspirations to the southwest. Financial links were forged with Italian cities long active in Levantine trade to give an added impetus to Spanish external expansion. Genoa and Florence in particular were centres that grew rich in the Crusades and whose commerce was severely

damaged when the Turks captured Constantinople and broke up the eastern spice trade of all the major Italian cities except Venice. For Genoa an added danger to its financial stability came from Portugal's interference with the trans-Saharan gold trade, a trade for which Genoa had managed to preserve some commercial links with the Moors. Robbed of its spice-trade by the Turks and with its gold sources threatened by the Portuguese, Genoa linked its commercial destiny to Spain, and helped finance Spanish overseas expansion, investing in early Spanish sugar plantations, slaving expeditions, and voyages of "discovery". Once more reflecting the vital link between the Crusades and the voyages of "discovery", the route to the east by sailing west had been worked out by a Florentine scholar name Paolo Toscanelli who gave his map to a Genoese adventurer named Christopher Columbus. The Toscanelli family had been among Florence's leading spice merchants, but were ruined when the Turks captured Constantinople and destroyed their trade. Columbus called on the Spanish Crown for aid at an opportune moment. Isabella and Ferdinand had just united the thrones of Aragon and Castile, and were jointly entangled in a campaign to destroy Grenada, the last Moorish emirate on the Iberian peninsula. The public purse was exhausted by the cost of the war. Commerce and overseas plunder held out hopes for replenishment of the royal treasury, or so Columbus and his associates insisted. Columbus himself, in his zeal to broaden mankind's intellectual horizons and carry the light of Christian civilization to the unfortunate races of the world, asked for very little in return — merely the rank of Admiral of the Ocean Sea; a vice-royalty for life making him, after the monarchs, the second most important figure of the realm; ten percent of all the gold, jewels, and spices obtained by any means whatsoever from the lands he conquered, all tax free; plus the right to invest up to one-eighth of the total capital in any ship subsequently venturing to the areas he chanced upon; and a lien on all of these titles and privileges for his heirs and successors forever. The contract was agreed upon; two-thirds of the required capital was invested by the Crown; one-third came from rich merchants. And off Columbus sailed carrying with him interpreters fluent in Arabic and other tongues equally useful for conversing with the native peoples of the Americas.

Heading southwest in part, no doubt, because of the then current theory that gold was engendered in hot climates while silver was engendered in cold, Columbus "discovered" the island of Espanola — undoubtedly somewhat to the surprise of the million and a quarter people already living there. He quickly fell into reveries about gold and spices, and rushed about the island misnaming trees and plants in the conviction that they were bearers of oriental spices. As to the native population, Columbus directly conceived plans for their exploitation and enslavement, particularly in the gold mines. For as he so aptly put it in his letter from Jamaica in 1502, "Gold is a wonderous thing. He who possesses it is lord of all he wants. By means of gold one can even get souls into Paradise."

Spain's subsequent fortuitous "discovery" of the great pre-Columbian civilizations of mainland America, and more particularly, their enormous resources of gold and silver, inaugurated the Age of Bullionism.

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Gold, and especially silver, were vital to the socio-economic fabric of early modern Europe, and to its process of transformation. The closed social structures of classical feudalism were dissolving rapidly. No longer could private and public demands be met by flows of tribute in kind — in goods or services, including military services — up the social scale. Luxury goods demanded by the noble or rich bourgeois required precious metals for their acquisition; for the luxury goods came from the East, and the West had nothing of comparable value in eastern eyes with which to trade. The Crown too demanded precious metals for reasons of public finance, since an expanding state structure required the wherewithal to finance its growing obligations. Centralization of political power in the hands of the Crown at the expense of the old feudal barony led, in early modern times, to the fundamental link typifying the Age of Bullionism, that of public finance to the expansion of overseas commerce. Since there were no domestic sources of precious metals of any great significance, the Crown backed the merchants politically and militarily in their overseas ventures while, in turn, the merchants provided a return flow of precious metals that the state could use to finance its expenditure obligations. Political power and the extension of the frontier of commerce overseas went hand in hand.

The Spanish conquest of Mexico and Peru precipitated a flood of silver into Europe, and it was on the foundation of silver that Spain's European as well as its world power was based. Since Spanish political, diplomatic, and military power rested on financial foundations, challenges to Spanish supremacy depended likewise for their success on the economic and fiscal resources of the challenger. The Dutch were the first to successfully weaken the Iberian hegemony. The Dutch ousted the Portuguese from the East Indian spice trade, weakened their hold on India, challenged their supremacy of the Atlantic slave trade, and seized their sugar producing colony of Brazil. The Dutch assumed control of the European money market, as a result of their privileged access to Spanish silver which in turn derived from their success in capturing a rising share of the Spanish imperial trade. Not least of Dutch accomplishments was to secure a prominent, indeed initially dominant, position in intermediating the flow of North American furs to Imperial Russian markets. But in the long run the principal consequence of the Dutch challenge was to weaken the Iberian powers sufficiently for other western European states to profit from their decline.

For England the reaction to the Iberian "discoveries" took the form of a Crown sponsored and supported search for the North West Passage to the Orient and for gold and silver mines en route, the most concrete early results of which were the hesitant beginnings of English territorial claims in the Caribbean and the effective ousting of Spain and Portugal from Newfoundland. The subsequent development of the great cod fisheries again combined politico-military with commercial objectives: the fisheries sustained a reserve of trained sailors and armed ships in times of peace that could be called upon in times of war, while the cod that were produced were an effective trading

instrument for tapping Iberian and Italian supplies of silver and gold. A side effect of the development of the Newfoundland fishery was that the indigenous Beothuk people slowly but inexorably followed the Arawaks and the Caribs of the West Indian islands into extinction.

For France similar motivations were at work, although it was slower to break with its long standing policy of according primacy to the Mediterranean commercial tie. Its search for precious metals and the North West Passage also led it to Newfoundland and to the Caribbean islands. But, in addition, France staked a stronger claim to territorial empire on the North American mainland than England did in the early years. And France's rapid prosecution of the fur trade with the aboriginal population not only consolidated its territorial and diplomatic hold with a system of military alliances, but it also provided it with a luxury product that could be reexported to European markets in exchange for precious metals. The French presence in North America, while initiated by private enterprise, was simultaneously military and commercial, representing in its own way the same type of mix of political, military, and economic objectives as did the early English presence on Newfoundland. Incidentally it produced similar side effects as first the Mohicans, then the Hurons succumbed to the fate of the Caribbean, South American, and Newfoundland aboriginal populations.

The steady stream of silver tribute flowing into Europe from the Americas via Spain primed the pump of European commercial expansion during the Age of Bullionism. Hence the sudden drop in the rate at which it was supplied in the early seventeenth century coincided with the advent of a general economic crisis. It coincided as well with a major international conflagration that aggravated the economic crisis and also broke the back of Spanish imperial power.

In medieval times economic crises tended to be characterized by a regression of economic activity in the direction of self sufficiency. The crisis of the seventeenth century was quite different. Although the frontier of overseas expansion and thus the *range* of Eurocentric commercial relations tended to shrink somewhat during the course of the crisis, nonetheless within the European societies and their overseas appendages, market relations tended to grow in terms of *depth*. The concomitant commercialisation of economic relations percolated through layers of society previously largely immune to the process. The crisis was also associated with the rise of the bourgeoisie to a much more prominent position of political power, whether completely dominant, as in the Netherlands, or only enhanced in influence, as in France.

Together, these trends — the decline of Spain, the deepening of market relations, and the rise of the bourgeoisie — signaled the emergence of the Age of Mercantilism and the shift in the centre of European economic gravity away from the old Mediterranean based powers and towards those bordering the North Atlantic: France, England, and the Netherlands. Bullionism had been an economic system premised on Mediterranean strategic and commercial assumptions, and the extension of the Mediterranean economies across the

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Atlantic and around the African cape in search of alternative means of pursuing the same commercial ends. Mercantilism was an economic system emerging from and appropriate to the rise of an Atlantic economy.

### **The Age of Mercantilism**

Apart from the commercial geography it represented, mercantilism had several other characteristics that sharply differentiated it from its predecessor. The state acted not only on behalf of the business groups interested in overseas commerce, but as an agent of domestic economic development as well. Whereas bullionism had focussed on the overseas luxury trades whose successful intermediation by national merchants could yield a flow of specie to the royal purse, mercantilism linked overseas trade to domestic production in an effort to extend the range and depth of commercial relations at home and thus to expand the local tax base. Public finance therefore became tied to the fortunes of a national economy, its growth and development, rather than the profits of a privileged set of traders in commodities whose production might well have owed nothing at all to domestic productive resources. While overseas expansion was fundamental to the mercantilist plan of action, it involved devising a colonial and foreign trading system that complemented domestic productive activities. Moreover under bullionism the measure of success in overseas commerce (or piracy, the two being conducted indifferently often by the same sets of entrepreneurs) was the gross volume of specie it could bring into the country, specie which was then subject to legislative constraint to prevent it from leaving again. Under mercantilism the measure was more sophisticated, reflecting the advance of market relations and therefore of market criteria: the measure was the net balance of specie flows. Specie exports were increasingly permitted, albeit at the discretion of the public authorities, if their use in overseas trade would yield a return flow of an even greater sum.

These broad precepts were embedded in the structure of the imperial systems that France and England evolved over the late sixteenth and early seventeenth centuries. At the top of the political and economic chains of authority were the metropolises, the manufacturing centres of the empires and the entrepôts through which colonial staples had to pass en route to foreign markets. At the base were the West Indian plantation colonies producing sugar, first and foremost, and also tobacco, cotton, coffee, and other tropical staples. Their output was supplemented, in the case of the English mercantile system, by the tobacco, rice, and indigo production of the American mainland colonies. Since the principle relation of production in the imperial core was plantation slavery, other parts of the empire had their roles more or less automatically defined. Slave trading posts along the West African coast provided manpower. The fisheries of the North Atlantic provided cheap protein to feed the slaves. And since the colonial system demanded the specialization of production in the plantation colonies on exportable staples, temperate colonies in North America

were necessary to provide grain, timber, horses (for working plantation machinery) and similar products.

While the objective was the maximum possible degree of imperial self-sufficiency, the system was not an entirely closed one. Both France and England were dependent on overseas sources for the supply of precious metals that their internal financial systems and trade relations with the Orient required. Therefore certain Caribbean colonies functioned as trade emporia for tapping the vast commerce of Spanish America, exporting imperial products and deriving silver in return. Metropolitan manufactured goods, colonial staples processed in the metropolises, and high quality fish from the North Atlantic found their way to the markets of other European powers in return for essential imports and yet more silver. And in the Far East, trading companies from France and England, along with those from the Netherlands and Portugal, carried cargos of Spanish silver for the purchase of silk, tea, spices, and all manner of oriental luxuries to satisfy home demand or to assure a supply of luxury reexport goods.

Relationships with the economic systems of the aboriginal societies in most of the areas European commerce tapped were largely those of reciprocity rather than market exchange. The aboriginal productive system was left essentially intact and simply adopted to the requirements of Eurocentric commerce. Thus, the European presence in West Africa and India was largely restricted to the port-of-trade, established at the main centres of previously existing commercial systems, and relying on diplomatic relations with and the military protection of the native political authority for success. In most of continental North America where the fur trade produced the principal staple, again the aboriginal economic system was simply adapted to European standards with the active participation of both sides to the bargain. Only in Newfoundland, the Caribbean plantation colonies, and parts of the English colonies on the North American mainland was there a record of intensive European settlement and exploitation. In Newfoundland bank fishing was clearly alien to the aboriginal economic system, and it had neither the population base nor the technological prerequisites for participation under European direction. The same held true of the aboriginal populations of the Caribbean islands who were, after the initial plundering stage, an obstacle to the progress of plantation agriculture with its alien techniques and products.

Given the continuation of aboriginal economic structures in many of the areas of contact during the Age of Mercantilism, and indeed the relative novelty of market relations in much of the economic organization of European societies, trade occurred not so much between different individuals, as between different societies. It therefore remained very much a political event, preceded by diplomacy, and cemented by military alliances between the European adventurers, speaking frequently in the name of their states of origin, and the political authorities of Indian states, West African empires, and Amerindian nations. Given the heavy commitment of capital to the time-consuming and costly business of establishing and maintaining trade relations with foreign



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powers, and given the political nature of these relations, the Age of Mercantilism was typified by the rise of great chartered companies acting as subordinate parts of the parent state, and charged with all manner of diplomatic, juridical, and colonisation functions in addition to their commercial ones. They also played a vital military role as well vis-à-vis both their trading partners and their European competitors.

Throughout the seventeenth century the three great mercantilist powers of the age, France, England, and the Netherlands faced off at different times and in different combinations, and battled for control of fish, fur, sugar, tobacco, slaves, spices, and the Spanish American imperial trade. By the end of the century the Dutch had been marginalized; Spain was reduced to the status of a commercial vassal of France and Portugal similarly of England; and France and England faced each other directly in the protracted conflict for the supremacy of their respective mercantile systems.

Despite their apparent similarity in structure, the mercantile empires of the two superpowers had begun to evolve in strikingly different directions, the key to which lay in the lack of balance between their North American and Caribbean colonies. The French West Indies were both newer and intrinsically more fertile than the English islands, and French sugar steadily squeezed the English product out of its foreign markets. Yet the relative strength of the French plantations was not matched elsewhere in the empire, particularly not on the North American mainland. New England, New York, and the Middle Mainland colonies had developed into flourishing temperate economies, capable of satisfying the demands of English Caribbean for grain, timber, fish, horses, and other essential materials. In fact, in conjunction with New England commercial entrepreneurship, they were more than capable of meeting the demands of the laggard English islands. New France, on the other hand, was a failure from that point of view, for its economic activity continued to turn almost exclusively on one luxury staple more appropriate to the economic conditions of the Age of Bullionism. Hence the economic prosperity and growth of the French West Indies translated itself into the economic prosperity and growth of New England whose contraband trade flourished — to the anger of English imperial authorities, English West India planters, and French imperial authorities alike.

The failure of New France to fulfill what was in theory its rightful place in the French empire resulted from a number of factors, not least of which was the incapacity of its export staple to generate an on-going process of economic development. Equally important were the long term effects of the shift in the balance of military power in the eastern part of the North American continent resulting from the destruction of the French-allied Huron by the Dutch- and English-allied Iroquois. After the fall of Huronia, the fur trade spread the French presence deep into the continental interior, with a long series of fortified trading posts bolstered by a web of Indian commercial and military alliances. The drain on the capital resources of the small colony that the far flung trading system imposed — a heavy commitment of fixed capital by the military-governmental authorities compounded by the long period for which

commercial capital was tied up in the actual conduct of the trade — largely precluded any sustained effort towards broadening and deepening, as distinct from lengthening, the range of French commercial activities on the continent. So too did the failure of the staple itself to generate any strong linkage effects, the more so given the explicit disapproval of the metropolitan authorities of such developments.

By contrast New York and New England did greatly diversify their economic activities. Fur was also the staple of New York; but the Iroquois, who simultaneously protected and hemmed in the colony militarily, conducted the long range trade and hence precluded the need for New York's capital resources to be so heavily committed either to defense or to a single branch of commerce. New York entrepreneurs therefore ploughed the returns of the fur trade into developing export trades in rum, timber, farm products, and other commodities. New England went even further. Since it lacked any export staple of its own, it tied its economic fortunes to that of another set of colonies, and it therefore shared in the great prosperity of the French West Indies, exploiting the opportunities for trade that eluded New France.

Thus, contradictory forces were at work in determining the strategic balance in North America. The English colonies were economically strong, but were, at least in the north, dependent militarily on the Iroquois and were geographically constrained to an area close to the seaboard. The French colony had an extremely narrow, and vulnerable economic base, for its commercial-military fortunes were tied exclusively to the fur trade. But its territorial presence was bolstered by its system of commercial-military alliances with the various Indian nations; and the fortified trading posts that resulted, surrounded the English colonies. A short war would go in favour of France in America; a long one would be inclined to favour England. And for the 50 years after 1713 war was more common than peace, with the seemingly inevitable result.

The final triumph of English mercantilism in the Seven Years War was followed closely by its collapse in the American Revolution. England had emerged victorious in India, in most of the West Indies, in West Africa, in the North Atlantic fisheries, and on the North American continent. It followed up its success by attempting to tighten control on the expanded imperial system. France was ceded back some of its sugar producing capacity, and the islands returned were then beyond the legal range of New England's commercial ambitions. Canada however was not only retained for the empire, but was given control of the vast Ohio country which thus confirmed Montreal as the fur trade centre of the continent — to the anger of New York fur traders and Virginia land speculators. And all the colonies were increasingly constrained to cease trading with France, to settle their heavy debts to the metropole in cash, and to pay their share for imperial defense and thus pay part of the cost of their own subjugation. The ensuing American Revolution destroyed one of the central elements in the British mercantile system and, along with other revolutionary developments, led quickly to its complete dismemberment.

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### **The Age of Industry**

In fact three revolutions coincided to inaugurate the Age of Industry. The fracturing of the mercantile system by the American Revolution forced the more astute business leaders in Britain to look forward to a process of imperial reconstruction on drastically different principles. The Industrial Revolution gave Britain the economic means, and indeed the economic necessity, to put those principles into practice. At the same time the French Revolution sparked off a new round of Anglo-French wars during the course of which Britain's overseas markets and sources of supply were dramatically altered in ways that complemented the transformation of its national industrial base.

At the heart of the Industrial Revolution was the generalization of the factory system as the dominant mode of organizing production, beginning in the cotton industry and later spreading throughout other major industrial sectors. Accompanying the industrial transformation were developments in agriculture, finance, and overseas economic relations including the colonial system. In the agricultural sector the effects of the war with France were to hasten the final triumph of the large capitalist farm over the small holder. Great tracts of land were enclosed, and their populations uprooted, a process ably assisted by government policy that both encouraged eviction and protected investments in large-scale capitalist agriculture. The consequences for the livelihood of the population at large were made worse by the fact that the years of industrial change and war were also years of rapid population increase. The redundant rural population then drifted off to swell the ranks of the parish poor relief recipients, the urban proletariat, the urban pauper class, or the army.

In finance, the war and immediate post-war period saw as its most dramatic innovation the final dethronement of the Spanish silver dollar, long the very quintessence of international commerce and finance. Over the course of the eighteenth century England's alliance with Portugal had gradually pumped increasing quantities of Brazilian gold into its circulatory system. So too had the plunder of India; while at the same time bank-issued paper money grew in acceptability. During the wars with France at the turn of the century England had stopped specie exports except by government fiat, and had also stopped payment of bank paper in gold and silver at home. After the war convertibility was restored, but it was convertibility of paper money into gold, with silver playing only a secondary role. It was a major step in the direction of a freely functioning, automatic gold standard system whose generalization over the next 100 years would assure Britain the position of world financial metropolis.

In the field of overseas commerce, the changes characteristic of the period were equally far reaching. Foreign trade had played a major role in mercantilism in several different ways. Tapping the trade and markets of Spanish America had long been a cardinal objective of British policy. So too was the business of selling English manufactures, oriental luxuries, such as tea, spices, and silks, colonial staples like sugar and tobacco, along with fur from continental North America and fish from Newfoundland to Europe in exchange for precious

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metals or essential commodities, preferably the former. During the Age of Industry commercial relations with all of these areas changed drastically.

The Napoleonic Wars cut Britain off from many of its markets and sources of supply of raw materials such as timber and grain, and did so just at a time when British industry stood ready to pour vast amounts of cheap cotton textiles onto export markets. The problem of foreign markets was partially alleviated during the war by the British commercial takeover of the Spanish and Portuguese colonies in America. After the war the colonies of the Spanish American mainland were formally "liberated" politically, thus to remain under British economic domination. But the Spanish and Portuguese colonies provided only a partial solution.

The real salvation for Britain's industry came in the wholesale transformation of India's role in the imperial system, from a source of luxury products including fine cotton fabrics to a dumping ground for cheap industrial products from Britain. The resulting destruction of Indian artisanal industry and the reversal of its traditional balance of payments surplus with Europe heralded the tremendous increase in the economic value of India to the British empire that was typical of the age, and beyond. The centre of imperial gravity was quickly shifting from the moribund British West Indies, and the economy of sugar, slaves, and Spanish silver, to the British East Indies and the economy of cotton, wage workers, and the paper pound as the Age of Mercantilism gave way to the Age of Industry.

Other, complementary changes in Britain's overseas commercial relations occurred during, and just after, the war. Given the voracious appetite of British mills for raw cotton, the capacity of the traditional producers such as the British Caribbean was inadequate to meet the demand. The response was therefore for great cotton plantations to spread across the American South. The decline of mercantilism had destroyed the sugar economy based on slave plantations in the Caribbean; but the rise of industrialism had sparked the growth of a cotton economy based on slave plantations in the U.S. Thus, as the American Revolution had shattered British mercantilism and heralded the end of the Age of Mercantilism, it had simultaneously heralded the advent of the Age of Industry. For the defeat of mercantilist Britain by the colonies opened up the continental interior to them, and hence laid the foundation for the spread of the cotton economy on which Britain's industrial machine depended. Thus during the Age of Industry Britain's most important overseas commercial relations were tied to cotton at both ends of the productive chain: raw cotton moved, predominantly from America, to British mills; while finished cotton goods went to market first and foremost in India.

Economic relations with those parts of North America that remained in British hands were also drastically revised during the Age of Industry. Newfoundland's decline in terms of its strategic and commercial role in the British empire paralleled that of the West Indies, and it was aggravated by the development of professionalism in the British navy which rendered the old "nursery of seamen" function of the fishery largely redundant. The wars with

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France broke up the annual migratory fishing fleet from the West Country, and led to a transfer of fishing operations to the sedentary fishery operating off Newfoundland itself. It also prompted a migration of West Country merchant houses to the island. Newfoundland ceased to be merely an annual port of call of a transitory English fishing fleet, and finally became a normal colony of white settlement — its settler population producing a staple for export and struggling over the terms of trade in a declining industry with a local merchant class that controlled not only the international and wholesale trades, but also the political apparatus and the judiciary.

Similarly Nova Scotia, which had, under the aegis of emigré Yankee merchants, briefly aspired to replace New England as the American vertex of the mercantilist trade triangle that ran between Britain and the Caribbean, found that it had pinned its economic expectations to a rapidly expiring imperial system. The situation was hidden during the Napoleonic Wars, then starkly revealed in the post-war period when the general loosening of imperial trade regulations and Anglo-American diplomatic rapprochement delivered the bulk of the trade of the dying Caribbean colonies to the U.S. As in Newfoundland, economic power was complemented by political power and both rested in the hands of the commercial interests tied to the declining imperial order.

The prospects of the other major North American colonies on the surface seemed somewhat more favourable. When Napoleon's Continental System cut Britain off from its traditional supplies of Baltic timber and grain, it had to seek alternative sources. And the laws passed during the war to favour the development of a colonial grain and timber trade were continued for some time after the war as well. As a result, the newly created colony of New Brunswick, under the political control of a Loyalist clique of land speculators and timber barons, who acted on behalf of British commercial houses in the timber importing business, became Britain's leading source of timber. At the same time a small, but increasing part of British grain imports were derived from Canada and Canadian ports.

Canada was in many ways an ideal colony for the Age of Industry. Its fur trade had been under attack by the competition of the Hudson's Bay Company and had been wound up completely by 1821, leaving Montreal's merchant elite in search of alternative staple trades. The Iroquois Indians who had commanded the fate of much of eastern North America for over a hundred years had been reduced to the status of refugees living on sufferance in a tiny part of the territories whose military and commercial fortunes they had long controlled. At the same time that the aboriginal economy and its extension into the fur trade was being marginalized, the Industrial Revolution was creating a surplus of population in Britain that could be dumped overseas to man lumber camps, construction sites, and farms, while the wars and post-war legislation created a demand for timber and grain from the former fur trading colony. Canada would, or at least could, form a growing market of white settlers whose capacity to absorb British manufactured goods would increase along with its ability to sell raw materials and foodstuffs inside Britain. Furthermore

continuing British control of Canada and therefore of the St. Lawrence river held out the promise that Britain could retain control of the trade of the American interior via Montreal.

The Age of Industry represented a period of transition between the close control over commerce typical of mercantilism and a subsequent age of multilateral free trade. In the commercial economy of mercantilism, the state set out to extend the range and depth of commercial transactions, and the returns came in the form of commercial monopoly profits from an administratively fixed terms of trade. The nature of the state guaranteed monopoly varied from country to country. In England after 1688 monopoly was guaranteed largely at the national level, but in France it frequently involved the enterprise level as well. And in both countries at least part of the political mechanisms necessary to assure the monopoly were in the hands of an elite of merchants and planters involved in the colonial trade. By contrast, the Age of Industry witnessed an assault on the notion that commerce controlled by and in the interests of the elite of merchants and planters was simultaneously in the national interest, as the industrial entrepreneurs aspired to a higher position on the socio-economic ladder.

However for most of the period, a compromise, at once economic and political, was at work; and it was reflected in the nature of the colonial system. The colonies were held as economic and political dependencies of the metropole, albeit that their role was altered to make it compatible with changed metropolitan objectives vis-à-vis the colonies. The imperial authorities retained ultimate control over tariffs and trade, and over the governmental apparatus in the colonies. The local level of political authority was run by "loyalist" cliques of planters, land speculators, or merchants who were tied into imperial trade structures, and whose hold over the colonial governmental structures was assured by the political and military support of the metropole. Hence despite the movement away from outright political determination of the terms and patterns of colonial-imperial trade, despite the tendency to substitute preference for prohibition, the economic relationship between various parts of the empire continued to be determined in good measure by administrative rather than market criteria. And within the framework of imperial tariffs and trade preferences, the colonial staples moved to metropolitan markets along a commercial chain whose continuation was assured jointly by the economic power of the metropolitan commercial houses and their colonial associates, and by the accumulated network of debt or creditor relations that ran from the colonial farmer, timberman, or fisherman all the way to the London houses that extended credit and controlled the commodity flows.

As the century progressed the politico-commercial structures typical of the Age of Industry came under attack both in Britain and in the colonies. Manufacturers demanded liberalisation of trade regulations and the elimination of tariffs on raw materials and food, and therefore the elimination of colonial preferences. These demands manifested themselves at least partially in similar reforms in the colonial government apparatus. But the full

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fruition of the trends towards economic and political liberalisation in which colonial preferences and most of the constraints on the colonies' own fiscal freedom were eliminated did not occur until mid-century with the advent of the Age of Steam and Steel.

### The Age of Steam and Steel

Early industrialization in Britain had been centred on the cotton industry, on the manufacture of light consumers' goods using human, animal, or water power. The new wave of industrialization typical of the Age of Steam and Steel was centred on the producers' goods sector, and involved the application of steam power to an expanding range of heavy industry. This new phase of industrialization was associated with a drastic hardening of class lines as heavy, large-scale industry obliterated much of the remaining craft style organization and therefore largely eliminated the possibilities of master craftsmen rising to the status of industrial capitalists. In its stead there emerged clearly differentiated and *economically* antagonistic classes of industrial capitalists on the one hand, and wage workers on the other.

That the mass industrialization and its social concomitants did not generate social revolution in Britain, as had been widely predicted by political activists and analysts on the left at the time, reflected two principal and interrelated factors — one indigenous and the other colonial in dimension. Within Britain the antagonism of proletariat and industrial capitalist however sharp in economic terms, was partially ameliorated in its political dimension by the fact that the old elite, of a landed and commercial gentry, maintained a degree of political power well out of proportion to its continued importance in business affairs. And within the colonial sphere emigration to the colonies of white settlement — the American West, Australia, Canada — meant that at least a part of the labour displaced from the farms and skilled crafts in Britain could be redistributed to the colonies. The elite of that migration, the most potentially troublesome group in political terms, was transformed into a class of independent commodity producers, principally farmers, in the rapidly developing continental interiors. Thus the reduction of *social* class tension within Britain that emigration permitted, in turn built up precisely that class in the colonies that was most committed to the reinforcement of capitalist standards of property rights there.

Associated with the industrial changes within Britain were complementary ones in a number of fields. In transportation and communication, the railway, the steamship, and the telegraph spread rapidly across Britain and then beyond, and had revolutionary consequences. Between them these three kindred innovations created for the first time a genuine "world market" for major commodities by enabling information about prices and the availability of stocks to be rapidly transferred, and then for the commodities themselves to quickly follow. They also called into being the beginnings of a world capital market. The

scale of enterprise associated with the progress of the Age of Steam and Steel, especially with the railway, demanded the mobilisation of capital on a hitherto unprecedented scale. Until the railway age, the British capital market was largely restricted to trading in government securities — domestic, foreign, and occasionally colonial; and its participants were a few major merchant banks and an array of rich merchants, planters, and other “gentlemen”. But during the railway building era, capital had to be mobilised from the “lower” social strata, from the middle class, and the capital market had to be regeared to dealing in the securities of incorporated enterprises like railway and utility companies.

Once the financial infrastructure had been put in place domestically, it was a straightforward matter to extend its operations abroad. As increasing numbers of countries adopted a freely functioning, automatic gold standard, guaranteeing a free flow of service payments of debt, the attractiveness of overseas investments grew. At the same time British entrepreneurs took the lead in promoting railways and similar quasi-public works abroad. And these enterprises in turn created markets for the products of the British iron and steel industry, the core of the new wave of industrialization.

The effects of the economic trends of the Age of Steam and Steel on Britain's overseas commercial relations were appropriately far reaching. Overall it was an era typified by noticeable progress towards multilateral free trade. It was also an era in which the future of colonialism of the old coercive, protective, or preferential sort seemed increasingly in doubt as new areas were opened to British penetration and the comparative value of much of the old colonial system declined rapidly.

The one big exception to the trend in commercial relations away from the old empire was, of course, India. The period was therefore characterized by a strengthening of the British hold on its existing subcontinental possessions and their rapid territorial expansion. India was still Britain's greatest market for cotton goods. It also became an important recipient of British funds for railway building, and therefore a major market for British exports of iron and steel products.

Cotton cloth, iron and steel products, and financial capital for railways and public works were also Britain's principal exports to the U.S. And during the Age of Steam and Steel Anglo-American commercial relations actually became more intimate. The American South still provided the bulk of Britain's raw cotton requirements. Furthermore the rapidly growing American West held out the prospects of a lucrative and steadily increasing market for British manufactures at the same time it quickly became Britain's leading overseas source of foodstuffs. All of this was observed with less than rapturous enthusiasm by a rapidly industrializing American North that resented the British commercial presence in the South and West, and resented further Britain's diplomatic intrigues along with those regions to keep American tariffs low.

In addition to strengthening its existing trade relations with the U.S. and India, Britain penetrated a potentially enormous new market during the middle decades of the nineteenth century. It was the fur trade that first pointed out to



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European business the potential of the Chinese market. But furs could be sold to only a limited population of rich Chinese. They were also relatively expensive to acquire both because of the early depletion of the prize fur-bearing marine mammals (especially sea otters) of the American Pacific coast and because of the sharp commercial instincts of the Amerindians of the Pacific North West who produced the furs.

Much more lucrative, and important in the long run for the commercial subjugation of China, was the opium trade. Opium tapped a mass market; the demand for it was certain, and not subject to whim and fancy; and it could be produced as a perfectly renewable cash crop by the virtual slave population of British Bengal. It was the opium trade that opened China to European commercial penetration. It simultaneously heralded the beginnings of an integrated, flourishing Pacific economy whose vast mix of lands, peoples and resources most of them previously absorbed into the expanding world market system, permitted the profitable proliferation of everything from temperate colonies of white agricultural settlement to tropical plantations manned by the slave labour of either the South Sea islanders or kidnapped Chinese coolies.

Given the tremendous acceleration of Anglo-American trade, the excitement over the rise of the Pacific economy, and the expansion and defense of its Indian empire, it seemed as if many of the older colonies of the British empire would be all but forgotten. In the short run the impact of decolonisation was certainly detrimental and sometimes catastrophic for the business interests of the old colonial elite, as preferences on sugar, wheat, and timber were abandoned. There was too an important political dimension to the process of loosening the imperial fiscal grip on colonial commercial activity. "Decolonisation" was in part a manifestation of a post-Napoleonic War, middle class tax revolt in Britain that helped confer political power on that middle class and enable it to cut British government expenditure liabilities abroad. These liabilities included subsidies and supports to the colonial establishment. However, as progress was made towards having the colonies of white settlement assume more of the burden of their own expenditure responsibilities, culminating in the grant of full fiscal autonomy, appropriate changes in the colonial class structure had to accompany it. The metropolitan government therefore cooperated where necessary with the colonial middle classes to dump the old "loyalist" planter, merchant and squirearchy class from power. In sharp contrast to the pattern of political evolution of the old American colonies during the transition from mercantilism to early industrialism, when the time came to shift the structures of imperial-colonial relations to a form commensurate with the demand of free trade imperialism, the colonies were dragged against the will of their hitherto dominant class into the modern age.

There was one rather significant exception towards the British policy of granting greater autonomy to its colonies of white settlement. If the colonies were granted full fiscal freedom and "responsible" government — translating into full responsibility to pay their own debts — nonetheless in the financial sphere metropolitan interference continued. The objective was to assure that

colonies moved steadily in the direction of the fully automatic gold standard system that served to assure world financial and commercial primacy to Britain.

For British North America the age manifested itself in contradictory trends, positive and negative, with crisis succeeded by prosperity to be followed by crisis again.

The Nova Scotian economy was uniquely situated in terms of economic geography, resource base, and accumulated entrepreneurial capacity to participate fully in the expansionist impulses of the age. It had built up great fleets of windships, and of merchants and ships masters with long experience in the trade of diverse parts of the world. Hence, during the great trade expansion at mid-century Nova Scotia ships could be found in all manner of activities — from plying the coolie kidnapping trade to carrying Peruvian guano to British markets to running the northern blockade to American southern ports during the Civil War. At the same time its resources of iron and coal pointed in another direction — steamships called for fuel while British capital and contractors plunged into the task of building a provincial railway system. Moreover, the generalisation of the gold standard, and the rising price of gold, led to gold fever spilling over into Nova Scotia. It was a fortunate and fortuitous combination of circumstances; for Nova Scotian prosperity of the period was based on a short run coexistence between the old economy of wind and water, which pointed to transAtlantic trade and a British imperial connection, and the new economy of steam and steel, pointing to railways and continental integration.

Canada also felt contradictory forces shaping its pattern of economic development. Recovery from the crises associated with repeal of the colonial preferential system was rapid, and from the time of the granting of responsible government until the crisis of 1857, the province's rate of economic expansion was unprecedented, albeit largely confined to the south-west peninsula. The impetus from a heavy program of British financed railway building, expanded trade with the U.S., and a boom in wheat sales to Britain manifested itself in a rapid rate of both urbanization and land settlement. But the crash of 1857 left the province in a desperate economic condition — and provincial business leaders reacted to the crisis by lobbying for a federal union of all of British North America. In effect Canada would become the centre of a British North American empire whose rise and development would roughly parallel that of the British Raj in India; and the two developments would be linked by British North America providing the site for an "all-red-route" of railways, joined at the two ends to steamships and connecting Britain to its imperial and commercial possessions in the Orient.

Aptly symbolizing the imperial objectives of the era was British North America's Governor-General, Lord Elgin, whose father had set suitable standards of sibling deportment by stealing the choicest marbles from the Parthenon in Athens. Lord Elgin operated in Canada more or less openly as the agent of the great British merchant banks and construction companies promoting railway ventures in the underdeveloped parts of the commercial

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world. His greatest monument was the engineering of the Grand Trunk Railway job; projected to be the largest railway system under single management in the world. In this project Canadian parliamentarians ran amok looting the public purse, and bequeathing the country with a debt burden that finally forced a fiscal union of British North America to assure its service. Lord Elgin himself retired to Scotland before that event, allegedly carrying with him £50,000 worth of the railway company's securities. He subsequently became Vice-Roy of British India after the bloody suppression of the Sepoy Mutiny; but before he could take up his charge, he found himself diverted to China, leading the British offensive in the final Opium War, ordering the looting and burning of the fabled Winter Palace in Peking, along with much of its surrounding area, and imposing on the Chinese emperor a "treaty" forcing the opening of all of China to British drug pedlars and slave traders — whose fruits subsequently served to abet the opening of the British North American Pacific North-West.

There, in the far west the British presence had long been restricted to the posts of the Hudson's Bay Company from whence the Pacific fur trade to China was conducted. Then, as in California just before it, the discovery of gold transformed the economy, and the strategic value of the area — and in so doing assured the destruction of the aboriginal socio-economic system in the process. Pacific trade and gold were two of the most compelling economic urges of the age; and both of them made evident the need for a reconsideration of imperial policy towards the Pacific North-West, the more so since its natural harbours were endowed by abundant, nearby coal resources at a time when it was evident the future of world commerce lay in the steamship.

Thus the demands of Canadian business interests pushing for territorial expansion to rekindle earlier boom conditions coincided with the demands of British investors in Canadian railways anxious to create a transcontinental trade route for British imperial commercial objectives. And both pushed for a federal union of the colonies of British North America into a politically autonomous, British Kingdom on the North American continent, a project conceived in the Age of Steam and Steel but only brought to full fruition in the historical era that followed.

### **The Age of Imperialism**

The Age of Imperialism began with a crash — in 1873. Out of the ensuing depression and deflation came a renewal of formal imperialism by a number of European powers, and with it a renewal of the challenge to British global power. The economic trends of the period were markedly different from those of its predecessor. It witnessed a general retreat towards protectionism, with an accompanying impulse to territorial annexation to safeguard markets and raw material sources. It witnessed competition among the powers for concessions — industrial and financial — in the unpartitioned parts of the world, and a scramble to build railways and other instruments of commercial and military

hegemony. And it witnessed a general rearmament program that was symptomatic of the rising temperature of international economic relations.

The British position in the Age of Imperialism was in many respects unique, for it was against Britain that much of the economic aggressivity and antagonism of other states was implicitly or explicitly directed. Britain began the era with a far flung empire, and its policy choices involved defence of the existing frontiers as well as expansion of its territories in the face of Russian, French, German and American ambitions. Britain began as the industrial giant of the century, but it found itself increasingly threatened, particularly by the U.S. and Germany, and facing the actual or potential loss of many of the export markets it had long taken for granted. But Britain did not share the general reversion to protectionism; for it still aspired to be a global, rather than just an imperial commercial and financial metropolis. Despite the challenge of newer powers, it was from Britain that the largest single part of the great international capital movements of the period originated. It was with reference to the London commodity market that speculators in many primary products made their calculations. It was in British ships that much of the world's trade, even that not destined to touch British territory at any point in its travels, moved to market. And it was in British currency that most of the world's commodity and capital movements were denominated, and by movements of that currency that imbalances were cleared.

The centre of gravity of the British empire remained India, and defending the approaches to it was still the cardinal objective of British imperial policy. India was still England's greatest market, and it had the advantage of absorbing old-fashioned industrial products, thus freeing Britain of the need to meet the competition of the U.S. and Germany by modernizing its industrial base. India absorbed huge amounts of British investment funds, and yielded a large share of the enormous return flow of tribute payments British investors were reaping from around the world. And India's balance of trade deficit with Britain yielded nearly half of the foreign exchange that Britain required to finance its own deficit with the industrially advanced nations of the world.

Thus, while impelled by the usual array of imperialist motives for grabbing territories abroad — the search for secure sources of raw materials, new markets, coaling and naval bases to defend its principal trade routes, and the consolidation of its overseas investments — for Britain an additional, and vitally important motive to its global strategy was controlling the approaches to India. The objective of securing the Suez Canal brought Britain into Egypt; and Egypt in turn could only be controlled by securing the Nile Valley, which took the British into the Sudan and Uganda in the face of contrary French ambitions. To control the Red Sea required the further consolidation of the British hold on the Gulf of Aden and parts of East Africa, which brought potential conflict with Germany and inclined Britain to support the projected carve-up of the Turkish empire. Assuring the British hold on the South African route in the face of German intrigues with the Boer was one factor propelling Britain to war in 1898. And not least of the methods of assuring the safety of Britain's oriental trade was

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the bolstering of the Canadian Confederation and its transcontinental railway line.

Once more an imperial figure captured the spirit of the age. In 1870 Colonel Garnet Wolseley led the British forces in crushing the Métis resistance against forcible incorporation into the new British North American Kingdom, opening the Manitoba area to land speculators and railway promoters. Shortly after Sir Garnet Wolseley took charge of suppressing the Ashanti resistance against British seizure of the coastal trade and the gold of the interior of Ghana. In 1882, on behalf of the British merchant banking firm of Baring Brothers & Co., he crushed the Egyptian revolt against new taxes to service the Egyptian debt to Britain. And when the Sudan rebelled against like treatment, it was Wolseley who led the Gordon Relief Mission in which Canadian volunteer forces participated. And as an aging field Marshall Wolseley participated in the process of bringing British liberty and democracy to South Africa by taking part in the smashing of Boer resistance to Britain's greed for the lands and mineral resources they occupied. In this campaign Lord Strathcona who had personally begun his rapid ascent to fortune as a virtual camp follower of Wolseley's Manitoba expedition, personally financed for imperial service the equipping of a Canadian cavalry unit drawn from the same North West Mounted Police forces that the Canadian government created to replace Wolseley's contingent policing railway building and land settlement in Manitoba and the North West territories.

Canada was the oldest and largest of the colonies of white settlement that played a role of increasing importance in the economic and strategic balance of the pre-World War One Period. Canada's much touted "national policy" — a combination of transcontinental railway development, colonization and settlement, encouragement of financial capital inflows, and attempted hot-house industrialization by invitation — by accident more than by design, imposed an *institutional and legislative framework* on the economic development process in Canada that made it accord very well with the dominant economic impulses of the age.

Across the globe those states that had achieved the essential prerequisites, began to mark out their own commercial hinterlands abroad through the promotion of railway, steamship, telegraph lines and similar infrastructure to control them. Bouyed up by enormous subsidies from the public purse, railways and related infrastructure formed both a prize of and a tool in furthering the imperial ambitions of the age. So too in Canada, Canadian railways, financed by heavy infusions of British capital, crossed a continent in competition with American railways to tap the trade of the Orient and to open the continental interior to exploitation and settlement. Creating a Canadian transcontinental route assured Britain an emergency lifeline should its trade with the Orient be threatened at Suez and at the African cape. Creating a new frontier of staple production within British territory provided an assured supply of strategic materials — gold and other minerals, grain, timber and the like — for the British empire. And creating commercial arteries into the Canadian West helped divert

part of the transAtlantic flow of immigrants away from the U.S., where they would bolster the economic power of one of Britain's major rivals, towards Canada whose imperial fidelity was assured.

Colonization and immigration also satisfied imperial objectives — the creation of a new market of white settlers within British territory at the same time providing a labour force for construction camps, farms, and industries. As the world frontier of white settlement expanded, so too did the Canadian one. The period of the last great phase of European penetration of the globe was thus also the final state of the white man's conquest of British North America. Paralleling the drive of Imperial Russia into the Turkic and Persian areas of central Asia, and that of imperial American into its continental hinterland, came that of British North America, whose aboriginal society and economy, apart from isolated pockets of resistance which succumbed one by one in the decades to follow, was extinguished, as the market mechanism completed its task of achieving global commercial integration.

Into the newly opened territories poured the settlers — Russian into central Asia, American and Western European into the American West, and British into Canada's new hinterland. Efforts to promote French settlement into Canada's West were a failure. Faced with a choice between Algerian lands cleared of Arab and Berber farmers by the French Foreign Legion and American aboriginal lands cleared of Cree and Blackfoot hunters by the North West (Royal Canadian) Mounted Police, French emigrés chose the first, much to the relief of the British ersatz aristocracy then ruling in Canada. With the largely successful sealing of the Pacific Coast against the Yellow Peril, Canada was assured the post of senior white daughter in a British empire reaching its zenith.

Behind the successful winning of the Canadian North West by the miners, timberman, farmer and speculator, behind colonization and the railways, stood the power of British financial capital. The phenomenal prosperity and frenetic pace of developmental activity Canada experienced in the very late nineteenth and early twentieth century was directly attributable to its favoured access to the London capital market. The Canadian monetary, fiscal and financial system had been moulded in such a way as to reassure British and foreign investors of the safety, security and free convertibility into gold and sterling of their assets inside Canada, with the payoff manifesting itself in the form of a flood of British investment capital. Only the U.S. and India surpassed Canada in total borrowings; and if the rate of capital inflow had continued for a few years beyond 1914, Canada would have surpassed even India in its total absorption of British investments.

Yet while all of these forces and events were serving to consolidate the position of Canada as a pivotal element in the British imperial economy, a set of economic interrelations of quite a different sort were also taking shape, a set of interrelations grounded first and foremost in the industrial system. In an age of competitive industrialization, when the more advanced economies reacted to a deflationary crisis and their long standing vulnerability to British competitors, by active, state-fostered policies to encourage their own industrial base —

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through tariffs, subsidies, and patent law manipulations — Canada did likewise. Canada however saw itself as Britain in America; and Canadian policy makers reacted to the consolidation of the giant American national enterprise of the era by what they assumed to be a minor modification of policy priorities. Instead of Canada continuing its traditional role as the backdoor through which Britain could infiltrate its imperial wares into American markets, Canada was to be the venue where Britain captured the benefits of American industrial power. Thus while British investments poured into Canadian railways, utilities, land companies, and government debt instruments, American industrialists extended their influence northward in forms that ranged from the establishment of price fixing and market sharing agreements with Canadian enterprises, to licensing of their techniques, to direct investments in branch plants and subsidiaries. The one thing all of the forms of American encroachment had in common was their tendency to focus their attention on the more modern industrial sectors, on chemicals, electrical products, automobiles and the like, sectors where neither Britain's old and backward industrial system nor Canada's very young and primitive one could challenge them. And the result was to create an American continental axis of economic integration between Canada and the U.S. at the same time the flows of staple exports and British portfolio investments were creating an imperial one.

Canada's economic prospects were thus tied to two metropolises simultaneously, one representing a European Age rapidly approaching the point of its demise, the other representing an American Age at the point of its birth. As the pundits say, the rest is History.

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### Notes

The previous text is adapted from the theoretical and historical-summary chapters of the author's *CANADA IN THE EUROPEAN AGE*, a two-volume study that had been scheduled for publication by James Lorimer & Co. in 1979, but which was prevented from appearing in print by decisions taken by the Social Sciences Federation of Canada. Intervention by the Academic Freedom and Tenure Committee of the C.A.U.T. and protests by several colleagues, angered at what they perceived to be a politically motivated process, failed to induce the SSFC to alter its decision. Since to date only one chapter of that study has appeared in print ("The Canadian State, the Accumulation of Capital, and the Great War", *JOURNAL OF CANADIAN STUDIES*, Vol 16, no. 3-4, 1981), it seemed desirable at this time to make the main results and the theoretical "model" available for free academic discussion and debate.

Thanks are due to the editors of the special issue of *CJPST* for making such an opportunity available.