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# Wood, Wind and Merchant Capital

THOSE WHO HAVE ATTEMPTED to provide an explanation for the decline of the Maritime shipping and shipbuilding industries have commonly based their analysis on technological change. According to the technological argument, the decline was caused by Maritimers' incapability to make the shift from sail and wooden vessels to steam and steel-hulled ships. Eric Sager and Gerald Panting in *Maritime Capital: The Shipping Industry in Atlantic Canada, 1820-1914* (Montreal/ Kingston, McGill-Queen's University Press, 1990) provide an alternative explanation. They argue that the demise of the shipbuilding and shipping industries cannot be understood as "a single catastrophic event, but as part of a structure possessing its own stability and durability, constraining economic development today, as it did a century ago" (p. 4). Sager and Panting suggest that in order to understand what happened to the sailing ship industries, and to the Maritime economy more generally, we need to look at the structure and process of the Maritime economy in which these industries were embedded.

Sager and Panting work from the evidence collected by the Maritime History Group at Memorial University. According to this evidence, shipbuilding and shipping developed in the Maritimes as an "enclave industry". An enclave industry refers to an industry which is established by external investors with most of the inputs and outputs being controlled outside the region. Contact between the Maritimes and the outside was mediated by merchants. By being positioned at the axis of exchange between local needs and export sales, merchants were able to dominate and control economic activities, shape socio-economic possibilities and restrict development in particular ways.

Sager and Panting are guided in this work by the theoretical insights of the staple theory. According to the staple theory, economic activity of a region or colony is determined by the staple, that is, the resource available for export from the hinterland to the metropolis. This economic activity encourages the local production of goods to replace imports from other areas. The colony's economy then diversifies beyond its export base and into a self-sustained growth.[1] In the case of the Maritimes, why did self-sustained growth not happen? In the process of answering this question, Sager and Panting extend the staple theory by pointing out the importance of understanding the social and political as well as economic structures surrounding shipping and shipbuilding and the historical processes which created these structures.

While focusing on shipping and shipbuilding, Sager and Panting argue that their explanation of what happened to sailing ship industries is consistent with an explanation of what happened to the region's economy generally. Although the shipping and shipbuilding industries began from linkages to fish and timber, and subsequently generated secondary industries, these secondary industries collapsed as marine industries declined and the economy fell back into staple dependency. By developing an understanding of the structure and process involved in one sector of

1 See Rosemary Ommer, *From Outpost to Outport: A Structural Analysis of the Jersey-Gaspé Cod Fishery, 1767-1886* (Montreal/Kingston, 1991), p. 194.

Darrell McLaughlin, "Wood, Wind and Merchant Capital", *Acadiensis*, XXIII, 2 (Spring 1994), pp. 145-147.

the 19th-century economy of the region, we are able to acquire an understanding of why the region continues to be on the periphery of industrial development.

To understand Maritime history, Sager and Panting suggest that we need to go beyond examining staple linkages to explore also how demand for Maritime goods was influenced by wars, trading opportunities in the West Indies and British policies. Shipbuilding and shipping were part of a mercantile economy which consisted of staple trading, importing local needs, wholesaling, retailing and the production of ships. The ships were used to move goods from where they could be obtained cheaply to a market where they could be sold or exchanged profitably. Sager and Panting point out that merchants were often shipowners, but they were traders of goods first and shipowners second. In other words, their primary interest was in cheap freight rates and high profits from exchanging goods. The shipping industry developed in the hands of a particular group -- the merchants -- and their search for profits within an export economy in which the merchants maintained control over distribution and exchange. The decline of the industry also occurred within this same context.

Sager and Panting make a distinction between merchant and industrial capital and the different consequences on development strategies of these two forms of capital. Merchant capital is the product of exchanging goods, while industrial capital is the product of industrial processes and wage labour. Merchants acquire economic surpluses by controlling exchange relations and pricing, and they have little interest in expropriating the small landholders from the means of subsistence. On the other hand, industrial capitalism cannot develop until labourers are separated from the means of subsistence and required to sell their labour to the owners of the means of production for wages which they use to purchase their needs. The mercantile economy resulted in labour working part-time in staple or ship industries and part-time in petty commodity production. Sager and Panting refer to this strategy by labour as an "occupational pluralism" which represented not only a way of acquiring basic needs but also a defence against becoming dependent on wages (p. 193). They argue that occupational pluralism was also a factor constraining industrial development in the region.

In general Sager and Panting see the decline of the ship industry as the consequence of the inability of Maritime merchants to see their interests being served by working towards making the shift from wood and sail to steam and steel. Instead, Maritime merchants appeared to be beaten by their own pessimism as they pulled capital out of marine industries and diverted investments to landward opportunities. Ultimately Sager and Panting see the decline of Maritime shipping and shipbuilding as the only possible outcome of the historical and structural conditions that existed in the Maritime economy in the 19th century. Merchants represented the socially, politically and economically powerful class in the region in this period. They were the only ones who could have brought about changes in state policy and furnished the large amounts of capital necessary to make the switch from sail to steam. Had the merchants been able to develop the vision of profits in steel shipbuilding, they not only would have made the shift from merchant to industrial capitalist, but they also would have laid the foundation for industrial development in the region. As a consequence of their failure, the merchants' power disappeared with the end of mercantilism and the region has remained on the fringe of industrial development.

What can we learn from this account? At one level the research represents dense and detailed description of many aspects of the shipping and shipbuilding economy. However, their analysis also examines the role of human agency. The merchant class as the bearer of regional economic interests, according to Sager and Panting, must be assigned the blame for the decline of the region's ship industries. Merchants failed to transcend the mercantile ideology and develop the values and ideas of industrial capitalism. In addition, Sager and Panting also offer insights into some of the other impacts of merchant capital. Under merchant capital, for example, labour was not separated from the means of subsistence, and this made it more difficult for industry to find wage labourers. In addition, the importation of foodstuffs at low prices denied the region's farmers a larger local market, and this resulted in the persistence of small-scale and labour-intensive farms. Sager and Panting also make explicit the role the state played in the original success of shipping and how it failed to help make the transition to steam. After reading this account one is left with serious doubts as to the ability of entrepreneurs to represent the long-term economic interests of the region. Their short-term strategies for maximizing profits require different goals and even conflict with the long-term economic stability of the Maritimes.

While Sager and Panting provide answers to many questions, their work also raises questions. To what extent should we assume that the region's merchants were able to act autonomously, or were they restricted in their actions by ties to British capital? If one of the factors causing the lack of industrial development in the region was the shortage of "free" labour, why was there a large emigration of men and women to the New England states?[2] Did the merchants in other regions or nations make a more successful transition to becoming industrial capitalists? To what extent was the failure of Maritime merchants due to the formation of a new hegemony forming in Central Canada which found its expression in Confederation and the National Policy? And finally, are Sager and Panting correct to argue implicitly that industrial capitalist development is the only appropriate model?

*Maritime Capital* may be overly deterministic in its final conclusions, but this book is absolutely necessary reading for anyone interested in Maritime development. In the end the book does leave me wondering as to how the present generation of Maritimers will set about the task of making their own history in a manner that could permit them to overcome the failures of the past.

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2 Judith Fingard, review of *Maritime Capital* in *Queen's Quarterly*, Vol. 99, No. 1 (1991), p. 181.