

## **The Economic Effect of the War of 1812 on Upper Canada**

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# THE ECONOMIC EFFECT OF THE WAR OF 1812 ON UPPER CANADA

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**I**n considering the economic conditions of any country, and especially of a new country, many considerations have to be taken into account besides a mere survey of prices, rates of profit, or volume of trade. Only when we know the social and economic atmosphere of the various districts, the conditions of transportation, labor, local production, etc., can we come to any rational conclusions. Thus, in dealing with the economic condition of Upper Canada before, during, and after the War of 1812, we require to know not only the isolated facts as to prices and values, but the general setting of the country, geographical, social and commercial.

In its early days there were two or three important general conditions which vitally affected the economic development of the Province of Upper Canada. In the first place, the frontier settlements of Ontario were planted much earlier than the corresponding regions of the adjoining states to the south of the lakes. The first settlers, being for the most-part United Empire

Loyalists, enjoyed the benefit of having been especially outfitted by the British Government and partially supported at its expense for several years. For various reasons, partly accidental and partly of an international nature, the Government established strong-garrisons along the Canadian frontier, contributed largely to the support of the civil government, and undertook certain public works. The requirements of these establishments created very profitable local markets for the limited produce of the early settlers, much of which could not support the expense of shipment from the country. They furnished also a strong market for labor, so that during the first ten years of Upper Canada's existence as a separate province, the economic condition of the country was, on the whole, very satisfactory, especially along the frontier settlements, where the people had access to both local and central markets. The most important trade of the province in both exports and imports was conducted for a considerable time by Messrs.

Cartwright and Hamilton, who were originally partners and always close business associates. In various capacities, the Honorable Richard Cartwright was associated with practically all the business of Upper Canada. These varied interests are fully represented in his commercial and general letter-books, which constitute the most extensive and accurate sources of information as to the more important affairs of Upper Canada, between the first settlement of the province in 1785 and the close of the War of 1812. This information is supplemented and confirmed by many special papers in the Canadian Archives, and by more fragmentary letters and records drawn from various private sources.

From these various sources we find that the early settlers of Upper Canada were by no means dependent upon their own resources for the establishment and development of the province. In other words, they were not compelled to pay for what they imported by furnishing exports to be disposed of in distant markets. Otherwise, their struggle for existence would have been much harder than it was, for few of them had much capital and not many of them had much experience in making their way in the wilderness. The most successful element from the point of view of individual resources, with a knowledge of agricultural conditions in a new country, were the subsequent American immi-

grants, such as the Quakers and others, who settled in Prince Edward County, and in other districts along the Bay of Quinte, the Niagara region, and at various points along the north shores of Lakes Ontario and Erie.

When the American settlers began to develop along the south shore of the lakes, they naturally depended upon the Canadians for the larger part of their food supplies, as well as for much of their imported European goods. These settlements proved to be very valuable and high-priced markets for Canadian produce. Thus it was, that, except for an odd year now and again, the greater part of the Upper Canadian agricultural produce found local markets. In such cases the price of agricultural produce in western Canada, instead of being determined by the price in Britain less the cost of transportation, insurance, commission and duty, expressed a local demand only, the limit of which was the price in Britain plus these items; because in those days, and occasionally in the future, Canada found it necessary to import food supplies from Europe.

It is a common mistake to suppose that since the forests have been largely cleared from the basin of the Great Lakes, the rainfall has been lessened and drouth is more common. The fact is that drouth was at least as common and the rise and fall of the lakes was as much commented upon over a hundred years ago as to-

day. The period from 1794 to 1797 was an exceptionally dry one, and the people, with little past experience, were alarmed at the prospect of the permanent lowering of the Great Lakes. Crops suffered severely from drouth, as also from the ravages of the Hessian fly. In consequence, the harvests were light and prices high. At this time flour sold in Upper Canada at \$4.00 to \$4.50 per cwt., and on the American side of the lakes at even higher prices. Peas brought \$1.00 per bushel, and very inferior grades of salt pork cost \$26.00 per barrel. At the same time, the Government was importing food supplies from Europe to feed the troops in Lower Canada. When it is remembered that the cost of transporting a barrel of flour from Upper Canada to Montreal, up to 1802, had not been reduced below 80 cents, even when taken on rafts and scows, one can understand what difference it would make when the cost of transport was deducted from the price of provisions in Upper Canada. Cartwright summed up the situation very well when he said, "As long as the British Government shall think proper to hire people to come over to eat our flour we shall go on very well, and continue to make a figure, but when once we come to export our produce, the disadvantages of our remote inland situation will operate in their full force, and the very large portion of the price of our produce that must be absorbed by the expense of trans-

porting it to the place of export, and the enhanced value which the same cost must add to every article of European manufacture, will give an effective check to the improvement of the country beyond a certain extent."

A few good harvests in the early part of the nineteenth century, and the rapidity with which the Americans brought their side of the lakes under cultivation, greatly changed the situation in Upper Canada. The price of wheat fell in the Upper Province because it had now to bear the cost of transportation to the Lower Province, and sometimes to England. It was estimated that between 1800 and 1810 the normal difference in the price of a barrel of flour as between Kingston and Montreal, including commission and freight, would range from \$1.00 to \$1.50. When, therefore, the price of grain fell, the people of Upper Canada turned their attention to the lumber and timber trade, and to the production of staves and potash. The timber, in particular, could be cheaply transported down the St. Lawrence.

The era of the Orders in Council, after 1808, and the increasing trouble with the United States before the outbreak of the war, coupled with returning short harvests, led to a revival of prices, between 1808 and 1811. Having regard to the price of wheat alone, one would infer that the province must have been increasingly prosperous during this period, but such was not

the case. Prices, it is true, in Upper Canada were practically the same as in Lower Canada, because there was little to export, the wheat crop having been particularly poor during 1810. Moreover, as indicated, agriculture had suffered considerably for the past few years on account of the settlers going in for lumber and staves, but now there was a severe fall in the prices of these articles, as also of potash. The high price of staves during the years 1808 and 1809 had induced many settlers to go into that line very extensively, but in 1810 prices fell from forty to sixty per cent.

Owing to the slowness and uncertainty of transport, and the closing of the Canadian ports in winter, merchants required to order their supplies of goods considerably in advance. The result was that in 1810 the merchants found themselves overstocked with European goods, which the public were unable to purchase, or for which the merchants could not secure returns. The commercial distress first manifested itself at Montreal, but spread more or less rapidly to the outlying districts dependent upon it, and especially to Upper Canada. As Cartwright put it, "The large returns heretofore made in lumber have occasioned an immense quantity of goods to be brought into this country, and sudden depression in the price of that article would occasion great deficiency in remittances." The reaction caused even the price of food to drop. Flour, which had

been \$11 and \$12 per barrel in April, fell to \$8.40 in Montreal and \$7.50 in the Kingston district. As a natural consequence of the depression, specie became very scarce, while merchant bills were a drag on the market. For lack of a better medium of exchange, notes of hand were in circulation in local centres. Towards the latter part of 1811 things were looking very blue indeed in all parts of Canada. Montreal merchants could not collect their debts from their western correspondents, because they in turn could not collect from their debtors. Bills of exchange, accepted by the merchants, were not met when due, and the cost of protesting them was heavy. Early in 1812 Cartwright was offered pork at \$18.00 per barrel and flour at \$9.00. In June it could be had at \$8.00 delivered in Montreal. Early in July, however, it was learned that war had been declared and prices immediately took an upward turn. As the summer advanced, supplies of every description rapidly rose in price. In September flour had risen to \$12.00 per barrel and in November to \$13.00. In the spring of 1813 shipments of provisions down the St. Lawrence had quite ceased, everything available being in demand for the supply of the troops and others in the service of the Government. When the army bills went into circulation in August, 1812, they furnished an easy and safe means of meeting the immediate obligations of the British

Government without the danger of shipping specie to Canada, while their being convertible into bills of exchange enabled the merchants to meet, their obligations in Britain without expense. Towards the close of 1812, we find Cartwright beginning to receive quite a stream of payments from all parts of the province in commissariat bills and army bills, which he, in turn, was sending down to Montreal to pay off his indebtedness there.

From the beginning of 1813 to the close of the war, there was little or nothing going down the river beyond furs from the west and an ever increasing stream of bills of exchange and army bills. The whole movement of commerce was up the river, and the rates of freight were correspondingly high. In 1814 freight from Montreal to Kingston amounted to \$12.50 per barrel of miscellaneous goods. The conditions referred to by Cartwright in the early nineties were reproduced in an exaggerated form. The British Government had sent large contingents of troops and marines to Canada, including Upper Canada. It was also employing men and horses wherever available from Cornwall to Detroit. It paid famine prices for all kinds of produce and hired men to consume it in the province. Owing to the great volume of exchanges drawn against Britain, the very unusual experience was realized, from the beginning of 1814, of Government exchange on Britain being at a discount. Thus we find Cartwright,

in July, 1814, buying a bill of exchange on England for £61 2s. 2d. sterling for which he paid only £55 currency, a pound currency being rated at \$4.00. Real estate and other property in the frontier towns had gone up enormously in value.

As supplies on the Canadian side began to grow scarce during the last two years of the war, those who had to furnish provisions for the troops, particularly in the lines of flour and meat, found it necessary to devise means of obtaining supplies from the adjoining districts of the United States. This was accomplished, as a rule, by the connivance of people of influence, military and other, on both sides of the line. This trade, once established, continued very briskly for nearly a couple of years after the war; the Province of Upper Canada in particular having been practically stripped of everything saleable in the food line.

During the war, certain permanent changes were made in the methods of conducting business. Money being very plentiful in all parts of the province, trade brisk, and the returns rapid, the old system of long credits, extending to at least a year and over, were gradually abolished, and at the close of the war the business of the province was pretty well established on a cash basis. On this basis the purely commercial business of the country remained, though in some of the newer sections and in minor retail trade, longer and more irreg-

ular credits once more prevailed. Again, in consequence of the universal employment of the army bills and the facilities, which they afforded for effective exchange, the people had grown accustomed to the use of an efficient and reliable paper currency. Hence, when the war terminated and the army bills were withdrawn, the people were in a proper frame of mind for the establishment of banks. Thus, the Bank of Montreal appeared in 1817, and in the following year the Quebec Bank, the Bank of Canada at Montreal and the Bank of Upper Canada at Kingston.

On the other hand, there were certain unfortunate consequences that, if they did not originate from the exceptional prosperity of the war period, were at least greatly fostered by it. Merchants, wholesale and retail, transporters, laborers and farmers had all alike grown accustomed to obtaining large profits, good wages, and high prices, and all without any special enterprise, foresight, or industry on their part. When the fertilizing stream of British expenditure, all of it extracted from the pockets of the British taxpayer, had ceased to flow, the people could not believe that the prosperity which they had enjoyed must cease, and that they must henceforth largely depend upon their own exertions and enterprise for such wealth as they might acquire. Many people who had cultivated expensive tastes and who found it difficult to severely prune their expendi-

ture, fell into financial difficulties and were ultimately ruined. Much wealth was, of course, left in the country when the war ceased, and so long as it lasted prices declined but slowly. Upper Canadian markets were therefore especially attractive to enterprising American producers. For fully three years the upper province imported quite abnormal amounts of American goods. Lastly, the war had not improved the social condition of the people. The lack of means to gratify their tastes accounted for the relative sobriety of a considerable element in the population during the early years of provincial history. Many of these persons, however, were quite unable to stand prosperity, hence drunkenness and other forms of vice flourished throughout the province in proportion to the diffusion of British wealth. Naturally, the later state of these people was much worse than the first, and the existence of a regular pauperized class dates from the close of the war.

It is difficult to determine whether Canada was, on the whole, benefited or the reverse by the exceptional period of prosperity that the war had brought to her doors. It may be said, however, that the more thrifty elements of the population and those who had not lost their heads through sudden wealth, utilized their savings for the establishment of permanent enterprises, while for the more unbalanced and incapable the war period had proved their

undoing. A great change, therefore, was observable in the personnel of the leaders in economic and social life after the war, as compared with the period before it. On one point, however, there is no doubt whatever, namely, that the War of 1812, instead of being the occasion of loss and suffering

to Upper Canada as a whole, was the occasion of the greatest era of prosperity which it had heretofore enjoyed, or which it was yet to experience before the Crimean War and the American Civil War again occasioned quite abnormal demands for its produce at exceptionally high prices.

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