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OUR "KINGDOM FOR A HORSE": THE RAILWAY LAND GRANT SYSTEM IN WESTERN CANADA*

By CHESTER MARTIN

The transfer of Rupert's Land and the North-Western Territory to Canada in 1870 multiplied the area of the original Dominion by five and changed not only the size but the nature and functions of the Canadian federation. In 1867 the Dominion of Canada was a landless federation of equal provinces each in control of its own public domain. On July 15, 1870, Canada became an Empire in its own right with the widest range of unalienated crown lands at that time in the British Empire entrusted to its tutelage and administration. Within this vast area the lands, even in new provinces created in 1870 and 1905, were to be administered, as the Manitoba, the Saskatchewan, and the Alberta Acts all specify so precisely, "by the government of Canada for the purposes of the Dominion". Among these historic "purposes of the Dominion" none perhaps was more imperative than the project of a Pacific Railway. The land, said Macdonald in the debate on the Manitoba Bill, "could not be handed over to them, it was of the greatest importance to the Dominion to have possession of it, for the Pacific Railway must be built by means of the land through which it had to pass".

For twenty-two years—from the Illinois Central in 1850 to the Chicago and Northwestern in 1873—the railway land grant system in the United States had spread devastation in politics and public finance. But the railways had been built. The Union Pacific, the first trans-continental, had been completed, and the Northern Pacific was already under way in the early seventies when the whole railway land grant system in the United States was swept away by a disillusioned frontier. In Canada the system was appropriated just as it was disappearing from the United States, and it took almost exactly the same time to run its course from the abortive C.P.R. charter of 1873 to the last railway land grant in 1894. What was the achievement of the Canadian experiment and what was the price? Was it adopted in defiance, or in ignorance, of experience in the United States; or were both experiments merely psychological phases in the development of the frontier? Was the cycle, in other words, twenty years later in closing in Canada merely because it was twenty years later in beginning? The total area alienated in railway land grants in Western Canada was about thirty-two million acres, almost exactly the area of the kingdom which King Richard offered for a horse.¹ What kind of a kingdom was offered for our iron horse in Western Canada, and what kind of an iron horse did we get for our kingdom? I cannot hope to answer the second of these questions here, but the first, I think, may now be attempted with considerable accuracy.

*I wish to acknowledge my indebtedness for a number of details in this paper to the research of Mr. R. G. Riddell when a graduate student at the University of Toronto in 1929-30.

¹31,864,074 acres. The area of England is about 32,558,000 acres.

UNITED STATES PRECEDENTS

The use of the public domain in the interests of national transportation—for roads and canals—was already a familiar practice in the United States when the railway appeared and proceeded like Cronos to devour its children. In 1850 Congress for the first time endowed the public land states from Lake Michigan to the Gulf and from the mouth of the Ohio to the eastern boundary of Iowa with alternate sections of land in a belt of territory twelve miles in width, for the construction of the Illinois Central. The states themselves were to apply the lands to the building of the railway. Since much of this vast area was already settled, it was necessary to provide "indemnity selection" within fifteen miles of the railway. The intervening sections of the public domain were to share in the adventure by sale at twice the normal minimum price (\$2.50 per acre). The uncanny success of Stephen Douglas in lobbying the land grants for the Illinois Central through Congress, and the phenomenal sale of railway lands in an area already populated, opened the flood-gates and deluged the public land states for twenty years with railway land grants. Within a single decade every public land state on the Mississippi had received its quota from the public domain. State credits were flung recklessly into the pool. Missouri advanced \$25,000,000 of state bonds to no fewer than six lines of railway. States which were sovereign bodies could repudiate these obligations. Counties and municipalities were not so fortunate, and one enterprising county in Missouri retired the last of its railway bonds in 1918. Of the 155,000,000 acres of railway land grants in the United States nearly 50,000,000 belong to this phase of railway projection through the public land states.

With the gargantuan problems of Civil War and a transcontinental railway, however, a new technique became necessary. The admission of California into the Union in 1850, like that of British Columbia into the Canadian Confederation twenty-one years later, raised national emergencies which could not wait. In the United States the name of Asa Whitney, like that of Edward Watkin in Canada, belongs to the speculative, not to say chimerical, phases of the project. By the early sixties the industrial North had been won to the cause of cheap land by the prospect of forestalling the South in the settlement of the West and in the race for the Pacific by a northern route. Since much of the territory was unorganized, it was necessary for the government either to build the road itself, as Benton advocated, from the proceeds of the public domain, or to deal with corporations sufficiently endowed in land and capital to carry so vast a project through to completion. The issue was epochal for the nation and none but the nation could deal with it. In 1862, in the throes of Civil War, Congress passed the Free Homestead Act and chartered the Union Pacific Railway. Two years later an amended charter underwrote the project, under influences at Washington which can only be surmised. Nearly half a million dollars went into the Company's "expense account" for that year. Five years later, in 1869, the golden spike was driven in the first transcontinental railway to the Pacific.

The chief features of the Union Pacific, like those of the Northern Pacific and Great Northern of a later date, stand in such marked contrast to the C.P.R. that it is worth emphasizing from the outset the fundamental differences between them. The land grant to the Union Pacific,

made for the first time not to the state but to the railway itself, included the odd-numbered sections in a belt forty miles in width; but there was no "indemnity selection" in lieu of lands already occupied or unfit for settlement, and railway lands remaining unsold three years after the completion of the road were to be open to actual settlement at \$1.25 per acre. Mineral lands were reserved except for coal and iron. No cash subsidy was paid by the government, though the priority of the thirty-year six per cent. first mortgage government bonds which the original charter had provided in 1862 was waived in 1864 in order to give right of way to the first mortgage bonds of the Company. In the end the road was built as a contractor's job. Using a subsidiary company, the "Credit Mobilier of America", the Union Pacific contracted with themselves to build the road. "We were building it ourselves", one of the contractors testified before the Committee of the House in 1873, "by ourselves and among ourselves. There was not \$20,000 outside interest in it."² For the three chief contracts the cost to the Company was over \$93,500,000, and the cost to the contractors was less than \$50,750,000—a clear profit of nearly \$43,000,000. The actual construction was financed chiefly by \$27,000,000 from government bonds—interest on which was never paid by the Company—and by \$23,700,000 from first mortgage railway bonds, negotiable only because the government had accepted a lower rating for its own first mortgage on the line. The Company's own land grant bonds—on the security of the land grant of over 12,000,000 acres—realized less than \$6,064,000 for the actual building of the road. It is true that subsequent land sales amounted to nearly \$7,500,000 up to 1880 and to nearly \$22,500,000 within twenty years, but it is clear that land grants neither financed construction nor precluded bankruptcy in 1893. The chief function of the land seems to have been its attraction for promoters. By 1864 the Illinois Central had sold over half its land grants at an average of \$10.77 per acre, and the intervening sections of the public domain which had been almost unsalable at \$1.25 per acre were now selling for \$2.50 in a buoyant market. The land grant system was finally discredited not because it was unprofitable for the railways but because it created "fearful monopolies of the public domain", and broke "faith towards the landless" at a time when free lands and rapid settlement were coming to dominate land policy. This cycle from prodigality to revulsion took place, as I have noted, within twenty-two years; and the Canadian experiment, beginning just as its prototype in the United States was coming to an ignominious close, passed through the same pathological vicissitudes and reached the same stages of crisis and convalescence in almost exactly the same period of time.

Two other analogies in the United States—the Northern Pacific and the Great Northern—add to the contrast with the C.P.R. It was expressly provided that "no money should be drawn from the treasury of the United States to aid in the construction of the Northern Pacific Railroad". The land grant, on the other hand, was the most lavish ever made to a single railway in North America—the odd-numbered sections in a belt of forty miles through public land states and of eighty miles through the territories, amounting to 39,000,000 acres in its own right and a total of 43,000,000 acres by amalgamation with other land grant

²*Congressional Globe*, 1862-3 (42nd Cong., 3rd Session), appendix, p. 108.

railways. Not even the necromancy of Jay Cooke and his "banana belt", however, could build the road "by means of the land through which it had to pass". Both the railway and his own firm went down in the crash of 1873. Land sales to 1880 produced some \$9,000,000 and over \$27,750,000 to 1894, but the railway went into bankruptcy a second time in 1893.³

The third analogy from the United States was the only transcontinental line to receive no federal land grants and the only one of the three (after its first reorganization) to escape the hands of the receiver. It is true that the original St. Paul and Pacific had obtained some 3,848,000 acres under state auspices in 1857 and 1865, and the Dutch bondholders had not escaped disaster in the early seventies; but its reorganization with the St. Paul, Minneapolis and Manitoba Railway under J. J. Hill, George Stephen, and Donald Smith was the beginning of a new era. From this shrewd venture two streams of railway construction found their way to the Pacific. In the United States, Hill became President of the St. Paul, Minneapolis and Manitoba Railway in 1882, reorganized it as the Great Northern in 1890, and reached the Pacific in 1893 after a battle of giants with the Harriman interests of the Northern Pacific. On Canadian soil Hill's fellow-Canadians fared forth to a more spectacular destiny. To these doughty musketeers fell the organization and achievement of the C.P.R.

CANADIAN RAILWAY LAND GRANTS

With this background the first project for a transcontinental railway on Canadian soil was almost fore-ordained to the use of public lands. Railway land grants were taken for granted. Galt thought "10 or 12,000 acres" and a subsidy of \$15,000 per mile "would be a sufficient inducement". Cartier and Macdonald at the time of the Manitoba Act congratulated themselves that the lands had been "given up for nothing", and could be "used for the construction of the British Pacific Railway". "The Pacific Railway must be built by means of the land through which it had to pass." Six months before the transfer Macdonald himself in a private letter to Brydges of the Grand Trunk pledged the government to "most liberal grants of land in alternate blocks", with perhaps "a small pecuniary subsidy".⁴ The terms of union with British Columbia stipulated a railway within ten years and a railway belt through British Columbia not to exceed forty miles in width, to be transferred to the Dominion in trust for this purpose. An Order in Council of March 1, 1871, authorized the withdrawal of "three full townships on each side of the line . . . for the Inter-Oceanic Railway". As late as April, 1882, Macdonald contended that "not a farthing of money will have to be paid by the people of Canada".

The first C.P.R. contract of February, 1873, however, introduced some startling innovations into the railway land grant system. The first was the exceptional size of the land grant—50,000,000 acres—half as large again as the three Maritime Provinces. The second innovation was the location of the grant—not in alternate sections as in the United States but in alternate blocks "twenty miles in depth on each side of the

³Sales have since reached the total of \$136,000,000 (B. H. Hibbard, *History of the Public Land Policies*, New York, 1924).

⁴Sir Joseph Pope, *Correspondence of Sir John Macdonald* (Toronto, 1921), p. 125.

said railway", and ranging from six to twelve miles in width, that is to say, from 153,600 to 307,200 acres in area. The intervening government blocks were to be sold at \$2.50 per acre. This second innovation was accentuated by a third which reintroduced from the state grant phase of the United States system the principle of "indemnity selection" for the acreage necessary to complete the aggregate of 50,000,000 acres. The fourth innovation—a cash subsidy not to exceed \$30,000,000—was a fair index of the emergency. Even the Union Pacific had been a mortgagee of the federal government. The sale of the government blocks at \$2.50 an acre was intended to reimburse the treasury for the cash subsidy to the Company. The charter was issued in February, 1873. In January of the same year the last railway land grant in the United States had been made to the Chicago and Northwestern.

The Pacific Scandal destroyed both the Company and the government, but the Liberal programme of 1874 embodied no radical change of principle with regard to land grants. The cash subsidy—\$10,000 per mile—was to be less, but the land grant of 20,000 acres per mile was to be half as much again, still in alternate blocks as in 1873. With the return of the Conservative party to power in 1878, the railway land grant regulations passed rapidly through a truly bewildering variety of vicissitudes until the incorporation of the second Canadian Pacific Railway Company in 1881 brought into being the organization which carried the first Canadian transcontinental through to completion in 1885.

The final land grant was exactly half the original area of 1873—25,000,000 acres instead of 50,000,000—and it was to be taken up not in alternate blocks but in alternate sections, as in the United States, the odd-numbered sections "extending back 24 miles deep on each side of the railway from Winnipeg to Jasper House".⁵ Since the land grants earned on Ontario and British Columbia mileage, however, were to be taken up in the Prairie Provinces ("from Winnipeg to Jasper House" a distance of approximately 1,040 miles) the average works out at more than 24,000 acres per mile, or the odd-numbered sections in a belt of seventy-five miles.

This was made possible only by an expedient hitherto unique, if I am not mistaken, in the railway land grant system. In the Prairie Provinces the C.P.R. was allowed "indemnity selection" not only for acreage earned in Ontario and British Columbia but for all lands within the forty-eight mile belt "from Winnipeg to Jasper House" that were "not fairly fit for settlement", as well as for all lands already occupied or precluded by reservations of School Lands, *etc.*⁶ The Company could thus select in alternate sections—or with the consent of the government in tracts of land not already taken up in the North-West Territories—25,000,000 acres of the best lands in Western Canada. The crown patents were without reservation of minerals or other rights except for "navigable rivers". There were no safeguards (as against the Northern Pacific) for the sale at upset prices of lands that remained unsold three years after the completion of the railway. Exemption from taxation protected capital stock and railway property "forever", and land grants for twenty years "after the grant thereof from the crown".⁷

Other features less directly related to the land grant were a measure of the national emergency: the famous "monopoly clause" and the

⁵44 Vict. c. 1, s. 11 of the Schedule.

⁶Sections 11 and 29 in each township.

⁷44 Vict., c. 1, s. 16 of the Schedule.

unprecedented advance of government capital for the actual building of the road. The sections already completed and valued at \$38,500,000 (including cost of surveys) were transferred intact to the Company, together with a cash subsidy of \$25,000,000, and loans of nearly \$35,000,000—the final \$5,000,000 in 1885 at a time when George Stephen himself was ready to give up the ghost. By surrendering 6,793,014 acres of land in 1886 in liquidation of \$9,880,912 of its debt to the government, and by absorbing nearly 8,000,000 acres by amalgamation with other railways, the C.P.R. was finally left with 26,133,882 acres of Dominion lands. Less than 5,750,000 acres have been granted to all other companies combined—many of them absorbed into the Canadian Northern, now, of course, the Canadian National system. Such has been the kingdom, in terms of Dominion lands, paid for our iron horse. A glance at the map (for which I am indebted to the Department of the Interior) is calculated to translate these abstract millions on paper into a very substantial proportion of the Canadian West.

What kind of an iron horse have we got for our kingdom? Though far beyond the scope of this paper, two or three reflections are hazarded in conclusion. The C.P.R. has been the only transcontinental railway in North America, I believe, which from beginning to end has never found its way into the hands of a receiver. From beginning to end also it was built not as a contractors' job like the Union Pacific, but as a project in nation as well as railway building. Its bonded indebtedness was kept low; and while less than \$12,000,000 was raised by the sale of townsites and land grant bonds during the actual building of the road, the financing of the railway during the lean years of the eighties and early nineties must have responded to the security of the company's lands.⁸ The fiction of building the railway "by means of the land through which it had to pass" survived in politics long after it had been dissipated in practice.⁹ But the shift from the sales basis of land policy to the free homestead basis had already begun. By 1882 it was being applied to the alternate sections (even-numbered sections) of government lands within the railway belt itself, originally reserved for sale¹⁰ at \$6 per acre. "No policy did the syndicate press more strongly upon us", said the Minister of Railways, "than that of settling the land as fast as possible. They said we should be only too glad to plant a free settler upon every acre belonging to the Government."¹¹

The advantage to the railway was obvious. Rapid settlement meant not only enhanced prices for railway lands far beyond the meagre margin from immediate sales, but permanent traffic and prosperity for the line itself. The cycle of protest against "monopoly clause" (surrendered in 1888) and "land-lock" in Western Canada followed almost exactly the cycle of protest against "monopolies of the public domain" in the cause of "good faith towards the landless" in the United States. But the administration of the lands development branch of the C.P.R. is a vastly different story. Compared with the desperate prodigality

⁸The issue of \$15,000,000 in 1888, for instance, was guaranteed by the government on the security of unsold lands and in return for the surrender of the "monopoly clause".

⁹The delegation from Manitoba in 1884, for instance, was solemnly assured that "the expenditure in construction and in cash subsidy may be regarded as an advance to be repaid from the lands" (*Canada Sessional Papers*, 1885, vol. XII, no. 61).

¹⁰Regulations of July 9, 1879.

¹¹*Debates of the House of Commons of the Dominion of Canada*, 1881, p. 1068.

of the free homestead system which scattered indiscriminate settlement over the West, with wastage of human material almost too appalling to calculate, the functions and administration of C.P.R. lands subserved in no small measure the best interests of permanent colonization. Mere proceeds from land sales were subordinated to the rapidity, the prosperity, the permanency, of sound settlement; and thus the interests of railway traffic tended in the end to merge with the best interests of the nation.

One curious vestigial survival vindicated in some measure the original project of building railways by means of the land through which they had to pass. In 1908 the Hon. Frank Oliver introduced a project for building the Hudson Bay Railway by reserving for pre-emptions and purchased homesteads the odd-numbered sections in those areas in which "the railway companies had not seen fit to select the odd-numbered sections as their land grants". Oliver estimated that the sale of 5,000,000 acres at \$3 per acre would build the 500 miles of railway—\$30,000 per mile—and predicted that "the burden upon the general treasury of the country will not be thereby increased to the amount of one cent".¹² Reminiscent of Macdonald's prophecy in 1882 that "not a farthing of money will have to be paid by the people of Canada" for the C.P.R., Oliver's scheme proved to be the nearest approach to that Utopian project in the history of Canadian railways. Some \$21,992,174 came into the treasury through the sale of pre-emptions and purchased homesteads for the Hudson Bay Railway; and thus the belated posthumous heir of the railway land grant system was the only one which seems to have vindicated the original good name of the family.

¹²*Ibid.*, 1908, pp. 11126 ff.