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Mackey W. Hill

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Some Aspects of the Timber Industry In Canadian-American Relations

THE 1958 FACULTY LECTURE

BY MACKAY W. HILL

PROFESSOR OF HISTORY AND POLITICAL SCIENCE

INTRODUCTION

In this study I have undertaken to survey briefly the establishment and expansion of the timber industries in North America in the areas of the United States and Canada. It is an attempt to see the timber industry in a larger context than one nation on the American continent. It is an attempt to see it in its relationships to some of the major constitutional and economic currents of the times: mercantilism, free trade of the Reciprocity period, and the pressures of high tariff protectionism that was induced by the competition of political and economic nationalism. The study is divided chronologically as follows:

- I. The Early Development of the Timber Industry.
- II. The Timber Industry in the Early 19th Century.
- III. The Timber Industry in the Late 19th Century.
- IV. Early 20th Century Trends in the Timber Industry.

I. Early Development of the Timber Industry in North America

It was announced to the European world as early as 1584 by Hakluyt that timber resources of America were adequate to supply all European demand. The importance of

American supply to meet the English demand for masts and other normal stores was recognized early by Captain John Smith in the colonizing enterprise in Virginia. In New England the expectation of exploiting forest resources was a factor in the chartering of the Massachusetts Bay Colony. The Council for New England boldly affirmed its confidence in 1622 in the ability of the colonies to duplicate almost any thing that was then manufactured in Europe.¹

Timber occupied one of the highest priorities for the English as strategic defense material. One of the strong and dominating motives behind English colonization of America was to obtain control of a dependable and potentially inexhaustible supply of quality timber. The English Navy, along with every other European navy, relied greatly upon timber and naval stores with which to keep their navies in trim. When the first ones arrived in England from America, the white pine masts were such a sensation to the British Naval Board that the Board decided immediately to guarantee a continuing supply for the English Navy. Contracts were let to American timber agents at substantial rates. Many were bought for 100 pounds, English money, per mast timber.² Wood served the purposes which later steel was made to serve. Wood was used in the place of iron products when the cast iron was too brittle, when wrought iron was too flexible, or when steel proved too expensive. White pine was particularly adaptable to the need for masts and spars.

Thus, the timber industry responded to effective demand. It was found that in the 17th century the procuring of mast timber was quite profitable. The English bounty on this product enhanced its value greatly. For example, the floor on the prices of good mast timber was maintained so high that it could bring from 95 to 115 pounds English money. Some of these masts were so huge that it required twenty teams of oxen to pull them to the water. The response to this demand was so energetic that within a century the coast from Boston to the Kennebec River and for six miles inland had been stripped of these trees. The most suitable trees to this end were properly marked by the royal officials to be reserved for these purposes.

New Hampshire and Maine took an early lead in pro-

ducing the greatest volume of lumber for export. Great fortunes were realized in lumber at this time by the timber agents who were working under contract with the Crown. Mark Wentworth, for example, a brother to a colonial governor, made a substantial fortune in the timber industry. It was said that a mill that could be operated by a man and a boy could be very profitable.

Forestry product workers of Northeastern Canada and the United States, although economic rivals and political competitors, were a part of a common prosperous section. Their versatility and capability enabled them to realize material success in many pursuits.

The timber business began as soon as the settlers of New England got well settled. Presently exploitation to meet the persistent demands became so intensive that the first conservation laws were enacted. However, conservation was pretty well ignored. This wastefulness and prodigality with the riches of timber resources that began with the erection of the first mill in about 1623 persisted until the greater part of the virgin pine forests were harvested.

There were other controls that were established in law and practice. Some of these controls were the brunt of controversies that lasted for decades and were decisive factors in bringing on the Revolution. Especially were Maine and New Hampshire a storm center over the imperial policy. In this England attempted to enforce the Crown's exclusive claim to all the choice timber on the public land, the so called Crown lands. This policy of control over the choice white pine timber by the Crown was begun during the reign of Britain's William and Mary. By royal decree the choicest specimen of the white pine were reserved for the Royal Navy. It was designated as strategic defence material. The English lack of this at home and her desperate need of it in order to carry out the functions of her empire may account for her jealous attitude concerning the pioneer's capricious wastefulness of timber. The pioneer frequently disregarded this Royal order, penetrated well beyond the land-grant limits into this that was considered by the Administration as the Royal Domain or Crown Lands, and here he proceeded to fell the trees and hew himself a farm out of this wilderness.

To the settlers this land was not to be capriciously disposed of in London by land speculators in the King's fortune, for to them, this was Indian country free for the taking and a menace if not taken. Un-exploited timber reserves meant land placed beyond the use of white men. If unsettled and unappropriated by white men than it remained a kind of beachhead for Indian forays into the white settlements. This kind of policy nurtured the settlers' closest and worst enemies. Thus the forests kept in reserve may have assured London of security against potential enemies in Spain, France, or Holland. But to the settlers these reserves were the impregnable fortresses for their worst savage enemy. The Red man was enemy number one to most of the American settlers. Consequently what Royal officials called timber stealing was considered from the settlers' point of view highly commendable achievements in the establishment of civilization.

Early in the American Revolution, the American learned to appreciate the importance of white pine as a strategic material in the military and naval struggle. Trade in white pine mast wood was banned, for pine masts placed in British hands meant ships of war and loads of men armed against America. For the most part, the American lumbermen were loyal to the Revolutionary cause. Several masts-ships were captured along with the British agent and mastwrights on the Kennebec River. Men of Maine thwarted British efforts to fit and sail out of port a mast ship in Falmouth. The Patriots captured a great supply of masts on Strawberry Bank in Portsmouth. A little after the Battle of Bunker Hill, England received her last shipment of white pine from America during the Revolution. She had to draw on her reserves and what she could get from Scandinavia. A white pine tree was featured prominently on the first flag of the American Revolution.

With the coming of the American Revolution the timber markets in the British West Indies and in Britain were closed to Americans. Only the non-British West Indies was legally open to American trade. New England was thus hit hard, and the timber industry there, particularly, had to limit its production to that of supplying local demand and coast

wise trade. In fact, New England's exclusion from shipping rights to the West Indies affected the New England economy so adversely that it became at times a cross for her to remain whole heartedly in the American Union. The diplomatic struggle between America as a young nation and Britain (1783-1830) pivoted about the concern for this trade in the West Indies. Under mercantilism, England was anxious and determined to maintain dominance there while New England was determined and eager to secure re-entrance into this market.³

However, soon such markets as Boston and New York began to take on new significance as postwar expansion began. With this constant demand for forest products as a stimulus, exploitation worked farther and farther up the coast and higher up the rivers and river valleys.

After they had won their independence, New Englanders turned again to their rich pine resources. The story of white pine lumbering has been called "the greatest chapter in the history of any nation's forests." This story includes the account of the lumber jack, the lumber baron and the rapid exploitation of the supply of white pine. The story of white pine has been summarized as follows:

To sum up a mighty epic in a few poor lines—it was under the boughs of the White Pine that there evolved the greatest woodsmen the world has ever seen, the American lumberjack (though much of the time he was a Finn, Dane, Swede, Norwegian, or Russian by birth), an embodiment in himself of the Paul Bunyan legend, a hero of courage and skill amidst toppling giants and river jams, a demon of accelerating destruction.⁴

The ship-building industry constituted a persistent demand on the timber business. England was the chief ship-building power. However, there was shipbuilding from South Carolina to New Brunswick. Ship-building was an ancient and honorable business. John Smith had led the way and began to construct small boats that were adapted to the colonists' immediate needs. Massachusetts, Connecticut, and Rhode Island surged ahead in the development of a thriving major industry in their shipbuilding business.

II. *The Timber Industry in the Early 19th Century*

Wood was Canada's primary product before wheat moved ahead. The fact that the British market was a great distance away was a discouragement for business to invest in the timber industry with any assurance of satisfactory returns. But after 1808 the tremendous preference that was put on forest products and the persistent demands of the needs of war established the industry so that thereafter it became the main reliance of a great part of the country. Only the railroad helped to extend her radius beyond the watershed of the St. Lawrence and the Maritimes.

Before 1850 the chief product of the timber industry was square timber making. This practice crept up the river and its tributaries as far as southern Lake Huron. Second only to squared timber was sawn lumber. It largely utilized water transportation. Consequently it was tied to water routes until the railroad came in. Export trade to the American market began in 1835. The market was first to eastern United States, but it followed the settlements westward. The volume of export trade from Canada in meeting this enlarging demand grew, until it far exceeded the trade with Britain.⁵

Certain prominent American cities became centers of continuing demand for timber products in the form of a valuable item for trade for their merchants and also as indispensable building materials for their own program of construction and expansion. Particularly, American cities that were located along the coast, came early to realize that their future prosperity was dependent on their proper identification with the hinterland. Boston succeeded in pushing through the construction of a railroad that connected her with the Hudson River and thence to Ogdenburg on the St. Lawrence. From here, railroad connections were later established with Ottawa. Portland, Maine succeeded in getting railroad connection in the Grand Trunk line through to the vicinity of Montreal.

New York City, on the other hand, before the day of the railroad, extended her contact with the interior by the extension of the natural and artificial water ways. One of these was formed by opening the channel through the Hudson River northward to Lake Champlain by way of the Cham-

plain Canal (1822). Earlier, Lake Champlain had been connected with the St. Lawrence River by way of the Richelieu Canal. Thus, by way of river, canals and a lake, New York had a through water transport route to the St. Lawrence River and the Canadian economy which the St. Lawrence tied together. But the largest water transport project of all was that of connecting Lake Erie with the Hudson River through the construction of the Erie Canal by way of the Mohawk Valley. It was opened in 1825. This route established an effective channel through which trade could flow into and out of the great interior of America including both the Great Lakes basin and the Mississippi River basin.

Lake Ontario was connected with the Erie Canal by way of the Oswego Canal. Timber products that had gone earlier from Vermont by way of the Richelieu Canal, the St. Lawrence River, Quebec and thence to England now went to New York. Thus the timber also on the American side of Lake Ontario found its way eventually through the Oswego-Erie Canals to the Port of New York City. With these advantages in water transportation, New York City successfully challenged Montreal's ancient domination of the Upper Canada economy. It was demonstrated presently that Upper Canada could get better prices for their goods, buy more cheaply and pay less freight by way of New York.

Transportation, thus, became an important factor in intensifying the demand for forest products. The completion of the canal systems established a condition which made the American market demand more effective. The canal projects—the Champlain-Hudson River, the Erie Canal, and the Oswego feeder to the Erie Canal—marked the beginning of the "internal improvement" movement both in Canada and in the United States. Canadian canal building paralleled and rivaled the American projects. The Lachine Canal opened in 1825. Welland Canal opened in 1830. The Chambly Canal by 1835 provided a route to New York through Lake Champlain and the American canal and river systems. By 1849, Canadian canals had been built so that the dangers of the three areas of rapids in the St. Lawrence River could be avoided. The Rideau Canal from Kingston to Ottawa and the Greenville Canal on the Ottawa River gave water con-

nection between Lake Ontario and Montreal. Thus, within thirteen years navigation by barges and small crafts was made possible with two outlets to the sea from the Lake Ontario region and dependable connections were established between Montreal and New York City.⁶

Interior export trade to the United States before 1827 was completely absent from Canada as the records show at St. John on the Richelieu, the most representative of the inland ports of Canada. In fact, St. John had been for years the only port of entry to the United States from Lower Canada. The year 1827 marks the beginning of Canadian export trade of any size by way of St. John to the United States. The volume of exports varied. They increased moderately until 1831 when they dwindled. By 1835 again they picked up until 1842 when again it rapidly declined.

By 1835, the tremendous pull of the American market became obvious. The United States was experiencing the phenomenal expansion of the Jacksonian period. This expanding market demand was felt not only in Lower but also in Upper Canada. The American demand area was dispersed and extended through the sections that were undergoing rapid growth. The response of the Canadians to fill this need was equally dispersed. Because of the better prices on lumber in the American market, even the small mills turned from cutting "deals" for the British market in "deal" boards to the production of lumber for the American market. Upper Canada manifested the same response to the United States market, for with the Canadian and American canal systems providing the channels for this trade, Upper Canada reacted as Lower Canada had to the demands of the United States market. For example, by 1836, trade with America had taken precedent over every other demand.⁷

There were changes in the political order during this period that had important implications on both the timber industry and Canadian-American relations. Among these were the British liquidation of Mercantilism as a dominant power in the empire, the developments toward Responsible Government for Canada, and the problems of aggression against the respective countries. We will consider the all-important problem of free trade and protection in the section on tariffs.

In the revolts of 1837-1838 men from both Canada and the United States were involved in the designs on Canada. William L. Mackenzie, a Canadian, was one of the prominent leaders in these troubles. There were various individual Americans and American groups near the Canadian border who were implicated by giving aid of some kind to the movements against Canada at this time. After some forays into Canada, with considerable property damage in some places, the movement was defeated by decisive Canadian military action. The Canadians executed a surprise attack on the base where military materials were being stored in preparation for an all-out effort against Canada. Among other things, the Canadians seized and burned an American Naval steamer, the *Caroline*.

These acts of violence so aroused the United States government that, eventually, the President of the United States took effective action in the American part of this area to maintain strict neutrality, but Britain's attention was drawn to a serious consideration of Canada's more critical political problems. While Lord Durham was under appointment as Governor of Canada, he was under instruction to make a careful study and report his findings concerning the Canadian situation. Ten years after his appointment, political and economic disturbances had become so acute that there was serious consideration of annexation to the United States.⁹

There were causes for the changes that were brought about in the British Empire in the 1840's. One cause was the triumph of economic and political school of thought that was opposed to the prevailing principles of mercantilism. This opposition to mercantilism is sometimes called the "Manchester School." By 1846 it had triumphed in England in the repeal of the Corn Laws. This marked the emergence of England into a policy of free trade. The economic results of this new policy in Canada was nothing short of a catastrophe to the farmer, to the lumberman, and to the exporting merchant. Moreover, it proved highly unstabilizing to the basis for credit:

The reaction of this British policy on Canadian economic life was almost immediately disastrous. Prior to 1846 Canadian farm and forest products had enjoyed preferential treatment in British markets, a fact that

gave assurance to the farmer or lumberman and facilitated the procuring of credit. Now this preference was wiped away and the products of Canada were forced into competition with the output of the United States and other countries.¹⁰

The merchant class was particularly hit hard. The commercial order for which they had striven for years, they considered, was betrayed by the British action. In New Brunswick, prosperity was based altogether on timber trade under the old system. It was no less true in other parts of Canada. To add further to their troubles, the new American tariff schedule in 1846 closed the door against Canadian wood before that door was really open.

We have noticed some things that adversely affected the Canadian economy. One of these was the British removal of preferential duties. Also at this particular time the United States enacted the bonding act. The American Bonding Act was a piece of legislation that allowed goods to pass through the territory of the United States duty free. This provision granted Upper Canada relief from the domination of the middlemen at Montreal and allowed the goods of Upper Canada to move more directly to the world market. It gave to the routes and channels through New York the burden and the profit of the traffic just at a time when Canada was called to pay the heavy cost of internal improvement. Another thing that affected the Canadian economy adversely at this time was the fact that the British Navigation Laws that were yet in effect acted to reduce the volume of Canadian world trade. It kept the freight rates hiked far higher than in American ports, and thus drove trade through American channels. Over production of timber products threatened great sections of the industry at this time with bankruptcy. Paralleling this crisis in timber was the crash in the flour milling industry when the preferential advantages to wheat were removed. Over expansion ruined many:

After 1846, Canada for the first time had to stand on its own feet and it was not a pleasant experience. But the country soon turned to the obvious expedient. It could expect no favors from the parent state, it might be able to do something with its neighbor. Hence the beginning of the re-orientation of Canadian trade, a process well under way before the Reciprocity Treaty of 1854, but probably hastened by that treaty.¹¹

American lumbermen and American investors had encountered difficulties when they attempted to gain entrance into the timber business in New Brunswick. Provincial policy allowed individuals and companies to purchase timber land, but no alien was allowed the right of ownership. Naturalized citizens could become so only by conforming first to the Established Church. At first Americans were denied all rights of purchase and ownership of timber land, but after two years the feeling grew that it was necessary for the proper development of the country to admit American capital. The attorney general ruled that all companies organized by Americans must have British members in the concern. Presently, the organization of this kind of corporation began to reach the proportions of a mania. Frequently it was found, moreover, that the prominent members of the legislature owned shares in these companies.¹²

Most holdings were acquired through purchase by the various individuals and timber companies. Monopoly was developing. One company owned 500,000 acres by 1834.¹³

The timber industry began a climb out of depression in the 1849's and 1850's. The market in Britain picked up some. The American demand grew, and access to the American market loosened up a bit. The railroad came to play an increasingly important part in the timber trade with America, particularly, after 1845. The Ottawa Valley became the chief center of exploitation at this time. The trade found the way down through Quebec to Britain, up the Richelieu Canal to Lake Champlain, or through the Rideau Canal and Oswego to the New York market. Canadian shippers found that it was cheaper to send goods via New York to the world market than through the regular channel of Lower Canada and thence to the destined market. For example, a ton of grain from Chicago to Liverpool via Montreal cost \$13.75, while via New York it cost only \$10.50.¹⁴

The decade of 1850-1860 saw the empire of the white pine move from the lower to the upper Great Lakes.¹⁵ It had taken a little over fifty years to take off the cream of the white and red pine forests that reach from Gaspé to Detroit. By 1850 waterways had reached their highest usefulness in the area from the Atlantic coast to Wisconsin.¹⁶ In

this section the railroad proved to be increasingly the successful competitor to water transportation.

By 1850 the Lake Erie counties were the largest producers of lumber in Upper Canada with the Lake Ontario area in second place.

The lumber trade only turned the corner northward in Lake Huron by the time of the passage of the Reciprocity Treaty. During the Reciprocity period the great Chicago market was opened up.

The lumbermen were only to Saginaw Bay up Lake Michigan by 1858. During this period the pine of the upper peninsula of Michigan and of Wisconsin and of the country contributing to the American side of Lake Huron and Lake Michigan began to be harvested. The Canadian region most affected was that of Georgian Bay. South of the Bay, mills were soon built and a beginning was made on the harvest of the timber here. Some licenses for timber cutting on the "North Shore" were granted as early as 1852 but most of these lapsed back to the government. In 1863 strips were sold in the North in the area of Algoma. The first large mill was built here in 1864. However, it was not until eight or ten years later that exploitation began here in earnest. It was then that the great timber limit sales began.¹⁷

A multitude of American lumbering firms as well as lumbermen were busy helping harvest Canadian forest resources.¹⁸ There was extensive expansion and development in the mill equipment among the American firms so that some of these were turning out from fifteen million to thirty million feet of lumber per year. Also, the rise of the expanding demand for lumber in Chicago convinced the Canadians, as nothing else, that here they had a dependable alternative to the demand for square timber that had been centered in Quebec.

III. The Timber Industry in the Late 19th Century

Between 1854 and 1896, first Reciprocity and then Protectionists principles and practices prevailed. Reciprocity stood for freer trade practices while protection stood for stronger controls through higher tariffs. With this in mind, let us notice how one and then the other policy prevailed. Political leaders of the North that voted for Reciprocity with it in mind that this was a step towards the annexation of

Canada to the United States. Southern leaders on the other hand, were given to understand that Reciprocity was a dependable preventive against annexation. The Canadian Provinces were assured that it meant protection against American expansionists. Canada, also, wanted its provisions of reciprocal free trade in natural products in order to break through the American twenty per cent tariff and to stimulate traffic on the St. Lawrence River.¹⁹

There were some special interests in America that supported the Reciprocity Treaty. The Lake States desired Reciprocity as a competitive alternative to the Lake Erie-Hudson River-New York route. New England desired it as a means to freer access to all the North Atlantic fisheries. New states in the Northwest used it to support their objections to the monopoly held by Maine and the American lumbermen who were dependent upon a high tariff policy.

The smoothness with which this measure was enacted into legislation witnessed to the skillful hands that directed it. Notwithstanding the fact that the public interest was almost completely absorbed in the controversy that was raging over the Kansas-Nebraska Bill, the Reciprocity Treaty went through Congress without a hitch.

All went well in the application of the Reciprocity measure for about three years. The Canadians, in the meantime, awakened to some of the facts of their life. One fact was that Canada had to raise substantial financial resources in order to meet payments on the public debt that had been incurred in the construction of her transportation facilities. Furthermore, the Canadians came to realize that the Reciprocity Treaty covered natural goods but it did not cover manufactured goods. Tariffs for revenue could be placed thus on manufactured goods without breaking the provisions of the treaty. When depression returned in 1857, both to Europe and to America, the stage was set for the ready establishment of an higher tariff.

In 1858, Canada organized her first protectionist association. This Society for the Development of Canadian Industry went on record favoring 25 to 30 per cent duties on manufactured goods that could be made in Canada. Legislation was enacted shortly that was in harmony with the

protectionist views except the rates were not set as high as it had been suggested by the Society.²⁰

The close bargaining attitudes which were adopted by both sides contributed to the final abrogation of the treaty. The spirit of the treaty was infringed long before the letter was done away. Canada put duties on American manufactured goods while the American Revenue officials interpreted the "raw materials" of the treaty in the narrowest possible sense.²¹

When the treaty was at last abrogated, many Canadians regretted its termination and looked forward with forebodings. They feared that the new arrangement would jeopardize the economic gains that had been made under the treaty, and that, somehow, they would be confined once more to the austere limitations of their former condition in the colonial world. The termination of the Reciprocity Treaty in 1866 marked a milepost in both the timber industry and the economic development of Canada. Canadian representatives tried again and again to persuade the Americans to reactivate a reciprocity policy before they were convinced that it was hopeless to expect America to be a free market for Canadian raw materials.

Canada turned reluctantly to Sir John MacDonal's "National Policy." He charged that Canada would gain nothing by pleading further with America for reciprocity. It was an error to assume that the United States would change its strong protectionist policy. The Canadian approach should be to devise a way of self-reliance through a strong protectionist policy for her own industries. When commercial opportunities in Canada were made inaccessible to the Americans, then Washington would be induced to follow a more conciliatory attitude towards Canada. This point of view had its manifestation in the sustained economic battle through tariffs.²²

MacDonal's "National Policy" included three economic aspects: the settlement of the Northwest, an all-Canadian trans-continental railroad, and an adequate tariff protection to promote Canadian industries.²³

The pressure of local vested interest that was exerted upon the American Administration, loomed large as the de-

cisive factor in the American action of terminating the Reciprocity Treaty. American lumber interests in Maine and Michigan were particularly strong against the treaty's lumber clauses. It was the contention of the lumber interests of these two states that Canadian competition brought prices below the level that American producers could prosper.

On the other hand, there were certain Americans who saw clearly the benefits that accrued to America under the treaty. Joseph Howe was an example. In stating the case for the treaty, he said that prices had not been adversely affected under the treaty and that the American lumbermen had prospered. He claimed that Americans owned much of the timber land of Canada. Furthermore, much of the timber from other lands had been harvested actually by Americans.

James Little, a Canadian, was the exception to the majority of Canadians who found the treaty desirable. Little felt that Canada had lost by the treaty and that its renewal would force prices down so far that Canadian timber would thus be sacrificed to American interests. He made a significant statement that was to be reiterated later on. He predicted: "The time will come when they will be glad to get our lumber on any terms." A prediction, indeed, it proved to be for American lumbermen soon were doing their best to secure Canadian Pine.

The struggles for advantageous positions for their respective national economies by Canada and the United States found expression, in part, through certain major tariff changes. There were three major tariff bills that symbolized the American changes. These were the McKinley Bill of 1890, the Wilson-Gorman Bill of 1894, and the Dingley Bill of 1897.

Soon after the abrogation of the Reciprocity Treaty in 1866, the United States placed a 20 per cent general tax on lumber. Canada responded by laying a duty of \$1 per thousand feet on pine saw logs. In 1870, America put saw logs on the free list but the 20 per cent ad valorem tax on lumber was continued. Later, it changed the duty on lumber from an ad valorem duty to a specific duty of \$2 per thousand feet. In the 1883 act, logs were still left on the free list but 50 cents was imposed on planed, tongued, and grooved lumber. In

1886, Canada raised the export duty to \$2 per thousand. The result was to induce certain lumber firms to move to and saw lumber in Canada. The threatened exhaustion of American timber in the Lake states forced Americans to seek a policy that would assure her of a dependable supply from Canadian sources. In 1888, Canada raised the duty on saw logs to \$3 per thousand. The next year it was reduced to \$2 per thousand, and in 1890, the duty was taken off altogether. This latter action was the result of the reciprocity features of the McKinley Tariff Bill of 1890. This measure provided for the removal of the \$2 duty on Canadian lumber if Canada removed her export duty on logs. This particularly favored investments in the American mills in the Saginaw Valley.

The agreement between the United States and Canada stood as follows: Canada was to remove the export duty on logs while the American tariff was reduced to \$1 per thousand feet. The Canadian action thus removed the necessity of the migration of American mills to Canada at this time. This agreement was kept on both sides. With the \$1 duty that the United States retained, America was able to hold some restraint on coarse lumber imports.²⁴

The McKinley Bill of 1890 followed the Morrill Act of 1861 for the most part. It contained one provision, however, that was to play a large part in the diplomatic and commercial relations between Canada and the United States. It was the retaliatory clause which bore the weight with both Canadian and American lumbermen of a binding contract that was to be cancelled only by common consent by both parties.²⁵ The \$1 per thousand feet protection was removed in the Wilson Bill but this did not have much effect, for depression began in 1891 and things were upset for years. Under the Wilson-Gorman Bill in 1894, the remaining duty was removed so that for three years in lumber it was practically a free trade arrangement between the two countries. Lumber on the free list encouraged the removal of mills from America to Ontario. A number of such mills were erected during the life of the Wilson-Gorman Bill.²⁶

Americans representing the protectionist sentiment in the timber industry called a lumbermen's convention to consider

ways and means to secure higher protection for their section of the American economy. J. E. Defebaugh, the historian of the American lumber industry, was an active leader in this movement. This convention settled on lobbying as an effective method to secure favorable legislative action by Congress. They got what they wanted largely in the Dingley Tariff Bill of 1897. This measure was supposed to have strengthened the American lumbermen's position in the American domestic market by excluding cheaper and coarser Canadian imports.²⁷

The Dingley Bill contained a built in weapon that was supposed to be particularly effective as a retaliatory measure against Canada if she should enact an export tax or duty. Canada, however, found a more effective weapon against America than just another tariff. It was not even federal action. Ontario acted within her right and authority as a sovereign province and forbade absolutely the exportation of any logs that were cut from Crown lands after April 1, 1898. Timber cutting on Crown lands were only for those who had licenses. The renewal of such licenses went right on. This measure made it necessary to process in Canada the timber that was cut there. The rapid migration of lumber mills to Canada from the United States was the immediate result. Thus, Ontario led the way in putting effective pressure upon the American lumber industry, for in Canada the Provinces have reserved the power to regulate tariff and commerce. The American lumbermen had no choice in the face of these prohibitions and regulations but to acquiesce.²⁸

IV. Early 20th Century Trends in the Timber Industry

In the variation of lumber prices between 1860 and 1916 Wilson Compton has found two distinct cycles. The first cycle was 1860-1880 while the second one was 1880-1916. At the outset of each of these cycles the price of lumber was relatively higher than that of other general goods. As the cycle developed, however, this difference became less marked. This had its bearing upon the volume of the exports of lumber. For during the early phases when lumber prices were higher, there was less reason to exploit the foreign market, but during the latter part of the cycle when the domestic price of lumber had leveled off, recourse was made

to the foreign market. Thus, 1860-1873 saw the volume of lumber exports decline from 190 million to 134 million board feet. On the other hand 1873-1880, during the slowing up on domestic price of lumber, the annual average of lumber exports picked up. In the Pacific Northwest lumber production helped swell this volume of exports. The Northwest was unable to compete successfully with the Lake States for the domestic market in the Middle West and the East.

In the first phase of the second cycle, 1880-1897, along with a rapid rise of lumber prices the volume of lumber exports increased almost seven fold. Exports from the Pacific Northwest doubled. The 1897-1907 period was a record breaker for both production and consumption of lumber, due to a combination of ready availableness of timber supplies and attractive prices. In fact, in the period of 1897-1913 the volume of lumber, both imports and exports, rose to one of the greatest levels. Prices were high everywhere: in Europe, Asia, Australia, as well as America.²⁹

American tariff policy in the twentieth century is represented by the following acts of congress: the Payne-Aldrich Tariff of 1909, the Underwood-Simmons Tariff of 1913, the Fordney-McCumber Tariff of 1922, the Smoot-Hawley Tariff of 1930, and the Reciprocal Trade Agreements Act of 1934.

The provisions in the Payne-Aldrich Bill prepared the way to some extent for the resumption of free trade in the Underwood-Simmons Tariff Act of 1913. Payne-Aldrich tariff schedule provided for the reduction of duties on lumber from \$2 to \$1.25 per thousand feet. About this time Taft's reciprocity proposals, including wood in its schedules, were enacted by the American Congress but rejected by Canada.

In the Fordney-McCumber Tariff of 1922 the Republican majority in Congress succeeded in revising upwards many items on the schedule, but lumber remained on the free list. However, this was the first American tariff measure that provided for a tax on logs as they entered America. This was actually an attempt by the timber interests in the Pacific Northwest to force free trade in logs in this area for at this time the Great Lakes region was of secondary im-

portance. American tariff applied only to such logs that had an export tax on them. All other logs entered free.³⁰

Under the Smoot-Hawley measure a duty of \$1 per thousand feet was placed upon lumber. By 1935, this duty had been increased to \$4 per thousand feet. As a result of these American tariff barriers, Canada had to search out other markets for her lumber. She encouraged the resumption of imperial preferences. At the Ottawa Conference Canada's efforts were crowned with success. In the long run the scales were tipped so that British Columbia came out in a more favorable position than that of Washington and Oregon. A housing boom in England marked an expanding market for lumber and this was absorbed largely in the Canadian timber industry.³¹

Here are some trends in Canadian tariff policy in the early twentieth century. The formative period of the Dominion's commercial policy was in the two decades following Confederation. During this time, tariff makers, who by necessity were politicians, attempted to attract a majority of the electorate by embodying the American experience with protection and the British precept of free trade. This period of compromise and political inconsistency had run its course and the protectionist viewpoint had triumphed by 1879. Tariff for industrial expansion, as a constant element in Canadian economic affairs, supplanted tariff for revenue. Both of Canada's major political parties, during most of the last sixty years, have preached freer trade but practiced protection.³²

The course taken by Canada has been along traditional lines. Little experimentation occurred apart from a widening degree of rate discrimination favoring Empire countries before and after the Ottawa Conference and the use of tariff administration as a weapon of trade control during the depth of the depression. The principal exchange manipulation was the depreciation of Canadian money in terms of the United States currency after the Sterling Bloc left the Gold Standard in 1931.³³

Four major objects have been found for Canadian tariff duties: The first purpose was to protect the Canadian market from American exports. The Canadian market was thus reserved for Canadian agricultural and industrial prod-

ucts. The second purpose was to force the foreign manufacturing plants to move into Canada or to complete the manufacturing process in branch plants that already existed in Canada. The third purpose was to raise tariffs on raw products so high that plants in Canada would prefer to exploit national resources. The fourth purpose was to direct the necessary purchases which Canada must make abroad on the basis of reciprocity within the Empire, if possible, and thus compensate for the lost American market. In the three general tariff revisions the first three purposes were realized. The fourth objective was achieved in the agreements at the Ottawa Conference in 1932.³⁴

Canada never has been a participant in a truly free trade situation. She was given a particularly harsh schooling by the United States after the end of the Reciprocity Treaty in 1866. The American variety of protectionism to which Canada was subjected from 1865 until 1909 was especially severe. It was moderated somewhat between 1909 and 1920, only to be intensified through the Smoot-Hawley Tariff of 1930 and the tariffs of 1932 which appeared to be designed to exclude Canadian lumber.³⁵

These matters led Canada to a final and thorough commitment to protectionism and tariff retaliation. This was made so, in part, by pressure from the United States. However, Canada justified her tariff foremost by insisting that payment for the construction of her costly transportation system was dependent upon these import duties. So adamant was Canada's commitment to protectionism that even when the American government took effective action and adopted genuine reciprocity measures towards Canada, it was Canadian action that threw this out. In spite of the fact that Canada and the United States carried on from 1865 to 1935 an almost unbroken tariff war, the startling fact is that trade between these two countries reached a greater volume than between any other two countries in the world.

Ill-will in Canadian-American relations following the first World War grew and spread like a crop of bad weeds. Canadian attitude toward America's role in that war and the tariff struggle were factors in increasing bad feelings. The American tariffs of 1922 and 1930 were met by the

Canadian tariffs of 1927 and 1930. The American protectionist provided an almost impenetrable barrier to some Canadian products in the American market, such as, lumber, hard wheat, dairy products, cattle, maple sugar, etc. On the other hand, Canadian tariff was equally effective in shutting off the movement of some American manufactured goods into the Canadian market.

Canada had availed herself by 1932 of the advantages of the preferential position within the British Commonwealth of Nations. In this advantageous position Canada developed three levels of tariff rates. The first was that of a power within the Commonwealth agreement of 1932. This was a preferred status with tariffs lowered to Canadian goods. The second was based on special treaty relations with Canada. The third category was characterized by the highest rates. America was included in this. This tariff war had accentuated the psychological difference between America and Canada. Finally, intellectual leaders in both Canada and the United States were shocked over the intolerable predicament of this impasse into which their countries had fallen. These leaders felt with equal urgency the necessity of finding a remedy. Professor Bemis has pointed out the efforts and the results that came of these mutual concerns among American and Canadian scholars:

With the support of the Carnegie Endowment for International Peace, a series of biennial conferences (1935, 1937, 1939, 1941) on Canadian-American affairs . . . brought together statesmen, scholars, philanthropists, diplomatists, and journalists of both nations, to hammer out common problems on the anvil of determined friendship, with utter frankness as is possible only between Canadians and Americans who, let it be repeated, regard themselves as independent of each other rather than foreign to each other. These extra-official conferences, and the continuing studies that they helped put in motion, restored the old tone of fellowship, and made themselves felt in official policy.³⁶

In conclusion, perhaps we can stroke a bright note. The growth of understanding that came out of the extended conversations of scholar and culture leaders was parallel in matters of state and commerce. The extended negotiations between Canadian, British, and American diplomats bore fruit

in the trade agreement that was signed in Washington on November 17, 1938. It had been, indeed, a triangular affair for British and Canadian relations were so complicated and interwoven that negotiations had to be handled with the greatest care and patience. When discount is made for the agreement being to some extent a device in the cold war leading up to World War II, there is certainly enough left to justify the claim that it marked an important step in greater political harmony and economic accord—characteristics that had been too little known in the previous seventy-five years of Canadian-American relations.

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