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### Sir Francis Hincks, Finance Minister of Canada, 1869-73

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SIR FRANCIS HINCKS, FINANCE MINISTER OF CANADA  
1869-73

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On June 30, 1864, three Reformers, George Brown, Oliver Mowat, and William McDougall, ended a deadlock in the Canadian Assembly and inaugurated a period of political co-operation by uniting with the Conservatives to form a coalition Ministry. During the next two years Mowat and Brown withdrew from the Government, but their places were taken by Reformers. The co-operation between the two parties, which was extended to the Maritime Provinces, made possible the federal union known as the Dominion of Canada.

With the wish, rather than the conviction, that former party issues were dead, the first Prime Minister of the Dominion, Sir John Macdonald, formed his Government on the "old coalition principle."<sup>1</sup> By an agreement among the political leaders five of the thirteen Ministers were chosen from Ontario; three of these, William McDougall, W. P. Howland, and A. J. Fergusson Blair, were Liberals.

The elections of 1867 proving favourable to the Government, Macdonald's personal followers took advantage of Fergusson Blair's death in December, 1867, to request that his successor be appointed from the Conservatives. Faced with this demand and yet unwilling to offend the Reformers, the Prime Minister offered to make Howland Lieutenant-Governor of Ontario, with the understanding that in the future there should be three rather than two Conservative Ministers from the province. The name of Alexander Morris was suggested as agreeable to both parties; Howland was to be succeeded by a Liberal, Senator James C. Aikins.

On McDougall's advice Aikins refused to accept office under the proposed terms.<sup>2</sup> The following year, however, when the Minister of Public Works had been appointed Lieutenant-Governor of the North West Territories, he asked Aikins to join the Cabinet; Aikins agreed to do so if an influential Reformer could be found to succeed McDougall.<sup>3</sup> At first this seemed an impossible task for no Liberal with any following would risk the wrath of George Brown and his Toronto *Globe* by supporting the Government. A fortunate circumstance, however, gave Macdonald his man.

At the close of the parliamentary session of 1869 the Minister of Finance, John Rose, informed the Prime Minister that it was his intention soon to retire from Canadian public life to accept a business position in England. Almost coincident with this announcement, Macdonald learned that a former Canadian statesman, Sir Francis Hincks, was on his way to his former home for a brief visit. The Prime Minister saw in Hincks a possible solution for his problem. Sir Francis must be persuaded to succeed John Rose as Minister of Finance and to assume the leadership of the coalition Liberals of Ontario. Thus it was that soon after Hincks landed at Montreal Macdonald arrived to seek his advice.

<sup>1</sup>Sir Joseph Pope, *Memoirs of Sir John Macdonald* (Toronto, 1930), 306-7, Macdonald to Tupper, May 30, 1867.

<sup>2</sup>*Parliamentary debates, 1870, 67-9*, Aikins to McDougall, July 24, Nov. 3, 1868; McDougall to Macdonald, Nov. 19, 1868.

<sup>3</sup>Statement of J. C. Aikins in the Canadian Senate, Feb., 1870.

After having served for a number of years as Inspector-General and Prime Minister of the province of Canada, Hincks had left British North America in 1855 to become Governor of Barbados and the Windward Islands. Seven years later he was promoted to the governorship of British Guiana, a position he filled with ability until January, 1869. Unfortunately for his future preferment, his residence at Georgetown was disturbed by a long and acrimonious quarrel with the Chief Justice, William Beaumont, over the relations between the Executive and Judiciary which quite exhausted the patience of the Colonial Office.<sup>4</sup> At the close of his term of office, Lord Granville commended him for his indefatigable activity in advancing the social and economic welfare of the colony and informed him that Her Majesty had been pleased to honour him with a knighthood.<sup>5</sup> But, being relieved of the Hincks-Beaumont controversy, neither Granville nor his assistant was anxious to find Sir Francis a speedy appointment.<sup>6</sup> It was rumoured that he might be sent to the East as Comptroller of India or as Governor of Cape Colony or Mauritius, but no definite offer was made. In the interim he resolved to visit Canada. He was therefore in a position to listen to Sir John Macdonald's proposal with an open mind.

After learning something of Ontario politics Hincks accompanied the Prime Minister to Ottawa. Here Macdonald introduced his guest to Parliament Hill by means of a public meeting. In responding to an address of welcome Sir Francis traced the history of coalition Governments both in Great Britain and Canada, and reached the conclusion that they had been the result of a political deadlock or a national crisis. He justified his support of the Morin-MacNab Administration in 1854 as necessary to preserve the stability of Canadian institutions. Without the union of the Liberals and Conservatives in 1864 there could have been no Dominion of Canada. George Brown, Alexander Mackenzie, and other opponents of the Government, were seeking to destroy political co-operation, but as long as there was national danger from Fenians and Annexationists, the coalition should be maintained. The content of this speech was published in pamphlet form and sent to the leading Liberals of Ontario.

From Ottawa Hincks made a tour of the province, stopping at Toronto, Woodstock, London, Ingersoll, and other towns for conferences with political and financial leaders. His interviews with McDougall, Howland, and Aikins proving satisfactory, he returned to the Dominion capital to inform Macdonald he would enter the Cabinet as a coalition Liberal.<sup>7</sup> Since the two preceding Ministers of Finance had represented Quebec, Hincks offered to take one of the lesser portfolios if Sir Alexander Galt would resume charge of the Treasury. When Galt refused to serve again under Macdonald, the way was open for Sir Francis to become Minister of Finance. He assumed office on October 9, 1869.

Sir Francis Hincks returned to Canadian public life under unfavourable circumstances. An ardent imperialist and leader of pre-Confederation Canada, he found it difficult to understand the political aspirations and sectional jealousies of the new Dominion. As a coalition Liberal he pleased neither his opponents nor his colleagues. The *Globe* was "perfectly frantic"

<sup>4</sup>*Public Record Office, C.O., 111 and 112.*

<sup>5</sup>*Ibid., C.O. 112, vol. 40, Granville to Hincks, Jan. 1, 1869.*

<sup>6</sup>*Ibid., C.O. 111, vol. 367, note.*

<sup>7</sup>The *Toronto Globe*, Aug. 12 to 30, describes Hincks's peregrinations through Ontario.

that the Prime Minister had been able to patch up a superficial and dying coalition by means of a "resuscitated mummy" who had been awakened from a tropical sleep of fifteen years to oppose the wishes of the people.<sup>8</sup> The Conservative Belleville *Intelligencer*, inspired by discontented Conservatives such as Richard Cartwright, called the appointment a fatal political blunder since it informed Macdonald's followers that they were not capable of filling the office.<sup>9</sup> Cartwright, encouraged by Galt, wrote the Prime Minister that if his decision had not been "absolutely and irrevocably made," he should give it more serious consideration.<sup>10</sup> When his advice was not followed, Cartwright announced that he could have no confidence in any Ministry of which Sir Francis Hincks was a member.<sup>11</sup> At the next session of Parliament he joined Galt as a member of the opposition.<sup>12</sup>

Macdonald's first task was to find his new Minister a seat in the House of Commons. No Liberal would retire in his favour, but the Conservative member for North Renfrew, Rankin, was finally persuaded to resign after an interview with the Prime Minister and a pledge of future preferment. The Conservatives, at Macdonald's urgent request, supported Hincks, but the Liberals, urged to action by the *Globe*, nominated James Findley to contest the seat. Brown reminded the electors that Sir Francis had introduced jobbery and corruption into Canadian politics by his manipulation of Grand Trunk stock twenty years before, and prophesied that if he won the election there would be further scandals following which the Minister of Finance would depart for India or Cape Colony with a full purse.<sup>13</sup> Many of the journals throughout Canada re-echoed these sentiments, the Montreal *Witness* going so far as to say that there was as much chance of Hincks administering the finances of the Dominion as there was that Santa Anna would be restored to power in Mexico. So bitter did the opposition become that Sir Francis considered finding himself a seat in the Senate.<sup>14</sup> He finally won the election by a majority of forty-nine.<sup>15</sup>

During his first meetings with the Cabinet Hincks found his colleagues almost as unfriendly as his enemies. Many of them resented Macdonald's decision to place a man of sixty-two who was unacquainted with Dominion politics in the most important office of the Government. Quebec and Montreal wished the appointment to go to Cartier or Galt. The Maritime members considered Sir Francis an apostle of imperialism and colonial inferiority who would sell the North Atlantic fisheries for a "mess of pottage." Mitchell even went so far as to ask Rankin not to resign his seat. Even Tilley and Tupper would have preferred another man as Minister of Finance had not the political situation in Ontario been so serious. The imperialism of the ex-Governor especially annoyed Macdonald's unwilling colleague, Joseph Howe, who had recently lost his struggle to take Nova Scotia out of the union. The long smouldering antagonism between the two Ministers came to an open quarrel when during a lecture at the Y.M.C.A. in Ottawa on February 27, 1872, Howe

<sup>8</sup>Toronto *Globe*, Sept. 21 and 30, Oct. 16 and 28, 1869.

<sup>9</sup>Quoted in the Toronto *Globe*, Sept. 23, 1869.

<sup>10</sup>Public Archives of Canada, *Macdonald letter-books*, Cartwright to Macdonald, Sept. 23, 1869.

<sup>11</sup>*Ibid.*, Oct. 2, 1869.

<sup>12</sup>Pope, *Memoirs*, 428.

<sup>13</sup>Toronto *Globe*, Sept. 30, 1869.

<sup>14</sup>*Macdonald letter-books* (Hincks), Hincks to Macdonald, Nov. 8, 1869.

<sup>15</sup>*Ibid.*, Hincks, 489, Findley, 440.

made a violent attack upon the British Government for withdrawing her troops from Canada and otherwise neglecting Canadian interests.<sup>16</sup> After reading this speech Hincks threatened to resign from the Government. Later he asked Macdonald to disavow the political contents of the speech and to suppress its publication.<sup>17</sup> Since the Prime Minister wished to avoid all further trouble with Nova Scotia, he separated his two "old men" by sending Howe to Halifax as Lieutenant-Governor. By this time the financial ability of Sir Francis had made him more acceptable to his colleagues and to the country.

## II

Although his return to Canada was a political failure, Sir Francis Hincks was as suggestive and brilliant in financial matters as he had been in the days of Sir Charles Bagot and Lord Elgin.<sup>18</sup> Macdonald declared that in most respects Sir Francis was a man of ordinary ability, but in finance he had an aptitude which amounted almost to genius.<sup>19</sup> Goldwin Smith, who opposed him politically, called him Canada's greatest economist and financier.<sup>20</sup> Two former Ministers of Finance, Holton and Galt, listened to him with respect, and even Cartwright gave him the credit of being the only man in the Government who understood the financial business of the country.<sup>21</sup>

As the Minister in charge of the Canadian Exchequer from 1869 to 1873, Hincks played a part in three important affairs: the establishment of a Dominion system of banking and currency, the background of the Canadian claims at the Conference in Washington, and the preliminary negotiation for the construction of a railway to the Pacific. His relations with the first two were a credit to himself and of financial value to the Dominion; the third was not so fortunate and led to his retirement from public life.

Prior to 1867 each province of British North America had charge of its own currency and banking. In the Maritime Provinces, where the capital investment was usually less than \$100,000, the banks were permitted to issue notes equal in amount to from two to three times their capital.<sup>22</sup> The Canadian banks, usually with larger assets, were limited to an issue equal in amount to their capital plus the specie and provincial securities held.<sup>23</sup> Under the authority of the Bank Act of 1866 the Canadian Government was able to issue provincial notes to the amount of \$8,000,000, provided the first \$5,000,000 was secured by a reserve of 20 per cent, and the remaining \$3,000,000 by 25 per cent. The chartered banks were still permitted to issue their own notes, but every encouragement was given

<sup>16</sup>Pope, *Memoirs*, appendix xxiv.

<sup>17</sup>Macdonald *letter-books*, Hincks to Macdonald, March 2, 1872.

<sup>18</sup>Pope, *Memoirs*, 512, Macdonald to Rose, Jan. 19, 1872.

<sup>19</sup>*Memoirs*, 148.

<sup>20</sup>Goldwin Smith, *Reminiscences* (New York, 1911), 437.

<sup>21</sup>Sir Richard Cartwright, *Reminiscences* (Toronto, 1912), 69, 106.

<sup>22</sup>Nova Scotia permitted a note issue equal in amount to three times the capital of the banks, but the Government had control of all currency in denominations below £5. In New Brunswick the banks were permitted to issue notes equal in amount to twice their capital.

<sup>23</sup>Some of the banks of Ontario and Quebec particularly the Bank of Montreal and the Bank of British North America had considerable capital. The Bank of British North America held an imperial charter.

them to secure the provincial currency.<sup>24</sup> The Bank of Montreal, under the aggressive leadership of E. H. King, had an agreement with the Government whereby the bank received a commission of one per cent for the issue and redemption of provincial notes and a sum of at least \$400,000 was kept on deposit without interest. With securities of more than \$2,000,000 in its vaults the bank was in a position to secure Government notes. As most of the small banks were unable to do so, the Bank of Montreal was considered the financial dictator of the Dominion, especially in Ontario, where since 1862 King had withdrawn credit to invest funds in stock and bonds.

In 1867 currency and banking came under the control of the federal Government. During the first session of the Dominion Parliament the desirability of having an assimilated currency and a national Bank Act were considered but no definite action was taken. The Senate Committee on Banking favoured leaving the note issue to the banks, but added that if a controlled currency seemed necessary in the interests of the national revenue, Government notes might be issued in exchange for Dominion securities.<sup>25</sup> In 1868 the Canadian currency then in circulation was made legal tender throughout the Dominion under the conditions provided by the Act of 1866. The Bank of Montreal retained its agreement for the issue and redemption of Dominion notes.

Hincks's immediate predecessor, John Rose, asked the House of Commons to appoint a Committee on Currency and Banking with himself as chairman. The Committee sent out a series of questions to bankers and boards of trade in an endeavour to discover the financial needs of the Dominion. Of the nineteen individuals and three boards of trade who replied, almost all declared against any form of controlled currency. In the face of such declarations of public opinion and in spite of protests from more than seventy banks and boards of trade, Rose asked the House to pass a series of resolutions which would require all banks to recall their own notes at the rate of 20 per cent annually, beginning in July, 1871, and to replace them with Dominion currency.<sup>26</sup> The resolutions met with strong opposition, especially from the members representing Ontario and the Maritime Provinces.<sup>27</sup> Finally, Rose withdrew the resolutions and contented himself with extending the charters of twelve banks until the end of the session of 1870. He then retired from office and left the banking question as a legacy for his successor.

Bankers and commercial interests from all parts of the Dominion awaited with anxiety to hear a pronouncement of policy from the new Minister. Sir Francis Hincks was known to have favoured a bank of issue in 1841 and it was assumed that he had not changed his views since that time. The Conservative Toronto *Leader* sought to allay uneasiness in Ontario by affirming that Hincks would legislate fairly for all parts of Canada. The *Globe* ridiculed such an idea. "Pitch over poor Rose, worry King, cast derision on all of their supporters who stuck to them last session? Out with such base insinuation. John A. might lend himself to such a trick, but Cartier never."<sup>28</sup>

<sup>24</sup>Chiefly by remitting the tax of one per cent on the currency.

<sup>25</sup>*Journal of the Senate of Canada*, appendix I, 1867-8.

<sup>26</sup>*Journal of the House of Commons*, appendix I, 1867-8.

<sup>27</sup>*Journal of the Canadian Bankers' Association*, II, 350 ff.

<sup>28</sup>Toronto *Globe*, Sept. 21, 1869.

Brown's suspicions seemed confirmed when Hincks visited Montreal for a conference with Rose and King. Rose went over the national accounts with his successor and considered him fully competent to administer Dominion finances provided he avoided innovations.<sup>29</sup> Some of the Tories of Montreal registered their disapproval of Sir Francis, but Rose got the *Daily News* and the *Gazette* to support him and King invited him to dine. Soon the chief objectors were silenced.

Fearing to be too friendly with the bankers of Lower Canada, Hincks declined to attend Rose's farewell banquet, making the excuse that he had been called to New York on private business.<sup>30</sup> The *Globe* discovered that King was also in New York and at once informed its readers that if Sir Francis became Minister of Finance, he and King would have "What the Yankees call a *good time* together."<sup>31</sup>

Before he assumed office Hincks wrote the Prime Minister that he could modify Rose's resolutions sufficiently to satisfy the bankers of Toronto.<sup>32</sup> Macdonald gladly informed his followers of this fact. "Hincks has always been and is now quite unconnected with any Montreal interests. I feel confident the result of his action on this question will be to secure the support of the western banking institutions, and indeed the eastern ones as well, who object to the enormous power of the Montreal Bank."<sup>33</sup> The speech from the Throne confirmed the Prime Minister's statement by promising to secure the safety of the community without interfering with the legitimate operations of the banks.<sup>34</sup>

On March 1, 1870, the Minister of Finance revealed his bank policy to an expectant House. He stated quite frankly that he favoured a bank of issue whereby the profits obtained from a Dominion currency should accrue to the Government, but that he had determined to follow public opinion. The Bank Act of 1870 required every chartered bank to have a capital of at least \$500,000 of which 20 per cent was to be fully paid up.<sup>35</sup> All banks must hold from one-third to one-half of their reserve in Dominion securities, the note issue being restricted to an amount equal to the capital plus the specie and securities held. All issue of notes in denominations less than four dollars was reserved to the Government. Stockholders were limited to one vote for each share held, and were called upon to resume double liability. Directors must hold not less than 5 per cent and not more than 10 per cent of the stock; certified lists of stockholders were to be available for the inspection of the Minister of Finance.<sup>36</sup>

The Bank Act was received with general favour throughout the country. The following year its provisions were consolidated and extended into a general Banking Act.<sup>37</sup> In 1870 the Government was authorized to increase its note issue from \$8,000,000 to \$9,000,000 provided there was a reserve of at least \$2,000,000; all issue over \$9,000,000 was to be entirely covered by gold. Two years later Parliament permitted an un-

<sup>29</sup>*Macdonald letter-books*, Rose to Macdonald, Sept. 24, 1869.

<sup>30</sup>*Ibid.*, Hincks to Macdonald, Sept. 20, 1869.

<sup>31</sup>*Toronto Globe*, Sept. 30, 1869.

<sup>32</sup>*Macdonald letter-books*, Hincks to Macdonald, Sept. 20, 1869.

<sup>33</sup>*Ibid.*, Macdonald to Cartwright, Nov. 17, 1869.

<sup>34</sup>*Canada, House of Commons debates*, 1870, 27.

<sup>35</sup>Hincks first asked that the minimum capital be fixed at \$1,000,000. Strong interests were at work in Ottawa to secure a Bank Act more favourable to the smaller institutions and Hincks finally yielded.

<sup>36</sup>33 Vict., c. 3, May 12, 1870.

<sup>37</sup>34 Vict., c. 10, 1871.

limited issue of Government notes provided there was a reserve of at least 35 per cent for all in excess of \$9,000,000. The *Globe* denounced this extension of power as the natural fruition of the Act of 1870, which had been in reality a concealed attempt to control the currency of the Dominion. There were then over \$11,000,000 of Canadian notes in circulation, which Brown called a monopoly.<sup>38</sup> Hincks admitted that his policy constituted a limited inflation, but denied the monopoly. He was quite willing, however, to educate the people in that direction.

The Bank Acts of 1870 and 1871 provided the Dominion of Canada with the "most elaborate and detailed Banking system in the British Empire."<sup>39</sup> By it the nation committed itself to a system of branch banking and asset-secured bank notes which stood the strain of prosperity and adversity for more than sixty years. While introducing no great changes in the existing methods of banking, Hincks took what was acceptable to the people and made it safe. In recent times his dream of a Bank of Canada has been realized.

After assimilating the paper currency of the Dominion, Hincks turned his attention to the specie. When he assumed office the country was flooded with depreciated United States silver. By an Act of the American Congress in 1853, United States silver, which had been previously selling at a small premium, was devaluated by 7 per cent. On the suspension of specie payments during the Civil War a large supply of the depreciated silver coins flowed into the provinces of British America. Early in 1870 Hincks issued a circular announcing that in the future these coins would be legal tender in the provinces of Ontario and Quebec only to the amount of ten dollars and at a discount of 20 per cent. Later, with the assistance of the banks and boards of trade, he purchased and exported \$3,000,000 worth of the depreciated coins.<sup>40</sup> During the next three years he ordered Canadian coins to the value of \$1,100,000 from the British mint.<sup>41</sup> While these were being prepared he placed in circulation an additional number of fifty and twenty-five cent scripts.

As a part of his financial policy Hincks cancelled the special agreement between the Government and the Bank of Montreal. Rose was much disturbed by this news and wrote from London to warn the Prime Minister against allowing his Liberal Minister of Finance to upset the financial stability of the country for personal or political reasons.<sup>42</sup> Macdonald declined to interfere with a Minister who was obviously making a success of his department and Rose was soon compelled to admit that giving all the banks an opportunity to compete for Government business had not destroyed national prosperity.

Sir Francis Hincks was fortunate in holding office during that period

<sup>38</sup>Toronto *Globe*, April 29, 1872. By the Currency Act all issue of Dominion notes up to \$9,000,000 required a reserve of \$1,800,000 in gold and \$720,000 in Government securities. All issue over \$9,000,000 was to be entirely covered by gold.

<sup>39</sup>B. H. Beckhart, *The banking system of Canada* (New York, 1929), 301.

<sup>40</sup>*Public Record Office, C.O. 42*, vol. 684, 1870. These coins were being purchased by employers at a discount and paid to employees at par. Hincks offered the banks a commission of 5 per cent for the first million dollars worth of coins they collected for export and 5½ per cent for the remaining two million.

<sup>41</sup>During 1870 and 1871 the Minister of Finance ordered from the British mint 500,000 half dollars, 1,300,000 quarter dollars, 2,400,000 ten cent pieces, and 1,050,000 five cent pieces.

<sup>42</sup>*Macdonald letter-books*, Rose to Macdonald, Jan. 6, 1870.



of economic prosperity which preceded the depression of 1873. From 1867 to 1872 Canada rose from eleventh to eighth place in the competitive markets of Great Britain, while her total trade increased from \$129,000,000 to \$146,000,000. The first year after the union the national income was only \$15,000,000; five years later it had grown to \$19,000,000. As the expenditures for 1872 were hardly in excess of \$17,000,000, the Treasury was able to report a substantial surplus. By 1873 the national debt amounted to \$80,000,000 or \$20 per head of population. This was an increase of less than \$2,000,000 since the union. The increase was due to the construction of public works on which an additional \$6,000,000 had been spent from current account.<sup>43</sup> Hincks was not the creator of the prosperity, but his ingenuity and efficiency in making economies in administration, in increasing the national income, and in procuring funds for public works, were largely responsible for a balanced budget and an annual surplus.

The Finance Minister obtained most of his income from customs and excise, the issue of Dominion currency, and from saving banks and insurance companies. In his budget of 1870 he asked Parliament to place a duty on wheat, flour, coal, hops, animals, fruits, and roots, which had been on the free list. He wished this change partly because he expected to add \$200,000 to the budget, and partly to persuade the United States to consider a new reciprocal trade agreement. He denied that his tariff was in any sense retaliatory, but he repeated the words of his predecessor in the House of Commons the previous year that sooner or later Canada would be compelled to adopt a "national policy." The duties found the majority of the members in the Commons unprepared for a protective tariff. The following year the new duties were repealed in spite of the fact that the Prime Minister was then in Washington as a member of the Joint High Commission seeking to exchange the North Atlantic fisheries for a reciprocity treaty.<sup>44</sup>

By asserting Canada's independence from the control of the British Lords of the Treasury Hincks added nearly £60,000 to the Dominion income. Some years previously the British Government had agreed to guarantee a loan of £3,000,000 for the construction of an intercolonial railway. Two million pounds of the loan had been completed and was on deposit with the Canadian agents in London where it drew only nominal interest. Since it was impossible for the Canadian Government to expend the entire sum in one year, Rose used £1,500,000 of the fund to redeem certain outstanding debts and securities on which there was an interest charge of from 5 to 6 per cent.<sup>45</sup> The Lords of the Treasury at once informed the Colonial Office that no further sums would be given to the Dominion until the "whole amount already paid had been spent in the construction of the railway or placed in good securities ready for such

<sup>43</sup>*Canada, House of Commons debates*, 1871 and 1872, March 10, 1871, April 30, 1872.

<sup>44</sup>*Ibid.*, 1871, 598.

<sup>45</sup>The £1,500,000 was used as follows:

|  |             |
|--|-------------|
| Extinction of the debt on the military canals..... | \$ 681,333  |
| Repayments to Canadian agents in London.....       | \$ 983,562  |
| Payment due Bank of Montreal.....                  | \$2,500,000 |
| Payment due the province of Ontario.....           | \$ 500,000  |
| Redemption of colonial debentures.....             | \$ 873,098  |

expenditure."<sup>46</sup> Lord Granville called this statement "strong meat for Canadian consumption," but Hincks argued that the regulations of the Treasury were unreasonable. The Canadian Government held itself responsible for the redemption of the loan and ought to be permitted to use the funds to the best possible advantage. He therefore informed the House of Commons that no change would be made in Rose's policy. Granville wired to know the meaning of the implied disobedience, but the Minister of Finance remained firm and was finally given his own way.<sup>47</sup> When the negotiations for a loan of £300,000 with which to purchase the territories of the Hudson's Bay Company were undertaken, the Lords of the Treasury wished to place the money under the control of four trustees.<sup>48</sup> Since Granville would not assent to the plan it was soon dropped.<sup>49</sup> When the purchase was completed in 1870 Hincks instructed Rose to pay the £300,000 from the Intercolonial fund, with the understanding that it would be repaid from an additional loan. When the remaining £1,000,000 of the Intercolonial loan was negotiated, Hincks insisted that it be undertaken by the Canadian agents in London rather than by the Bank of England. He further shocked the orthodox British Treasury by requesting that Canadian funds waiting for investment should be used for the purchase of Dominion securities. By selling India Consols at 112 and purchasing Canada debentures at 97 the Finance Minister made a profit of £20,000.<sup>50</sup> Politically a strong supporter of closer imperial ties, Sir Francis Hincks believed that these ties could be best maintained by giving each Dominion control of its own local affairs. Such self-government had been implied when the North American provinces had been granted responsible government. His bold assertion of Canadian rights brought the Dominion nearer to fiscal autonomy.

Perhaps the most interesting of the financial accomplishments of Sir Francis Hincks was his use of the Washington Conference to obtain a guaranteed loan for the construction of a railway to the Pacific. As soon as Gladstone and Granville decided to "sweeten the Alabama question for the United States by bringing in Canada," Hincks decided that the negotiations would be a game of "hag," and that by "hagging high" Canada must win adequate compensation for her fisheries. Assuming that the United States would not reject a second effort to settle the *Alabama* claims, and that Great Britain was equally anxious to settle, he believed that Britain would compensate the Dominion for any losses she might sustain. The compensation Canada needed was a three and one-half per cent guaranteed loan for the construction of a railway to the Pacific, and necessary repairs to the canals. He asked Sir John Macdonald, as Canada's representative at the Conference to obtain a loan of not less than \$5,000,000. If the United States should be willing to grant reciprocity on anything like the

<sup>46</sup>*C.O.* 42, vol. 682, the Lords of the Treasury to Sir Frederick Rogers, June 23, 1869.

<sup>47</sup>*Ibid.*, Granville to Sir John Young, April 18, 1870; Young to Granville, April 21, 1870.

<sup>48</sup>*Ibid.*, the Lords of the Treasury to Sir Frederick Rogers, July 5, 1869.

<sup>49</sup>The Colonial Office informed the Treasury on July 12 that the payment or non-payment of the £300,000 was a matter between the Dominion and the Hudson's Bay Company, and that it was useless to place in the agreement any clause which would cause Canada to reject it.

<sup>50</sup>*C.O.* 42, vol. 689, 1870, Hincks to Lisgar, Nov. 25, 1870; Lisgar to Kimberley, Nov. 28, 1870.

old terms in exchange for the fisheries, the loan might be given as a compensation for the loss of the fisheries. If the United States fishermen should be permitted to fish in Canadian waters in order to settle the *Alabama* question, the loan might be secured on condition Canada did not press the Fenian claims which were otherwise "of no real importance."<sup>51</sup>

Hincks's plan, while ingenious, was not without difficulties. The guardian of the North American fisheries, Peter Mitchell, was determined to make a success of his department at the expense of his old enemies, the American fishermen.<sup>52</sup> Assisted by Howe, Tupper, and other Maritime members of the Commons, Mitchell opposed any Canadian participation in the Washington Conference.

When Granville and Kimberley first discussed the appointment of a Canadian on the Commission, Kimberley proposed Lord Lisgar. Rose considered Lisgar too Canadian in his views. Kimberley then asked Lisgar if Sir John Macdonald would serve or if Sir John Rose would sufficiently represent Canada.<sup>53</sup> Due to the opposition of the Maritime members Macdonald decided he could not accept the appointment, although he hesitated to let Canada's claims go by default.<sup>54</sup> But Hincks learned that Rose, who would probably represent Canada if Macdonald refused to serve, was negotiating a loan in London for the Government of the United States.<sup>55</sup> Hence, when Rose reached Ottawa early in February, 1871, after conducting the preliminary negotiations for the Conference at Washington, he found the Canadian Ministers suspicious of his designs and willing for Macdonald to accept the appointment.<sup>56</sup>

Macdonald left for Washington with many misgivings. "If anything goes wrong," he wrote Rose, "I shall be made the scapegoat."<sup>57</sup> To Hincks, however, it was Canada's opportunity. Throughout the negotiations he moderated the demands of the Maritime members and encouraged the Prime Minister. During the Conference he kept in mind the needed loan and urged Macdonald to propose it. When the proposal was accepted he advised the Prime Minister to sign the treaty and helped to secure its adoption by the Canadian Parliament.

As early as October, 1870, Gladstone had expressed a willingness to compensate Canada for her sacrifices to British interests.<sup>58</sup> Later, after Hincks had suggested it to Macdonald, the British Prime Minister wrote that the time had come for smoothing over the Canadian difficulties "by some undertaking on account of the expense of the Fenian raids."<sup>59</sup> The British Government did not wish to press Macdonald too far lest he "break like a rusty screw-driver in their hands."<sup>60</sup> Hence it was agreed that, when the Canadian Parliament accepted the Washington Treaty, the British Government would guarantee a loan.

The Colonial Secretary, Lord Kimberley, on November 23, 1871, expressed the hope that some measure might be found to enable the treaty to pass the Canadian Parliament. Hincks replied for the Council suggest-

<sup>51</sup>*Macdonald letter-books*, Hincks to Macdonald, Feb. 15, 1871.

<sup>52</sup>Colonial Office note.

<sup>53</sup>Kimberley to Lisgar, Feb. 1, 1871.

<sup>54</sup>*Macdonald letter-books*, "Washington Treaty," Macdonald to Lisgar, Feb. 4, 1871.

<sup>55</sup>*Public Record Office, F.O. 5*, volume 1298, Lisgar to Kimberley, Feb. 18 and 23, 1871.

<sup>56</sup>*Ibid.*, Rose to Granville, Feb. 9, 1871.

<sup>57</sup>*Macdonald letter-books*, Macdonald to Rose, Feb. 22, 1871.

<sup>58</sup>Paul Knaplund, *Gladstone and Britain's imperial policy* (New York, 1927), 122.

<sup>59</sup>*Ibid.*, 122-3, Gladstone to Granville, Feb. 20, 1871.

<sup>60</sup>*Ibid.*, 125.

ing a guarantee for £4,000,000 for the construction of a railway to the Pacific which he estimated could cost £8,000,000.<sup>61</sup> In reply the British Government agreed to guarantee £2,500,000 when the Washington Treaty had become effective.<sup>62</sup> Later this amount was increased by £1,300,000 which was originally guaranteed for the construction of Canadian fortifications.<sup>63</sup>

Hincks's last year in office was one of disappointment. In the autumn of 1871, without authority of the Canadian Government, he gave Sir Hugh Allan of Montreal the names of certain United States capitalists with whom he might co-operate in the construction of a company to build the Pacific railway. Later he tried to undo what he had done by suggesting that Allan confine his company to Canadians, and obtain funds through loans at New York. The situation became complicated when the Prime Minister, in order not to lose support in Ontario, persuaded David L. MacPherson to form an all-Canadian company. When the two Companies refused to unite, Macdonald, through the influence of Cartier, was led to pledge the support of the Government to secure Sir Hugh Allan the presidency of whatever company was finally chosen to build the railway.<sup>64</sup> Hincks was constantly in touch with Sir Hugh and was accused of having asked Allan for a gift as well as a position for one of his sons.<sup>65</sup>

Due to the Prime Minister's failure to obtain reciprocal trade in natural products with the United States, to have the Fenian claims considered at the Washington Conference, and to punish Louis Riel for the murder of the Orangeman Thomas Scott, the Government faced the electors of Ontario in 1872 with pronounced misgivings. Hincks insisted upon representing one of the western constituencies, and finally won the nomination in South Brant where his opponent was a strong Liberal, William Patterson. Fearing defeat the Finance Minister asked Macdonald for aid. "The party ought to have a campaign fund," he declared. "If they don't, rely on it many counties will be lost."<sup>66</sup> Five days later Cartier informed Sir Hugh Allan that the friends of the Government would be expecting financial assistance in the pending elections.<sup>67</sup> Hincks received about \$1,000 from the fund, but it was not sufficient to give him the seat.<sup>68</sup>

Sir Francis was greatly disappointed at his failure to retain the support of his adopted province. Macdonald quickly found him a seat in British Columbia, but Hincks resented Brown's triumphant remark that no place could be found in Ontario or Quebec for the "heaven-born Minister."<sup>69</sup> He became apprehensive concerning the relations of the Government to Sir Hugh Allan and finally decided to resign his portfolio in order to avoid possible political entanglements.<sup>70</sup> "As for myself," he wrote bitterly to the Prime Minister, "Nothing would ever tempt me again to be a candidate for the House of Commons. The people are utterly

<sup>61</sup>*C.O.* 42, vol. 705, 1872, Lisgar to Kimberley, Jan. 22, 1872.

<sup>62</sup>*Ibid.*, Kimberley to Lisgar, March 18, 1872.

<sup>63</sup>*Ibid.*, vol. 706, Dufferin to Kimberley, Sept. 20, 1872; Kimberley to Dufferin, Dec. 5, 1872.

<sup>64</sup>*Ibid.*, Macdonald to Cartier, July 26, 1872; Cartier to Allan, July 30, 1872.

<sup>65</sup>Hincks denied the accusation in a letter to the *Montreal Gazette*, July 19, 1873.

<sup>66</sup>*Macdonald letter-books*, Hincks to Macdonald, July 25, 1872.

<sup>67</sup>*Ibid.*, Cartier to Allan, July 30, 1872; Cartier to J. J. C. Abbott, Aug. 24, 1872.

<sup>68</sup>*Ibid.*, Hincks to Macdonald, Aug. 7, 1872.

<sup>69</sup>*Toronto Globe*, Sept. 2, 1872.

<sup>70</sup>*Macdonald letter-books*, Hincks to Macdonald, Sept. 23, 1872.

demoralized. Could I have believed three years ago what experience has taught me, nothing would have induced me to re-enter public life."<sup>71</sup>

Knowing that a new appointment would cause jealousy in the Cabinet, Macdonald urged Sir Francis to remain in office, but the Finance Minister repeated his determination not to meet the House again as a member of the Government.<sup>72</sup> Early in 1873 he was ill and unable to attend to his duties. Finally, on February 10 he submitted his resignation.<sup>73</sup> He retired from active politics in January, 1874.

When his retirement was announced both friends and opponents united to pay tribute to his excellent administration of the Canadian Exchequer. History has confirmed this judgment, but his long residence outside of Canada, his rashness which increased with the years, and the bitter political antagonisms which existed in Ontario due to Macdonald's coalition, prevented Sir Francis from regaining his former position as a popular leader.

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#### DISCUSSION

Mr. Landon inquired whether Hincks's previous railway connections were to be looked upon as the explanation of the suspicion with which he was regarded during his new term of office.

Mr. Longley agreed that the *Globe*, the old enemy of the Grand Trunk Railway, was from the first suspicious of Hincks. The past career of the Finance Minister made his connection with the Pacific Railway charter all the more open to scrutiny and suspicion. The railway affair ruined Hincks's second venture into Canadian politics and he was immediately conscious of the fact.

Mr. Lockhart asked how the appointment of Hincks as Finance Minister was to be explained.

Mr. Longley replied that Macdonald was responsible for the appointment. The other Ministers were opposed; but Macdonald decided that, in view of the difficult political situation in Ontario, this was the only means by which the coalition could be kept going.

Mr. Trotter asked whether any other person could have been considered for the office, and Mr. Longley replied that Cartwright, the future Finance Minister of the Liberal Administration, was a possibility.

Mr. Martin suggested that the animosity of the Ontario Liberals for Hincks dated back to the transition from the Hincks-Morin to the Liberal-Conservative Ministry. The Clear Grits suspected at that time that Hincks had given his approval to the Liberal-Conservative coalition; and their resentment against him survived intact down into the post-Confederation years.

<sup>71</sup>*Ibid.*, Sept. 27, 1872.

<sup>72</sup>*Ibid.*, Dec. 12, 1872.

<sup>73</sup>*Ibid.*, Feb. 10, 1873.