

**NATIONAL DREAMERS, THE NATIONAL POLICY AND
THE SUGAR TRADE**

**THESIS SUBMITTED IN PARTIAL FULFILMENT
OF MASTERS OF ARTS (HISTORY)**

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**JEFFREY MARTIN GIBBONS
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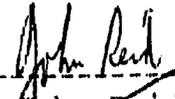
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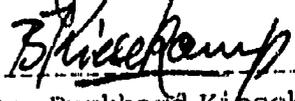
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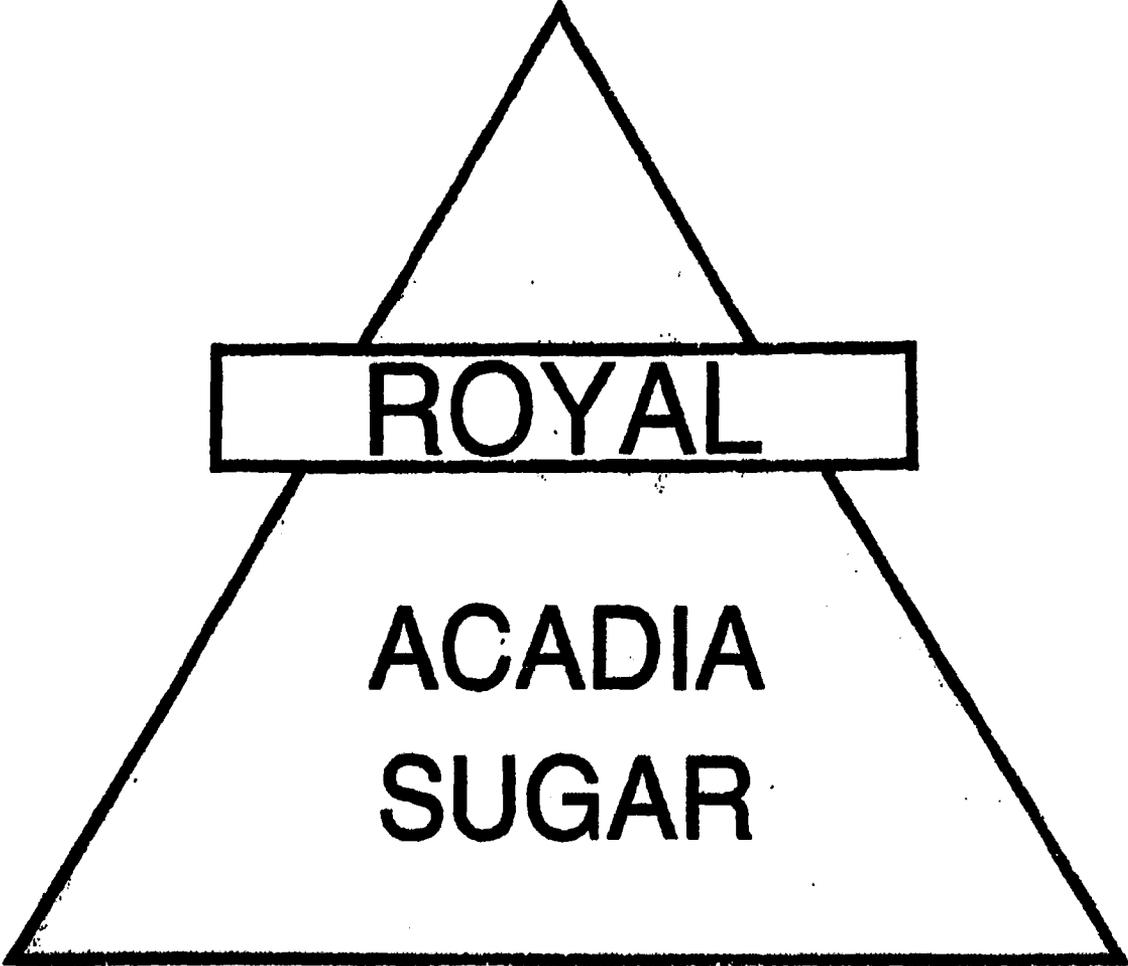
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ABSTRACT

The National Policy, National Dreamers and the Sugar Trade
By Jeffrey Martin Gibbons
September 10, 1994

This thesis focuses on the process of the industrialization in the Maritimes through an analysis of the sugar refining industry. It looks at three periods in which Maritime entrepreneurs were faced with dramatic economic transformation and observes which strategies they chose to adapt to those events. The first, at which we only look at fleetingly, was the period during the 1830's in which Maritime entrepreneurs expanded their mercantilist methods into markets as far away as the Pacific. The second was the choice of Maritime elites to shore up their traditional trading practises with new industrial technologies and attitudes towards governments. Finally, when faced with economic collapse, Maritime elites attempted to exert controls over the market place through federal policies and monopolies.

Another principal aspect in this thesis was the role that economic factors and particularly the sugar refining industry played in the Confederation debate and the subsequent acceptance of the new nation on the part of Nova Scotians. Confederation, in short, was seen as a way to preserve and enhance the Maritimers traditional trade patterns. The notion of a tariff coupled with a captive market allowed Maritime entrepreneurs to anticipate and invigorate economic prosperity. However, industrial prosperity hoped for did not materialize. The new industries faced a chaotic market place the populous of the region turned against Confederation. For those in the new refining industry, however, the only choice available to them was a further embracement of the Canadian market in an attempt to control it. We can say then that the sugar refining industry was the first "Canadian" industry and it played an instrumental role in the "Canadianization" of the region.

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The Dalhousie Law Library

I am also thankful for the assistance for the assistance of the staff at the Royal Courts of Justice in London, the New Brunswick Museum in Saint John, the Parliamentary Library in Ottawa, and Stuart Sutherland at the Dictionary of Canadian Biography.

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INTRODUCTION

"industrialization" is a term of magic: It can mean anything, or everything, and so, often enough, ends up meaning almost nothing at all.¹

The history of the Maritimes often conjures up romantic images of "wind, sails and ships," and while these images serve the tourist industry well, they draw attention away from the processes of economic development that have plagued the region throughout the twentieth century. Until the 1960s Maritime historiography was almost exclusively focused on the pre-Confederation era.² Maritime historians preferred to look back upon the heady days of mercantilism, than to the seemingly dismal industrial hinterland that the Maritimes had come to be. As for the region's post-confederation era it was summed up conclusively, it was thought, in the works of S.A. Saunders and Harold Innis.³

1 Jonathan Prude, The Coming of Industrial Order: Town and Factory Life in Rural Massachusetts 1810-1860, (Cambridge Mass: Cambridge University Press, 1983), XI.

2 E.R. Forbes, ed., Challenging the Regional Stereotype: Essays on the 20th Century Maritimes, (Fredericton: Acadiensis Press, 1989), 49.

3 S.A. Saunders, The Economic History of the Maritime, (Wolfville: Acadia University, 1932); Harold Innis, Select Documents in Canadian Economic History 1783-1885, (Toronto: University Press of Toronto, 1933).

Saunders and Innis were the first scholars to address seriously the post-Confederation period and the reasons why the Maritimes failed to achieve the same level of industrialization present in the interior of the country. In their opinion the factors necessary to generate industrial development were not present in the staple-based economy of the Maritimes. Ardent nationalists, Saunders and Innis sought to justify the domination of the Canadian economy by the nation's centre.⁴ Their analysis, however, has been dramatically questioned by new evidence and an ongoing analysis of the role of Nova Scotia elites in the process of economic development and regional underdevelopment.

In 1972, in his seminal essay, "The National Policy and the Industrialization of the Maritimes," T.W. Acheson revolutionized scholarship by demonstrating that the Maritimes had experienced a dramatic period of industrial growth during the last quarter of the nineteenth century.⁵ In addition, Acheson concluded that the failure to sustain industrial development lay somewhere in the transition between mercantilism and industrialism. Acheson's valuable insights into the development of the region's

4 Michael Clow, "Review Situating a Classic: Saunders Revisited," *Acadiensis*, XV, 1 (Autumn 1985), 146.

5 T.W. Acheson, "The National Policy and the Industrialization of the Maritimes, 1880-1910," *Acadiensis*, 1, 2 (Spring 1972); and "The Maritimes and Empire Canada," in David Jay Bercuson, ed., *Canada and the Burden of Unity*, (Toronto: MacMillan Co. Canada Ltd., 1977).

economy helped to dispel the geo-determinist approach of Saunders and Innis, and focussed historical inquiry on the subsequent arresting of that development.⁶

A generation after Acheson's pioneering article, a new crop of historians have addressed the issue of regional economic underdevelopment.⁷ These authors have raised numerous concerns about banking structure, entrepreneurial failure, extra-regional control, and tariff and transportation policies, all of which were important factors in the arrested development of the region's industrial economy.⁸ Few efforts have been made, however, to analyze individual industries, at least in the secondary manufacturing sector.⁹

6 Colin D. Howell, "Economism, Ideology and the Teaching of Maritime History" in P. A. Buckner, ed., Teaching Maritime Studies, (Fredericton: Acadiensis Press, 1986), 19.

7 Kris Inwood, "Maritime Industrialization from 1870 to 1910: A Review of the Evidence and its Interpretation," in Kris Inwood, ed., Farm, Factory and Fortune: New Studies in the Economic History of the Maritime Provinces, (Fredericton: Acadiensis Press, 1993); L. Anders Sandberg, ed., Trouble in the Woods: Forest Policy and Social Conflict in Nova Scotia and New Brunswick, (Fredericton, Acadiensis Press, 1992).

8 Eric W. Sager, "Buying Cheap and Selling Dear": Merchant Shipowners and the Decline of the Shipping Industry in Atlantic Canada," in Peter Baskerville, ed., Canadian Papers in Business History, Vol. 1, (Victoria: The Public History Group, 1989); David Frank, "The Cape Breton Coal Industry and the Rise and Fall of the British Empire Steel Corporation", Acadiensis, VII, 1 (Autumn, 1977); Eric W. Sager, Seafaring Labour: The Merchant Marine of Atlantic Canada, 1820 - 1914, (Kingston: McGill-Queen's University Press, 1989); idem., The Maritime Shipping Industry in Atlantic Canada, 1820-1914, (Kingston: McGill-Queen's University Press, 1990).

9 Two exceptions are Judith Fingard, "The 1880's: Paradoxes of Progress," in E.R. Forbes and Del Muike, eds., The Atlantic Provinces in Confederation, (Toronto: University of Toronto Press,

This study examines the Maritime transition from a mercantilist to an industrial economy, and its subsequent decline, by analyzing the sugar refining industry. While data concerning this period continues to grow, research on the sugar refining industry, to date, relies heavily on Acheson's and R.T. Naylor's readings of the Monetary Times, a national economic journal of the day.¹⁰

Historians have followed Acheson's lead, drawing parallels with the cotton industry and the general climate of industrialization at the time, to explain the sugar refining industry's rise and decline.

The more this study analyzed the general trends depicted by previous historians, the more difficult it became to legitimize their conclusions. A marked period of overproduction, an excess of competition, industrial undercapitalization, changing investment structures, unfair freight rates, and a defective entrepreneurial spirit, all of which have been put forward as reasons for the difficulties reformers faced, do more to describe the state of the industry's troubles than to explain the development of the refining industry.

993); Ian McKay, "Capital and Labour in the Halifax Banking and Confectionary Industry during the last Half of the Nineteenth Century," in Tom Traves, ed., Essays in Canadian Business History, (Toronto: McClelland and Stewart Ltd., 1984).

10 See Acheson, "National Policy" and R.T. Naylor, The History of Canadian Business: 1867-1914, (Toronto: James Lorimer & Company, 1975), 44-46, 121-124, 178-179.

Jonathan Prude's The Coming of Industrial Order: Town and Factory Life in Rural Massachusetts 1810-1860, proves helpful in our understanding of the industrial transition. In his analysis of the process of industrial development in small towns, Prude describes the transition from older mercantile, and rural patterns to industrial and urban ones as "unsmooth." That is, the emergence of "industrialism must be understood not as a single homogeneous development but as a blend of different changes."¹¹ Personal antagonisms, individual reactions to new technologies, and community social relationships, enliven a process that all too often is described by historians as an relentless process of development.

The development of the sugar refining industry in the Maritime was also "unsmooth." While entrepreneurs acted with expressed ideological intent on some occasions, equally often they reacted reflexively to the present events at hand. The story of sugar refining, therefore, is not that of a Maritimes elite acting in unison, conscious of shared class interests, but instead of political factions often acting in ways detrimental to their own mutual interests. Indeed, no other factor contributed more to the fragmentation of the Halifax refining industry than the personal relationship between two significant individuals, George Dustan and Alfred G. Jones. The antagonism between these two men prevented the political and business

¹¹ Prude, Industrial Order, XI.

relationship necessary to sustain a single refinery movement in Halifax.

The transformation of the Maritimes from a staple economy to an industrial one, at least as it relates to the sugar refining industry, was a gradual process. It was, however, revolutionary in its effect on the region's social and economic history. There was no uniform vision of industrial capitalism guiding this historical transformation. Originally sugar refining was promoted, not as the flagship industry of the National Policy, but as a means of enhancing the West Indies market. Subsequently it became regarded as an essential component of an emerging national market in Canada.

Maritime merchants embraced the sugar industry as an innovative means of addressing the peculiar circumstances that the history of British mercantilism had bequeathed them. From the time of the colony's earliest ventures in sugar refining in the early part of the nineteenth century, seen especially in the efforts of William Lawson, some Halifax merchants saw the establishment of a sugar refining industry as the best way to promote trade with the West Indies. However, despite the obvious trading benefits, Lawson did not convince the Government, nor many in the merchant community, to support his efforts. Fifty years later, as the Maritimes confronted a severe depression in trade, the issue was resurrected much more vigorously.

The collapse of the West Indies trade in the mid 1870's broke a long standing political "grid lock" between "free trade" shippers and protectionist industrialists. These groups, traditionally in firm opposition to each other, suddenly found a common cause in the creation of a refining industry. Ben Forster has called this "a conjunction of interests."¹² For instance, shippers like A.G. Jones argued, contrary to his free trade associates in the Reform Party, that the sugar tariff was not favouritism towards a "special interest" so much as a way of fostering inter-regional trade.¹³ Faced with a serious economic decline after Confederation, the regional entrepreneurial elite turned to the sugar refining industry as a remedy for its ills. In this light a move to sugar refining was not an abandonment of the Atlantic economy, but a calculated and innovative attempt to employ new technologies and investigate new markets to shore up the traditional West Indies trade. The refining industry did not emerge overnight, nor out of a well defined notion of industrial capitalism, but instead rose out of existing conditions and with a great degree of fluidity.

Another "conjunction of interests" occurred around the Confederation debate and the formation of the National Policy. Maritime entrepreneurs played an

12 Ben Forster, Conjunction of Interests: Business, Politics, and Tariffs 1825-1879, (Toronto: University of Toronto Press, 1986).

13 Canada, House of Commons, Debates, Apr. 3, 1876, 1020.

important role in the formation of this policy. The National Policy emerged in close relation to the sugar question, which was of pivotal importance to the Nova Scotia electorate. The resistance of the Reform government to aid the refining industry during the late 1870s convinced many prominent Nova Scotian Liberals such as John F. Stairs, George Dustan and others to the join the Tories. In addition, Alfred G. Jones, while still a Reformer, was severely tried on the sugar question. The sugar refining industry became a political lightning rod around which the National Policy question was fought in the Maritimes. The 1878 election firmly established a role for the Conservative party in Nova Scotia and produced a generation of National Policy proponents.

George Dustan was a long-time advocate of a refining industry, even before the collapse of the West Indies trade. Dustan's success in fighting against discriminatory provisions in the U.S. tariff made the sugar question a central issue across the country during the 1878 federal election. A celebrity in Tory circles across Canada, Dustan was particularly instrumental in drafting the National Policy, at least as it applied to sugar, and propagating it in the Maritimes. Dustan's celebrity status within the Tories, however, made him many enemies amongst the highly-partisan and Reform-minded merchant community of Halifax. In turn, Dustan's political enemies used the tariff protection afforded by the National Policy

as a means to create their own refinery in the region. While Dustan had won many government concessions during the 1870s, and had a substantial quantity of land and building material on hand, rival Halifax merchants constructed their own refinery in 1880 on the Halifax side of the harbour, stalling Dustan's efforts until 1883. The result was a plethora of refineries competing in a market insufficient in size to support all who entered it. Production capacity outstripped demand and the Nova Scotia refineries found themselves closing due to overproduction and insufficient operating capital.

One of the most significant aspects of the sugar refining industry's development was its impact on the broader political landscape. The "sugar question" undoubtedly contributed to the political and economic consolidation of the country at a time when the Maritimes held no great affinity for the new nation. The National Policy allowed Maritime industrialists to embrace the nation and envision themselves at the helm of industrial policy. With the fulfilment of that policy and the birth of the refining industry, the Maritime merchant elite, the bulwark of the Anti-Confederate movement, tied their fate to the new nation. Later in the 1880s, when the initial hope of prosperity began to fade, a secessionist movement emerged which fuelled the election victory of Premier W.S. Fielding in June, 1886.

When crisis occurred inside the sugar industry, this time in the 1880s, the

solutions available to refiners required them to think in national terms. Unlike some other local industries, sugar refining existed solely within the "national" context. Without Confederation the industry had no chance for survival. Thus we see a distinctly nationalist outlook among Maritime refiners and their vision of the region's place in the new nation. Tariff changes, control over freight rates, market regulation and even monopolization were indispensable weapons in the fight for the industry's survival. The refiners saw few solutions available to them outside of the "nationalist" context. Sugar refining in the Maritimes, therefore, was one of the first truly Canadian industries in the region.

The opening chapter of this thesis examines the importance of the sugar trade in the pre-Confederation era, the development of the Maritime economy in relation to the West Indies trade, and the region's relationship to the British Empire. In addition, it looks at the early efforts of William Lawson and his partners, their philosophies, and the methods they used to encourage trade through an active sugar refining industry. Finally, it briefly observes the transition from a system of Imperial preferences to that of free trade, and the ways in which the Maritime elite responded to this change.

Chapter Two will introduce the prominent members of the sugar industry and review their personal histories. George Dustan, George Drummond, Alfred Jones,

Michael Dwyer, John F. Stairs, T.E. Kenny and others played a prominent role in both the refining movement and the debate over protection. Their objectives in supporting an active refining industry were often different. For Dustan, refining was his purpose, but for Kenny it was simply a stock option. This chapter also examines how the decline of the traditional West Indies trade led Maritime entrepreneurs fifty years after Lawson, to demand tariff protection and a refinery. Furthermore, we will look at the changing circumstances that made the establishment of a refinery a necessity, including the global switch from raw to refined sugar, the ending of the West Indian monopoly on sugar, and the changing political situation in Canada. A final element in this chapter involves the political fallout for the Reform Party over the sugar issue, and how the refining industry in Nova Scotia reflected the federal Conservative party's emerging attitude towards industrialism in the Maritimes.

Chapter Three will focus on the federal election of 1878 and the subsequent development of the National Policy. It will look at both the National Policy's impact on the refining industry, and the impact refiners had on the development of this policy. This leads in turn to an examination of the refineries during the 1880s and the transportation and tariff considerations needed to maintain them.

Chapter Four will detail the establishment of each of the refineries in the region, principally the Halifax Sugar Co. (1883) the Moncton Sugar Refining Co.

(1879), the Nova Scotia Sugar Refinery Co. (1879) and the Atlantic Sugar House (1882). In addition, we will examine the interaction of refiners, shippers, wholesalers, and politicians to illustrate what effect these sectors had on the industry and on each other. That the sugar question was intensely political, helps explain why so many refineries were established in such a short time.

The final chapter will discuss the growing difficulties in the sugar industry during the late 1880s, the consolidation movement, and the external pressures affecting the industry in the region. In a sense the sugar refining industry was the first truly Canadian industry and helped politically, economically, and ideologically to "Canadianize" the Maritimes. By the 1890s, however, sugar refining lost its symbolic importance, and the industry entered a period of decline.

Many factors led to the consolidation of the industry and contributed to the declining prospects of the Maritimes during the 1890s. Higher rail tariffs, failed investment strategies, domestic over-production, and glutted world markets, all affected the refineries at this time. Yet the solutions refiners sought to the turmoil plaguing the industry were always national in character. Indeed, if there is one constant in the history of Maritime sugar refining after 1867, it was that no solutions to their difficulties were available to refiners outside of the "Canadian context".

Chapter One: The Making of a Mercantilist Economy

The history of the Maritime sugar refining industry lies deeply embedded in the region's pre-industrial past. Sugar had a special place in the earliest trading patterns of the Maritimes. After its initial colonization during the 17th century, the West Indies quickly became an integral component of the British mercantilist economy and by the beginning of the 18th century was an important component of Maritime economic life.¹ An abundance of fertile land on the West Indian islands allowed for fortunes to be made in the production of sugar cane crops. Yet the economy of the West Indies depended on importation for virtually every domestic need. The West Indies trade was thus very rewarding to those shipping interests in Britain, and for British colonies such as Nova Scotia, which were charged with supplying the Western Indian market with the necessities of life.

Throughout the eighteenth and nineteenth centuries, Maritime exports, particularly of fish and lumber products, penetrated the markets of the Caribbean.² Yet, developing under the hegemony of the British imperial mercantile system,

1 David Sutherland, "Halifax Merchants and the Pursuit of Development, 1750-1850," Canadian Historical Review, LIX, 1, 1978, 3.

2 Brinsley Samaroo, "The politics of disharmony: the debate on the political union of the British West Indies and Canada, 1884-1921," in Brian Douglas Tennyson, ed., Canada and the Commonwealth Caribbean, (Boston: University of America Press, 1988), 192.

Maritime trade was subject to the whims of British foreign policy. As imperial policy changed, so too would the economy of the Maritimes and the shipping interests associated with it.³ Indeed, as T.W. Acheson observed, "the region's resource-based economy suffered a series of periodic recessions as a result of changing imperial policies and world markets."⁴

British restrictions placed on trade between the West Indies and American exporters after the American Revolution opened the door for Maritime merchants. However, with the signing of the Jay Treaty in 1796, the West India market was opened to American exporters. American shippers once again lost access to British ports in the West Indies with the passage of the Embargo Act of 1807 by the United States Congress. At this same time, the Navigation Acts of the British colonies favoured the interests of British North American merchants; chiefly those situated in Halifax and Saint John.⁵ W.S. MacNutt, writing on early Maritime colonial history, suggests that the Maritimers' efforts to exclude American trade from the West Indies

3 W.T. Easterbrook and Hugh G.J. Aitken, Canadian Economic History, (Toronto: The Macmillan Company of Canada, 1956), 229.

4 Acheson, "The National Policy," 3.

5 S. Basdeo and H. Robertson, "The Nova Scotia-British West Indies commercial experiment in the aftermath of the American Revolution, 1783-1802," Canada and the Commonwealth Caribbean, 33.

was a great success:

This was a triumph for the merchants of the Atlantic Provinces who held hard to the principles of the Navigation Acts...[T]he British government proclaimed a belief that New Brunswick and Nova Scotia could supply the West Indies with all they required, whether the goods were of British or American origin. ⁶

By the beginning of the nineteenth century, the economic interests of the Nova Scotia business elite were closely tied to the West Indies trade.

During the next half century, the Maritime region was transformed into a significant trading centre, harbouring one of largest merchant fleets in the world. Key institutions, including banks, and early primary and secondary industries, all drew considerable benefits from external trade as did the political elite of the region. The successful prosecution of the West Indies trade, however, depended entirely upon the ability of the Nova Scotia merchants to dispose of the region's sugar crop.⁷

William Lawson was the founder of the first sugar refinery in Nova Scotia and one of the most prominent men in the colony during the first half of the 19th century. Lawson personifies both the importance of sugar to the colony and the region's dependence on the West Indian trade. He was born in Halifax in 1772 to a

⁶ W.S. MacNutt, The Atlantic Provinces: The Emergence of Colonial Society, (Toronto: McClelland and Stewart Ltd., 1965), 153-4.

⁷ Acheson, "The National Policy," 6.

wealthy local merchant family. By the age of forty Lawson had built up a large shipping firm, and was prominent in political circles. He was the M.L.A. for Halifax county from 1806 to 1836, and member of the Legislative council from 1838 until it was disbanded in 1845. Along with Dr. William Bruce Almon and others, moreover, Lawson was a founding member of the Bank of Nova Scotia in 1832.⁸

As a merchant Lawson clearly understood the significance of the West Indian trade to the region's economy. He knew the expense of one way shipping - exporting a product and returning only with ballast - and realized that reciprocal trade with the West Indies was essential for the survival and competitiveness of Nova Scotia shipping. Trade with American ports was limited by English trade restrictions, port duties, insurance costs, and other costly problems. On the other hand, shippers considered West Indian sugar an excellent return cargo, with high value to the pound. Maritime shippers would often receive payment for their goods in sugar rather than cash, thereby increasing their return in the home market. Lawson that believed a sugar refining centre would provide the basis for a more fully developed reciprocal trade than presently existed.

In 1815 Lawson, Almon, and Lewis Johnston collaborated in the

⁸ Jane Hollingworth Nokes, "William Lawson," DCB VII, 491; Colin Howell, "William Bruce Almon," DCB VII., 16.

establishment of the Halifax Sugar Refinery on the western shore of the North West Arm. The first few years held encouraging prospects for the refinery. Between 1817 and 1823 the amount of sugar refined fluctuated between 29 and 77 tons a year. Through that same period, the plant's value increased from £5000 to almost £20,000 and the price of sugar in Halifax dropped from 11¢ to 9¢ a pound. In addition, one quarter of the sugar refined in the city found markets in Quebec, Newfoundland and Boston.⁹

Conscious of the refinery's role in expanding Nova Scotian trade, the refiners continually sought government assistance to aid their enterprise. Lawson regularly petitioned the Government concerning current restrictions and obstacles to future expansion. On January 8, 1824, the refinery petitioned the Nova Scotia Legislature for a drawback of duties on refined sugar destined for export. A drawback was a reimbursement of collected tax upon a product previously imported but now exported. For example, sugar after refining would be subject to a drawback upon export from Canada. This petition noted that while economic conditions had initially been favourable to the refining industry, the present drawbacks granted to Canadian and Jamaican refiners now placed Halifax at a disadvantage. The refiners told the

⁹ Public Archives of Nova Scotia (henceforth PANS), RG 5, Series P, Vol. 120, #54.

government that if the Halifax refinery closed down, the loss of sugar as a return cargo would adversely affect the entire shipping trade. "Take into consideration," the petitioners requested, "that the sugar used in the manufacture, here, is all procured in return for produce of this province, and that it has thus most materially tended to benefit its agriculture, its fisheries and its commerce".¹⁰

During the 1820s and 1830s, the Nova Scotia government recognized the strategic value of the refinery and granted Lawson drawbacks to ensure the refinery's success.¹¹ Yet despite the government's legislative recognition of the refinery's importance, the refiners were frequently left waiting for reimbursement from tax exemptions granted by the Legislature. The refinery suffered from what Lawson believed was continual tax harassment and neglect by the Government. Several times he charged the Nova Scotia Government with failing to respect the Acts that were passed to protect and promote the industry. In March 1825 the Halifax refinery sought the reimbursement of £400 of duty exempted by provincial statute. By 1828, another £642 pounds had been paid in taxes yet the refiners had

10 PANS, RG 5, Series P, Vol. 120, #51.

11 Ben Forster, Conjunction of Interests: Business, Politics, and Tariffs 1825-1879, (Toronto: University of Toronto Press, 1986), 15. Forster traces some of the earliest bounties in British North America to the state's enticement of settlement in order to encourage sufficient agricultural produce for export to the West Indies.

still not been compensated for imperial or colonial taxes.¹² While the rate of tax was minimal, the refiners claimed that the margin between the cost of production and competitive price was so narrow, that little profit, if any, could be realized.

Despite the government's procrastination, the refinery continued to operate. Sales for the company from 1815 to 1828 totalled £34,000, consisting of over 700 tons of sugar and almost 60,000 gallons of molasses. During the remainder of the decade the refiners continued to petition the successive governments, but their requests met with no satisfactory result.¹³ The refinery eventually closed as a result of American competition in 1832.¹⁴

When Anglo-American relations were stabilized in 1831, merchants in the Maritime colonies feared the loss of their favoured position in the trading world. MacNutt noted that for some, "the ending of the artificial process by which the Atlantic colonies had been made the apex of a lucrative triangular trade was now in

12 PANS, RG 5, Series P, Vol. 121, #38; PANS, Statutes of Nova Scotia, (henceforth SNS), Geo. III, c. 23, "An Act for granting a drawback of the Duties on Brown or Raw Sugar, used in the Manufacture of Refined Sugars within the Province, and for regulating the mode of obtaining the same".

13 PANS, RG 5, Series P, Vol 121, #67. A commission into the trade of sugar recommending drawbacks in its report was rejected by the king's council later that year.

14 Hollingworth Nokes, "Lawson"; PANS, RG 5, Series P, Vol. 121 #86.

sight."¹⁵ Over the years, British imperial policy had significantly benefitted the Maritime colonies. If these policies were retracted, they would leave the region open to the full force of American competition. Contrary to this opinion, however, a few merchants saw the region's freedom from imperial restrictions as an opening of new markets to exploit. These entrepreneurs believed that the region possessed the advantage of being a well established trading community, centrally located in the Atlantic trade routes, and possessing many valuable resources close at hand.

"Freedom of trade, the removal of the last fetters on the commerce of the province that accompanied the loss of the special place in the West Indies," wrote MacNutt, "produced celebrations that inaugurated new opportunities to 'the thinking part of the population'."¹⁶

The 1830s saw the opening of international markets and the ending of the Nova Scotian bounties, inaugurating a prolonged period of "free trade" in Nova Scotia. By the mid 19th century, bounties established by the Nova Scotia government to encourage sugar refining, and other tariffs designed to broaden West

15 MacNutt, Atlantic Provinces, 171; Hollingworth Nokes, "Lawson"; Ramsay Cook, John Saywell, and John Richer, Canada: A Modern Study, (Toronto: Clarke Irwin and Co. Ltd, 1977), 73.

16 MacNutt, Atlantic Provinces, 171-2; Sutherland, "Halifax Merchants," 15.

Indian trade, had virtually disappeared. David Sutherland states "that, by the late 1840s, only a few Halifax merchants clung to protectionist ideals."¹⁷

The economy of the early nineteenth century Maritimes was intimately connected to West Indian sugar cane production. Raised in a climate of protection, Maritime trade with the West Indies thrived. Even the loss of that protection Maritime shippers remained secure in their West Indian market and even expanded their markets to the Pacific rim through the 1850s and 1860s.¹⁸ While the region could not compete in refining sugar, the Maritimes still benefitted from the transshipment of the West Indian sugar crop throughout the world. In the two decades before Confederation, Nova Scotia merchants continued to expand into new markets, which led most Nova Scotian merchants and politicians to adhere to a free trade ethos.

The proposal for Canadian Confederation, a neo-mercantilist alternative to the earlier system of Imperial preference, threatened to alter dramatically the trade patterns that Nova Scotian merchants had established over the previous decades. Confederation thus meant more for Maritimers than a political union: it also

17 Sutherland, "Halifax Merchants," 15.

18 Del Muiise, The Federal Election of 1867 in Nova Scotia: an Economic Interpretation. Collections of the Nova Scotia Historical Society, XXXVI (1968), 327-9.

represented a fundamental shift in the political economy of the region. Twentieth century historiography, with its nationalist perspective has often preferred to cast the Maritimes' hesitancy towards Confederation as a debate between traditionalists who were resistant to change, and progressives who looked toward the industrial future. This is a serious oversimplification . In order to understand just how Maritimers viewed the Confederation debate and more particularly, to assess the role the sugar refining industry played in the "Canadianization" of the region in the following decades, it is first necessary to challenge some of those stereotypes about what Confederation meant to the people of the Maritimes.

CHAPTER 70.

An Act to incorporate the Halifax Sugar Refining Company.

(Passed the 30th day of April, A. D., 1873.)

Chapter Two: The Maritimes and the Debate over Confederation

Until the 1960's Canada's mainstream historiography ignored the post-Confederation Maritimes, making it simply a footnote in a larger Canadian history. "As for the Maritime provinces," Frank H. Underhill once wrote, "nothing, of course, ever happens down there."¹⁹ Ignored by historians, the Maritimes was stigmatized as an innately conservative and hide-bound region, by-passed by the forces of modernization. In a recent article, Phillip Buckner has set out to reverse the many mistaken notions historians have held regarding the Confederation debates in the Maritimes. In describing the limitations of previous work on the subject, Buckner suggests that, "the failure of the Maritime colonies to respond enthusiastically to the Canadian initiative for Confederation in the 1860s has come to be seen as yet another example of their backwardness and inherent conservatism."²⁰ Indeed, previous studies, such as Donald Creighton's The Road to Confederation: The Emergence of Canada 1863-1867, and Ramsay Cook's Canada:

19 Quoted in E. R. Forbes, ed., Challenging the Regional Stereotype: Essays on the 20th Century Maritimes, (Fredericton: Acadiensis Press, 1989), 53; John Reid, "Towards the Elusive Synthesis: The Atlantic Provinces in Recent General Treatment of Canadian History," Acadiensis, XVI, 2 (Spring 1987).

20 Phillip Buckner, P.B. Waite and William Baker, "The Maritimes and Confederation: A Reassessment," The Canadian Historical Review, LXXI, 1 (March 1990), 1.

A Modern Study, sought to legitimize the Maritimes' reluctant entry into Confederation and to promote Canadian nationalism.²¹ Creighton, Cook and others depicted anti-Confederate sentiments as expressions of inherent Maritime political conservatism, which frustrated the national and progressive development of the modern nation state.

During the 1960s a new generation of historians began to take issue with the nationalist interpretation. These authors suggested that regional economic issues played an important role in the Confederation debate in the Maritimes. In one of the most influential revisionist histories written about Confederation and the region, Del Muise postulated that resistance to Confederation amounted to more than political conservatism and that there was an economic link in the political debate over Confederation.²² John Reid agrees. "Economic analysis of the Confederation debates," he wrote, ". . . provides a perspective of the decade of the 1860s which differs from the impression left by a purely political interpretation."²³

The new analysis brought attention to the economic and social circumstances

21 Donald Creighton, The Road to Confederation: The Emergence of Canada 1863-1867, (Toronto: The Macmillan Company of Canada, 1964); Cook, Canada A Modern Study.

22 Muise, "Federal Elections," 328.

23 John Reid, Six Crucial Decades: Times of Change in the History of the Maritimes, (Halifax: Nimbus Publishing, 1987), 117.

confronting the Maritimes during the latter half of the nineteenth century. The result was a new emphasis on a number of important issues relating to the social and economic framework within which Confederation in the Maritimes could be analyzed and understood. These issues include the changing nature of Maritime political economy; the structural change in governments and their policies; the unprecedented industrial transformation taking place in transportation and manufacturing; and the collapse of the West Indies trade. All these factors weighed heavily upon the minds of the Nova Scotian merchant elite during the time of Confederation.

Industrial and technological advancements in manufacturing and transportation had a major impact on the Maritime economy during the later part of the century. While manufacturing transformed the production of many products such as sugar, textiles, and steel, the introduction of rail roads and steam-driven metal ships were equally influential in transforming the lives of nineteenth-century Maritimers. For many, the technological revolution enhanced the need for an equally revolutionary political and economic restructuring. Orville McDiarmid suggests that "after the coming of the steamship it became evident that only by indigenous industrial development could the Maritimes, especially Nova Scotia,

hope to continue the economic advancement of the past."²⁴

The Confederation debate essentially involved two competing visions of the economic future of the Maritimes, and the role the region would play in relation to the North American continent. Those who supported a political union were referred to as Confederates. Those opposed to Confederation became known as Anti-confederates, and later merged into a national coalition known as the Reform Party.

Anti-Confederates maintained that the preservation of a free trade ethic would provide the basis for the continued accumulation of wealth for the region. This is not to say that the Anti-Confederates were hostile to industrialism, only that they doubted the wisdom of a broader political union to necessitate such economic change.²⁵ To advocates of a traditional economy there was little advantage in a broader political alliance with Canada. Instead, these individuals sought to shore up traditional markets and regarded local legislative control as ideal. Political union, in this view, meant that the region would be subjected to a federal policy determined to redirect Maritime trading from its traditional North-South axis to an East-West one.

While some believed that a continental economy would undermine traditional

24 Orville John McDiarmid, Canadian Commercial Economic Policy. (Cambridge, Massachusetts: Harvard University Press, 1946), 129.

25 Buckner, "Confederation", 13.

Atlantic trading patterns, Charles Tupper and other Confederates, believed industrialization was achievable only within a large scale political union. Such a union, the confederates believed, would be secured by the Intercolonial railway, the tariff, and protection for domestic industry by government. To the supporters of Confederation, the new federal policies of continental development provided an ideal opportunity to establish new trade links and revitalize the old ones. In 1933, S.A. Saunders noted the optimism felt by many Nova Scotians about their place in the newly emerging industrial world:

In 1867 there was a widespread belief among supporters of federation in the Maritime provinces that the region would become the manufacturing centre for the new dominion, and until the turn of the century it would seem these expectations would be realized.²⁶

Since Muise's ground breaking essay, a whole generation of scholars now argue that Maritimers were acutely aware of the effects that technology and industrialization were having in their traditional markets. Despite the long tradition of trade between Britain and the Atlantic region, Maritimers were able to recognize new economic possibilities. Despite political, economic, and technological changes, the principal economic concern for the majority of Maritimers during and after the

²⁶ S.A. Saunders, The Economic History of the Maritime Provinces, (Wolfville: Acadia University, 1932), 90.

Confederation debate was this: how would political and economic union affect their relationship to the West Indian trade? In 1867 many Maritimers rejected the possible gains that accompanied union in favour of preventing the potential damage to their economy from the collapse of the West Indies and overseas trade. Fear of disruption in West Indian and trans-Atlantic trade out-weighed the foreseeable benefits of a continental economy.

About the same time that the Confederation debate occurred, the West Indian economy was also experiencing a period of fluctuation. Faced with changing demands for sugar and new sources of competition from as far away as the Pacific, the West Indies economy slid into a severe depression. This depression had an immediate effect on the Maritime economy and made Maritimers even more keenly aware of their reliance on West Indian sugar.²⁷

After Confederation the crisis in the West Indies trade deepened. Alterations in American tariff policy in 1870 towards the refining and export of sugar from their shores, had an immediate and dramatic effect on the new nation's sugar refining industry. The invasion of cheap American sugar into Canada, in the 1870s, forced

²⁷ Alice R. Stewart, "Canadian-West Indian Union, 1884-1885," *Canada and the Commonwealth Caribbean*, 163. Indeed, by 1881 export income (£8,904,000) in Jamaica declined to below that of 1831 (£9,962,500); Brinsley Samaroo, "The politics of disharmony," *ibid.*, 193; Peter K. Newman, "Canada's role in the West Indian trade before 1912," *ibid.*, 106.

the Redpath Sugar Company in Montreal to close sporadically, further exacerbating the already serious decline of the West Indies trade.²⁸ The weakening of the Canadian sugar refining industry forced Nova Scotian shippers to crowd into American ports to dispose of their raw sugar cargoes. The Monetary Times noted in 1876 that:

...some of the West Indies merchants of the Maritime Provinces now send their fish to Cuba via New York steamers instead of employing their own vessels, for they find the importing of sugar to Canada unprofitable since the crushing out of the refining interests. Our American neighbours are pretty effectively destroying the raw sugar business of Halifax and St. John as well as that of the refined article from Montreal.²⁹

George Drummond, president of the Redpath Sugar Refining Company expressed similar sentiments. Drummond alluded to the widespread effect closure of the refinery would have on the rest of the country. "Before long," Drummond wrote, "you will see Nova Scotian importers crying out, if refined sugar is to come from New York the raw must go there too."³⁰ In light of declining trade, merchants increasingly sought new ways to stimulate and foster a recovery in the Atlantic

28 See Appendix 1.

29 Monetary Times (henceforth M.T.), Oct. 20, 1876, 446.

30 Redpath Museum Archives Collection (henceforth RMAC), Drummond Letterbooks, Drummond to Peter Mitchell, Mar. 12, 1873..

region's economy. The most promising of these was the establishment of a Maritime sugar refining industry to ensure a market for West Indies sugar, an idea that William Lawson had promoted a half century earlier.

As a sugar refining centre, Halifax offered many advantages. With Halifax as a terminus for West Indies sugar, the growth in reciprocal trade would provide spin-offs in transportation, coal production and barrel manufacturing in the Maritimes.³¹

The Montreal Herald concurred:

...if such an interest can be established by artificial means the city of Halifax has so many advantages of position over any other locality, both for importing and exporting as well as for the purchase of coal, as will probably secure to her a monopoly of the business now that there are no internal coal duties to keep lower province manufacturers out of the other province.³²

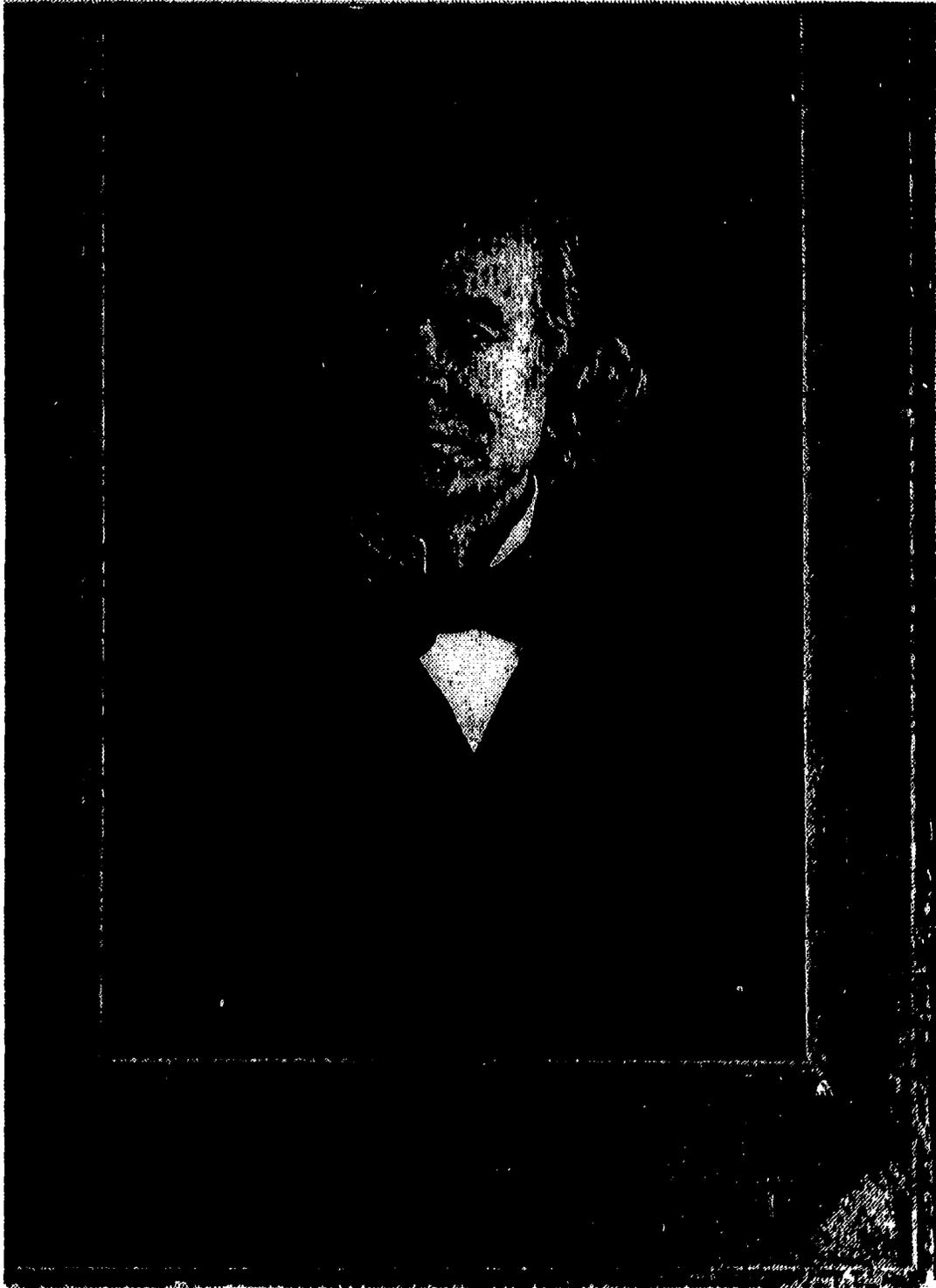
George Dustan, a recent immigrant from Scotland who wished to establish a refinery in Halifax, suggested that the port had many natural advantages ideal for such an enterprise. A letter from Dustan to John A. Macdonald in 1875, reveals his belief in the strategic importance of the port as a potential sugar refining centre:

Halifax, from its lumber and fish trade to the tropics, should be

31 PANS, Macdonald Papers, MG 26 A, 138413, (mfm), Dustan to Macdonald, Feb. 25, 1875. In later years Dustan raised the possibility of an industry using western Canadian cattle bones for animal charcoal for the filtering process rather than exporting the bone to England where it was processed and imported back.

32 Montreal Herald reprinted in The Morning Herald, July 23, 1877.

George Dustan



one of the best and cheapest raw sugar markets in the temperate zone. The harbour is never ice locked and the abundance of cheap conditions makes it more advantageous than New York and Philadelphia.³³

Dustan's forceful advocacy of a refinery made him a central figure in Halifax politics during the 1870s. In time his name became synonymous with the sugar refining industry in Canada.

For all the promise Halifax displayed as a potential centre for sugar refining, however, competition remained an obstacle. Sugar refining in Canada was regarded by many as an industry with little likelihood of success, unless shielded by tariff protection. Vigorous international competition for sugar markets meant that a successful refining industry would be no easy triumph for Halifax businessmen. Indeed, as far back as 1799 the colonial trade office had reported that rum and sugar production were the only "new world" industries facing international competition.³⁴ During the 1820s, William Lawson's venture was established with the help of bounties and despite continual support failed during into the 1830s. Given the history of sugar refining in the Maritimes, most potential investors believed tariff support to be essential if a domestic refining industry was to be established.

33 PANS, Macdonald Papers, 138413, Dustan to Macdonald, Feb. 23, 1875.

34 Innis, Select Documents, 701.

Lawson's calls for further protection never did gain the support of the majority of the Halifax merchant community, who by the 1830s were becoming strong supporters of "free trade."

The Halifax merchant community in the 1870s continued to be amongst the most fervent free traders on the continent, largely unwilling to support protection for any industry. Ben Forster suggests, that apart from the refining interests, support for protectionism in Halifax was marginal at best:

A small minority voiced approval of protection in the Halifax Chamber of Commerce, but they were quickly drowned out...(The majority opinion argued that)..protection would make the Maritime shipbuilder suffer; it would ruin the shipping interest by reducing trade; Maritimers already paid more tax than other Canadians on a per capita basis. Protection would damage the revenue by encouraging smuggling and thus hurting the fair trader. And it went counter to free trade principles. So, at least, thought the Halifax Chamber of Commerce.³⁵

During the late 1860s the mainstay of Maritime trade, the West Indies, experienced a severe decline. Exports over the next decade dropped to record low levels. The effect on Nova Scotia shippers was equally devastating. Several major shippers in Halifax declared bankruptcy. As a result the Maritime elite was faced with the task of reorganising the region's economy.

35 Forster, Conjunction of Interests, 140.

The Maritime merchant elite at the time of Confederation realized the need for economic reform, and adopted innovative technological and trading practices to restore prosperity. Michael Dwyer, a prominent West Indies merchant at the time, observed in a retrospective historical account of the refining industry presented in the Morning Chronicle in 1893, that a new mood began to emerge during the 1870s towards the tariff and the political union of British North America:

It was proposed by West Indies merchants for a tariff to encourage domestic consumption. A tariff . . . would restore the West Indies trade and provide the opportunity for industrial growth and add potential for spin off industries. It (a sugar refinery) was an enterprise that would bring success to the whole city.³⁶

Edward Porritt, a doctrinaire free trader, who subsequently wrote a critical history of the protectionist movement in Canada, could find no other explanation for Maritimers' growing enthusiasm for the National Policy than to declare them susceptible to the falsehoods of Central Canadian politicians:

It was by glaring and impudent misstatements ... in Nova Scotia and New Brunswick - provinces too remote to realize the actual aim of the protectionist movement in Ontario - that the Conservatives carried seats for the National Policy candidates.³⁷

36 Morning Chronicle, Apr. 19, 1893.

37 Edward Porritt, Sixty Years of Protection in Canada, 1846-1907, (London: MacMillan and Co. Ltd., 1908), 312.

Recent research has dispelled the myth of "conservatism" and demonstrated instead that Maritimers saw the Confederation debate more broadly than the narrow political interpretation many central Canadian authors had previously attached to it. Maritimers were often acutely aware of economic and technological changes that faced them, and had a clear understanding of their own prevailing economic interests. In rejecting the B.N.A. Act, Maritimers were choosing to protect their traditional trading position over the unseen potential benefits associated with the continental economy. In 1867 Nova Scotia was brought into Confederation under the terms of the British North America Act. Yet many Nova Scotians did not accept Confederation and their resentment remained strong well into the 1870s. However, during the election of 1878 Conservatives, widely seen as the party of Confederation won a landslide vote of 21 - 7 to the Federal Parliament. Nova Scotia had for the first time embraced the nation and the Conservative platform of the National Policy.

The dramatic political and economic realignment of the Maritime elite towards the new nation involved, among other things, concerns about protecting the traditional West Indian trade. Merchants were prepared to jettison passionate free trade and mercantile allegiances in favour of "protectionism," "industrialism," and

"nationalism," if these new allegiances served to preserve an active trading relationship with the West Indies. After Confederation Maritime entrepreneurs quickly embraced new industries, such as sugar refining, new economic tools like tariffs, and the new central Canadian market. Nowhere was this more evident than in the Maritime sugar refining industry.

Chapter Three: Emerging Alliances

The period between Confederation in 1867 and the federal election of 1878 was a time of alliance building for those interested in sugar refining in Canada. The crisis in the West Indies economy, occasioned by the rise of the European sugar beet industry, had won over many former opponents of protection to the refining cause in the Maritimes. Elsewhere in Canada as well, support for a Canadian tariff on refined sugar gained momentum during the 1870s. A number of prominent individuals emerged at the forefront of the sugar debate, including John Redpath and George Drummond in Montreal, and George Dustan and A.G. Jones in Halifax. These men greatly affected the development of the industry, and the broader political environment of 1870s. The difficulties that they experienced in protecting themselves from competition from American refiners brought about a close working relationship between the refiners of the Maritimes and central Canada. Their joint efforts, moreover, were important during the election campaign of 1878 and in shaping the specific provisions of Macdonald's National Policy of 1879.

The refining industry in Canada at the time of Confederation consisted of the Redpath Sugar Company in Montreal. Redpath, while a potential competitor for other Canadian refineries, was also a potential ally in the fight for industry wide

George Drummond



tariffs. Opened in February, 1855 the Redpath Sugar Co. produced about 30,000 pounds of refined sugar a year and employed over one hundred men, the largest factory in Montreal.³⁸ By 1862 almost 90% of refined sugar in Canada was produced at the Redpath refinery which by 1866 employed more than 400 people.³⁹ When John Redpath died in 1869, his son Peter, a partner since 1857, took over the firm. That same year a young chemist from Edinburgh University named George Drummond joined the firm as manager. Drummond married John Redpath's daughter and became a partner in 1861.

From its inception, the Redpath Sugar Refining Company received various forms of tariff protection. In 1866, George Drummond convinced John Rose, then Finance Minister of the United Provinces of Canada, to establish a two-tier duty favouring refined over raw sugar.⁴⁰ Under this tariff Redpath's plant flourished.

38 Richard Feltoe, Redpath: The History of A Sugar House, (Toronto: Natural Heritage/Natural History Inc. 1991), 135.

39 Innis, Selected Documents, 613. Sugar was the 4th most valuable product imported in 1853 behind Cotton, Iron, and Tea.

40 Forster, Conjunction of Interests, 47-9. From its inception the Redpath refinery had successfully lobbied governments to provide the refinery with tariff protection from foreign competitors. In 1859, for example, Alexander Galt responded to the request of the Redpath refinery, placing sugar on an ad valorem rather than a specific duty. A specific rate is a direct amount applied to each pound. For example at rate of 1¢ a 5¢ pound of sugar would cost 6¢ opposed to ad valorem which adds a fraction relative to the cost of the sugar. For example at 25% the cost of a 5¢ pound of sugar would be 6 1/4¢.

During the 1870s however, despite the generous protection of earlier years, American and British competition increased, making refined sugar one of the few products of mass consumption still imported into the country.⁴¹ The subsequent collapse of the refining industry in Montreal took place at the same time local businessmen Alfred G. Jones and George Dustan were hoping to establish a sugar refinery in the Maritimes.

Born in 1827 on Islay in the Inner Hebrides, George Gordon Dustan worked in the Scottish refinery district, Greenock, and eventually came to Canada in 1863. Not much is known about Dustan's early life except that he was a fully trained refiner before coming to Saint John in the early summer of 1863.⁴² Dustan initially came to the Maritimes to manage a molasses factory, but within a few months he had convinced its owners that there were profits to be had in sugar refining. The Royal Gazette of 2 September, 1863 announced that Dustan, Charles Drury, Ward Chipman Drury, John Holden, and Charles Merritt had formed the province's first sugar refinery, the New Brunswick Sugar Refining Company, which began

41 McDiarmid, Commercial Policy, 48.

42 J.B. Cahill, "George Gordon Dustan," DCB, Vol. XIII.

operating soon after.⁴³

Dustan and his partners quickly realized that government support would be required to sustain their operation.⁴⁴ Because of unfavourable market conditions, the initial assessment of fixed capital required (\$20,000) was grossly insufficient to fund the project. One possible option for the group was to lobby for a drawback; a form of reimbursement of duty paid on importation of materials used in refining. Unfortunately for Dustan and his partners, the New Brunswick Legislature refused the company's request for a drawback. On April 11, 1864, however, it did agree to extend the capital stock to \$100,000 in the form of 500 two hundred dollar shares.⁴⁵ Despite a personal investment of close to \$40,000, it soon became apparent to Dustan that the enterprise was too small to succeed. Nor was Saint John the ideal locale for his refinery. Better market conditions and much more capital would be needed if such a plan was ever to be realized in the Maritimes. Increasingly Dustan thought of Halifax as the more suitable location. Dustan was attracted by the presence of West Indian shipping merchants, and by a conviction that the Nova

43 New Brunswick Archives, (henceforth NBA), "Royal Gazette," Sept. 2, 1865, 241.

44 NBA, RS 624, A, 12, Feb. 1, 1864.

45 NBA, New Brunswick Journals of the House of Assembly 1864, Vic., c.33, "An Act to Authorize New Brunswick Sugar Refining Company to Increase Capital."

Scotia government would be more approachable in granting him incentives for a refinery.⁴⁶

Dustan saw considerable potential for the industry in the Maritimes. Indeed, the market potential was extraordinary. Consumption of sugar in Canada averaged only 26 lbs. per capita per year, and most of this was consumed in high grade raw form. In the United States and Great Britain consumption per capita was 48 and 60 pounds respectively, and this rate was increasing at two to four pounds per year.⁴⁷ Dustan claimed, therefore, that the Government revenues stood to gain substantially from the expansion of the sugar industry.

After much thought Dustan believed Halifax to be the ideal location for a refinery in the Maritimes and tried to drum up support for the project among local legislators. With its local supplies of abundantly cheap coal and excellent port facilities, Halifax would maintain an edge over the "older establishments in Canada".⁴⁸ Dustan estimated the cost of construction for a refinery in Halifax at

46 Cahill, "Dustan"; PANS, Macdonald Papers, 138405, Dustan to Macdonald, Feb. 23, 1875. Dustan claimed that he had made political and business connections before immigrating. "I was induced to come out from Scotland to go into the business of sugar refiner, on the assurance of leading politicians of every shade of through in this country."

47 PANS, Macdonald Papers, 138405, Dustan to Macdonald, Feb. 23, 1875.

48 PANS, RG 5, Series GP, Box 7, #69; Cahill, "Dustan".

approximately \$200,000, a reasonable figure considering the enormous long-term gain to the Colony. Indeed, the duty from an estimated consumption of 2500 tons coal, and 5000 tons of raw sugar alone, would equal \$80,000 in revenue each year.

Dustan believed in an "activist government" - a government willing to invest indirectly in business through tax incentives and infrastructure. From the time of his arrival in North America, he appealed for Government assistance in the form of grants, tax exemptions, and civil servant commissions. On March 18, 1865, for example, Dustan petitioned the Nova Scotia Legislature to aid him in the establishment of a sugar refinery. He sought permission to import equipment from the Saint John plant without duty, for a drawback on exported sugar and syrup, and for a ½¢ per lb. reduction in duty on refinery grades of sugar imported into the Halifax refinery. All three provisions were recommended to the House by the Committee on Trade and Manufactures and passed as presented.⁴⁹

Near the end of 1865, Dustan purchased the "Woodside" house and estate. Built in 1830 by John E. Fairbanks, the estate extended for a mile along the southern shore of the town of Dartmouth, on the recently abandoned coaling station of the Inman Steam Ships Co.. On this estate - from which the surrounding community of

49 Cahill, "Dustan".

Woodside took its name - Dustan set about gathering materials for his enterprise. Within five years he imported \$12,000 worth of machinery from the Saint John plant and spent \$40,000 on wharf facilities.⁵⁰

For the next twenty years Dustan campaigned tirelessly in local, federal and even international circles, making him "one of the leading authorities in the world on the Sugar Question".⁵¹ On Nov. 14, 1877, the Montreal Gazette wrote concerning Dustan's expertise, that, "[n]o man now in Canada, is better, or, indeed, so well qualified to deal with it [the question of sugar duties] as Mr Dustan. He has battled with an untiring energy for the last four years to impress upon the Government the need to encourage a branch of industry."⁵²

In 1869 Dustan visited England to garner support for opposing U.S. drawbacks that were impeding his efforts at establishing a refinery in Halifax. Realizing that Canada's fiscal clout was insufficient to convince the Americans to reduce their drawbacks, Dustan believed that an alteration in British policy would

50 Ibid.

51 The Morning Herald, Jan. 3, 1878.

52 Montreal Gazette, Nov. 14, 1877. During the period from 1865-1878 Dustan wrote over 1000 letters on the "Sugar Question" and the Tariff policy of the United States. For a period of nine years he had half a dozen letters published in pamphlet form annually and distribute up to 2500 copies including a copy to every member of parliament and the press.

make the United States take note. As Dustan put it, if "Free Trade England" changed its policy then "I could get Canada to meet U.S. aggressiveness the same way." Gladstone, an ardent free trader, was already facing domestic pressure from English and Scottish refiners, to resist bounty-fed French imports.⁵³

In England, Dustan presented his case to Finance Minister John Bright. Although Bright was a committed free trader, he did find excessive drawbacks by foreign governments a gross injustice to British sugar refiners and exporters. After four meetings Dustan received assurance from the English government that they would soon open negotiations with hostile countries in respect to sugar duties. English and Scottish refiners praised Dustan for his efforts, and without solicitation compensated him financially.⁵⁴

George Dustan was by no means the pioneer of the Canadian sugar industry, nor was he the first to promote protection for the industry. He nonetheless played a

53 PANS, Thompson Papers, 11047, Dustan to Thompson, Oct. 19, 1889. April 1869 Dustan travelled to England with various letters of introduction. From Tupper to Secretary for the Colonies, the Earl of Granville and Colonel Boggs; from Tilley to Sir Frederick Rogers, the permanent head of the Colonial Department; from Howe introductions to Rogers and Edward Hanford, a private agent of English Government and to Glynn and Co., the London bankers; and from Premier William Annand to John Bright, President of the Board of Trade.

54 PANS, Thompson Papers, 11047, Dustan to Thompson, Nov. 25, 1889. Later Dustan related to Thompson that while in Scotland fishing, ten years later, a close friend, John Jackson asked Bright if he remembered Dustan. Bright replied that he had never heard the Sugar Question so eloquently stated and remembered him well.

pivotal role in the early development of Canada's protectionist policies which later were adopted as a general tariff strategy for the country. Dustan's ideas are important for they reveal that some Maritime businessmen saw a role for the region in a united country, linked by rail transport, and expanding westward through immigration. Dustan was convinced that the development of a new nation would encourage a thriving business climate for Maritime industry, making the region the axis point between the Atlantic and continental economies. Due to his efforts for over fifteen years Dustan was the embodiment of the refining industry in the Maritimes. Political parties vied for his support, and he had the ear of the most influential policy makers in Ottawa.

While Dustan represented the refining interests in Halifax, Alfred Gilpin Jones represented the West Indian shipping interests. Originally from Weymouth, Digby county, Jones had entered into the West Indies trade as a young man. Jones's merchant status gave him the prestige to argue on behalf of Nova Scotian interests as a legislator, as head of the Anti-Confederate League, as M.P. for Halifax and cabinet minister in the Mackenzie administration, and finally as Lieutenant Governor of the province.⁵⁵

55 PANS, Jones Papers, MG 1, Vol. 523.

As a West Indies merchant, Jones was heavily involved in the sugar trade. He was thus well aware of the role a sugar refinery in Halifax could play in providing a return cargo for Nova Scotian ships. Because of his prestige and political status, he was able to exert significant political and economic influence, making important contributions to the refining industry. It can be argued, however, that Jones's political will ebbed and flowed with his business interests. When shippers' interests opposed those involved in the refining business, Jones sided with the merchants he represented. In the early 1860s, when high grade raw sugar was imported more often than refined grades, Jones opposed protection. Yet when tastes changed, and refined sugar gradually replaced raw sugar on Canadian tables, Jones both supported and invested in the sugar refining industry. It is clear that Jones did not consider sugar to be a tool of nation building as Dustan did. Rather, he was interested in the business because it served his own economic interests. Dustan, for all his self-aggrandizing, saw his business and the development of the country as mutually beneficial. That aside, the personal relationship of Dustan and Jones influenced the development of the Maritime Sugar refining industry immeasurably.

Jones and Dustan's often troubled relationship had a critical influence upon the development of the refining industry in Halifax. During their careers, and especially during the cantankerous election campaigns of 1878, Jones and Dustan

were the bitterest of enemies. As far as Dustan was concerned, the bad blood between the two went back to the early days after his arrival in Halifax. In a letter to Justice Minister Thompson in 1890, Dustan related a story about Jones that, if true, demonstrates both the vituperative nature of their early relationship and Jones's strong anti-confederate sentiments.⁵⁶

A. G. Jones asked where I would find a market [for refined sugar]. I told him in a United Provinces. He said "go back to Scotland." Gladstone had told me that even if every man, woman and child resisted it [Confederation] would still be so. This offended and disgusted Jones. He said how would I transport sugar. I said rail. This frustrated Jones. Tupper had told me that within 20 years a rail link would be built to the Pacific. This maddened Jones and he closed his eyes to shut me from sight and he closed his lips together forming a most diabolical leer he squeaked out ironically in a most insulting tone, "you are quite enthusiastic Mr. Dustan," turned on his heels and did not speak to me for years afterwards.⁵⁷

To Jones, a staunch anti-confederate, Dustan's pro-confederate position must have seemed presumptuous.

Elected to Parliament as an anti-confederate, Jones led the new federal parliament in its debate over the sugar tariff during the 1868 session, which began a

⁵⁶ Between 1885 when Sir John Thompson entered the federal cabinet as Minister of Justice until his death as Prime Minister in 1894, Dustan wrote him well over one hundred letters on various subjects including the National Policy, immigration policy, and the tariff.

⁵⁷ PANS, Thompson Papers, 13511, Dustan to Thompson, Nov. 5, 1890.

decade of deliberations on the tariff issue. For those involved in the sugar industry, the tariff issue was not an abstract question of domestic protectionism versus free trade, but a debate about how best to stimulate the West India trade. Faced with a depression in the West Indian markets, Maritime shippers cautiously gave their support to a tariff, providing that it reinforced the position of the West Indies as a major source for raw sugar. Refiners favoured a lowering of the duty on raw sugar imports. This would allow them to reduce their costs of production. As Lawson had argued fifty years before, the greater the production, the greater the increase in reciprocal trade. Shippers in the 1860s, however, were more interested in encouraging the importation of "high grades" or "grocery sugars" directly from the West Indies, than protecting the refining interests which would only import low grades of sugar, and even then not necessarily from the Caribbean.

In the 1868 Parliamentary debate, Finance Minister Leonard Tilley moved to adjust the tariff.⁵⁸ The new tariff adopted the Dutch Standard (D.S.), a grading system based on the colour of the sugar product. Raw sugar was darker in colour than refined sugar and had a lower number assigned to it. Refiners and importers, however, disagreed as to which degree of Dutch Standard constituted refining grade

58 Canada, House of Commons, Debates, Apr. 30, 1868, 599.

sugar, and which constituted "grocery sugar". Refiners chose D.S. 13 as the dividing line, while the importers opted for D.S. 9. The implementation of the Dutch Standard ruling reduced the specific tax between raw and refined sugar from 1¢ to 3/8¢ per lb.. Tilley believed this would aid the refiners and encourage trade between the West Indies and Canada.

Jones disagreed, arguing that the new tariff did not sufficiently support the West Indies trade.⁵⁹ Instead of promoting the importation of West Indian sugar, Jones argued, the bias towards inferior grades of raw sugar would promote trade from Manilla and the Far East. Despite repeated challenges from Jones, Tilley's proposal passed.⁶⁰ The tariff, passed in 1868, created for the first time a specific 1/4¢ per lb. differential in tax rates for sugar above and below Dutch Standard D.S. 9.

During the 1870s world sugar markets experienced dramatic changes. In particular, refined sugar replaced raw as the favoured article of popular consumption. When raw sugar was the unchallenged choice of consumers, West

⁵⁹ The Morning Herald, Jan. 1, 1878.

⁶⁰ Canada, House of Commons, Debates, Apr. 30, 1868, 601. Instead Jones presented an amendment that all grades above D.S. 9 be reduced to 3/4¢ and 25% ad valorem, in effect eliminating the specific duty imposed in 1866. The amendment was defeated by a vote of 84 to 32; Ibid., May 18, 1868, 731. A subsequent amendment by Jones was also defeated.

Indian sugar ruled supreme. However, as refiners increasingly demanded lower grades of raw material many other countries entered the world sugar market. The result was a glut of raw sugar on the world market; in turn West Indian sugar exports to the British empire were being threatened by countries as far away as China. The refinery process required only lesser forms of raw material, therefore countries producing inferior grades of sugar could challenge the traditional West Indian dominance of the sugar trade. In 1879 Jones reflected on these drastic changes and the implications they held for established trading patterns between the Maritimes and the West Indies.

[W]e had to accept the new order of things; that the day of that importation in which we had been engaging in so long was largely over; that the greater refining question was one in which the United States were interested, that raw sugars were a thing of the past, as an article of consumption.⁶¹

Bowing to the new realities of the global market, Jones began to lobby the state for support of Maritime refiners, identifying an active refining industry as the means to revive trade with the West Indies. In 1873 Jones requested that Finance Minister Francis Hincks grant refineries tariff protection at a rate similar to that received by numerous other industries. "I cannot for a moment

61 The Morning Herald, Jan. 11, 1878.

conceive of how this interest, from which nearly one quarter of our revenue is collected should so far as the tariff arrangements are concerned, be placed at a disadvantage." Jones went on to suggest a 40% duty for raw and 55% duty for refined sugar, thus affording refiners a 15% tariff.⁶² Nothing ever came from Jones' proposal.

On June 26, 1872 a meeting occurred regarding the possible establishment of a sugar refinery in Halifax. From this meeting a committee was struck consisting of A. Duffus, A.G. Jones and J.J. Bremner, all prominent West Indian shippers. Shortly thereafter, the Halifax Sugar Refinery Company came into existence with capital stock valued at \$600,000 in 6000 shares.⁶³ After purchasing Dustan's property and government concessions, an engineer was employed to survey the Woodside property and make an estimate of the cost of construction. The company recruited J. Jackson from England who submitted a report in the company's prospectus, which surveyed the general business climate of the area and repeated the now

62 Ibid.

63 PANS, MG 100, Box 158, Doc. 37, "Prospectus of the Halifax Sugar Refining Company, (Limited) 1872."

well-rehearsed themes that William Lawson had presented in his petitions during the 1820s. Jackson compared Halifax to the prosperous Scottish refining centre of Greenock. "Greenock owes its success in great measure to two conditions which it has in common with Halifax," he wrote, "there being a large trade outward to the West Indies and a nearby abundance of cheap coal."⁶⁴

Jackson estimated that local merchants would pay 3/8 to 1/2¢ a pound more for sugar in order to prevent it landing at a refinery in a third port. He believed that the real value of a refinery in Halifax could be measured not only in what it produced, but by its value to inter-regional trade. Halifax also had an advantage in that it was part of a new political union linked together by rail. With the completion of the Intercolonial railway as a transportation link between the former colonies, Halifax would have access to a market demanding 90 million pounds of sugar per annum. Jackson estimated a substantial profit of \$227,640 per annum for the company.⁶⁵ Jackson's optimism was soon dashed, however. The rising tide of American

64 Ibid.

65 Ibid.

competition in the refining industry, especially from New York and Boston, put an end to Halifax merchant community's dreams of profits. With an existing tariff on refined sugar insufficient to check American refined sugar from crossing the border, the Canadian refining industry fell upon hard financial times during the 1870s.

During this decade problems grew worse for refining interests with each passing year. American sugar continued to flow into Canada despite the existing tariff. Facing American competition, Canadian refining interests were compelled to seek closer alliances with one another in their lobbying of federal and provincial authorities for state support. This is demonstrated in the correspondence between George Dustan and Alfred Jones in the Maritimes and George Drummond in Montreal between 1873 and 1879.⁶⁶ After 1874, moreover, refiners faced a new Reform government, which despite an initial perception that it was sympathetic to the refiners, grew progressively more anti-tariff as its years in office passed.

In Canada, from 1872 onward, the Redpath refinery sporadically opened and closed, and the new company in the Maritimes remained at a

⁶⁶ RMAC, Drummond Letterbooks, Drummond to Jones, Mar. 15, 1873.

stand still. Two additional factors assisted the alliance of Montreal and Halifax sugar interests during the 1870s; 1) the succession to power of the Reform party in 1874 and 2) Dustan's need for financial backing.

The 1874 election brought considerable change to the young country's political landscape. The Reform party of William Mackenzie was elected with 138 of 206 seats in Parliament, and Reformers won a total of 29 out of 37 seats in New Brunswick and Nova Scotia.⁶⁷ The key plank in the Reform party platform was a commitment to reciprocal trade with the United States. In this climate of laissez faire, protectionists had little success in lobbying the government to alter the tariff. Any increases in the tariff came from a desire to increase general revenues, rather than to protect industries such as sugar refining.⁶⁸

As a highly visible Tory, George Drummond could not replicate the

67 T.W. Acheson, "The Maritimes and Empire Canada," in David Jay Bercuson, ed., Canada and the Burden of Unity, (Toronto: MacMillan Co. Canada Ltd., 1977), 90-91. Unfortunately, Mackenzie had the misfortune to enter office shortly before a continental economic downturn - one that would plague his entire administration. While the American downturn began with the Panic of 1873 and lasted five years, the Canadian depression lasted from 1874-1879.

68 P.B. Waite, Canada 1874-1896: Arduous Destiny, (Toronto: McClelland and Stewart Ltd., 1971), 78. The depression critically affected government revenues. Despite a 2.5 % increase in 1874, tax revenue declined by 15% from a \$20 million high in 1873. The general tariff rate on sugar then stood at 17.5% and attempts were being made to raise the tariff to 20%.

contacts George Dustan had established with the Reform party.⁶⁹ Drummond thus looked to Dustan and Alfred Jones M.P.(who had been re-elected on a Reform ticket after a two year absence from Parliament) as potential allies in the new Reform government.⁷⁰ Given this alliance, refiners could be assured a say in the government no matter which party was in power.

Drummond laid out his tariff proposals in a series of letters to Dustan and Jones in March and April of 1874. In addition, at Drummond's expense, Dustan made three trips to Ottawa in the first five months of that year to argue for an increase in the tariff for sugars between D.S. 9 and D.S. 12 or 13.⁷¹ At first, Drummond got the impression from Jones and Dustan that the negotiations were proceeding favourably. He wrote ecstatically to Dustan on April 25th promising that "if this tariff passes into law and you care to renew your connection with me - I want you to come and see me at once ... a scheme to aid you and put things in a working state at once can mature."⁷²

When the government announced the new tariff, it was indeed

69 Feltoe, Redpath, 97.

70 RMAC, Drummond Letterbooks, Drummond to Jones, Apr., 1874.

71 Ibid., idem., Jan. 4, 1874, 209.

72 Ibid., Drummond to Dustan, Apr. 25, 1874, 154.

favourable, adding a 1/4¢ in duty to refined sugars.⁷³ If maintained, this increase would enable Canadian refiners to fend off American competition in the future. Drummond worried, however, that since the tariff was so favourable to refiners there would likely be opposition from the grocers' associations who still imported large amounts of high grade raw sugar into the country. Drummond had written Jones in March, 1874 warning him to "expect serious opposition" and was indeed correct in his assumption. On April 27 Drummond wrote to his partner Peter Redpath observing that "there was a storm in Ottawa".⁷⁴ The avalanche of opposition from importers and grocers forced the government to revoke its proposal.⁷⁵ Obviously, 1874 was not to be the golden year for refiners that Drummond, Dustan, and Jones had earlier hoped.

In February, 1875 the lobbying process resumed. Peter Redpath wrote Finance Minister Richard Cartwright that the Canadian duty on the importation of refined sugar was 40% of its market value, while the duty on

73 Forster, Conjunction of Interests, 142.

74 RMAC, Drummond Letterbooks, Apr. 27, 1874.

75 Feltoe, Redpath, 96.

raw was about 50%. This was quite different than in the United States, where refined sugar carried a 62% duty and raw sugar only 48%. The difference between the Canadian level of duty on raw and refined sugar made it "impossible to refine" without the hope of government assistance.⁷⁶ In addition to the unfair tariff on raw sugar, Canadian refiners complained of duties on the importation of machinery, and upon packaging, which refiners in other countries did not have to bear.⁷⁷

Canadian refiners regarded the continuation of the specific rates which distinguished refined from raw sugars, as indispensable to the industry.⁷⁸ Rejecting the importers' arguments that refiners sought to deny high grade raw sugar to the Canadian consumer, the refining interests proposed a four-tier tariff. Dustan was instructed by Drummond to propose that D.S. 9 be 25% ad valorem plus 1/2¢ specific per pound. In addition, he suggested that sugar above D.S. 9 should be divided into three categories. D.S. 9 through D.S. 12 should be 25% plus 3/4¢; D.S. 12-16 to be 25% plus 1¢; and those

76 RMAC, Drummond Letterbooks, Redpath to Cartwright, Feb. 25, 1875.

77 PANS, Macdonald Papers, 138413, Dustan to Macdonald, Feb. 1875.

78 RMAC, Drummond Letterbooks, Drummond to Dustan, Dec. 26, 1874.

above D.S. 16 to be 25% plus 1 1/2¢. This provided a specific increase of 3/4¢ on the highest grades of sugar imported into the country, yet kept a reasonable entrance fee for high grade raw sugar.

Before any action could be taken on these recommendations, the industry was faced with a potential catastrophe. A sudden dramatic increase in the U.S. drawback in March, 1875 turned the usual pre-budget lobbying efforts of refiners into chaos. The letterbooks of the Canada Sugar Refinery reveal correspondence to virtually every member of Parliament involved in the sugar debate. The American drawback had been altered to \$3.75 per 100 lbs less 1%, from its previous \$3.00 less 10%. The change meant that American refiners could reclaim 48% of the sugar's original value compared to 35% before the increase.⁷⁹ "[T]he U.S. refiners got all they asked," Drummond wrote to Dustan, "... Canada is at their mercy."⁸⁰ Days later he continued "...you had better use all of your influence with Nova Scotia members. The Government will not move unless pressure is brought to bear

79 *Ibid.*, Redpath to Cartwright, Mar. 30, 1875.

80 *Ibid.*, Drummond to Dustan, Mar. 30, 1875.

on them and if nothing is now done the matter is ended for all of us."⁸¹

Drummond expressed similar sentiments to Isaac Burpee, Minister of Customs. "Apparently," he wrote, "the government plans to do nothing in the way of remedying the crippling injustice we are subjected to by the continued imposition of an excessive duty on our raw material."⁸² Drummond held that the shippers of Halifax and Montreal, who resented the influence refiners had with the government and still resisted tariff support for refined sugar, were responsible for the Reform government's intransigence. In a letter to Charles Tupper, Drummond observed that "the merchants of Montreal and Quebec and Halifax who have been so jealous of us will find when too late that they have damaged themselves as well - that these very causes will kill the last of the West Indies trade ... you remember how rabid Mr. Jones used to be against us."⁸³

The refiners' lobbying efforts were as successful as they were dramatic. "Shocked into action", Cartwright passed an Order-in-Council reducing the

81 *Ibid.*, *idem.*, Apr. 3, 1875.

82 *Ibid.*, Drummond to Burpee, Mar. 30, 1875.

83 *Ibid.*, Drummond to Tupper, Apr. 2, 1875.

duties on imported raw sugar.⁸⁴ Redpath wrote Burpee that the government measures provided some relief and allowed his refinery to stay open.⁸⁵

Drummond was even more enthusiastic, telling Dustan that the "tariff requires celebration."⁸⁶ Yet, as was the case in 1874, the grocery interests did not quietly accept the reductions in the sugar duties. Luther Holton, Member of Parliament for Chateauguay and a spokesperson for central Canadian merchant interests, was furious at the change and argued that the Order was not legal. He argued that the tariff clause under which the Order was passed did not allow the Government to arbitrarily "decrease" the duty on a raw material. Under threat of legal action, Cartwright revoked the Order in Council, disappointing the refiners yet again.⁸⁷

Despite a subsequent Order in Council reducing sugar below D.S. 9 by 1/4¢ and increasing sugar over D.S. 13 by the same amount, competition with the American refiners continued to undermine the profit potential of Canadian refineries. On February 29, 1876 Drummond published an open letter to the

84 Forster, Conjunction of Interests, 142.

85 RMAC, Drummond Letterbooks, Redpath to Burpee, Apr. 13, 1875.

86 Ibid., Drummond to Dustan, Apr. 17, 1875.

87 Forster, Conjunction of Interests, 142

Prime Minister in which he announced the closure of his refinery.⁸⁸ The plant did not resume production until the introduction of the National Policy tariff in 1879. A pragmatic and politically astute businessman, George Drummond had maintained an alliance with Halifax sugar interests to utilize the political connections already established by Maritime refiners to the Reform party. Had the opposition to increased sugar duties not been so formidable, the alliance would have born fruit. George Dustan's involvement in an arrangement with Drummond was equally practical. By no means independently wealthy, Dustan was dependant on government patronage to meet personal financial obligations, from the time of his arrival in Halifax. Indeed, Dustan sought financial backing from Drummond for his refinery. Drummond in turn led Dustan to believe he would back him in his enterprise. Still, Dustan maintained independence. Without a firmer commitment of support from Drummond, Dustan was by no means ready to be Drummond's lackey.⁸⁹

Though it is impossible to tell when Dustan's employment with

88 Feltoe, Redpath, 105.

89 Cahill, "Dustan".

Drummond began, he did attempt to sell the Woodside property to Drummond in April, 1873. Drummond's response to Dustan was that the market was bad, and he advised Dustan at the same time to stay out of the refining industry altogether.⁹⁰ This was not what Dustan wanted to hear. Dustan's forceful response upset Drummond and raised doubts about his value as a business partner. "It is impossible to work together successfully," he wrote, "I release you if you desire."⁹¹

In November 1873, a request for information about the Woodside plant from Alfred Fryer, an English industrialist who expressed interest in purchasing the firm, changed Drummond's mind. While Peter Redpath responded that he was not interested in Woodside, Drummond hurriedly wrote Dustan asking for a secret meeting in Portland, Maine.⁹² "Please bring a copy of refinery plan and deed", Drummond wrote.⁹³ Redpath's spurning of the Woodside plant, however, dissuaded Fryer from further investigation of the Woodside plant. With Fryer out of the picture, Drummond's concern

90 RMAC, Drummond Letterbooks, Drummond to Dustan, Apr. 18, 1873.

91 Ibid., idem., July 11, 1873.

92 Ibid., Redpath to Fryer, Nov. 23, 1874.

93 Ibid., Drummond to Dustan, Nov. 28, 1873.

about competition from Woodside eased significantly. Drummond subsequently wrote Dustan in January, 1874 that, "we do not see any way to make it pay... we cannot accept your offer and must release you as we now do from it."⁹⁴ Again, this was bad news for Dustan, and he demanded Drummond find other supporters for his project. Drummond responded in a patronizing manner. "Now my dear Mr. Dustan ... I have decidedly declined more than once to go into the Halifax refinery. We have made losses and are laying off...I could not ask anyone to get into a joint stock venture at this time."⁹⁵

The tenuous nature of the refiners' business relationships are exemplified in the Drummond - Dustan correspondence. Drummond was clearly prepared to buy Dustan's shares at the least threat of competition. Yet so long as the Halifax refinery was unproductive, Drummond preferred the illusion of free competition. Drummond feared the reputation of a monopolist, which would create public antipathy and diminish his influence with Mackenzie's laissez-faire government.

94 *Ibid.*, *idem.*, Jan. 7, 1874.

95 *Ibid.*, *idem.*, Apr. 15, 1874.

The Mackenzie government's failure to deal with the sugar tariff alienated Dustan. Alfred Jones was also left smarting from the abuse heaped on him by his own party members in Parliament for supporting the sugar tariff. The sugar question had become of such importance to the Maritimes that Jones, at this point, could scarcely abandon his rebel position.⁹⁶ Indeed, during the 1876 session of Parliament, Jones was actually forced to side with the Conservatives, strongly supporting a tariff for sugar refining. Although in favour of free trade in principle, Jones stated that he regarded incidental protection for the sugar industry imperative not only for Maritimes but for the entire country. Jones observed that, "the considerations involved in this question did not apply to perhaps any other branch of trade, and in it the Maritime Provinces were largely and peculiarly interested....It affected the entire country for all trade would be affected."⁹⁷ The conflict over the sugar tariff, Jones told Parliament, severely affected trade, especially trade with the West Indies. Alphonse Desjardins, the Conservative member for Hochelaga, noted that "since 1872 annual inter-regional commerce [between the Canada

96 *Ibid.*, 140.

97 Canada, House of Commons, *Debates*, Apr. 3, 1876, 1020.

and the West Indies] did not exceed \$6,700,000; but in the four preceding years trade amounted to \$25,000,000" (\$16 million exported and \$9 million imported.)⁹⁸ After 1876 the situation worsened. Trade between the Maritimes and the West Indies declined to \$3.5 million. The popular belief was that the existing low tariff on refined sugar was the main cause of the deteriorating trade situation.

Jones argued that a change in tariff would provide for an expansion of the refining industry, and thus restore reciprocal trade with the West Indies. "Instead of steam ships", much talked about by government ministers, said Jones, "the government would be better served to supply a good tariff."⁹⁹ Charles Tupper agreed and remarked that "at last he had heard a speech from his Honourable friend from Halifax." Tupper then stressed the importance of stemming the drain of capital to other nations. There would be no loss of tax revenue in a protective tariff for the decline of duties would be offset by increased consumption. "[A]s a general principle, any reduction in the necessities of life," said Tupper, "necessarily stimulated the consumption to a

98 *Ibid.*, 1019.

99 *Ibid.*, 1020.

very great extent."¹⁰⁰

The Reform government saw the tariff in a completely different light. Reform members argued that the crisis in the refining industry was not the fault of Canadian or American tariff policy, but simply that American refineries were more efficient than Canadian ones. David Mills, Chair of the Depression Committee, stated that he was "unable to perceive that any drawbacks were given in the States...(and) [n]o refinery in the Dominion could be closed owing to the policy pursued by the American Government."¹⁰¹ Others in the Government added that protection afforded to the single refinery in Canada amounted to abetting a monopoly.¹⁰²

Loyal Reformers, such as James Young and Wood, were dismayed at Jones's support for protection. They also were upset with his opposition to a general rise in the tariff. In 1876, Luther Holton, James Young, Alexander Galt and Richard Cartwright argued in cabinet that an increase in the general tariff to 22.5% essential to make up for the fall in government revenues. The

100 Ibid., 1021.

101 Ibid., 1024.

102 Ibid., 1023.

general tariff being a levy on all products imported into the country in which the governments of the day drew most of their revenue from. Jones and other Nova Scotia reformers opposed the hike. Attempting to appease Nova Scotia Liberals, Mackenzie settled on 20%. The Nova Scotian faction balked at even this modest increase from 17.5%. Many Reform leaders blamed Jones and James W. Carmichael, an M.P. for Pictou, for preventing Mackenzie from increasing the general tariff. Alexander Galt went so far as to say: "Jones and Carmichael and the Maritime members . . . ruined the party". Jones's colleagues taunted him in Parliament for assisting "The Protectionist Party".¹⁰³ His breaking of ranks with the party over the sugar tariff, and his refusal to compromise on the general tariff, infuriated many Reform members.

The Mackenzie government's refusal to move on the issue of a protective sugar tariff alienated Jones, but its effect on Dustan was even more dramatic. By 1875 Dustan had abandoned any hope of getting Cartwright to support incidental protection and he therefore turned to Edward Blake and David Mills to argue his cause. While the debate in Parliament was vigorous,

¹⁰³ Forster, Conjunction of Interests, 141; NAC, Buckingham Papers, Galt to Buckingham, May 25, 1892; Ibid., James Young to Buckingham, June 17, 1892.

the more important action occurred within the Select Committee chaired by David Mills to look into the causes of the depression plaguing the country since 1874. Dustan repeatedly requested to be heard by the committee, but his efforts were in vain. The committee's response was that the opinions of Jones and Drummond sufficiently represented the refining industry's interest.¹⁰⁴

After failing in his efforts to gain Dustan a hearing with the committee, Jones took up Dustan's cause. He argued that the refining industry was on the verge of ruin, the West Indies trade was in a state of paralysis, and there had been a marked decrease in the consumption of domestically-refined sugar. The committee still refused to accept the testimony and recommended to Parliament that no action in regards to American drawbacks be taken.¹⁰⁵ The experience with the Depression Committee was enough to separate Dustan from the Reform party entirely. Dustan became a Conservative and remained one for the rest of his life.¹⁰⁶

104 PANS, Thompson Papers, 13511, Dustan to Thompson, Nov. 5, 1890.

105 Ibid., Jones later voted against his previous position when Cartwright presented his budget denying any further alteration in the tariff.

106 Forster, Conjunction of Interests, 160.

While Dustan's political attachments were to the Reform party during the early 1870's, the growing protectionist ethos of the Tories brought him ever closer to the Conservative ranks. His newly found partisanship can be summed up with his less than flattering comments about Cartwright, who had been a confidant of his just two years before. Dustan wrote:

of course I expect Nothing from our present incapable rule - as to Cartwright - he is a vain: pedantic, cynical creature- as full of conceit as an egg is full of meat- all together unable to understand a practical question... connected with no trade or commerce. I must confess that he has the gift of the gab and has been able to gamer quite a number of people into the belief that he is clever...But he is now seen by all in his true character - a mere bag of wind and conceit- a large picture of malignity also in his composition and if the Good Book did not bid us not to speak ill of our rulers, I would tell (in a letter to the public) the evil this person is bringing - has brought on the country. He has made his last budget speech Thank God!¹⁰⁷

On the provincial level Dustan had always been close to Charles Tupper and the Conservative party. Tupper had granted Dustan many political favours. Despite his association with the Reform party, the Tories were aware that Dustan and Jones (despite joint business interests) had severe disagreements.¹⁰⁸

107 PANS, Macdonald Papers, 159954, Dustan to Macdonald, Mar. 2, 1878.

108 Cahill, "G.G. Dustan". Some of Dustan's civil servant appointments were Commissioner of the Provincial Hospital for the Insane and a Justice of the Peace.

By the end of the Mackenzie administration many other Nova Scotians interested in sugar protection had abandoned the Reform party. Forster observed that "prospective sugar refiners in Nova Scotia, who had good political reasons to hope for concessions from the Liberal government, must have been disappointed in the 1877 tariff, which literally ignored the industry....By 1880, if not before, the West Indies merchant W.J. Stairs was calling himself a political independent."¹⁰⁹

Ever more confident that the Reform Government was intransigent on the tariff issue, Dustan lobbied the United States Treasury and Customs Department through the Consul General at Halifax. His effort, beginning late in 1875, would conclude with dramatic success. At first, the Consul General A.A. Jackson warned his superiors of some of Dustan's stated positions:

It will be perceived that Mr. Dustan who has been for several years endeavouring to establish a "sugar refinery" here, is at present - engaged not so much in showing how frauds (American refiners efforts at manipulating the drawback) may be committed upon the U.S. revenues as in efforts in Canada against what he terms the "aggressive policy of the United States."¹¹⁰

109 Forster, Conjunction of Interests, 159-160. This is also demonstrated by the prominent role leading Reform members played in the 1878 Federal election. See The Morning Herald and the Morning Chronicle, Sept. 11-16, 1878.

110 NAC, U.S. Consular Records, MG 10, A I, A.A. Jackson to Bristow, Aug. 21, 1875.

Dustan's correspondence, however, won him friends in some American circles. "For seven years," he told Macdonald, "I wrote the United States on the subject of drawbacks and when Bristol was Secretary of U.S. Treasury, he sent '3 high priests' to Halifax for sole purpose of taking down my 'views' on the subject of drawbacks"¹¹¹ In October 1875, S.D. Mills, a special agent for the U.S. Treasury Department, wrote Dustan that he agreed with him on the fraud issue, but because of the upcoming presidential election nothing would be done that year to investigate frauds on the part of American refiners. Mills pledged that he would fight for Dustan's cause and asked him to visit Washington to present his case.¹¹² W. A. Simmi, collector of Customs at Boston, also agreed with Dustan's proposals and stated to his superiors that, "after speaking with a refiner here (Halifax) and planters abroad . . . (Dustan's proposal) seems one of the most effectual ways, if not the most effectual way - of preventing frauds upon the U.S. Revenues."¹¹³

Dustan's effort to alter U.S. tariff policy ended late in 1877. On

111 PANS, Macdonald Papers, 138869, Dustan to Macdonald, Nov. 23, 1877.

112 NAC, MG 10, A I, No. 391, U.S. Consular Records, S.D. Mills to G.G. Dustan, Oct. 20, 1875.

113 Ibid., No. 425, W. A. Simmi to John Sherman, June 25, 1877.

September 6, 1877 John Sherman, the Secretary of the United States

CIRCULAR TO COLLECTORS AND OTHER OFFICERS OF THE CUSTOMS.

1877.
Department No. 117.
Secretary's Office.

Treasury Department,

OFFICE OF THE SECRETARY,

Washington, D. C., September 6, 1877.

The following rates of drawback on refined sugar and syrup, wholly manufactured from imported raw sugar, are hereby established, to take effect on and after October 1, 1877:

On loaf, cut loaf, crushed, granulated, and powdered refined sugar, stove dried, or dried by other equally effective process, entirely the product of foreign duty-paid sugar, three and eighteen one-hundredths ($3\frac{18}{100}$) cents per pound.

On refined white coffee sugar, undried and above No. 20, Dutch standard, in color, entirely the product of foreign duty-paid sugar, two and fifty-eight one-hundredths ($2\frac{58}{100}$) cents per pound.

On all grades of refined coffee sugar, No. 20, Dutch standard, and below, in color, entirely the product of foreign duty-paid sugar, two and eight one-hundredths ($2\frac{8}{100}$) cents per pound.

On syrup, resulting entirely from the refining of foreign duty-paid sugar, six and one-quarter ($6\frac{1}{4}$) cents per gallon.

The allowances on sugars will be subject to the deduction of one (1) per cent., and the allowances on syrup to the deduction of ten (10) per cent., as prescribed by law.

Very respectfully,



Secretary.

Treasury, issued a circular lowering the drawback on refined sugar from \$3.75 to \$3.18 per pound (effective October 1, 1877).¹¹⁴ Sherman credited Dustan, in part, for the reversal in American policy. The American Treasury Department and Congress not only acted upon Dustan's opinions about bounties, but also the methods he advocated for testing the quality of sugar, and of charging duty in order to deter smuggling. "The information which you have given on the subject of drawback on Sugar in your various letters, has been of great services to the Department," Sherman later wrote, "...[I]t is not within my power to compensate you in a pecuniary way for your services on the matter, else I should be pleased to do so."¹¹⁵

Dustan's success at convincing the United States Treasury to lower its sugar drawback, while the Canadian Government had lamely defended the existing American policy, was trumpeted across the country by Conservative newspaper editors. The Montreal Gazette observed:

Dustan, who could not get a meeting with Canadian Government, took the matter up with that of the U.S., and as a result - dealing with practical men who are wise enough to admit that they do not

114 PANS, Macdonald Papers, 138867, Dustan to Macdonald, Nov. 23, 1877; RMAC Scrapbook, Circular 117, John Sherman Treasurer of the U.S. Treasury.

115 Ibid..

necessarily know everything - he has convinced the Treasury Department at Washington that the drawback was in the nature of a bounty, and has procured a reduction of it, so as to prevent its having that effect, or at any rates to the same extent.¹¹⁶

Hardly content with the adjustment of the American drawback, Dustan used his new found prestige to lobby for a change in the Canadian tariff.

At home, Dustan petitioned the Dominion Board of Trade in Montreal to gain support for a protective tariff in late 1877. (George Drummond had moved by this time to France due to the closing of the Redpath refinery in 1876.) The debate at the annual meeting of the Dominion Board of Trade that year provided important exposure for the "Sugar Question," focusing upon the principal aspects of the sugar issue. The debate addressed the relationship between the refining industry and the West India trade, the changing nature of the sugar market, and the need for a high tariff on imported refined sugar.¹¹⁷

J.J. Bremner, a merchant delegate from the Halifax Chamber of Commerce, opened the discussion by arguing that the decline of the sugar trade had been a severe blow to the West Indies trade. Since 1872, Bremner

116 Montreal Gazette, Nov. 14, 1877.

117 NAC, MG 28, III, 44, Dominion Board of Trade, Annual Meeting, Jan. 15-18, 1878.

suggested, trade with the Caribbean had declined to such an extent that it was now impossible to keep a regular line of trade between Canadian ports and the West Indies. American bounties, which halted the development of Canadian refineries, had since been curbed, but there was still no guarantee that the U.S. Government would refrain from a system of bounties in the future. Such bounties would be harmful to any Canadian refining initiative.¹¹⁸

As a solution, a free trade delegate from Toronto named Morrison proposed that a reduction of duty on low grades of sugar would make refining more profitable. Morrison added that tariffs were too often used as a tool by monopolists who wished to create a Halifax-Montreal cartel, turning Western Canadians into hostage consumers. The West did not want monopolies in the East and believed that the present tariff was the fairest means to maintain this. Mr. Nixon, another free trader, agreed with Morrison arguing that subsidies and tariff wars were not solutions. Nixon opposed ". . . taxing our people, as the American taxed themselves to build up the refining, because then it would be a race between the two countries as to which could give the higher bonuses . . . the Americans have realized they are subsidizing foreign

118 Ibid., 82.

countries and thus have started to change their practices.¹¹⁹ Bremner, on the other hand, rejected anti-tariff arguments saying that as long as there was a low Canadian tariff on high grade sugar, American bounties would remain a threat. Anyone with capital would likely be frightened away from investing in the Canadian refining industry.

Opponents of a higher tariff raised another issue. If the West Indies trade had flourished before the establishment of a domestic sugar refining industry, why could it not flourish under the strong protection that it presently enjoyed?¹²⁰ In reply, Bremner explained that in the past, raw or "grocery" sugar was the staple served on Canadian tables. Changes in the market now favoured refined sugar, and the experience of other countries was that the "refined market" would continue to grow.¹²¹ Michael Dwyer, another Halifax merchant, added that a tariff which encouraged the importation of raw sugar, and thus stimulated reciprocal trade, would help the whole Dominion. This was also the position of the protectionist Ontario Manufacturers

119 *Ibid.*, 93.

120 *Ibid.*, 80-103.

121 *Ibid.*, 80-103, 128-130.

Association.¹²²

The Board of Trade, despite much dissension among its members, agreed that the refining industry badly needed a supportive fiscal policy, and passed a resolution supporting a sugar tariff.¹²³ For the next two years sugar dominated discussions at the Dominion Board of Trade meetings.¹²⁴

Together the three formed an alliance that welded a powerful influence in Ottawa. This alliance was supplemented by a growing support among the majority of Maritime businessmen, reflected in the Dominion Board of Trade meetings in early 1878 in Montreal.

During the 1870s a dramatic shift took place in the attitudes of merchants involved in the West Indies trade towards a protective tariff for

122 Forster, Conjunction of Interests, 158.

123 The Morning Herald, Jan. 9, 1878. The Montreal Board of Trade announced it was in agreement with the position of Bremner and Dwyer. Forster, Conjunction of Interests, 119, 157, 158. The sugar tariff was not even assured support from all protectionists. The president of the Dominion Board of Trade, W.G. Howland, did not warm to the Halifax Chamber's support for partial protection, considering it hypocritical for the Maritimes to support protection for themselves. Howland himself, however, could not attain enough support to win over the still low tariff dominated boards to his cause of blanket protection for all industries. The Halifax Board got its resolution supporting a sugar tariff.

124 NAC, McLennan Papers, MG 27, I, E 8, Vol 1, Drummond to McLennan, Mar. 8, 1879. The growing importance to shipping interests can be seen in a letter from George Drummond to John McLennan estimating that the raw sugar trade would employ 250 vessels carrying 400 ton shipments representing between 1/4 to 1/3 quantity of cargoes to Canadian shores.

the sugar industry, and the possibility that Confederation might serve as an instrument of economic development. Throughout this period, George Drummond, George Dustan, and A.G. Jones coordinated their efforts to ensure that both sides of the government benches received lobbying. Certainly, the Halifax merchant community supported a tariff favouring the refining industry. To these entrepreneurs, the refining industry represented the aspirations of the Maritimes in the new nation. In the federal election of 1878 most Maritimers demonstrated that they were willing to embrace the new nation as well.

Chapter Four: The 1878 Election and the Formation of the National Policy

The election of 1878, which returned John A. Macdonald and the Conservative Party to power, proved to be of pivotal importance in Canadian history. In their first administration (1867-73) Macdonald's Tories had presided over the political consolidation of the country. During and after the election of 1878 the Conservative Party set out an agenda for the economic union of Canada, which it referred to as the National Policy. Although the National Policy was debated vigorously throughout Canada, nowhere was it more fiercely contested than in Nova Scotia. More than anything else, it was the appeal of the National Policy as an instrument of saving the West Indies trade that won the support of Nova Scotia's population.

The outcome of the general election of 1878 had been anticipated nine months earlier in a Halifax by-election. Matthew H. Richey, the Conservative candidate for the federal campaign, ran against A.G. Jones. The contest soon turned into a debate between Charles Tupper and Jones, with the sugar question emerging as an important election issue. Both political parties agreed upon the need to revitalize the West Indies trade. The Liberal Morning Chronicle observed that on no other question were the people,

"...more deeply interested than in the matter of securing for Canada and for Halifax the right to refine sugar for home consumption, at last untrammelled by the inimical bounty given by the United States."¹²⁵ According to The Morning Herald, the sugar question and the tariff were both essential to regional prosperity:

The Sugar Question means the salvation of Halifax. Halifax is interested greatly in the West Indies trade. Every merchant every truckman, every coal owner, every consumer of sugar is interested in the prosperity of the West Indies trade and the establishment of a sugar refinery in this city.¹²⁶

The Herald believed that the sugar industry was "the parent of manufacturing activity," and that "the carrying trades on maritime stations has been largely dependent on it."¹²⁷

With little hope of a potential breakthrough in Quebec, and rapidly losing ground to the protectionists in Ontario, the Reform party saw the Maritimes as a key battle ground in their bid to gain re-election.¹²⁸ The party

125 Morning Chronicle, July 20, 1878.

126 The Morning Herald, Jan. 9, 1878.

127 Ibid., Jan. 17, 1878.

128 Forster, Conjunction of Interests, 243. In the 1874 election the Reform Party had won 35 seats in Maritime, 35 in Quebec, 66 in Ontario, and 2 in Manitoba.

platform was based on "laissez-faire" principles, yet there was much dissension among the party's leading members.¹²⁹ On the "Sugar Question", the party faced serious ideological divisions within its ranks. The protectionist position of prominent members like A.G. Jones, placed the party in a quandary. It could not reconcile its free trade ethos with the protectionist elements within its ranks.

The Morning Chronicle, the principal Reform newspaper in Halifax, made its position clear, stating that "We are out and out free traders, we repudiate all incidental protectionists, all coal and sugar protection and all persons who want to revise the tariff. We will not receive the votes of any of these people."¹³⁰ These attacks merely exposed the Reform party to criticism. Many Reformers, such as Jones, advocated protection for certain industries, known as incidental protection, and hence validated the Tory message. With the Reform party fractured on the tariff, the electorate turned decisively towards the Tory party.

George Dustan played a significant and active role in the election of

129 Ibid., 143.

130 Morning Chronicle, July 4, 1878.

1878 and the strategic by-election that preceded it. Both major Halifax newspapers credited Dustan with pushing the sugar issue to the forefront of the campaign. The Morning Herald stated:

Dustan is acknowledged to be the best authority on the continent concerning the Sugar Question...Every Newspaper in Canada has admitted Mr. Dustan's complete command of the Sugar Question...Every merchant in Halifax knows...that but for Mr. Dustan there would not be...the popularity obtained for one of the great present interests of Nova Scotia.¹³¹

The Morning Chronicle also had a high regard for George Dustan. "It is a pleasure to turn from the combination of stupidity and Tory partisanship which have lately been put forward as editorials on the sugar question to the writings of a gentleman who understands the subject and whose opinions are entitled to respect."¹³²

Whatever goodwill there was for Dustan in the Liberal press came to a sudden end on January 21, 1878, the night of "the drill shed debate." Charles Tupper and A.G. Jones met in debate that evening, and the sugar question and the position of each party took with respect to the refining industry held center stage. Jones claimed that he had been a friend to the refining industry

131 The Morning Herald, Jan. 28, 1878.

132 Morning Chronicle, Aug. 31, 1877.

DAILY EDITION.

The Morning Herald.

MONDAY, JANUARY 21, 1878

**GREAT PUBLIC
MEETING.**

HON. DR. TUPPER

AND

A. G. JONES.

JONES EXPOSED & CRUSHED

**HALIFAX ELECTION
SETTLED.**

and a close confidant of Dustan for many years. To illuminate his past efforts on the issue, Jones cited correspondence from Dustan praising Jones for his denunciation of the Mackenzie government's policy on sugar refining. Tupper retorted that Jones, before becoming a stock holder, had no interest in refining at all, and attacked Jones's failure to win concessions for the industry from the Mackenzie government. In addition, Tupper claimed that Jones's acceptance of a cabinet position in the Mackenzie administration effectively destroyed his freedom to act independently.¹³³ Tupper then claimed that he and the Tory party had given greater support to Dustan's efforts than Jones and the Reform party. With the two men both hotly courting the opinion of Dustan, Tupper suggested that the issue be left for George Dustan to decide.¹³⁴ This was a critical point in the campaign, for on the night of the drill shed debate a prominent cabinet minister, W.B. Vail, was defeated in his Yarmouth riding in another by-election. The next day it was announced that Jones had been appointed to the federal cabinet.

133 The Morning Herald, Jan. 21, 1878; NAC, MG 26, B, (mfm), Mackenzie Papers, Vail to Mackenzie, Jan. 24, 1878. There is good evidence that it was for precisely this reason that Jones previously had refused a cabinet position.

134 The Morning Herald, Jan. 21, 1878

Called upon to choose between Tupper and Jones, Dustan wrote a letter to The Morning Herald which laid to rest his bi-partisan image:

I am bound to say that from the first hour that I came to the Province, down to the present, Dr. Tupper has proved himself the constant advocate of a policy that would... insure the success of sugar refining here....The Government of Macdonald gave such valuable concessions to me in 1868 that even Mr. Jones was induced ... not only to become a stockholder in the proposed refinery but also to become one of the Provisional Committee for the purchase of the Woodside property.¹³⁵

On the issue of Jones's entry into the cabinet, Dustan claimed that Jones would be unable to criticize the government as he had in the past.

The entrance of Mr. Jones into the Cabinet utterly ruins all hope of Halifax obtaining any aid for the West India trade from the government. As an independent member he might at least have protested against the smothering policy of Messrs. Cartwright and Mills. As Minister of Militia, he cannot but submit to it in silence.¹³⁶

Immediately Dustan's credentials were brought into question by a wounded Reform press. The now hostile Morning Chronicle reported that "so long as Dustan remained impartial he had our respect, but lost it the moment he

135 The Morning Herald, Jan. 23 1878.

136 Ibid.

became a tool of Tupper."¹³⁷ Other comments were less generous:

Dustan Dusted:

A gentleman who has done much to make people believe that he is the patriotic and disinterested friend of mankind, has flung away his last hope of being instrumental in promoting the interests of a sugar refinery and has fallen to the low state of a Tory electioneering agent in the hands of Charles Tupper"¹³⁸

The Chronicle continued its personal attack with charges that Dustan had mismanaged his affairs from the time of his arrival in Canada, and squandered the capital of investors in Saint John and then Halifax.

Mr. D. what is his aim? Just this, to make money out of some person who may be foolish enough to purchase from him the Woodside property .. start a sugar refinery and place Mr. Dustan at the head. But I do not think you or anybody else would find twelve sane men who would invest money belonging to themselves in the enterprise if it was known Mr. Dustan was to have the management of it.¹³⁹

Despite his repudiation by Dustan, Jones won re-election, but by a substantially reduced majority. The 800 vote plurality he had racked up in the previous election, fell to 200 votes. Jones's victory was largely attributed to the township polls along the Eastern shore, which helped off-set his loss of

137 Morning Chronicle, Aug. 8, 1878.

138 Ibid., Jan. 24, 1878.

139 Ibid..

more than 500 votes in the city of Halifax.¹⁴⁰ If tariff issues were of concern to the voting public, it appears that the idea of a tariff directed at restoring the West Indian trade was less appealing in Halifax than the hope that a free trade ideology would revitalize the trade.

Seven months later, in the 1878 federal election campaign, the sugar question once more proved to be of critical importance. The momentum gained by the Tories in the Maritimes resulted in a dramatic electoral turn-about throughout the province. Coverage of the sugar issue was unprecedented, eclipsing all other issues.¹⁴¹ More often than not, half of the daily editorial comment of the major papers was devoted to the sugar issue. Emphasising divisions in the Reform ranks, The Morning Herald profiled prominent Reformers who opposed the party's position on the tariff in the run up to the election.¹⁴² When the votes were counted, Macdonald held a massive majority throughout the country. The Tories had also orchestrated an

140 The Morning Herald, Jan. 30, 1878.

141 Morning Chronicle, Sept. 17, 1878.

142 The Morning Herald, These included J.J. Bremner, Sept. 5, 1878; Sept. 7, 1878, and Michael Dwyer, Sept. 13, 1878.

impressive victory in Nova Scotia, winning 14 out of 21 federal seats.¹⁴³ In Halifax and the County two Conservatives were elected after campaigning on the platform of the National Policy.¹⁴⁴ Jones later told Mackenzie that his own defeat was directly attributable to the Reform government's failure to modify the sugar tariff.¹⁴⁵

The Morning Herald announced that "a new period of history was dawning in Canada." In its view, the "Sugar Question" and the need for protection were the decisive factors in several key seats across the country. These contributed in particular to the loss of two Reform party seats in Montreal and one in Saint John.¹⁴⁶ The Morning Chronicle conceded defeat in both the federal and provincial elections stating that "the defeat of the local Government of Nova Scotia is no doubt, largely due to the part taken by its members in taking sides with the Mackenzie Government."¹⁴⁷

143 Ibid., Sept. 17, 1878.

144 Martin, The Story of Dartmouth, 400.

145 NAC, Mackenzie Papers, Jones to Mackenzie, Sept 27, 1878; Forster, Conjunction of Interests, 176.

146 Forster, Conjunction of Interests, 176.

147 Morning Chronicle, Sept. 19, 1878.

Joyous Conservatives in Nova Scotia attributed the victory, in large part, to the work of George Dustan. The Morning Herald singled out six people who made distinguished contributions during the campaign. First on the list was Dustan. "This gentleman has largely educated the community on the question of a sugar refinery. ...[He] has been sleepless in his watchfulness in the great industry in which we are so deeply interested....his letters to Members of Parliament has made him one of the best known men in Canada."¹⁴⁸ On his post-election victory tour, Charles Tupper also praised the efforts of Dustan in Dartmouth.¹⁴⁹ And finally, The Morning Herald thanked Michael Dwyer, J.J. Bremner, Capt. Edward O'Bryan, all of whom were prominent shippers and supporters of the Reform party, for siding with the Tories on the sugar issue.¹⁵⁰

What then was the Tory agenda? A.A. Jackson, the U.S. Consular General of Halifax described it as a protectionist revolution:

The recent election is generally regarded as a popular declaration in favour of a readjustment of the "Canadian tariff" with the view

148 The Morning Herald, Sept. 19, 1878.

149 Martin, Story of Dartmouth, 403.

150 The Morning Herald, Sept. 19, 1878,.

The Morning Herald

THURSDAY, SEPTEMBER 19, 1878.

IMPORTANT.

We have to announce that, by telegraph from Paris, Mr. Drummond, the eminent Montreal Sugar Refiner, on hearing of the change in Canada, at once determined to start for Canada on the 21st.

THANKS!

The thanks of the Liberal-Conservative Party—which, now is, the People of Halifax—are due to the following gentlemen, in a manner so special that no one need feel that his services have been unrecognized, because we single out these:

1st. To Mr. G. G. DUSTAN, of Dartmouth. This gentleman has largely educated the community on the question of a Sugar Refinery; has given an impetus to the discussion; has kept the latest facts before the people; has been sleepless in his watchfulness of the great industry in which we are all so deeply interested. His letters in the HERALD, his letters to the Government, his letters to members of Parliament—have made him one of the best known gentlemen in Canada; and when the Sugar

to protect against the entrance into Canada of American products and manufacturers and U.S. tariff regulations. Sir John...to initiate a system of legislation in accordance with the so called "new National Policy" designed to foster Canadian industries.¹⁵¹

The National Policy was envisioned as a protective wall around a "Canadian" market, as a transportation link uniting the former colonies, and as a policy directed at creating a national market through frontier development.¹⁵² The National Policy was thus much more than mere tariff reform. Tariffs were an old issue: in fact, debates over tariffs are as old as commerce itself.¹⁵³ A growing conflict between home manufacturers and importers had raged over the nature and strength of tariffs in many countries from the late 1700s. Even in the Maritimes, some tariff debate occurred as early as the first decade of the nineteenth century.¹⁵⁴

"Protectionism" in the Maritimes owed its origins to the early attempts of merchants to create an export market of domestic products for the West Indies. The Nova Scotian government attempted to stimulate farm produce

151 NAC, RG, 10 A, I, U.S. Consular Records, A.A. Jackson to William M. Evarts, Secretary of State, Dec. 11, 1878.

152 Waite, Arduous Destiny, 82.

153 Cook, Canada: A Modern Study, 123.

154 Forster, Conjunction of Interests, 15.

for export to the West Indian market by placing bounties on Maritime agricultural goods early in the nineteenth century. These bounties represented the first incidence of protectionism in British North America. At the time of Confederation the vast majority of the trade and manufacturing associations which favoured a protected trade were located in the interior of the country.¹⁵⁵ Maritime merchants, on the other hand, were for the most part committed to free trade principles.

From the time of his arrival in Canada in 1863, Dustan was a confirmed protectionist. "No industry has a better claim to the fostering care of government than that of sugar refineries," he stated, "no arguments that can be addressed in favour of protecting the manufacturing of machines, or of the textiles fabrics is inapplicable to sugar refining."¹⁵⁶

Many historians have recognized the pivotal nature that the National Policy held in the development of an industrial community in Canada. At the same time, they have been surprisingly vague about its origins. Peter Waite suggests only that Macdonald "picked it up from Rose, Hincks or Tupper."

155 Ibid.

156 PANS, Macdonald Papers, 138413, Dustan to Macdonald, Feb. 23, 1875.

Waite also says that before 1873 Macdonald had never supported protection.

It was not until March 7, 1876 that Macdonald announced a resolution for protecting home industry in the House.¹⁵⁷ What is more, this resolution was not adopted as party policy until March 12th, 1878.¹⁵⁸

Macdonald's most recent biographers, Smith and McLeod, mark Macdonald's interest in protectionism somewhat earlier than 1876. They argue that protectionism emerged as an issue during the election of 1872. They cite an announcement in Hamilton, on July 13, 1872 as Macdonald's first public promotion for protection of "home industries."¹⁵⁹ With the establishment of the tariff Conservatives insured the attachment of manufacturers to the party.¹⁶⁰

George Dustan maintained that he was not only instrumental in the

157 Waite, Arduous Destiny, 82.

158 Forster, Conjunction of Interests, 173.

159 Cynthia Smith and Jack McLeod, Sir John A.: An Anecdotal Life of John A. Macdonald, (Toronto: Oxford University Press, 1989), 123.

160 Waite, Arduous Destiny, 102. Waite has pointed out that only in 1896, "once they adopted a tariff position of their own did the Liberals regain power." Charles Hibbert Tupper, Recollections of Sixty Years: Sir Charles Tupper Bart., (Toronto: Cassell and Co. Ltd., 1914), 172. Charles Hibbert Tupper claimed his father to be the founder of the National Policy and that he coined the name in a parliamentary speech on 1870.

creation of the National Policy, but in fact had been the inspiration for it. In Dustan's words he had convinced Tupper and Macdonald, "who were both ardent free traders", that a platform of protection for industry could win the national election for the Conservatives:

I was fighting almost alone for 10 long years for protection from the aggression of the United States by means of bounty fed sugar which led to the protective policy of the Macdonald Government, and it was my chief difficulty all these years to convince Sir John A., Dr. Tupper and Mr. Tilley that such a policy would be possible or suitable for this country, all the gentlemen being ardent supporters of free trade at the time as well as Mackenzie and Cartwright.¹⁶¹

Dustan's view of his own role was perhaps exaggerated. Unquestionably he was surrounded by countless others who supported protection. Nevertheless, he influenced various aspects of the National Policy related to sugar, and epitomized the aspirations of the Maritime elite.¹⁶² Not only did Dustan play a pivotal role in the election and tariff process, he was also intimately

161 PANS, Thompson Papers, 13197, Dustan to Thompson, Oct. 2, 1890. Another reference to Macdonald as a free trader occurs in, ibid., 21822 Dustan to Thompson, Jan. 25, 1893.

162 NAC, MG 27, I, E, 8, McLennan Papers, Dustan to McLennan, June 13, 1879, 96. In his day, Dustan had political influence far outside the Maritime region. John McLennan, M.P. of Glengarry, Ontario in an open letter to his constituents, stated that Dustan's opinions were on the leading edge of Canadian industrial policy. "[Dustan's opinion is]...one that represents most fully the whole question of the industrial and trade interests of the Dominion embracing as it does the question of home employers of labour in manufacturing - the development of our own wealth in coal, the forestry and shipbuilding industry and of foreign trade."

involved in articulating the other themes of the policy, especially as they related to transportation and immigration.¹⁶³

The National Policy budget was first presented to Parliament on March 14, 1879, the complicated structure of the tariff dragged the debate well into April. Both Waite and Forster suggest that because the tariff represented a radical departure from previous fiscal policies, Finance Minister, Tilley had a difficult time in fine-tuning the 1879 budget.¹⁶⁴ Throughout its formulation, Dustan was most concerned with an aspect of the tariff that would favour the Inter-Colonial Railway by placing a duty on the transshipment of products through the United States. In effect, this would stop Montreal refiners from importing raw sugars over American rail lines. Convinced that the clause would be included in the Tilley budget, Dustan sat in the visitors' gallery as

163 PANS, Thompson Papers, 13916, Dustan to Thompson, Dec. 13, 1890; *ibid.*, 13971, *idem.*, Dec. 19, 1890; *ibid.*, 20484, *idem.*, Oct. 11, 1892. Dustan's ideas on transportation will be dealt with in a future chapter. His commitment to immigration policy was equally important. In 1882 Dustan travelled to the North West and formed the Edmonton Saskatchewan Land. Co. He set about soliciting investors to engage in western land settlement. (His later writings are filled with proposals encouraging immigration.)

164 Forster, Conjunction of Interests, 189; Waite, Arduous Destiny, 102. The revenue from the tariff was of prime importance to the government. In 1879 textiles accounted for 28% of all customs revenues (cotton 12% wool 12%). Sugar generated 15.4%, iron and steel 9%, and alcohol 7.7%. While these are the leading post-1879 budget income generators, they were the same as ten and twenty years before.

Tilley delivered his address. Dustan was horrified, however, to find that Tilley dropped the clause before its presentation.¹⁶⁵ Dustan's description of the events is interesting, and deserves to be quoted at length:

The clause I placed in Sugar and molasses not coming direct to a Canadian port without transshipping from the country of growth and production pay an extra duty. This I did to give our ports and railroads advantage causing great stir at Halifax in the winter. Tilley agreed up until the very day when he introduced bill deleting the clause entirely. Drummond had come to Ottawa with Tarte while not then a M.P., had a lot of influence with Quebec members and Bunting who roused other Ontario members. I tried to see Tilley but was too busy. I think didn't want to see me. First and last time I saw Tilley with brown on his face at home...He said Ontario and Quebec members refused to have sugar come through Halifax for six months...I reminded him to tell them that a duty was imposed on the Lower Provinces that they had to import Ontario and Quebec bread stuffs all year round to support a rail line when it would be far cheaper to use our own ships to import it from Boston and New York. This would mean 30,000 tons of freight to U.S. rail lines instead of the Government line...Men and woman too, in the sea-board provinces would revolt at such selfish one sided action ... Tilley admitted an excellent point. I went to Tupper on same point. I thought I had arisen the lion of the Government and saw many members on Tupper's request. He said Dustan should receive a reception from the people of Halifax for his efforts. National policy would not have been cleared without Tupper's commitment.¹⁶⁶

165 PANS, Macdonald Papers, 198021, Dustan to Macdonald, Dec. 29, 1884; PANS, Thompson Papers, 21822, Dustan to Thompson Jan. 25, 1893 and *ibid.*, 11947, *idem.*, Nov. 25, 1889.

166 PANS, Thompson Papers, 11047, Dustan to Thompson, Nov. 25, 1889.

During the budget revisions Dustan's clause was finally adopted. Tupper acknowledged his efforts by seating Dustan next to the House Speaker as an honoured guest during the reading.¹⁶⁷

Dustan's success in Ottawa was largely unmentioned in Halifax, and upon his return he found that "Jones and Co. were in the legislature."¹⁶⁸ He wrote to Thompson decrying his treatment by Halifax Reformers. "The reception I got was from Jones, Boak, Dwyer, Smith and Co. trying to get hold on my concessions and privileges for nothing which had cost me 15 years of labour and a cost of \$12,000 leaving me with \$150,000 of land and construction on the Dartmouth side. Has been the cause of all my loss and trouble."¹⁶⁹

While the National Policy was hailed by many as the salvation of the Maritime economy, not all shared this view. The Monetary Times feared that the National Policy would create a misguided sense of optimism and inevitably drive businessmen into short sighted investments.

167 Ibid., 17228, *idem.*, Nov. 11, 1891; ibid., 21675, *idem.*, Jan. 3, 1892. Years later, when the clause was challenged, Tupper rose to claim it as the "very principle upon which the National Policy was to be built."

168 Ibid., 17228, *idem.*, Nov. 11, 1891.

169 Ibid., 11047, *idem.*, Nov. 25, 1889.

A hum of activity in the Maritime sphere is already heard as a result of the new tariff policy ... in the belief that they will henceforth become profitable. The danger is perhaps, that too much rather than too little will be attempted, for the tendency is to over do everything...It will therefore not be out of place to counsel caution to those who contemplate embarking in enterprises that must be more or less experimental...The successive increase in the American tariff led to this result.¹⁷⁰

Indeed, much business activity did take place. Within a four year period, from 1879 to 1883, five new sugar refineries were incorporated. The National Policy fostered a climate in which refining could potentially succeed in the Maritimes, and may have encouraged too many schemes, but the largest single factor in the development of five separate refineries in the city involved the political and personal antagonisms present amongst the Halifax elite. These antagonisms directly affected Dustan's ability to create a successful refining venture.

The fact that many local merchants were aligned with the Reform party, placed them in natural opposition to Dustan. Dustan claimed that upon his defeat in 1878 Jones induced his political friends to stop Dustan's refinery project.

A.G. Jones and associates erected a refinery in Halifax to prevent

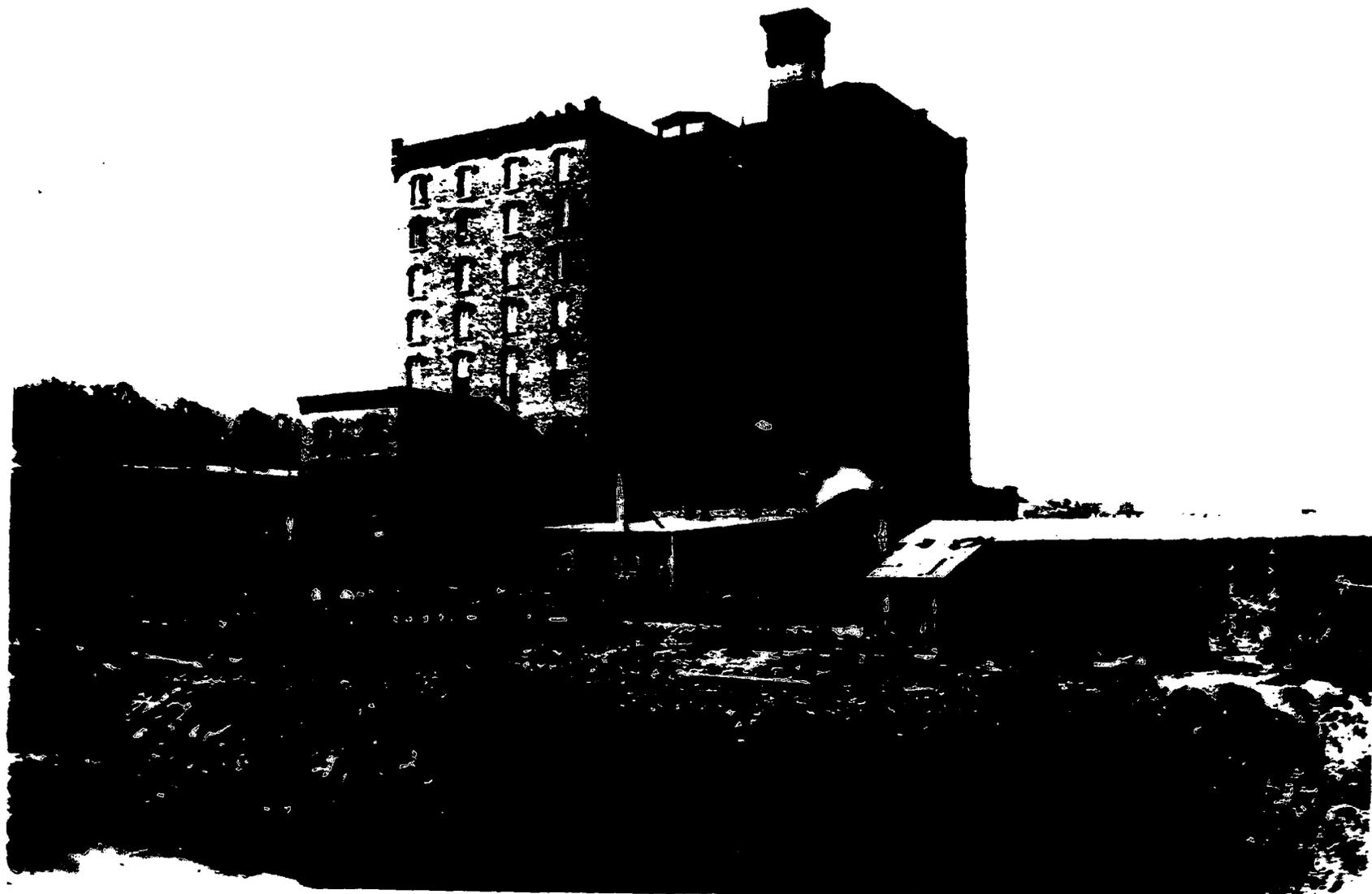
170 M.T., Apr. 11, 1879, 1271.

me building mine in Dartmouth in revenge for my efforts to turn out Mackenzie Government. For express purpose to ruin me. These malignant sentiments were publicly and openly muttered by Mr. Jones at the meeting called to organize the Nova Scotia refinery. Though not personally antagonistic to myself he did all he could to ruin my scheme and since the election of January 1878, when I was compelled to aide Sir Charles Tupper, in a dispute between him and Tupper concerning the sugar trade . . . [and has continued] . . . to do all in his power to prevent the refinery being completed. Had it not been for the spite of himself and his friends the refinery now working in Halifax would have been built at Woodside by representing to my English friends through the offices of the company who are now here that the Dartmouth Railway will never be built and there will not be business enough for the refinery he is attempting to so weaken their faith in the scheme as to lead them to back out of it.¹⁷¹

While Conservative newspapers characterized Dustan as the leading figure in the refining movement, the Liberal press belittled his efforts. Although he had once applauded Dustan's efforts before the Dominion Board of Trade and during the election campaign, Michael Dwyer, President of the Merchant Bank of Halifax and early backer of the Nova Scotia Sugar Refinery, recounted the history of the refining industry in a way that emphasized Dustan's incompetence.¹⁷² Dwyer recounted the important efforts of West Indian shippers to promote refining, and the natural advantages of Halifax in

171 PANS, Macdonald Papers, 187879, Dustan to Macdonald, May 16, 1883.

172 Morning Chronicle, Apr. 19, 1893.



The Nova Scotia Sugar Refinery

its development, rather than Dustan's tariff initiatives. "The movement for the erection of a sugar refinery at Halifax," said Dwyer, "had been on foot promoted not by any consideration of tariffs, but by a knowledge of the admirable situation of our port for such an industry."¹⁷³

In Dwyer's account, Dustan solicited funds from Halifax merchants throughout the 1870s, claiming that his English and Montreal backers would erect a refinery at Woodside providing that the contemplated amendment to the tariff came into effect. After the introduction of the National Policy, and a tariff vastly favouring domestic refineries, however, Dustan took no action to establish his refinery. Dwyer claimed that Dustan told him that in the meantime the Montreal refinery took full advantage of the tariff and was profiting handsomely. Then, less than four months after the passage of the tariff, came the announcement of a second refinery to be constructed in Montreal and two in New Brunswick.

Dwyer claimed that Daniel Cronan, a Halifax sugar broker, had a large supply of raw sugar that the Montreal refinery refused to purchase. Dwyer replied that the only solution was for Halifax to build its own refinery.

¹⁷³ Nova Scotian, Apr. 16, 1881.

Cronan immediately wanted stock. Dwyer later raised the issue at a directors meeting of the Halifax Merchant Bank and raised \$30,000 in an hour. Thus, despite the lobbying efforts of Dustan, in Dwyer's mind it was the West India merchants who formed the first sugar refinery in Halifax.

Financing for the refinery materialized quickly. On May 14, 1879, Thomas Ritchie, a former mayor of Halifax, organized a meeting at the Acadian Fire Insurance Company.¹⁷⁴ Dwyer and Ritchie increased their original investment five-fold to inspire others to invest in the new company for the purpose of establishing a refinery.¹⁷⁵ The organizing process then began. J.J. Bremner, T.E. Kenny, R.J. Hart, and A.G. Jones were appointed directors.¹⁷⁶ The directors set about choosing a site and hiring a developer for the construction of what was to be known as the Nova Scotia Sugar Refinery Company (N.S.S.R.). The area of Halifax along the harbour shore, known as Richmond, was chosen as the site for the refinery and became its location between the Inter Colonial and the Harbour.

174 Halifax Mail, Dec. 5, 1938.

175 Acheson, "National Policy," 7. The company was divided into 5000 shares of \$100 totalling \$500,000.

176 M.T., May 16, 1879, 1414.

City and provincial officials were enthusiastic about the project and agreed to exempt the company from local taxes. The N.S.S.R. was also given free access to the city's water supply.¹⁷⁷ In addition, the refinery's backers wrote the Minister of Customs, Mackenzie Bowell, to ensure a guarantee of the same federal support Dustan had attained for the Woodside plant.¹⁷⁸

Early in the new year of 1880, the Acadian Recorder reported that construction of the refinery had begun under the supervision of O.W. Donner from the Brooklyn sugar refining firm, Decastro & Donner.¹⁷⁹ The plant was expected to employ 120 hands year round and be capable of producing 500 barrels (300lbs each) of refined sugar a day.¹⁸⁰ The Monetary Times estimated the cost of construction for the "three stair shaped" building would be a modest \$120,000.¹⁸¹

177 M.T., Mar. 18, 1881, 1093; Nova Scotian, Apr. 16, 1881.

178 NAC, MG 26, E, 1 A, Bowell Papers, Dwyer to Bowell, Mar. 10, 1880.

179 Acadian Recorder, Feb. 5, 1881.

180 Morning Chronicle, Apr. 19, 1893.

181 M.T., Mar. 18, 1881, 1093. The first building was 10 stories high, 170', long 68' deep and constructed of brick, granite, and sandstone. Adjacent to it was the 8 story sugar house. Beside this was a two story office building. The raw warehouse was 200' by 80' and was capable of holding between 2500 and 3000 hogs-heads of raw sugar. The 145' tall tower dominated the

The Nova Scotia Sugar Refinery was one of five refineries established in the Maritimes between 1879 and 1883. Two were established in New Brunswick within several months of the passage of the National Policy. (George Dustan had first built a refinery in Saint John in 1863, but it failed in little more than two years.) First proposed to the New Brunswick Legislature as The West India Refining Co., The New Brunswick Sugar Refining Co. was incorporated on 15 April, 1879 with prescribed capital of \$1 million dollars.¹⁸² Among its founding share holders was an impressive list of leading businessmen from across the country, led by the prominent Saint John Conservative and West India merchant, James Domiville.¹⁸³ Curiously, the

North end of the city. The estimate for machinery was \$200,000, one quarter of this being the product of local manufacturing.

Over 1000 men were involved in the construction. This included 340 carpenters, 30 masons, 146 labourers costing \$1700 a week. Brickyards in Enfield, Avonport, and Hantsport supplied the 3,250,000 bricks at a cost of \$9 per 1000. Over 230 tons of granite were cut in Birch Cove and 1500 tons of gravel were transported from Beaver Bank requiring almost 150 flat cars. In addition, the 22,000 furnace bricks had to be imported from Scotland. 4000 barrels of lime from Shediac and 2500 barrels of London cement. 50,000 bushels of sand from Chester and 320,000 feet of pitch from Florida was transported by way of schooner. 62,000 feet lumber from along the Intercolonial was used and 260 tons of pillars, doors, castings, and iron work. In addition, Duncan Waddell, of Dartmouth, was hired to construct a 50' by 200' breakwater and pier capable of handling the largest of freighters.

182 **NBA**, Statutes of New Brunswick, (1879), 42 Vic., c. 31, "An Act to Incorporate the New Brunswick Sugar Company"; M.T., Apr. 18, 1879, 1296.

183 See Appendix 2.

refinery did not materialize and the lack of information existing after the firm's incorporation makes it difficult to determine why it failed to succeed.

A second refinery was established in Moncton by the brothers Christopher and John Harris and their brother-in-law John A. Humphrey.¹⁸⁴ Completed in December 1880, the Westmoreland refinery was said to be the "pride of the city and example of the port." At full capacity it was capable of producing at a rate of 250 barrels and consuming 20 tons of coal per day.¹⁸⁵ The 1881 census listed the refinery as employing 110 men with total wages paid out totalling \$75,000. The amount of raw sugar it absorbed was valued at \$950,000 and the commercial value on refined sugar was \$1,250,000.¹⁸⁶ In turn, the refinery provided important spin off industries such as a cooperage which consumed 2500 cords of hardwood a year and provided a yearly sum of \$10,000 to local farmers.¹⁸⁷

184 Acheson, "National Policy," 8. The Harris brothers raised \$1 million to build a sugar refinery and in addition a cotton mill, a gas light and power company.

185 Machum, Moncton, 127

186 Canada, Census, 1880-1881, 3, LIV.

187 Machum, Moncton, 127. Neither the Monetary Times nor the Moncton Daily Times give any detailed discussion of the specifics of the refinery's design other than that J.L. Harris toured the United States and Upper Canada for qualified personnel, capital, and design prior to its construction.

In Nova Scotia the refining industry was centred in Halifax. The N.S.S.R. was the first refinery to be constructed. Soon after, for a yet unknown reason, A.G. Jones set out to construct a second refinery. Jones had been intimately connected to the founding of the N.S.S.R. but held only a small proportion of its initial stock. Of all the Nova Scotian sugar houses, the least is known about Jones's enterprise.

In December of 1881 Henry Lawson sold the property of the original Halifax Sugar Refinery to the Jones' Atlantic Sugar House Co. Ltd. for \$10,000.¹⁸⁸ The refinery was in Jones's sole control, and he financed the company's mortgage in 1884 for \$25,000. The two directors of the refinery were A.G. Jones Jr. and George E. Franklyn of the Cunard Shipping Co..¹⁸⁹ The company's initial capital stock was \$75,000 in 750 shares.¹⁹⁰ An 1885 sessional report reveals that the plant had 75 employees and an annual output approximately two-thirds that of the N.S.S.R..

188 PANS, RG 47, Halifax County Deeds Registry, (mfm) , Book 237, Trans. 142; PANS, SNS (1882), 45 Vic., c. 82, Act to Incorporate the Atlantic Sugar Co. Ltd..

189 PANS, Halifax County Registry of Deeds, Book 283, Trans. 630.

190 The construction schematics of the Atlantic Sugar House did not receive the extensive press coverage that the other two Halifax sugar houses did. Perhaps this is because it was substantially smaller and was a wholly private concern.

The final refinery to be constructed in Halifax was Dustan's. Plans for the Woodside refinery changed dramatically during the twenty year period (1864-1883) it took to materialize. Dustan had originally promoted the project as a joint enterprise involving English, Montreal and local capital.¹⁹¹ He had made the initial purchase of the land in 1865 and by 1872 an estimated \$140,000 of materials had been accumulated for the project. Incorporated by provincial statute in 1872, The Halifax Sugar Refinery Company was entitled to issue \$450,000 in stock with the power to raise an additional \$150,000.¹⁹² This was later increased to \$1 million.¹⁹³ In addition, the legislature granted Dustan an exemption from local taxes on four separate occasions.¹⁹⁴ Despite the potential wealth of the company, selling stock was difficult. It became increasingly clear to Dustan that George Drummond would not be drawn into the venture. Because of political and personal

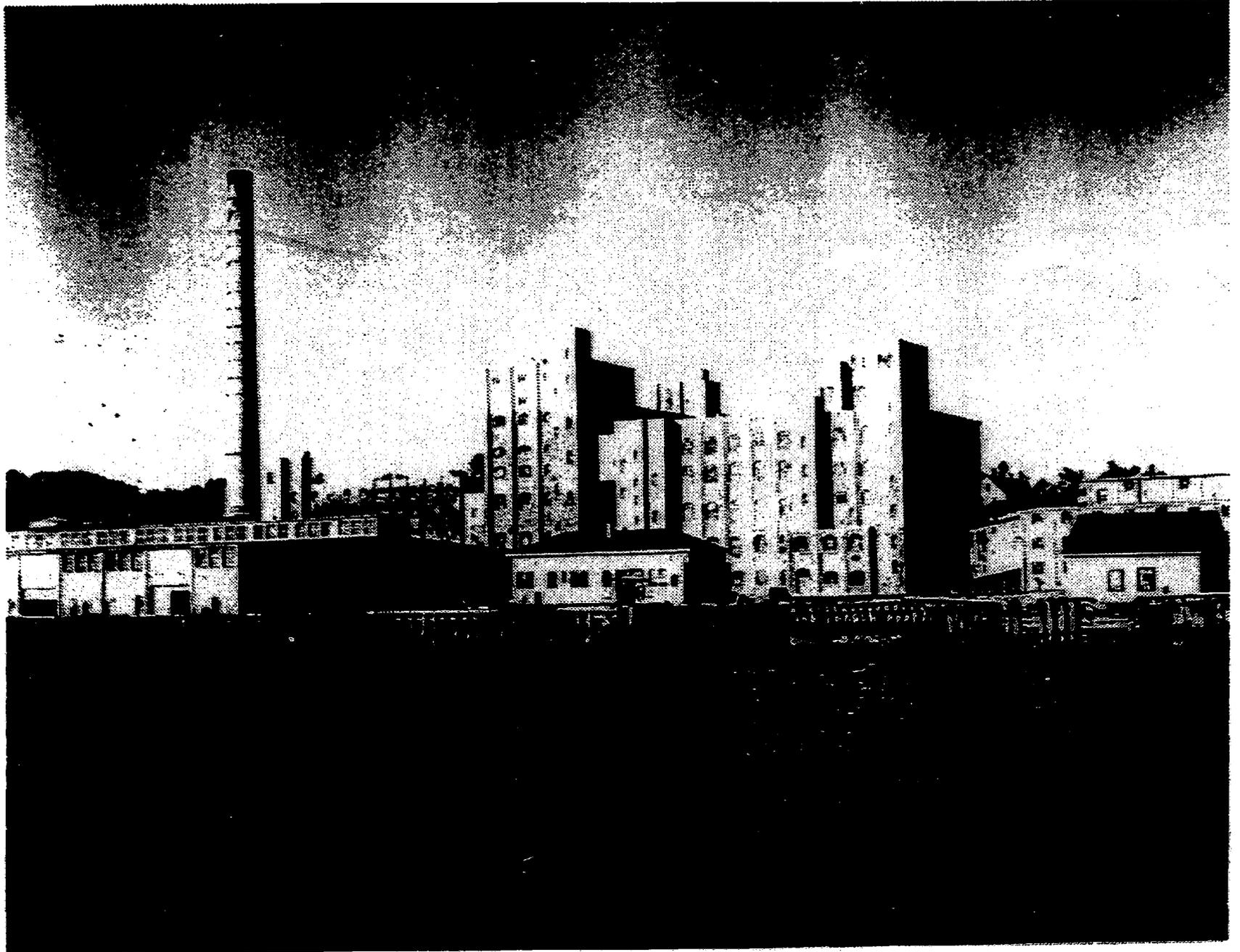
191 PANS, MacDonald Papers, 138403, Dustan to MacDonald, Feb. 23, 1875. Not much is known about who the early potential English investors were. Among the interested parties was the prominent Manchester sugar refiner Alfred Fryer, who wrote Drummond about the project in 1874.

192 PANS, SNS (1873), 36 Vic., c. 70: "An Act to Incorporate the Halifax Sugar Refining Co."

193 Ibid., SNS (1875) 38 Vic., c. 112: "An Act to Amend the Halifax Sugar Refining Co."

194 Ibid., SNS (1876), 39 Vic., c. 90, SNS (1879), 42 Vic., c. 90, SNS (1883), 46 Vic., c. 74.

The Halifax Sugar Refinery



disagreements, moreover, potential supporters in Halifax backed out and launched their own refinery.

After failing to attract local capital for the company, Dustan refocused his efforts on Britain. In 1881 he hired the Halifax sugar broker Kenneth McLea to act as his attorney and to solicit funds for the enterprise. McLea who had long been associated with Dustan, first approached the architectural firm of Blake and Barclay in July of 1881 to design the buildings.¹⁹⁵ As was usual for the time, Blake and Barclay were asked to assist in attracting capital for the venture. The firm was asked to receive its payment in refinery stock, but Blake and Barclay declined the offer. In the meantime McLea approached the Liverpool investment firm of Saunders Needham who expressed "great desire" in the Halifax refinery. Saunders Needham soon bought 1200 shares worth £6000 in the enterprise, and orchestrated the financing of £85,000 from the North Western Bank of Liverpool.¹⁹⁶ In addition, the architectural firm of Fawcett and Preston bought £10,000 in

¹⁹⁵ PANS, RG 39 C (Hfx. Co.), Box 365 (1884), file 13824a. Report of Commission given in evidence in *Barclay and Blake V. Dustan*.

¹⁹⁶ The Weekly Notes, Jan. 17, 1891.

stock, and the Cunard Shipping company completed the financing.¹⁹⁷

Given the materials he already had on hand, and his newly acquired financing, Dustan predicted that the refinery could be constructed for half of the cost of the recently constructed N.S.S.R. In addition, citing the Moncton refinery's large profits, (of which Dustan was a 5% owner) he estimated that the new plant would produce sugar with a ½¢ advantage over Montreal refineries. The key to these savings, Dustan claimed, lay in the substantial government concessions granted to him, and a "to the boiler" price on coal of \$1.25 rather than the \$4 per ton paid in Montreal.¹⁹⁸

The Company was re-registered and on October 23, 1882 the title of the H.S.R. was sold by Dustan to the investment firm of Saunders Needham.¹⁹⁹ Immediately Saunders Needham appointed William Blackburn as a secretary and James Campbell Fraser, representing the North Western

197 Later this bid resulted in Supreme Court action against Dustan by the firm Blake and Barclay, which charged that Dustan had used their promotional plans in his prospectus and design of the refinery.

198 PANS, RG 39 C (Hfx co.), Box 365, file 13824a, Barclay and Blake v. Dustan.

199 PANS, Halifax County Registry of Deeds, Book 297, Trans 18. Company registered under The Companies Act of 1862 and 1880 Articles of Association # 64 Oct. 23, 1882.



113

Bank, as chairman of the company.²⁰⁰ Two final directorships were given to Dudley Ryder, of the Cunard Shipping Ltd. and to Dustan as the managing director of the plant.²⁰¹ For Dustan's previous efforts and property he received \$60,000 of which \$37,500 was in the form of stock.²⁰² By 1885 there were four refineries operating in the Maritimes, all of which were beginning to experience difficulties in daily operations.

Michael Dwyer, a principal director of the N.S.S.R. recalled the first years of the operation in an article for the Morning Chronicle on the history of the industry in Halifax. Dwyer recounted the early prospects of the N.S.S.R. and how they soon turned sour. At the outset, the refinery management had predicted a profit in the first few months and a \$200,000 profit by June of 1882. Instead there was no profit. A loss of \$10,000 in the first months was posted, technically driving the company into bankruptcy and creating a huge loss for the Merchant Bank of Halifax, the principal backer.²⁰³

Dwyer believed that sabotage on the part of rivals had more to do with

200 PANS, Barclay and Blake v. Dustan.

201 The Law Times, June 14, 1890.

202 PANS, Halifax County Registry of Deeds, Book 297, Trans. 18.

203 Morning Chronicle, Apr. 18, 1893 .

the firm's troubles than insufficient financing. "What I had begun to suspect in less than a fortnight after commencing of operations was that our misfortunes had a hidden source." Indeed, within six months, the secretary, Mr. Otten, and the manager of the plant, were both dismissed. Dwyer, claimed he had "rooted out the problems in the firm" and put operations back on track, despite attempts by management to block him.

The Monetary Times also described the start-up period as difficult, but attributed the problems to inexperience of the entrepreneurs.²⁰⁴ Acheson accepted this conclusion, and suggested that the directors underestimated the cost to complete the plant by almost half. The actual cost was \$500,000, which forced the refinery to attain a mortgage from the Merchants Bank for \$460,000 in only the second year of operation.²⁰⁵

The year 1883 saw a very unsteady sugar market. In October the Moncton Daily Times reported that "[s]eldom has there been experienced such a strong market as at present exists for refined sugar, The demand having outstripped supply" and pointed out that this was a complete turn

204 M.T., Feb. 17, 1882, 1004.

205 Acheson, "National Policy," 12. Acheson attributes this to the H.S.R. but it was the N.S.S.R. See M.T., Mar. 18, 1881 and Feb. 17, 1882.

around from the year before.²⁰⁶ Less than two months later, however, the Moncton Daily Times reported that raw sugar sales on the international market were at a stand-still indicating that the refiners had ceased production once again.²⁰⁷ Despite the wild fluctuations in the international sugar market, in the refinery's first year under new organization Dwyer reported a profit of \$20,000. The next year profits jumped to over \$60,000, despite the repayment of the heavy debt burden from the first months of operation. By 1885 the N.S.S.R.'s directors had reduced their debt, and renegotiated the mortgage with the Merchants' Bank. The Bank accepted \$250,000 in stock and cash, leaving the firm with an operating budget of \$100,000.²⁰⁸ This proved inadequate for the company and it was forced to close its doors later that year.²⁰⁹

In May, 1886 a newly re-registered Nova Scotian Sugar Refining

206 Moncton Daily Times, Oct. 9, 1883.

207 Ibid., Nov. 21, 1883.

208 Acheson, "National Policy," 12. Again Acheson attributes this to H.S.R. when really it is the N.S.S.R.. See M.T., Mar. 19, 1886, 1062.

209 Morning Chronicle, Apr. 18, 1893. Dwyer reported that he had left for California in late 1884, for medical reasons, but upon his return the following year, he found the refinery's financial statements "in worse shape than even during the first months." Close to financial and physical collapse, Dwyer resigned.



Company Ltd. was in a position to continue operations, this time with the secure financial backing of J.F. and W.J. Stairs. In June, 1886, the N.S.S.R. Ltd. was conveyed to the new N.S.S.R. Ltd. Inc.²¹⁰ Allison Smith replaced Thomas Ritchie as President, and Thomas Cutler remained the secretary for the firm. The firm was finally successful.²¹¹ The Monetary Times reported in 1887 that "the refinery had a prosperous year" with earnings reaching \$300,000 and a yearly dividend of 10%.²¹² By 1888 the remainder of the mortgage to the Merchant's Bank was fully repaid.²¹³ The Monetary Times reported less extensively on the financial situation of the other refineries. Information about the "problems" at the Moncton plant is scarce. The journal identified the crisis in the international sugar markets as the source of problems there.

The problems of Nova Scotia Sugar Refinery pale in comparison to those encountered by the Halifax Sugar Refinery. Unfortunately, because

210 PANS, Halifax County Registry of Deeds, Book 256 Trans. 628.

211 Curiously the Monetary Times made much of the exodus of the original owners. A look at the stock holders in 1890, however, reveals that while the upper management may have changed the backers were much the same as they were at the outset of the venture. See Appendix I.

212 M.T., Jan. 6, 1886, 844.

213 PANS, Halifax County Registry of Deeds, Book 269, Trans. 1276.

most of the proceedings of the company took place in England, it is difficult to discern the principal actors and their roles in the affairs of the enterprise. In 1884 two of the directors, James Fraser and Alfred Chapman, issued a set of preferred stocks for £40,000.²¹⁴ Then in 1886 Fraser and Chapman, representing the bondholders, foreclosed on the debenture. Dustan opposed the action and soon made his displeasure known to the English directors. William Blackburn, acting in concert with Fraser and Chapman, wrote Dustan at the beginning of June in an attempt to console him:

You are aware that Fraser and I have throughout tried to befriend you and we have done so and still wish to do so. Permit me therefore to ask you in all friendliness what possible good you are likely to get by setting yourself so determinedly against us. You have narrowly escaped wrecking the Co. . . . I told you that if further capital not found the bondholders will foreclose and ordinary shares will be wiped out. The loss is great to Saunders Needham we must make the most we can of a bad business.²¹⁵

Blackburn conceived a plan in which the company would gather £62,500 to boost the company's position in the national market.²¹⁶ Through

214 The Law Times, June 14, 1890.

215 PANS, RG 39 "C" (1888), Supreme Court, (Hfx. Co.), case # A2238, "In the Matter of the Winding Up Act and in the matter of the Halifax Sugar Refining C. Ltd.," Evidence: Blackburn to Dustan, June 2, 1886.

216 Ibid.

correspondence with George Drummond, Blackburn suggested that the Woodside plant enter the proposed trade association so that prices of refined sugar, and production quotas, could be set.²¹⁷ A second proposal was to have Peter Redpath of the C.S.R., join the revitalized Woodside refinery as a director. Worried that this might give the new company more credibility, Drummond suggested to Redpath that such a move would only add to the strength of the Woodside plant and that the Montreal refinery would not benefit from any partnership.²¹⁸ A third element of the plan was for the Saunders Needham consortium to buy out the collapsed Nova Scotia refinery and keep it shut.

When Blackburn left [Drummond's office] it was practically decided his Co. should, for its own interest, buy the Nova Scotia House and be assisted by the other refineries to keep it shut. Evidently they were not in a position to do anything of the kind. The chance has been lost through their own duplicity and now the Nova Scotian has been reorganized and starts.²¹⁹

Somehow the plan unravelled and on August 24, 1886 Dustan set in motion a petition to the High Court, Chancery Division, for the "winding up"

217 Feltoe, Redpath, 135.

218 Ibid..

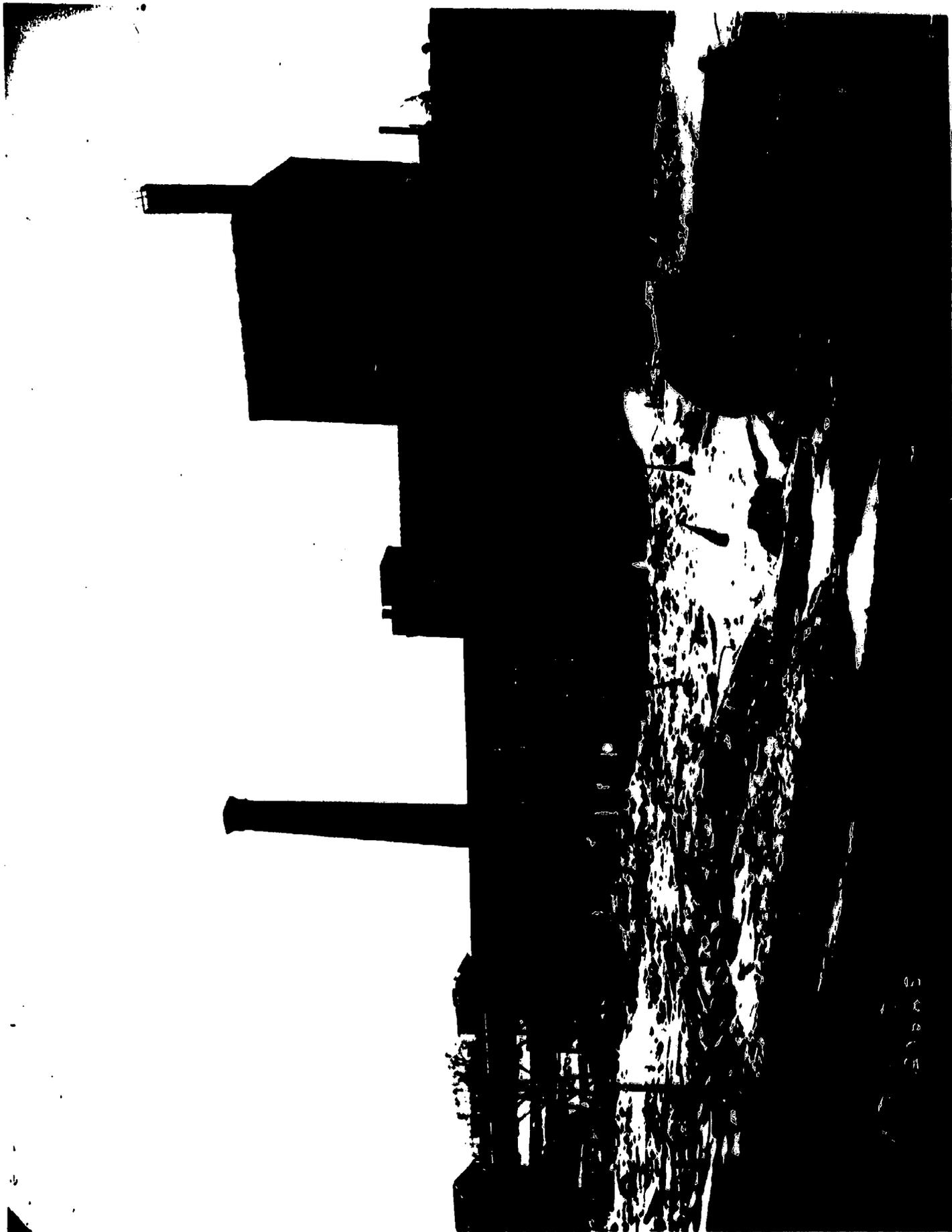
219 McNiven Collection, Drummond Letterbooks, Drummond to Peter Redpath, June 1, 1886.

of the company.²²⁰ Dustan claimed the other directors had acted illegally in issuing the 1884 bond debenture, for as a director, it was essential that he be informed of any decisions of that nature. In addition, the opportunity to buy out the Nova Scotian refinery was lost.

In 1887, Woodside's bondholders directed the foreclosure of the plant. The property was put up for sale through sheriff's auction on July 28. The firm was subsequently bought by the directors for the price of \$160,000.²²¹ The plant remained closed until Feb 28, 1888 when the acting plant manager, Ebenezer Dowie, and assistant manager, Kenny Romans, resumed operations under the direction of James Fraser, George Franklyn and Palgrave Simpson. The resumption was met by further petitions from Dustan, and from the court-appointed liquidator John Banner, requesting that the Nova Scotia Supreme

220 PANS, RG 39 "C" (1888), Supreme Court, (Hfx. Co.), case # A2238.

221 M.T., Aug. 5, 1887, 491.



Court rule as to the legality of the 1886 debenture.²²² After hearings on July 12, 1888, Justice James dismissed the petitions of Dustan and Banner. The case was then renewed in the English courts under the title H.S.R. Co. Ltd. v Franklyn, in March of 1890. These petitions were also dismissed.

T.W. Acheson's "National Policy" article provides the most comprehensive analysis of the Maritime refining industry in the late 1800s. Acheson's research was concerned with broader economic developments in the region, however, and only superficially addressed the sugar refining industry. Acheson described the industry as monolithic in its formation. He implies each refinery was similar in nature, founded by inexperienced men involved in the West Indies trade, isolated from each other, yet hoping to discover the new riches promised by industrial capitalism.²²³ Furthermore, because the Maritimes lacked a dominant metropolitan centre "most early

222 PANS, RG 39 "C" (1888), Supreme Court, (Hfx. Co.), case # A 2238. James cited three reasons for rejecting the petitions: 1) There was sufficient authority to deal with the case in England. 2) Although a statute was passed incorporating the company, the incorporation was never acted on, although there were many amending acts. 3) There were only three Canadian shareholders of which Dustan was one. The other two, the Halifax Banking Co. and Cunard Shipping Ltd. opposed the application and the other opposing bondholders in England represented £142,700.; Nova Scotia Reports, Vol. 22, 1889. A subsequent appeal was also dismissed by Justice Townshend on Dec. 14, 1889.

223 Acheson, "National Policy," 7.

industrial development occurred as a result of cooperative efforts by groups of community entrepreneurs."²²⁴ Indeed, the establishment of so many refineries in such a short period of time would seem to confirm Acheson's theory that no single group could draw together the region's capital in a single concerted effort. It is something of an exaggeration, however, to regard local entrepreneurs as unwilling to develop larger regional or even national alliances.

The sugar refineries in the Maritimes did not develop in isolation. We have already seen how extensive was the correspondence between Dustan, Jones, and Drummond. While refiners often seemed isolated in their public statements, privately they maintained a very close working relationship. Analysis of the ownership of the local refineries also demonstrates the extent to which the merchant community cooperated in the establishment of the industry. For example, A.G. Jones played an instrumental role in the development of three Nova Scotian refineries. Jones was a director in the Halifax Sugar Refinery in 1872 and a founding member of the N.S.S.R. in 1879. Soon after Jones left that project to commence his own refinery, the Atlantic Sugar House in 1882. Then there was George Franklyn, a director in

224 *Ibid.*

the Atlantic House, who later became a director in Dustan's firm. J.F. Stairs' involvement with Dustan led him to the directorship of the N.S.S.R.. And finally, Dustan held stock in the Harris's Moncton Sugar Refinery.

It is also important to remember that each "sugar house" was different in its funding and size. No one firm set the model for the industry. The N.S.S.R., for instance, was a community investment by some of the many West Indies merchants in Halifax, but the company fell under the control of a single manager in 1886. The Atlantic Sugar House was much smaller and under the exclusive control of A.G. Jones. By way of comparison, the Moncton house had twenty two principal investors broadly representing the New Brunswick business community, but under the firm control of the Harris family. The New Brunswick Sugar Refinery had a wide range of investors from across the country, but did not even enter into production. And finally, the Woodside plant's main investors were European. There was almost no investment from the Halifax business sector except from Dustan and the Halifax Banking Company.²²⁵ The Moncton, Nova Scotian, and Atlantic

²²⁵ Later Dustan charged that the investors had acted against his advice causing the problems in the company, so there is evidence that he was not in complete control of the firm, but this could have been a ploy to defer blame from the failure of the company.

refineries were started by local merchants involved in the West Indies trade, the N.B.S.R.C. by national industrialists, and the Woodside effort by foreign industrialists. This diversity makes it difficult to sustain the generalization that the failure of the industry was a product of entrepreneurial isolation.

Acheson identified a second problem plaguing the Maritime sugar industry, that of under-capitalization. Indeed, the need for working capital was great. In 1876, George Drummond estimated that his \$600,000 plant required operational capital of \$1.5 million.²²⁶ Clearly no Maritime refiner had such resources. Yet, Acheson's assertion that "businessmen had only the vaguest idea of the quantity of capital required to operate a large manufacturing corporation" is difficult to verify.²²⁷ On the contrary, the West Indian merchants brought considerable knowledge of the global sugar trade, if not the process of refining itself, to the industry and were no doubt aware of its capital requirements. As for the refiners and company managers many were trained in Greenock, Scotland which in many respects resembled

²²⁶ Canada, House of Commons, Sessional Papers, 1876, 36, (Appendix 3), "Report of the Commission Investigating the Causes of the Depression: 1876."

²²⁷ Acheson, "National Policy," 11.

Halifax and the refinery designs were often taken from there.²²⁸

The National Policy had a dramatic impact on those interested in sugar refining in Canada. Within four years no fewer than five sugar refining companies had been founded in the Maritimes, three in Halifax alone. Ironically, the potential for success in the industry was the Achilles heel for the refineries. Flushed with the prospect of success the Halifax merchant community abandoned Dustan's enterprise and set out on their own refining effort. Apparently even this new refinery was not large enough for the egos of those involved. Within two years A.G. Jones had established a separate refinery of his own. With the heightening crisis in the world commodity markets for sugar, the company got off to a shaky start. The industry's problems by no means ended there, but instead continued through the 1880s.

²²⁸ PANS, MG 100, Box 58, Doc. 37. "Prospectus of the Halifax Sugar Refining Co.", The Prospectus makes heavy comparisons between Greenock and Halifax as an advertising point.

Chapter Five: Made in Canada

If the growth of industry under the National Policy of 1879 persuaded many Maritimers to put aside their opposition to Confederation, subsequent industrial stagnation during the mid-1880s raised again the spectre of secession from the Union. During the provincial election campaign of 1886, Liberal premier W.S. Fielding won a landslide victory, campaigning on a platform of repeal of the B.N.A. Act. For those involved in refining, however, repeal was heresy. A child of the National Policy, the sugar refining industry depended on the Canadian tariff and transportation system, and the emerging national market for its very existence. The proprietors of the Maritimes' first truly "Canadian" industry planned their future within a Canadian context. In search of greater stability and predictability of profit, the refiners proposed a number of reforms which included the manipulation of national borders, changes in tariff and transportation policies, and market regulation through trade associations and monopolies. This chapter address each of these in turn.

The rapid development of the Maritime sugar refineries from 1879 to

1883 convinced many in the region of the importance of the National Policy.

As hopes for sustained economic growth gradually faded, discontent

reemerged in the Maritimes. The Morning Chronicle reported in July, 1886

on the troubles of the sugar refinery:

The West Indies trade according to the united testimony of Liberals and Tories engaged in business, is about as badly paralyzed as it can well be. Instead of N.S. ships being engaged in bringing cargoes we can find Scandinavian and Norwegian ships bringing sugar from distant places to which we send no return products...under the National Policy they have the legal right to make people pay more for their sugar than they otherwise would have to pay . . . even with this gain we believe the Richmond plant has not proved a profitable enterprise. No one has profited by the tariff in this city. Neither the refineries nor the consumers nor the men engaged in [the sugar] trade.²²⁹

Others went beyond criticism of the National Policy to question the validity of

Confederation itself. These sentiments were summed up by Attorney-

General J.W. Longley, a vocal critic of the National Policy and professed

annexationist, who stated that "God and nature never designed a trade

between Ontario and the Maritime Provinces."²³⁰

Given Halifax's attachment to the world's trading routes, the National

229 Morning Chronicle, July 31, 1886.

230 J.A. Longley quoted in "The National Policy - Did it fulfill its Aims? At what cost?," K.A. Mackirdy, J.S. Moir, Y.F. Zoltvany, Changing Perspectives in Canadian History, (Don Mills: J.M. Dent & Sons (Canada) Ltd., 1971), 232.

Policy made the region a logical location for a sugar refining industry. The sea provided Maritime entrepreneurs access to coastal coal deposits and West Indian raw sugar and the National Policy secured the market for refined sugar. At the same time, however, access to the sea made the region equally vulnerable to international market forces and shifting patterns of trade. This became evident in the 1880s with the emergence of a prosperous beet sugar industry in Europe.

The modern history of beet sugar can be traced back to revolutionary France. During Napoleon's occupation of Europe it was decreed that 100,000 acres of sugar beets be raised, that chemical schools be established, and that tax exemptions be put in place to develop the process of beet sugar refining.²³¹ By mid-century beet sugar production was growing by leaps and bounds undermining West Indian control of the supply over raw sugar, which had been unchallenged over the previous century. Canadian refiners reacted to the penetration of beet sugar into the world market in an ambivalent way. During the 1870s they promoted themselves as the guardians of the West Indian trade; in the next decade refiners disassociated themselves from that

231 J. Beaufort Hurlbert, Protection and Free Trade : History of Tariffs and What They Teach, (Ottawa: A.S. Woodburn, 1882), 9.

role, and accepted the loss of West Indian control over raw sugar supplies.

During the 1870s beet root production began to disrupt the economy of the cane-producing West Indies and in turn undermined trade between the West Indies and the Maritimes.²³² By the 1880s European refiners, relying upon state policies including substantial drawbacks on exports, had gained a significant advantage in production costs over refineries dependent on cane. It would not be long before Canadian refiners abandoned their position as the guardians of the West Indies trade, and turned to beet sugar as a cheaper source of raw material.

In 1884 Dustan claimed that beet sugar had become essential to the profitability of his refinery.²³³ He protested that the tariffs designed to protect the West Indian trade were now killing the Canadian sugar refining industry. One can see in Dustan's statements a careful reworking of his previous position on the National Policy. No longer were requests for tariff revision couched in terms of encouraging West Indian trade, but as a way to ensure the survival of the refining industry. His rendering of the history of the tariff

232 PANS, Macdonald Papers, 198021, Dustan to Macdonald, Dec. 29, 1884.

233 Ibid.; Canada, House of Commons, Debates, July 9, 1885, 3222.

now conveniently ignored the West Indies trade.

[At] my suggestion there was incorporated a clause in the Customs Act to protect our refineries from the United States. The provision has worked admirably and was not intended to hamper the Canadian refineries from getting raw beet sugar from Germany or other European countries.²³⁴

Not all refiners favoured abandonment of the West Indies, however.

The N.S.S.R. was owned by West Indies merchants who demanded that the tariff be altered to restrict even further the importation of beet root sugar.

The weapon they chose was the Polariscope. In 1885, at the behest of the Nova Scotia Sugar Refinery's newest stock holder, John F. Stairs, the Macdonald government made its first adjustment to the sugar tariff since the inception of the National Policy in 1879. The revision introduced the Polariscope test, a chemical procedure used to determine the level of saccharine or sweetness of raw sugar, and abandoned the Dutch Standard method of grading sugar by its colour.

The N.S.S.R. refiners favoured the Polariscope. They felt that the Dutch Standard method over-valued "bright" West Indies sugar, while the

234 PANS, Macdonald Papers, 198021, Dustan to Macdonald, Dec. 29, 1884.

darker and sweeter European sugar beets were under taxed.²³⁵ Stairs argued that the Polariscope tariff was the surest way to eliminate the European beet sugar from the Canadian market:

We have found of late that the importation of what are termed the lower grades, or yellows, manufactured principally from the beet-root, which is obtained in Germany and upon which the manufacturers in the old countries receive a drawback of 2 cents a pound, enable them to send the lower grades or qualities into this country, and to prevent altogether its manufacture here. What we propose is to change the sugar duties, so as to create a separate class, and impose the rate of duty now imposed upon all classes of sugars over No. 14 upon all classes of refined sugars. The article in the tariff will read: "All refined sugars to pay 1 cent per pound and 35 per cent. *ad valorem*."²³⁶

The N.S.S.R. saw another advantage in altering the tariff to favour West Indian sugar. Its competitors, the Montreal and Woodside firms, were almost wholly dependent on beet sugar, and saved transportation costs by employing large vessels to transport beet sugar from Europe. Much smaller vessels plied the West Indian trade where the N.S.S.R. obtained its raw sugar. Increased duties on beet sugar, therefore, would be of substantial

²³⁵ Canada, House of Commons, *Debates*, July 9, 1885, 3218. Vail claimed it was the most widely used method of testing in Europe and the United States. *Ibid.*, 3223.

²³⁶ *Ibid.*, July 9, 1885, 3215.

HALIFAX SUGAR REFINERY,

LIMITED,

Halifax, Nova Scotia.

Capital . . . £150,000,

In 30,000 Ordinary Shares of £5 each.

PROSPECTUS.

benefit to Halifax shippers involved in the West Indies trade.

Frustrated with Stairs's quick success at the N.S.S.R., Dustan wrote John A. Macdonald concerning rumours of a change in the tariff.

I demand the right to have my views heard by Government before any changes will be made in the sugar duties - as it was the present sugar tariff which indirectly led some of the leading merchants in Liverpool and London to take hold of the enterprises - under my assurances that the Government would not alter the present sugar duties without first hearing my opinion on the subject.²³⁷

By 1885 the Maritime refining industry was in serious difficulty. While further erosion of the West Indies trade led to renewed calls for secession, the refiners had no alternative but to seek "Canadian" solutions. Without the Canadian federation, the industry had no market. The strategies refiners chose to explore all accepted the political union as a given. Besides tariff revision, the refiners campaigned for the annexation of Jamaica, alteration in federal steam ship subsidies, and freight rate revision. When all else failed they turned to trade association activity and industrial consolidation.

During the 1880's a movement arose in the Conservative press

237 PANS, Macdonald Papers, 198961, Dustan to Macdonald, Feb. 5, 1885; NAC, Bowell Papers, 4043

favouring the annexation of Jamaica. The advantages of such a policy were not readily apparent, however, and public interest soon languished. A more credible suggestion was the development of subsidized steam ship lines.²³⁸ A regular line of "steamers", subsidized by the government, it was argued, would help to reestablish a vigorous trade between the Maritimes and the West Indies. Again, this was an issue riddled with difficulty. With the cane-fed refineries of Halifax in an unstable condition, and Montreal closed during the winter, the ports of New York and Boston were the only likely destinations for return cargoes of cane sugar. Few shippers were prepared to invest in steam ship lines without an assured market for West Indian cane-fed sugar. Understandably, the Canadian government showed little interest in subsidizing "steam lines" from the West Indies to American ports.

In May, 1887, Josiah Wood, a prominent Saint John shipper, requested that government-subsidized steamers make foreign stops during the winter months, when access to Montreal was impossible. Wood argued that "there is only one buyer of sugar in Halifax and no cargoes of sugar or fruit ever go to St. John."²³⁹ Macdonald's government rejected Wood's proposal,

effectively killing the scheme. Nevertheless, the hope of a steamer link continued to burn, and eventually became reality in the early twentieth century.

Of more immediate concern to Maritime manufacturers than the proposals for subsidized steamers or Jamaican annexation, were the freight rates on the government-owned Intercolonial railway. While the promise of a railway in 1867 had not persuaded the mass of Nova Scotians that Confederation was of benefit to them, the National Policy did convince many in the region that the Federal government and the I.C.R. could play a vital role in industrial development. E.R. Forbes has demonstrated that the policies of the I.C.R., in its initial years of operation, provided an economic stimulus to the region by reducing the cost of transport between the Maritimes and the nation's expanding population centres.²⁴⁰ He argued that, under regional control, the I.C.R. acted as an agent of industrial development by establishing competitive spot rates which assured the role of the I.C.R. as

238 Morning Chronicle, Sept. 8, 1884.

239 PANS, Thompson Papers, 6005, J. Wood to Thompson, May 6, 1887.

240 Ernest Forbes, "Misguided Symmetry: The Destruction of Regional Transportation Policy in the Maritimes," in David Jay Bercuson, ed., Canada: The Burden of Unity, (Toronto: MacMillan Co. of Canada Ltd., 1977).

the region's "rate maker."²⁴¹

In recent years, Forbes's thesis has come under some criticism from Ken Cruikshank in two essays, "The People's Railway" and "The Inter Colonial Railway, Freight Rates and the Maritime Economy." Cruikshank argues that those who ran the line did not perceive it as a tool of economic development policy.²⁴² There is not a "great deal of evidence", Cruikshank says, "to suggest that the railway's freight rates were implemented as part of a government regional development policy."²⁴³ The primary concern of the I.C.R.'s road masters was "to balance the books," rather than to aid industrial expansion in the Maritimes, as Forbes would have it. Cruikshank's premise is that it was irrational for the government to promote a rail line that would constantly lose money. However, one should remember that it was the policy of the government in the construction of the transcontinental railway that operating losses would be of secondary importance: nation building was its primary motivation.

241 Forbes, "Misguided Symmetry," 64.

242 Ken Cruikshank, "The Peoples Railway: The Intercolonial Railway and the Canadian Public Enterprise Experience," *Acadiensis*, XVI, 1 (Autumn, 1986); *idem.*, "The Intercolonial Railway, Freight Rates and the Maritime Economy," *Acadiensis*, XXI, 1, (Autumn 1991).

243 Cruikshank, "Freight Rates," 109.

To make the Pacific line feasible, the Canadian Government required Canadian companies to use it and subsidized the line with costly incentives to the railway. As a result, Maritime entrepreneurs shared in a widely-accepted belief: that the national transportation system should act as an instrument of industrial development policy. T.W. Acheson has written:

If Canadian transportation policy was dedicated to creating an all-Canadian commercial system, then this system should extend not from the Pacific to Montreal, but from the Pacific to the Atlantic. How, in all justice, could the Montreal interests insist on the construction, at a staggering cost, of an all-Canadian route west of that city and then demand the right to export through Portland or Boston rather than using the Maritime route? This argument was implicit in almost every resolution of the Halifax and St. John boards of trade from 1880 onward.²⁴⁴

An analysis of the actions of Maritime refiners shows that they saw the I.C.R. as an essential instrument in the transformation of the Maritimes into a manufacturing centre. In correspondence with the Federal Government refinery officials constantly advocated a more "activist" role for the Inter-colonial, believing that trade should be promoted as the foundation of a tangible and profitable East-West based economy.²⁴⁵ "The National Policy

244 Acheson, "National Policy," 13.

245 Martin, Story of Dartmouth, 414. The railway issue was significant in launching the political career of J.F. Stairs. Indeed, Stairs and the railway would play instrumental roles in the

railway should encourage inter-provincial trade," said John F. Stairs in 1885. "With increased trade the line will prosper. Mackenzie tried to run the line fiscally but drove the business away."²⁴⁶

Sugar held a special status in the operations of the I.C.R.. It was the largest product in volume shipped along the line, and the only Maritime product that moved past Quebec in a significant quantity. Maritime refiners attempted to influence federal rail policy on several key issues; the need to limit raw sugar imports to Canada through the United States, the need to eliminate the two-tier pricing system for sugar, and the harmonization of rates according to distance.

Nova Scotian refiners thought that the government should encourage the development of the I.C.R. by requiring Montreal and other Canadian centres to use the rail line, rather than importing raw sugar through Portland and Boston during the winter months when the St. Lawrence was closed to shipping. They also believed that regular clients of the I.C.R. should be

future of the sugar industry, not only in Dartmouth but throughout the region. Advocacy of a railway extension to Dartmouth served Stairs well in his campaign and subsequent election in 1883 to the House of Commons.

246 PANS, Thompson Papers, 3088, Stairs to Pope, Mar. 18, 1885.

treated better than occasional users of the line. While Halifax refiners used the line year round, Montreal refineries used the I.C.R. only in the winter when the St. Lawrence seaway was frozen and operating costs for the rail line were high. Even in the winter Montreal refineries often used New York rail lines and the Grand Trunk to ship refined sugar to Quebec.

Another important proposal for railroad reform, from the refiners' perspective, was that the I.C.R. establish a unitary rather than a variable rate for raw and refined sugar transport. Sugar was the only product shipped where quality was a factor in determining the freight rate. Coal, flour, and grains all moved at a unitary rate regardless of their quality. The variable rate for sugar had a crucial impact on Maritime competitiveness.²⁴⁷ To demonstrate this, consider the following equation. If 100 lbs. of sugar landed in Halifax and was shipped along the I.C.R. at the raw rate of 17¢ per one hundred pounds and refined in Montreal for X; then the total cost to the Montreal refiner can be shown in the equation $17¢ + X$. On the other hand, sugar refined in Halifax for X and then shipped to Montreal cost 20¢ for one hundred pounds at the refined rate. The total cost to Halifax refiners was thus

²⁴⁷ Cruikshank, "The People's Railway," 89. On the other hand Montreal Interests complained that an equal rate was discriminatory towards them.

20¢ + X. This placed Halifax at a disadvantage of 3¢ per 100 lbs. when competing with the interior of the country. The Halifax refinery claimed an annual loss as high as \$30,000 a year, resulting from this discrepancy.²⁴⁸

In addition to this competitive disadvantage, Maritime refiners also complained that the "raw rates" contained many hidden costs to the I.C.R. which did not occur in the "refined rate." There were frequent insurance claims for raw sugar. Freight was often damaged because "hogs heads" weighing over a ton, often broke open in overloaded rail cars. Refiners, on the other hand, loaded sugar in newly-constructed barrels which reduced damage, and limited insurance claims. There were also differences in loading costs. The I.C.R. estimated that the cost of packing raw sugar consumed 1% of their revenue, whereas refiners paid all the costs of loading freight cars. Other costs, such as the sweeping of storage sheds and cars, were nonexistent with refined sugar.

Yet another concern of the refiners was the variable freight rate charges for equal distances of track. Forbes has argued that spot rates gave cost advantages to local manufacturers. This was not always the case. To make

248 PANS, Thompson Papers, 3088, Stairs to Pope, March 18, 1885.

up for short-falls in revenue, excessive charges were applied to long haul trips. In a memo to Macdonald in November 1885, the sugar refiners of Halifax presented a petition showing the inconsistencies in the various rates:

	Distance (Miles)	Refined Transport Rate (cents per 100 LBS)
Halifax to Montreal	868	22
Halifax to Truro	62	9
Halifax to Amherst	139	11
Halifax to Moncton	187	9.5
Moncton to St. John	87	6

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Even more shocking was the fact that local refiners paid higher rates for transport in Canada than those shipping sugar from Greenock and Liverpool.²⁵⁰

Representing the refiners in a letter to John A. Macdonald, J.F. Stairs observed that the I.C.R. rates were actively discriminating against manufacturers in the Maritimes. Maritime refiners, Stairs stated, believed

249 *ibid.*

250 *ibid.*

that rates should be based on U.S. rates and adhere to basic principles of equity. For example, before the construction of the I.C.R., the freight rate for sugar was 12½¢ on the Grand Trunk in Portland, Maine. Stairs speculated that the alternate route to the Western parts of Canada could be very effective and cost efficient. On the other hand he estimated that the implementation of "fair rates" to Quebec would increase use of the I.C.R. by approximately 15,000 tons per annum.²⁵¹

By 1886 the situation for Maritime refineries had deteriorated still further. Stairs complained that "the Halifax Sugar Refinery at Dartmouth closed and will not start unless freight question is settled satisfactorily and the N.S.S.R. at Halifax has lost so much it will have to close up."²⁵² Likewise, Dustan wrote to Thompson arguing that "the present freight rates of the I.C.R. are handicapping our trade to such an extent that my board have at last determined to shut down until the grievance is addressed . . . intense

251 *Ibid.*; *Ibid.*, 3061, *idem.*, Jan. 15, 1886; Cruikshank, "Freight Rates", 92 Sugar refineries in late 1880's abandoned Canadian rail in favour of shipping to Boston and then American rail to the interior of Canada..

252 *PANS*, Thompson Papers, 5277a, Stairs to Thompson, Feb. 5, 1886.

competition has made sugar refining in N.S. unprofitable."²⁵³ As always, Dustan attempted to reach every politician who would listen. "The wide spread feeling engendered in the minds of the stockholders of the N.S.S.R. and the Atlantic Sugar House (Jones) refineries together with those locally interested in the Woodside Refinery . . . will tell at the next election."²⁵⁴

Dustan argued that the National Policy, even Confederation itself, would be regarded badly if no consideration was given to an industry that the government at one time had taken great effort to initiate.

The disastrous failure of the Halifax refinery is being taken advantage of by the obstructive party to bring discredit on the trade policy of the Government and will be still more used in the same direction as the general election draws near . . . I am pressed by several of the Halifax and Toronto newspapers to state publicly the reasons which caused the disaster.

Failure to gain satisfactory freight rates from the I.C.R. could not have come at a worse time for Dustan. In the spring of 1886 the directors of the company demanded that Dustan make use of his political connections to gain

253 Ibid., 3061, Dustan to Thompson, Jan. 15, 1886.

254 Ibid..

freight rate relief.²⁵⁵ Two letters to Thompson convey the importance the refinery directors placed on a freight rate alteration. The first is from Dustan:

I have not heard further from the Railway Department. Secretary has returned to Liverpool this week thoroughly disheartened without making any arrangements to resume work and I fear the very worst - That the company will abandon the enterprise altogether - unless the freight matter is immediately put right.

1) Freight to Dartmouth immediately put right.

2) To Montreal refinery rate must be 18 cents
15 to Quebec and 9 to St. John.

nothing less will open Halifax refineries and while I am sorry to put you to so much trouble I must continue to urge you to keep at Mr. Pope.²⁵⁶

The second letter, also addressed to Thompson, is from J.F. Stairs.

It is equally certain, therefore, it will be impossible to secure capital to start them,[the four Maritime refineries] unless the impression which is now pervading, that they are handicapped in the contest with Montreal be removed. Even if one does start up no profit for shareholders unsatisfactory for the Government and no great interest to rail or coal or other goods.²⁵⁷

By the spring of 1886 the N.S.S.R. was competing again with the

255 Ibid., 3547, *idem.*, Feb. 4, 1886.

256 Ibid., 3615, *idem.*, Feb. 19, 1886.

257 Ibid., 5277a, Stairs to Thompson, Feb. 5, 1886.

Redpath refinery, now called Canada Sugar Refinery Company, and the reconstructed Montreal refinery of the St. Lawrence Sugar Company which had burned down some years earlier. The new competitors created havoc in the market, forcing refiners in mid-1886 to seek an agreement in which each refinery would limit production to 60% capacity. The agreement lasted until June, 1887 when the St. Lawrence firm pulled out. Drummond wrote to the N.S.S.R. president, Allison Smith, saying "I do not see how an entire breakup of our combination is to be averted and a return to the ruinous competition is certain."²⁵⁸ Two days later the St. Lawrence refinery burned to the ground amid speculation that the other refineries had set the fire as revenge for withdrawing from the pool.²⁵⁹ Upon hearing that the St. Lawrence House planned to rebuild, Drummond wrote to Smith about the possibility of five refineries operating at capacity and predicted "more trouble down the road." For the time being, however, the market could support full production.

The year 1887 proved to be a far better year for Nova Scotia refineries.

The Halifax Chamber of Commerce reported that

258 McNiven Collection, Drummond Letterbooks, Drummond to A. Smith, June 30, 1887.

259 Feltoe, Redpath, 138.

The first and the oldest refinery has done a very good business. This demonstrates pretty clearly that our city possesses special advantages for prosecuting this important industry. The second and younger refinery which has been closed for some time has, we are pleased to notice, resumed business.²⁶⁰

Similarly on December 30, 1887 the Monetary Times reported the N.S.S.R. was in a "much better state of affairs than when their predecessors were obliged to announce the financial demolition of the old company."²⁶¹ The Moncton Times reported its refinery to be in "good shape, in view of the world industrial situation". In 1888 the Moncton House felt financially stable enough to request from the local Legislature an expansion in capital from the \$200,000 originally subscribed to \$300,000.²⁶²

Tremendous shifts in the market price for raw sugar and problems of overproduction in the industry dominated the 1880s. In fact the drop in raw prices had more to do with the crisis in the Canadian sugar refining industry than any other single factor.²⁶³ The crisis continued throughout the decade.

260 Annual Report of the Halifax Chamber of Commerce: 1888, (Halifax, Jas W. Dooley Printer, 1888).

261 M.T., Dec. 30, 1887, 816.

262 NBA, New Brunswick Statues, 51 Vic., c. 46. "Act to amend the Act to Incorporate the Moncton Sugar Refinery Co."

263 See Appendix. 2.

September 1887 saw the breakup of the U.S. Trust and a massive drop in American refined sugar prices.²⁶⁴ When prices rebounded in the spring of 1888, with them came the abolition of the refiners' association, this time led by the N.S.S.R.. (Drummond suspected that the breakup was the result of the N.S.S.R.'s fear of direct competition expected from the newly floated Woodside refinery rather than of price rises.)²⁶⁵ Shortly afterward a Parliamentary Committee opened to investigate the practices of the Association.²⁶⁶ In September of 1888 the St. Lawrence refinery reopened in a new location and with a larger capacity. A month later the European beet sugar cartel collapsed resulting in a drop of over 50% for raw sugar prices.²⁶⁷ The chaos in the industry led refiners to seek more permanent forms of managing the market.

The new decade brought about new ideas of regulating the market. In

264 Feltoe, Redpath, 139.

265 RMAC, Drummond Letterbooks, Drummond to Stairs, Mar. 17, 1888; ibid., Drummond to Hewlett, Mar. 18, 1888.

266 Feltoe, Redpath, 141. Mar. 17 to 19, 1888; McNiven Collection, Drummond to Elmenhurst, Aug. 21, 1890. One further attempt at creating a association was led by Harris in mid 1890.

267 Feltoe, Redpath, 145.

March, 1890 the New York Commission Merchants firm of Mussen and Morrow wrote Drummond proposing the creation of a national sugar combine financed by the British American Investment Company.²⁶⁸ Drummond wrote to Stairs who agreed to the proposal providing Drummond keep the idea secret.²⁶⁹ Soon after, however, Dustan heard of the transaction. He immediately wrote Drummond pleading that he be included in any dealings on Woodside. Within days, an article appeared in the Acadian Recorder destroying any hope Drummond and Stairs had of keeping the issue quiet.²⁷⁰

The Canadian commission agent in charge of the deal, named Spencer, completed negotiations for both Montreal refineries by the end of June. However, Spencer experienced considerably more difficulties with the Maritime refineries. The N.S.S.R. talks dragged on months longer than any of the parties had anticipated. The Moncton refinery was an even greater challenge. At one point Spencer asked Drummond if a syndicate was possible without Moncton:

268 RMAC, Drummond Letterbooks, Mussen to Drummond, Mar. 11, 1890.

269 Ibid., Stairs to Drummond, May 15, 1890.

270 Ibid., Dustan to Drummond, May 29, 1890.

Do you consider it would be essential to include Moncton House in the proposed combine? I find them unsatisfactory to deal with and unwilling to have a price or give me access to their books . . . I feel very much like leaving them alone!²⁷¹

In September, Spencer reported that he had still not received approval from Moncton for an independent evaluation.²⁷²

Meanwhile, on June 14, 1890, Minister Abbott informed Drummond that the sale of the C.S.R was impossible without the permission of Parliament. Drummond later wrote an aide encouraging the continuation of negotiations for he was sure the government would ratify the sale.

The final pricing proposal for the companies was as follows:

	CASH	STOCK
St. Law.	\$3,250,000	\$1,030,000
C.S.R.	\$3,000,000	\$1,000,000
N.S.S.R.	\$850,000	\$275,000
Moncton	\$450,000	\$140,000
Total	\$7,550,000	\$2,445,000

271 *ibid.*, Spencer to Drummond, June 4, 1890.

272 *ibid.*, *idem.*, Sept. 12, 1890.

Profit statement for the last three years:

Moncton	C.S.R.	St. Lawrence	N.S.S.R.
1887 \$28,144.07	\$540,695.58	N.A.	\$165,297.48
1888 \$64,074.32	\$773,427.33	N.A.	\$213,365.06
1889 \$102,552.25	\$105,704.66	\$178,848.50	\$35,665.39
Total Profits	\$939,545.77		

273

With respect to the management of the new firm, the owners of the St. Lawrence and the Moncton refineries indicated that they wanted no part of its administration. On the other hand, the N.S.S.R. management wished to remain on salary and Drummond was to head the new company. (After further thought, Drummond recommended that his son head the proposed company.)²⁷⁴

The one impediment to the plans was the Woodside refinery. James

273 RMAC, Scrapbook. Drummond cited the break up of the European beet cartel and the subsequent decline in the price of raw supplies as reason for the small profit returned in 1889.

274 Ibid., Drummond to Spencer, Sept. 30, 1890.

Fraser, one of the Woodside directors, assured Spencer that the owners were willing to sell or, at least, participate in the combine, although the firm was still burdened with liquidation proceedings,. Spencer too, remained optimistic about a sale, knowing that Blackburn had attempted to raise the capital in Halifax and Glasgow but failed. Drummond agreed, saying:

It would be good to control Woodside. It would be impossible for them not to share in the prosperity too. As soon as the scheme is floated, the Woodside concern will be revived in opposition and require them to deal with it . . . I don't believe it could be worked profitably certainly or the other house in Halifax would require to be silenced . . . liquidation is still up in the air otherwise £50,000.²⁷⁵

The syndicate plan came to an abrupt end with the announcement in December of 1890 that the government would define such a combine as illegal. In a recent interview, Richard Feltoe, curator of the Redpath Sugar Museum, noted how curious it was that such an influential politician as Drummond, was so uninformed about a government matter so close to his own business. He noted that the new directors of the Woodside plant were in Ottawa a week before the announcement and may have been responsible for the government's announcement. How a group of Scottish entrepreneurs could

275 *Ibid.*, *idem.*, Aug. 21, 1890.

have exerted more influence over the Conservative government than Drummond, or what motive they might have had for scuttling the deal, remains a mystery.²⁷⁶

Liquidation of the Halifax Sugar Co. ended in June, 1890. After years of proceedings the parties reached an informal agreement to sell the property to Alexander McClure for £40,000. Later in the same year, McClure sold his stake to W.D. Gillis who resold the firm to A.G. Brand for £60,000 in the fall of 1890.²⁷⁷ A new registration was made, and the prospectus for the Halifax Sugar Refinery Limited was issued in October 1890.²⁷⁸

276 Feltoe, Interviewed by author Jan. 29, 1993, Redpath Museum, Toronto.

277 PANS, Halifax County Registry of Deeds, Book 280, Trans. 910.

278 RMAC, Scrapbook, "Prospectus of the Halifax Sugar Refinery (1890)." The Prospectus of the new company was listed at £150,000. These were divided into 30,000 shares at £5; £45,000 taken by directors and £20,000 reserved for Canadian investors

Directors:

The Lord Wenlock, Escrick Park, York (R.R. Director) chairman

W.D. Gillies Esq., Glasgow (Director of Clyde Coal deputy chairman), John Samuel Cox Duncan (Chairman of Rope and Sail Co.)

James Fraser (Chair of North-Western Bank Liverpool)

Robert Munro (lawyer in Glasgow and Montreal)

Hugh Steven (Iron works, Glasgow)

Manger: Eben. Dowie

Bankers: Bank of Scotland

Solicitors: Borden, Ritchie Parker and Chisolm (Halifax)

Secretary: A.G. Brand

Registered office 66 Virginia St. Glasgow

It is possible that news of the proposed syndicate motivated the various parties involved to reorganize their scheme. However, on July 13, 1891 another conveyance was made to James Mackenzie and John Cutherberton in exchange for the sum of £35,000 for the Woodside property. Curiously the original members of the firm such as James Fraser, and other intermediaries such as Hugh Stevens, W.D. Gillis and A.G. Brand all remained principals in the company despite several conveyances of sale from one party to the other.²⁷⁹

While reorganization of the industry's management held centre stage in 1890, tariff changes in the United States also had a dramatic impact on the sugar markets. The McKinley tariff was the most extreme piece of protectionist legislation passed by the U.S. Congress during the 1890s, and represented a dramatic shift in the American tariff. The new tariff abolished the duties on raw sugar and left in place only a ½¢ duty on refined. For refiner and shipper alike there was now a great need to have similar legislation in Canada. Dustan warned: "if trade policy adopted then it would

Co. formed to purchase refinery built in 1885 for £115,000.

279 PANS, Halifax County Registry of Deeds, 1891, Book 284, Trans. 1462.

close all refineries in Canada in 30 days, the West Indies trade and all other manufacturing will be severely hurt."²⁸⁰ S.S. Ryckman, a Hamilton merchant representing the Grocer's Association, wrote Prime Minister Macdonald arguing that the sugar question was at a critical juncture and that if the McKinley tariff came to pass, the price of sugar in Canada would be undercut by nearly two cents.²⁸¹

For Conservatives, the McKinley Tariff was proof that the Liberal party's hope of unrestricted reciprocity was nothing more than a fantasy, and affirmed that Canada's industries would only find fleeting satisfaction in foreign markets. Only at home would Canadian products find secure markets. In a letter to Thompson, Dustan wrote that in order for the National Policy to succeed: "[w]e must create a home market large enough to support manufacturing and be able to consume the great bulk of our manufactures."²⁸²

After the Conservative victory in the 1891 election, the much sought after Canadian tariff adjustment was made, this time granting free importation

280 PANS, Thompson Papers, 14644, Dustan to Thompson, Feb. 25, 1891; Ibid., 14380, idem., Jan. 27, 1891; NAC Bowell Papers, Dustan to Thompson, Nov. 29, 1890, 4045.

281 PANS, Macdonald Papers, 250395, S.S. Ryckman to Macdonald, March 16, 1891.

282 PANS, Thompson Papers, 13149, Dustan to Thompson, Sept. 27, 1890.

of sugars below D.S. 14 for the purpose of refining. In addition, the duty on refined increased from 32¢ per one hundred pounds, established in 1886, to 43¢, thereby assuring a secure market for Canadian refiners. The loss to the treasury of nearly \$3½ million, effectively ended sugar as a source of significant government revenue.²⁸³ The only remaining tariff on raw sugar was Dustan's clause to ensure the direct importation from the "country of origin".²⁸⁴ Within three years of this adjustment, domestic consumption of sugar doubled.²⁸⁵

The final stage of consolidation in the Maritime sugar industry took place in 1893. Having failed in their efforts to form a nation-wide monopoly, J.F. Stairs set about to amalgamate the Maritime refining industry under one ownership. T.W. Acheson has suggested that during the 1890s the Maritime industrial community increasingly came under the hegemony of industrialists in the nation's interior. Of Maritime industrialists he wrote that "[h]aving failed to achieve their position as the link between central Canada and

283 McDiarmid, Commercial Policy, 176.

284 Ibid.

285 PANS, Thompson Papers, 22109, Dustan to Thompson, Feb. 17, 1893.

Europe, and faced with the dominant marketing and financial apparatus of the Montreal community, they drew back and even participated in the transfer of control." In the case of the Maritime sugar refining industry, control did not become concentrated within Canada, but devolved to British investors. Within ten years of establishing a foot-hold in the industry, Stairs engineered its complete take over by British capital.

During the 1890s, combines were forming at a furious rate all over North America. Even in Canada under the National Policy, monopolistic practices , under the guise of market regulation, were replacing the once touted philosophy of free competition "inside the fence." Governments often saw monopolies as good ways to increase their revenues and stabilize development in their region. This was the case in Nova Scotia, for example, with the Whitney syndicate the largest single combination in Nova Scotia's history at the time, formed in 1892 under the guidance of Premier W.S. Fielding.

In the eight years after Fielding came to power in 1884, the provincial debt had increased ten times.²⁸⁶ The expansion of the Province's railway

286 Bruce Frgusson, The Mantle of Howe: Hon.W.S. Fielding. Vol. 1, (Windsor: Lancelot Press Limited, 1970), 119.

network had come at great cost. Besides rising expenditures and despite new forms of taxation, revenue shortages debilitated the government. In 1886, 70% of all provincial revenues came from federal transfers and nearly half of the remaining 30% came from provincial coal duties.²⁸⁷ For Fielding, the prospect of even more revenue from coal royalties seemed tempting.

In addition to its rising debt, the Province faced competition for its products in the international market. West Virginia coal production, for example, increased ten-fold between 1873-1890, while only doubling in Nova Scotia.²⁸⁸ To confront international competition, the Nova Scotia government sought ways to stimulate development by attracting American capital to the region. Although the American tariff on Canadian coal presented a formidable barrier to Nova Scotia trade, American capitalists like Whitney promised to work with the province to reduce American tariffs on coal. Despite fears of American influence and the scheme of monopolization, the Nova Scotia Legislature approved Whitney's Dominion Coal syndicate in

287 Fergusson, "Fielding," 122.

288 *Ibid.*, 126.

February, 1893.²⁸⁹

Government assistance to the Whitney syndicate was clearly unpopular with the majority of Nova Scotians. This helps explain why J.F. Stairs chose to use the Federal Parliament as the place to incorporate his giant sugar combine, the Maritime Manufacturing Company, in 1893. On February 20, 1893 Stairs presented a petition for incorporation to the House of Commons from George and William Stairs, George Moore, Geoffrey Morrow, and Robert E. Harris.²⁹⁰ Parliament sent the subsequent bill to the Banking and Commerce Committee on the 24th. Stairs would find the amalgamation of the sugar industry a far greater challenge than he expected.²⁹¹ Although a member of the Banking and Commerce committee, Stairs failed to convince his colleagues that his monopoly was of any benefit to the country and the bill went down to defeat by a vote of 24-17.

289 *Ibid.*, 128. From Fielding's point of view the syndicate was a success. The effect on provincial revenues was immediate. Coal royalties rose from 21% of provincial revenues in 1892 (\$165,289) to 32% in 1896 (\$274,028).

290 *Library of Parliament*, Private Bill (Mr. Stairs), "An Act to incorporate the Maritime Manufacturing Company (Limited)," 7th Parliament, 56 Vic., 1893; Petition to Parliament #78 from George Stairs and others..., Presented Feb. 23, 1893.

291 *PANS*, Thompson Papers, 20875, Stairs to Thompson, Nov. 21, 1982. Stairs had already taken a large role in the forming of a cordage combine in which he was the head.

The tide of public sentiment was flowing against Stairs. The Monetary Times praised Parliament for preventing the formation of the combine. "At last there is a reason to hope that the House of Commons at Ottawa has set its face against competition."²⁹² Not willing to accept defeat, Stairs turned to the Nova Scotia legislature and continued his efforts to create a regional monopoly, this time under the name of The Acadia Sugar Refining Company.

A debate in the Nova Scotia Legislature over the incorporation of the Acadia Sugar Refining Company, took place early in 1893. Coming hard on the heels of the Whitney syndicate, Conservatives made much of the Liberal government's opposition to the sugar combine. The Tory press charged that the government's opposition to Stairs's proposal was merely an attempt to alleviate public outrage over the coal combine. Dustan wrote to Thompson warning that the "refiners down here are forming a 'combine' of the worst description." Later he added:

Threatened by the ignorance of the greedy selfishness and I will add shortsightedness of the refiners of the lower provinces . . . I see it as my duty to prevent the sugar combine. If I write in the papers, I will open the whole matter of protection I will offend friends and make my enemies rejoice and cast mud over me . . .

292 M.L., Mar. 24, 1893, 1134.

Should I go to the press?²⁹³

Dustan continued his fierce letter campaign throughout the early part of 1893. To Harris he wrote: "I consider it my duty to bring the whole subject before the Government asking that all such combines shall be declared immoral and illegal and these productions liable to confiscation."²⁹⁴ Dustan sold his shares in the Moncton plant to protest the proposed combine and pledged to aid importers in their attempts to have grades of sugar below D.S. 16 allowed into the country duty free, as the United States had done recently.²⁹⁵

In meeting with a legislative committee on March 29th, various executives from three Maritime refineries expressed their views on the combine bill. James Thomson, representing the N.S.S.R., observed that the refineries held a combined value of \$1,750,000, but were on the verge of collapse with little possible recovery value. Thomas Cutler, also of the N.S.S.R., argued that the better financed Montreal firms, who were continually upgrading with more efficient machinery, had eliminated the

293 PANS, Thompson Papers, 22244, Dustan to Thompson, Feb. 27, 1893

294 Ibid., 22841, Dustan to Harris, Feb. 23, 1893.

295 Ibid.

Maritime advantage over Montreal in the last three years. Indeed, the cost advantage involving coal for the local refineries over Montreal had declined from \$2 to 25¢ per ton. J.L. Harris of the Moncton Refinery said that the \$250,000 value attached to their refinery represented "nothing but a pile of bricks." Collectively, the refiners asserted that the bill was actually in the interest of local consumers because Montreal refiners would have a monopoly if the local refineries were forced to close.²⁹⁶

On the other side of the debate, A.G. Jones, now a member of the local legislature, argued that the cotton industry had reorganized without the aid of special legislation and he thus saw no reason why the sugar industry required a special bill. In addition, Jones said, the bill was suspicious for allowing a re-capitalization of \$3.5 million in stock. This, he felt, allowed the opportunity for a major stock fraud.²⁹⁷

The House Committee of Private and Local Bills supported the legislation after removing two key obstacles. First, the committee amended the clause allowing for an excessive amount of stock. Second, they restricted the corporation from affiliating with sugar refineries outside of Atlantic

296 The Halifax Herald, Mar. 30, 1893.

297 Ibid.

Canada. Involvement with outside companies would mean the forfeiture of the company's charter.²⁹⁸ Even with these changes, the legislature soundly defeated the "amalgamation bill" on April 25, 1893. Only three votes were cast in support of the scheme. The Morning Chronicle said the bill was rejected due to the "cowardice" of the Conservatives. "[T]he mere suspicion that it was related to the national combines . . . was sufficient to kill it as dead as Julius Ceaser."

Perhaps the most unusual element of the debate was the fact that not even the authors of the bill wished to support it. The only votes cast in favour of the bill came from the committee chairman who recommended the bill, from Fielding, the Premier and the sponsor of the bill, and C.H. Cahan, the Leader of the Opposition and the bill's co-sponsor. Although Fielding was the author of the legislation, he stated that after presenting the bill on behalf of his constituents ". . . he felt no further obligation to support." In the end, Fielding did support the bill, but the oddity of a Premier proposing a bill while publicly expressing his opposition to it was not lost on the Conservative

298 Morning Chronicle, Apr. 21, 1893.

press.²⁹⁹ As for Cahan, The Halifax Herald reiterated that he was opposed in principle to monopolies despite the fact that many of his friends were involved in the enterprise. While Cahan "believed in giving a fair protection to an industry of this character . . . he was not in favour of giving these corporations legislative facilities for effecting combination and restraining competition."³⁰⁰

Only after the Bills Committee had added its amendments, had Cahan found the bill acceptable and lent his support. At the time of the vote, the entire Conservative side of the Legislature vacated their seats except for Mr. Cahan, who initially abstained from voting. Only after the speaker ruled that a sponsor of a bill must vote on it, did Cahan cast his supporting vote.³⁰¹ On the Liberal side of the House, only Committee Chairman Lawrence and Fielding supported the bill.

Despite the fact that both the federal and local legislatures had now soundly defeated the bill, J.F. Stairs quickly worked out a plan to incorporate

299 Nova Scotia, Journals of the House of Assembly, Apr. 25, 1893.

300 Ibid..

301 Morning Chronicle, Apr. 25, 1893.

the syndicate in England.³⁰² On May 20, 1893 Stairs made an agreement with the owners for the sale of the three refineries. The new company's financial assets consisted of £600,000 or \$2.8 million.³⁰³ Acadia Sugar Co. came into existence Aug. 1, 1893.³⁰⁴ While refiners rejoiced, those opposed to the combine, such as the Monetary Times and the Liberal press, suggested that retroactive legislation be passed so that businessmen could not circumvent the will of the provincial and federal Parliaments as had clearly been done in this case.

While sugar refining would remain a major industry in the Maritimes, its political significance began to fade after 1893. Once an important concern to policy makers, the refining industry's role as a stimulus for broader economic development and a source of tax revenue would continue to diminish as the Maritimes entered the twentieth century. Although the nation's sugar refiners continued to demand protection from outside competition, the industry would no longer symbolize industrial development

302 Naylor, Business History, 131; The Halifax Herald, July 29, 1893.

303 Ibid.

304 The Halifax Herald, July 31, 1893.

nor play its self- designated role as guardian of the West Indies trade.³⁰⁵

Sugar refining had been the first large industry to become completely integrated and dependant upon the Canadian economy. As the region's economy became more integrated into the Canadian economy, sugar refining became but one of a number of "Canadian industries," and its role in securing the region's allegiance to the nation diminished accordingly.³⁰⁶

305 Cruikshank, "Taking the Bitter with the Sweet: Sugar Refiners and the Canadian Regulatory State, 1904-20," CHR LXXXIV, 3, (Sept. 1993).

306 L.D. McCann, "Metropolitanism and Branch Business in the Maritimes, 1880-1910," in P.A. Buckner and David Frank, ed., The Acadiensis Reader: Volume Two, (Fredericton: Acadiensis Press, 1988).

CONCLUSION

At the beginning of this thesis we discussed Jonathan Prude's argument that the term industrialization must be understood "not as a single homogenous development but as a blend of different changes".³⁰⁷ Prude emphasizes that while the process of industrialism experienced in 19th century New England involved tumultuous change, a large component of its complexity lies in the retention of "old ways". That is to say, that traditional patterns of commerce and labour organization melded with newer forms of industrial capitalism. This process was clearly at hand during the development of the sugar refining industry in the Maritimes. In the last half of the nineteenth century Maritime entrepreneurs, including those in the sugar industry, neither boldly nor blindly rushed to embrace a new and well-defined notion of industrialism. Instead, they reacted to a conjunction of particular historical circumstances which led them, in time, from a mercantilist to an industrial economy and from a colonial to national allegiance.

Throughout the eighteenth and nineteenth century, the Maritime economy developed within the British mercantilist system. The withdrawal of

307 Prude, Industrial Order, XI.

a system of Imperial Preference in the 1840s, left Maritime merchants with the option of either accepting commercial decline or adapting to new markets. Maritime merchants confronted this challenge by continuing to pursue the West Indian trade and by aggressively entering the world shipping trades. After surviving the closure of protected trade Maritimers might have been inclined to think that they were well adapted to withstand future changes in global markets. However, historical changes of even greater magnitude were in the making, especially as they affected the sugar industry.

Throughout the late 1860s, refined sugar began to take up a greater share of sugar consumption throughout the Atlantic rim nations of the world. This change gradually led to the domination of beet sugar produce from a host of countries over West Indies sugar. It was the gradual failure of the West Indies trade during the late 1860s and 1870s that led Maritime shippers to begin to explore innovative ways to revive it. Confederation did nothing to rejuvenate the hopes of reestablishing prosperity for the region in 1867 on the basis of the West Indies trade. By 1878, however, many Nova Scotians accepted the new nation as a means of facilitating industry capable of supporting the region's traditional trade routes. The notion of tariff-supported sugar refining offered Maritime entrepreneurs an opportunity to stave off

economic decline. They even embraced Canadian nationalism to support their traditional trading relationship with the Caribbean.

The history of the Maritime sugar refining industry demonstrates that new capitalists did not recklessly plunge into the new industrial economy with unrealistic dreams of profit. Nor does a commitment to traditional trade indicate that merchant refiners were "backward looking" and conservative.³⁰⁸ While Maritime entrepreneurs continued to employ traditional mercantilist investment methods there was nevertheless great support for a radical reorientation of markets and attitudes towards tariffs and government intervention. Entrepreneurs used new technologies, explained innovations in transportation policy, and promoted "activist" forms of government.

During the 1870s the attempts of some some merchants such as A.G. Jones to promote the West India trade merged with the aspirations of others who saw activist government as a way of fostering industrial change and national development. The industrial hope, nurtured by the National Policy, grew into a desire to forge a link between the traditional Atlantic economy and the new industrial economy in the interior of the new nation. The

308 E.R. Forbes, Challenging Regional Stereo Types; Philip Buckner, "A Reassessment; Reid, "Stereotypes".

National Policy not only facilitated the construction of the sugar refining industry but fuelled the aspirations of Maritime businessmen, who attempted to bridge the gulf between the Atlantic rim and the continental economies. From these dramatic attempts to conserve traditional trade patterns while developing new ones, a new understanding about the relationship between industry, politics, and the nation emerged.

The National Policy provided an opportunity to establish a national economy which had thus far eluded the emerging nation state. For the Maritimes the National Policy held out the promise of regaining the lost prosperity that had disappeared with the decline of the West Indian trade. It could also act as the catalyst for new industry. The National Policy, therefore, was seen by many Maritime entrepreneurs as an instrument to merge these two distinct modes of production into a revived Maritime economy. In the election of 1878 the new nation was embraced as saviour of the region, creating a permanent place for Maritimers within the Conservative party, and producing a generation of National Policy supporters.

The dreams of industrial prosperity were short lived. By 1885 the Maritime sugar industry was plagued with problems of overproduction and under-capitalization similar to other industries in the region. Confronted with

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the probable collapse of these new industries in the 1880s, Maritime entrepreneurs were again forced to survey their options and decide their fate. The course they chose to support and embrace the Canadian economy. Faced with industrial decline, the province apparently had voiced approval for a termination of Confederation during the repeal election of 1886. To the refiners, however, the dissolution of Confederation was not an option.

Local entrepreneurs sought to sustain the sugar refining industry through policies of "Canadianization". Refining was a "Canadian" industry; it could not hope to survive outside of the Canadian economy. Refiners thus were only open to reforms completely within a Canadian context. Steamship subsidies, widening the Canadian Confederation to include the Caribbean, freight rate and tariff lobbying, and finally, market regulation and monopolies, were all strategies on the part of entrepreneurs to sustain their industry. All involved a "Canadian" solution. So it was that Maritime entrepreneurs chose their fate, and constructed their own history, although not necessarily in ways that they intended or could foresee.³⁰⁹

In 1972, T.W. Acheson demonstrated that there was a sustained period

309 Karl Marx, The 18th Brumaire of Louis Bonaparte, (New York: International Publishers, 1963), 15.

in Maritime history when industrial growth met and even exceeded industrial growth rates in other regions of the country.³¹⁰ An inherent problem associated with analyzing "industrialism" is the tendency to reduce and simplify its complexity. For example, while over-production characterized the National Policy era during the 1880s, one can not say that the National Policy was the cause of it, nor can we say that over-production was the inevitable result of such a policy. We can however, look to the historical participants and attempt to understand the context in which they made their decisions and shaped our history.

This study suggests several conclusions about the development of sugar refining as an aspect industrialism in the Maritimes. For instance, where shipping merchants were the principal investors in refineries, rarely did they abandon their shipping interests. They were in fact, supporting shipping by attempting to ensure a market for their cargoes. When the Acadia Sugar refining conglomerate was formed in 1893, for example, many Maritime shippers were still wary of industrial production and chose not to join in the enterprise. Instead, the regional consolidation of the refining industry was

310 Acheson, "The National Policy"; and "The Maritimes and Empire Canada".

initiated and achieved by an existing Maritime industrialist, backed by British capital.³¹¹

Acheson himself created several stereotypes about the refiners. For instance he suggests that the proprietors of refineries generally established their enterprises in isolation, or with little regard to similar endeavours elsewhere.³¹² Through this thesis, however, we have seen constant interaction, and at times collaboration, between Maritime refiners and those in other parts of Canada. This collaboration usually involved questions of tariff reform and market regulation. The personal correspondence between George Dustan, Alfred Jones, George Drummond and other refiners, dating from 1873, demonstrates that although refiners often appeared isolated in their public position, in private they maintained a very close working relationship. In addition, many refiners became financially involved in other sugar refining enterprises. George Franklyn, a director in the Atlantic House, later became a director in Dustan's firm. Stairs' involvement with Dustan led him to the directorship of the N.S.S.R. Dustan had stock in the Harris firm in

311 Gregory P. Marchildon "John F. Stairs, Max Aitken and the Scotia Group: Finance Capital and Industrial Decline in the Maritimes, 1890-1914," in Kris Inwood, ed., Farm, Factory and Fortune: New Studies in the Economic History of the Maritimes.

312 Acheson, "National Policy," 7.

Moncton. The close working relationship between Maritime refiners and those elsewhere allowed them to coordinate tariff policy, establish trade associations and later to attempt a nationwide syndicate. Despite this interaction, however, the existing tensions amongst the merchant community in Halifax could not be reconciled. No other factor is more responsible for the fragmentation of the industry in Halifax than the personal antagonism between Jones and Dustan. Jones who had initially aided Dustan, was instrumental in creating the N.S.S.R. in 1879-80. Soon after, however, for reasons still not clear, he set about constructing a third refinery on the shores of the North West Arm. Had Jones and Dustan pooled their resources, or demonstrated to Dustan's English partners support for a single refinery, the history of the Maritime sugar refining industry could have been remarkably different.

Acheson portrayed the typical sugar refining entrepreneur as a West Indian shipper. While almost all of the Maritime elite derived their wealth from this trade, there was a great diversity among them. Alfred Jones and Michael Dwyer were wholly interested in the shipping trade and sought only to preserve it. The Harris brothers of Moncton were in the ship construction industry and entered into any industry in which they saw potential profit. John

F. Stairs, who came from a prominent shipping family nonetheless entered the sugar refining industry as an industrialist and presided over the transference of the locally controlled industry to external control. And finally, George Dustan was a trained refiner with no connection to the West India trade.

This perhaps explains Dustan's unique role in shaping the National Policy. While others saw ways of creating great industries or promoting the West Indian trade, Dustan had a different vision. His life was in many ways an embodiment of the National Policy. Dustan saw the nation-state as an instrument for industrial development through tariffs and rail rate adjustments. He thus tied his future to that of the developing Canadian union. Dustan even visited the new territories, staked out land claims, developed policies of immigration development, lobbied for railway development and rate control, and worked to establish a national tariff policy.

In "Capital Accumulation and Industrial Development in Nineteenth Century New Brunswick: Some Preliminary Comments," Paula Chegwidde and Lawrence F. Felt found that there was no one stereo-type that characterized the "transitional entrepreneur." They point instead to more extensive studies in England which confirm "that there is little evidence to indicate whether a 'permanent and sole commitment to an industrial vocation'

on the part of the entrepreneur was a strong variable influencing the success of the firm or was even a typical occurrence at this stage of industrial development."³¹³

It is ironic that George Dustan, an unwavering advocate of a sugar refining industry in Nova Scotia and architect of the National Policy died in 1901, after a decade of obscurity, while others involved in the industry went on to successful careers.³¹⁴ John F. Stairs, who used the N.S.S.R. to launch a successful consolidation of the Maritime sugar refining industry, went on to further involvement in banking, steel and coal.³¹⁵ Michael Dwyer became the President of the Merchant Bank of Halifax and the President of the Nova Scotia Wholesaler Grocers' Guild.³¹⁶ A.G. Jones remained active in the West India trade and ended his career as Lieutenant Governor of the Province. The Harris brothers abandoned the sugar industry after the formation of Acadia but continued in their other industrial enterprises. Their lives are testimony to

313 Paula Chegwidden Felt and Lawrence F. Felt "Capital Accumulation," in The Enterprising Canadians, 66-7.

314 Cahill, "Dustan".

315 Cahill, "Stairs".

316 NAC, MG 26 G, Laurier Papers, 22597, Dwyer to Laurier, Apr. 18, 1898.

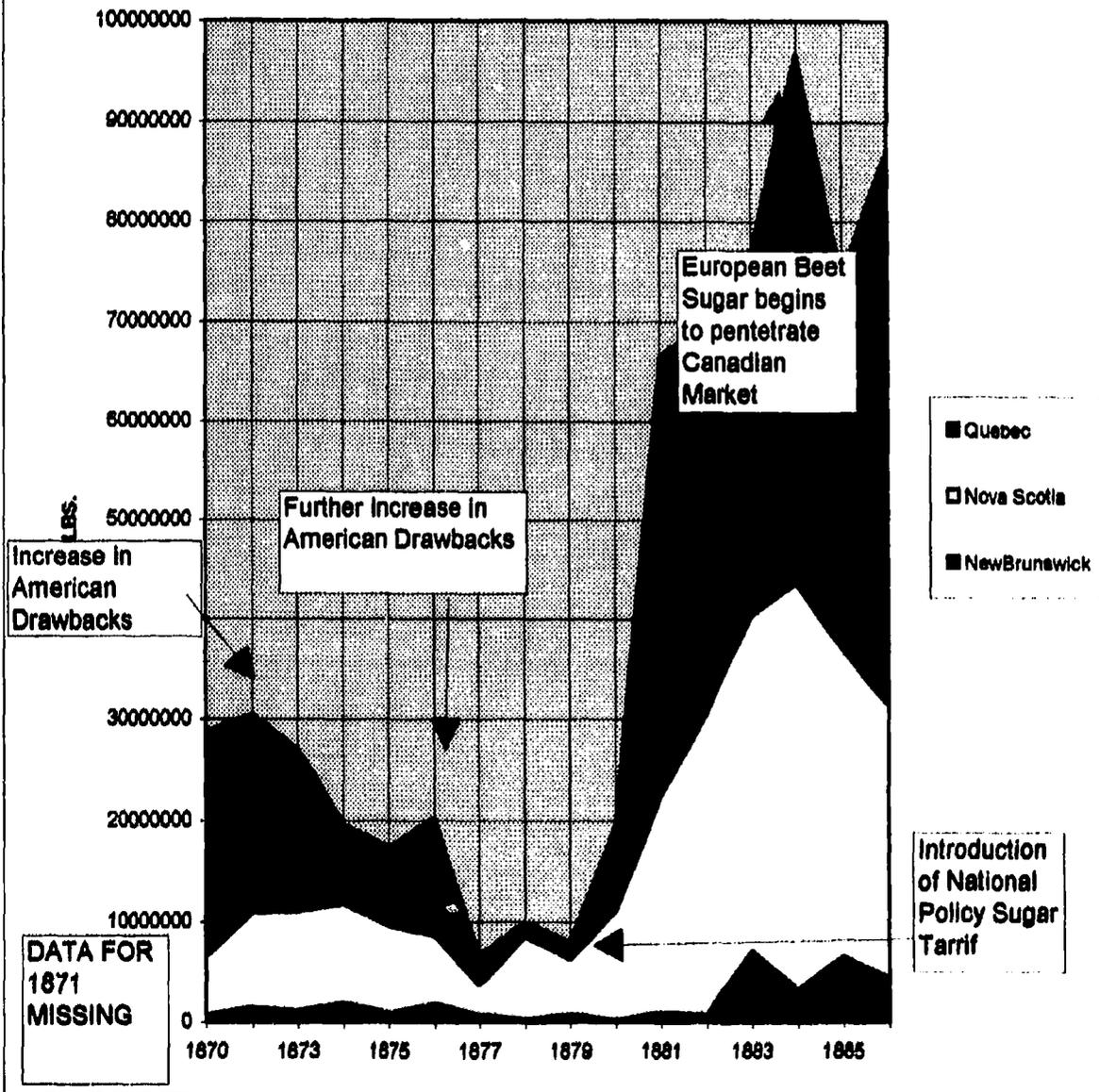
the failure of Dustan's dream of an enduring refining industry in Halifax.

The refining industry in the Maritimes was plagued with overproduction and under-capitalization, as Acheson and Naylor have suggested, but these problems cannot be attributed to the National Policy alone. Political and personal differences influenced the development of the industry to a far greater extent than has previously been realized. In fact, if bitter political factionalism had not prevailed, it is likely that a stable and sufficiently financed refinery could have thrived in the area. There is no question that foreign investors saw potential for the industry. Unfortunately, the possibility of achieving a viable refining industry died on the cross of political partisanship and personal animosity.

During the 1870s and 1880s two profound transitions took place in the Maritimes. The transition from mercantilism to industrialism, though gradual, had a dramatic effect on the Maritime economy. At the same time, the development of a Canadian nation-state and national economy - "Canadian imperialism", as some would put it - exerted an equally dramatic effect on the region. That the two processes were inexplicably intertwined with the lives of the human beings that were part of their making, demonstrates the unevenness of the process which Jonathan Prude has described. The

simultaneous introduction of nationalism and industrialism is not unique to the Maritimes, of course, but the historical circumstances in which its introduction took place certainly is. The development of the refining industry is thus a fine example of how important local "context" is to historiographical analysis. I hope that this study has contributed to an understanding of that reality.

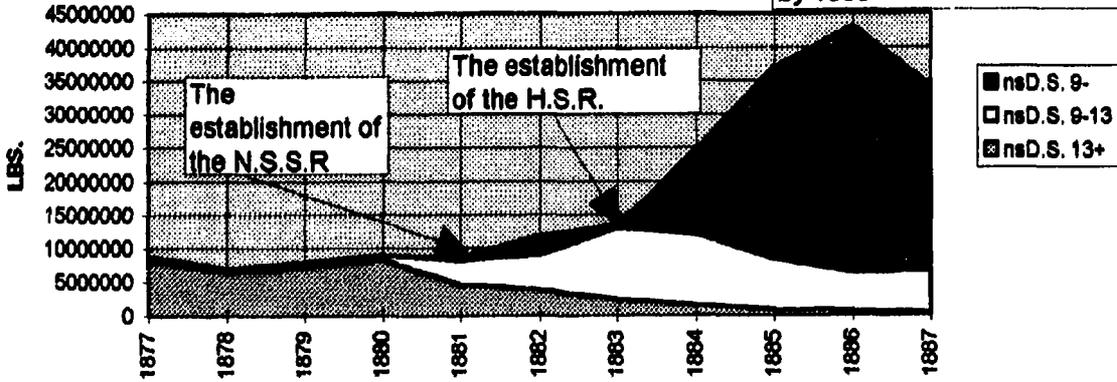
**APPENDIX I
TOTAL SUGAR IMPORTS FROM THE WEST INDIES TO CANADA 1870-
1886**



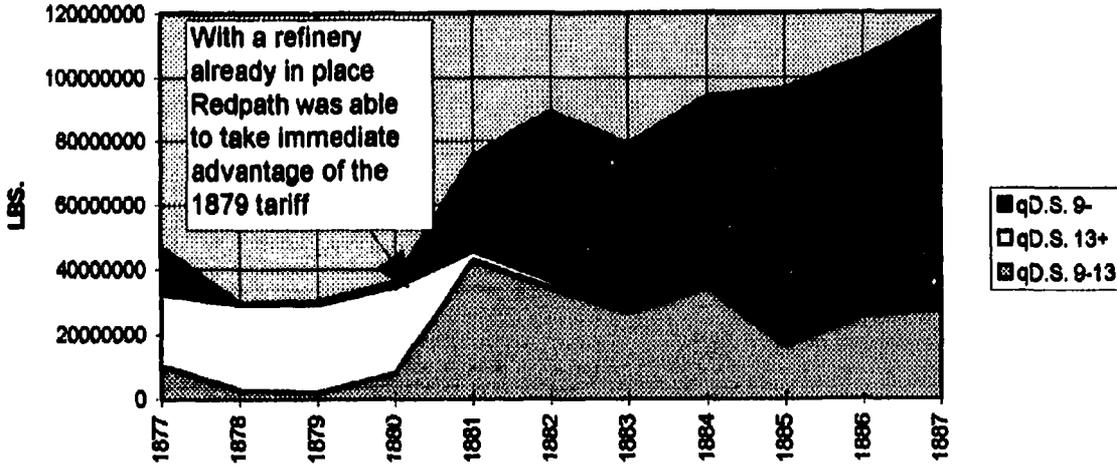
Provincial Totals

NOVA SCOTIA
Total sugar imports 1877 to 1887

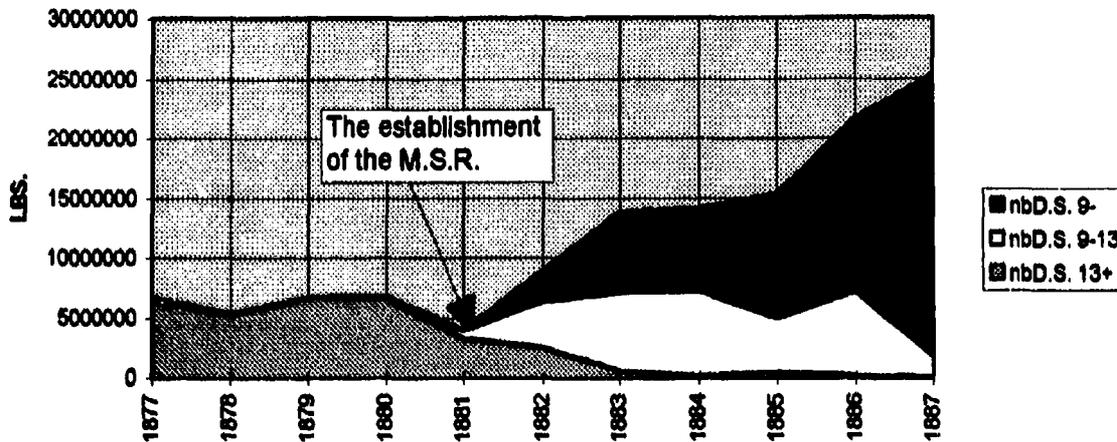
Note that all three graphs show high grade raw sugar imports almost completely disappeared by 1883



QUEBEC
Total Sugars imports 1877 to 1887

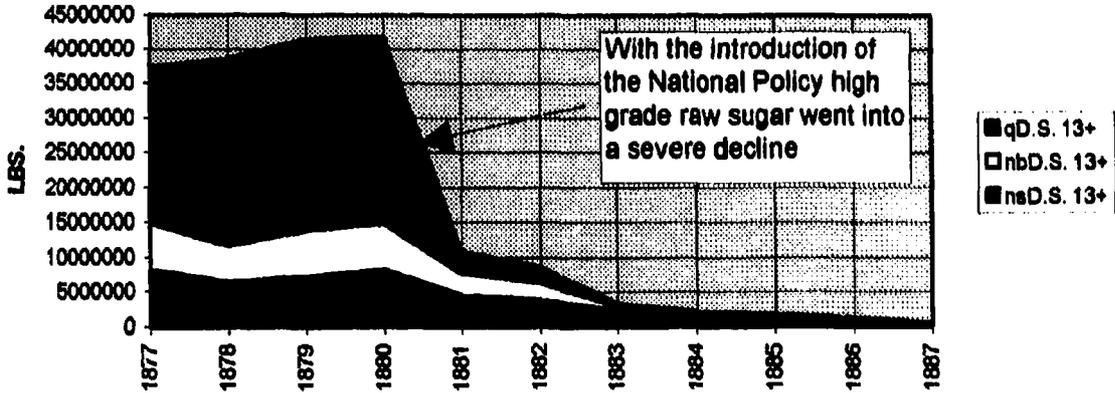


NEW BRUNSWICK
Total Sugar imports 1877 to 1887

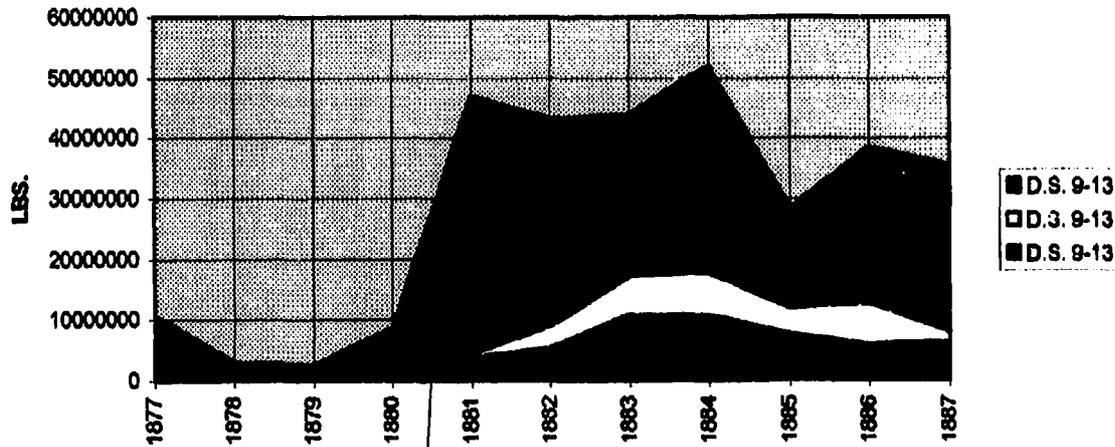


Dutch Standard

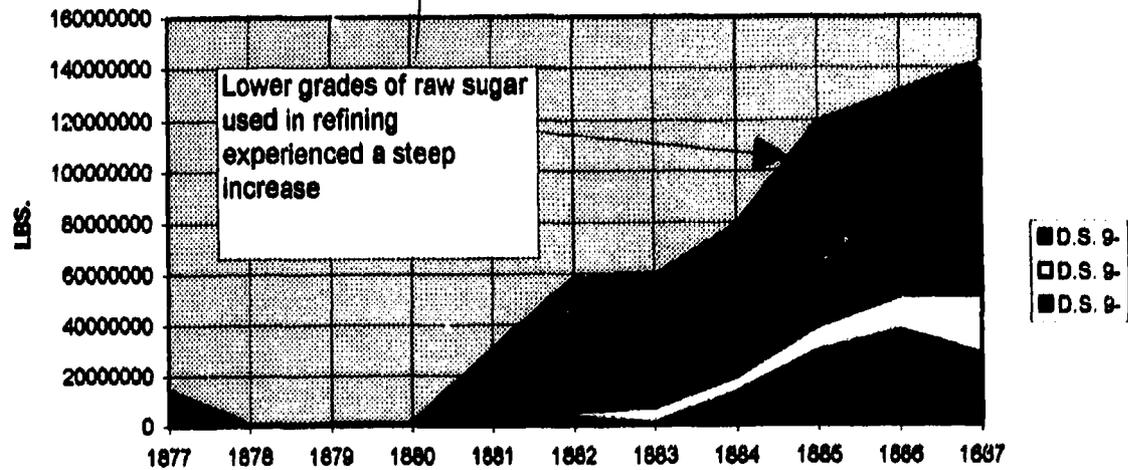
DUTCH STANDARD +13



DUTCH STANDARD 9-13

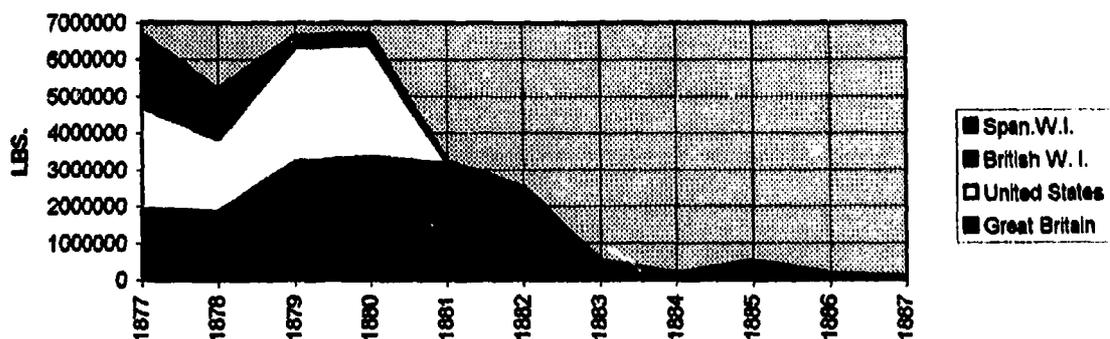


DUTCH STANDARD

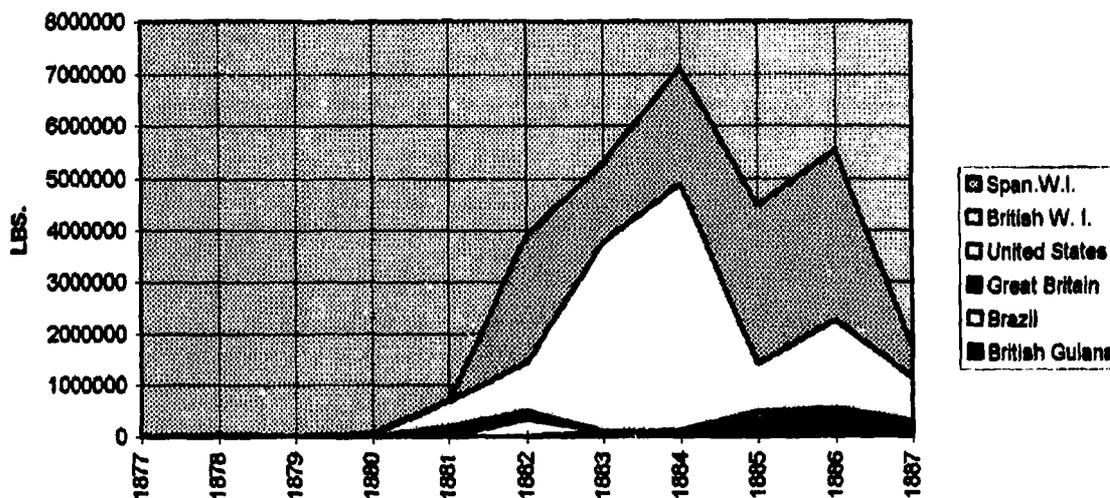


New Brunswick

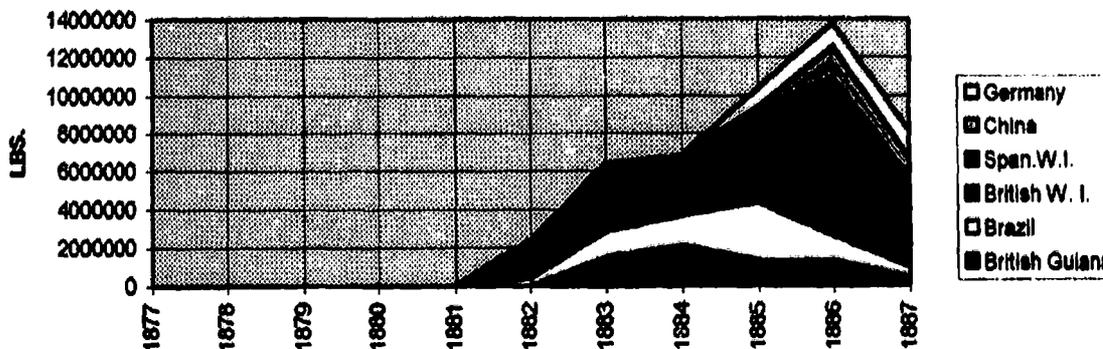
NEW BRUNSWICK 13+



NEW BRUNSWICK D.S. 9-13



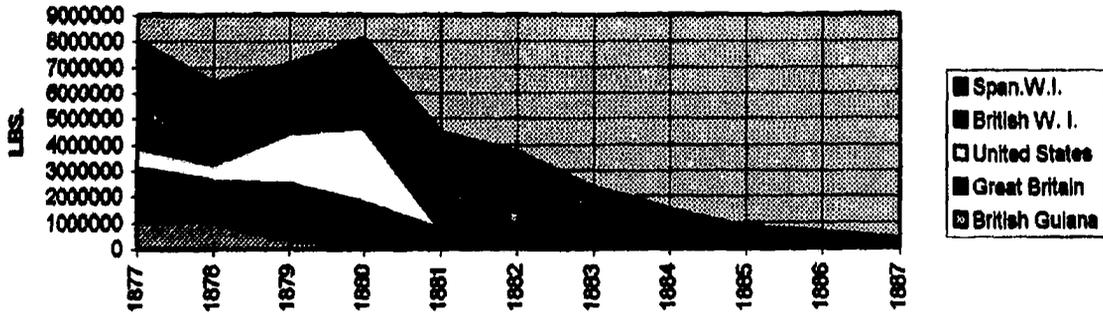
NEW BRUNSWICK D.S. -9



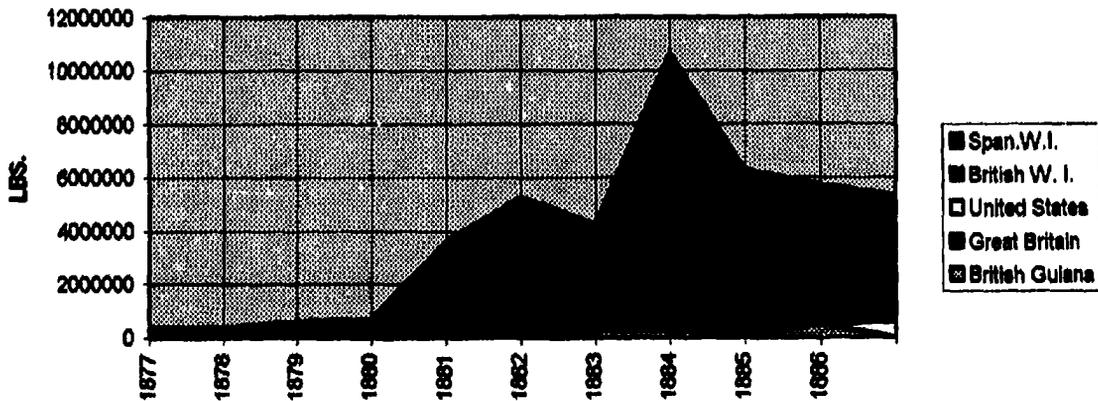
These three graphs indicate that by 1883 refined sugar imports principally from the United States and Great Britain had disappeared. This was replaced with low grade imports of low grade raw sugar from the West Indies. However, the two lower graphs show that by 1883 imports from other countries were beginning to take up a larger share of the raw sugar market.

Nova Scotia

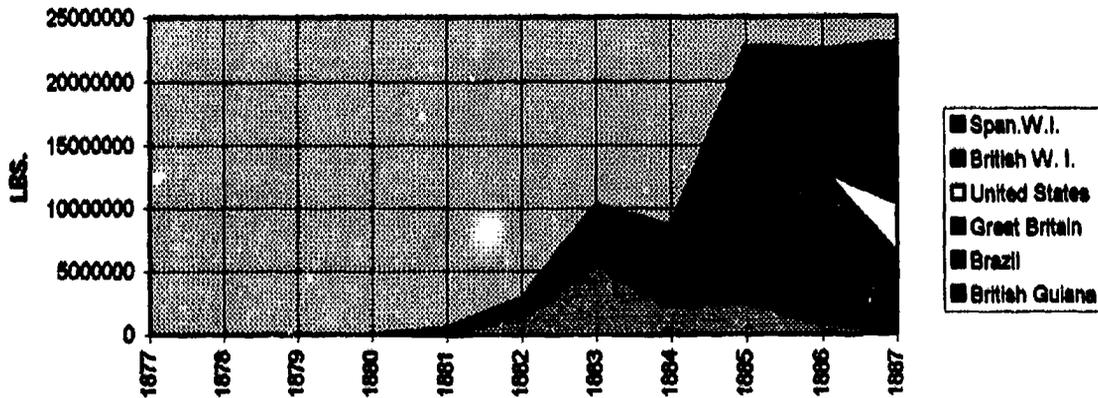
NOVA SCOTIA D.S. +13



NOVA SCOTIA D.S. 9-13



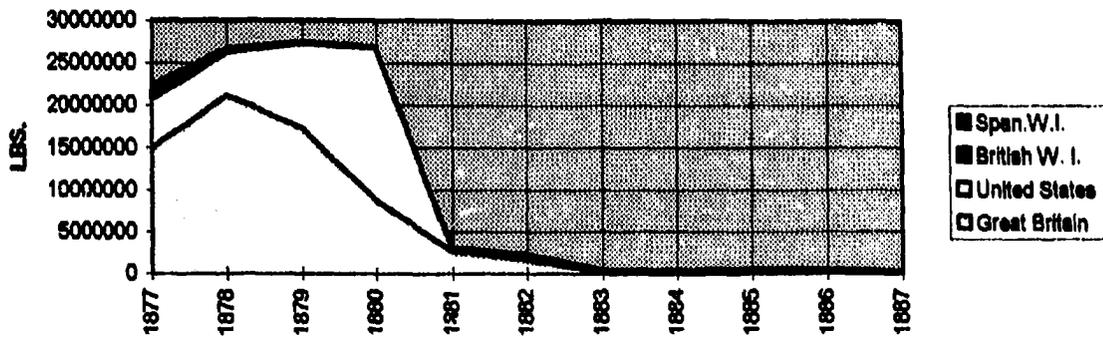
NOVA SCOTIA D.S. -9



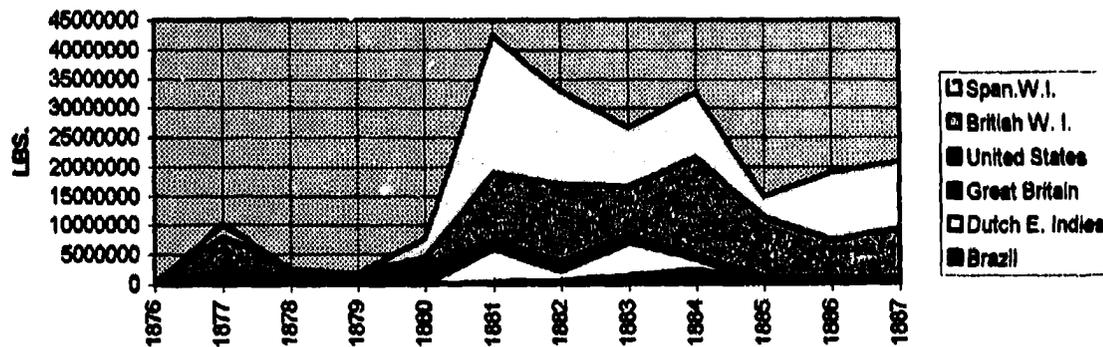
These three graphs for nova Scotia show a similar decline, as seen in New Brunswick, of high grade sugar imports from Great Britain and the United States and an increase in low grade raw imports from the West Indies. Two points of interest are the facts that high grade sugar from the West Indies, while declining is still significant past 1885 and that Brazil and Britsh Guiana take up a large proportion of the low grade raw sugar Imports after 1883.

Quebec

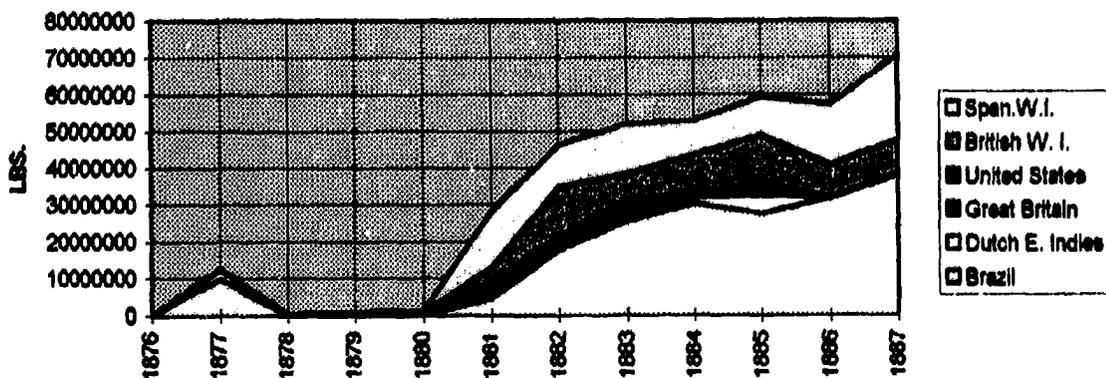
QUEBEC D.S. 13+



QUEBEC D.S. 9-13



QUEBEC D.S. 9-



As with nova Scotia and New Brunswick high grade sugars, particularly from Great Britain and the United States go into a steep decline by 1880. Correspondingly low grade sugars begin a dramatic rise. It is evident from graph three that imports of West Indies low grade raw sugar is only a small proportion of total imports into Quebec.

Appendix 2

Listings of stock holders for the various corporations involved in this study were difficult to attain. This is a list of those attained.

Principal Shareholders in the New Brunswick Sugar Refining Company 1879

C.W. Bunting, Niagra sugar merchant Con. M.P.

Peter Cameron

James Domville, Conservative

Alex Manning, Pres. of The Traders Bank of Toronto.

Robert Marshall, St. John, West Indian merchant Con. M.L.A., Senate of Canada.

Hon. William Muirhead, Saint John, West India merchant, Con. M.L.A. Senator.

Hon. Theodore Robitille, Doctor, Con. M.P.

Principal Shareholders in the Moncton Sugar Refining Company 1880

I.W. Binney

R.A. Borden

E.C. Cole

D.A. Duffy

Geo H. Dunlap

John B. Elliott

P.S. Enman

Ed. M. Estey

J. Flanagan

James and Christopher Harris

J.C. Lamb

John Mackenzie

Gideon Palmer

C.B. Record

J. C. Robertson

William Roberston

William Stevens

E.J. Smith

R.P. Whitney

Joshiah Wood ³¹⁷

Principal purchasers of the 1886 bond issue for the Halifax Sugar Refinery Co.

J.W. Hutchinson 500

Sir A.B. Paget 500

Alexander S. Buist 2000

Fredrick North 2000

Lord Alcester 1300

Henry J Gardner 200

Colin Campbell 6000

Palgrave Simpson 400

Hugh H. Nicholson 1000

Earl Whaincliff 3000

George McCorgandale 1500

Charles Langdon 500

Phillip Lawson 500

Alfred Chapman 1000

317 Lloyd A. Machum A History of Moncton: Town and City 1855-1965 (Moncton: Published by the City of Moncton N.B., 1965), 109-111.

J. Henderson 2000
William T. Mann 500
Hugh C. D. Ryder 200
F. Napier 400

Henry Shields 500
George Horace Bell Mayer 1000
Linol G.D. Ryder 200
James Campbell 200

Total 26,100 pds

Debtentured 80% advanced H.H. Nicholson Liv 2000
Colin and James Campbell 3600
Phillip Rawson London 3500
Charles Langdon Liv 3500
George McGorgndale Newton le Willows 1300³¹⁸

Shareholders of the Nova Scotia Sugar Refinery Company 1890.

E.P. Archibald 20 stocks	J. Butler 60
R. Boak 30	M.P. Black 24
Rutus Curry 20	M. Dwyer 20
T. Ritchie 28	A. Smith est 38
W.J. Stairs 20	J.F. Stairs 26
William Smith 20	James Thomas 20
T.E. Kenny 16 ³¹⁹	

318 The Law Times Report, 1890, Vol 62, June 14, 1890, #2238.

319 Acadian Recorder, May 31, 1890.

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Harris Family Papers, New Brunswick Archives (NBA)
Jones Papers, Public Archives of Nova Scotia (PANS)
Laurier Papers, NAC (mfm)
Macdonald Papers, PANS (mfm)
Mackenzie Papers, PANS (mfm)
MacLennan Papers, NAC
Mills Papers, University of Western Ontario (UWO)
Thompson Papers, PANS (mfm),
Tilley Papers, New Brunswick Museum
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