

Book represent the best work on contemporary urban Canada completed to date and deserve a wide audience.

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TOM NAYLOR. — *The History of Canadian Business, 1867-1914*. Volume I, *The Banks and Finance Capital*; Volume II, *Industrial Development*. Toronto: James Lorimer & Company, 1975.

The central argument of these remarkable volumes is that Canada remained an economic colony from 1867 to 1914 because concentration on the production and movement of staple products diverted capital away from industrial development. Such manufacturing as developed was largely foreign-owned. The country's financial institutions and commercially-oriented businessmen were primarily responsible for this state of affairs.

Assume for a moment that Naylor makes his case. He does not explain why it happened. There are only two possible explanations: businessmen were investing capital "rationally" (i.e. to maximize their return) or they were not. Occasionally Naylor implies the former: "In 1876, the Bank of Montreal proved its loyalty to the Crown by purchasing American government and Cincinnati [sic] gold bonds" (II, 243). No one moderately familiar with economics should find it worth mentioning that businessmen base investment decisions on rates of return rather than national loyalties. Nor would most students of Canadian economic history quarrel with the proposition that manufacturing activities probably offered a lower rate of return than other kinds of business. If Naylor's books demonstrate this they are a rather long restatement of the conventional wisdom.

More often, Naylor seems to want us to believe that patterns of Canadian investment were irrational, that there was a "twisting of the capital market" (II, 282) caused by a colonial situation which created a social and economic structure biased towards commercial and staple enterprises. Canadian businessmen did not perceive their own best interests, and did not maximize their real opportunities.

No explanation is offered about why this should have taken place. By definition the explanation would have to involve a failure of entrepreneurship (i.e. a failure to perceive the best money-making opportunities). Naylor is not sure whether or not he wants to maintain this, perhaps in part because another major thesis of his study is that Canadian businessmen were constantly being driven by their lust for profits into bursting all sorts of institutional and legal barriers. Perhaps they were greedy in breaking the law so often, but stupid in not realizing that honest manufacturing offered a better living.

This discussion is academic, however, because Naylor does not prove his case. Although it is asserted often enough, no evidence is presented to establish that the main problem with Canadian manufacturing was a shortage of capital. The one table on business failures due to "Lack of Capital" (I, 85) is meaningless for several reasons, the most obvious being that it includes mercantile failures. The apparent fact that banks and other financial intermediaries did not put their capital into indigenous manufacturing cannot in logic lead to the conclusion that manufacturing would have been profitable if they had. There might simply have been more bank failures. As well, Naylor's discussion of municipal bonusing as a means of creating industrial capital seems to contradict the shortage hypothesis, especially when he repeatedly states that there was more bonusing than necessary.

Then the argument flounders completely on the problem of the National Policy. In an earlier article ("The rise and fall of the third commercial empire of the St. Lawrence", in Gary Teeple, ed., *Capitalism and the National Question in Canada*) Naylor ignored the flow of Canadian mercantile capital into manufacturing as a result of the National Policy tariff. He also suggested, in the face of all evidence to the contrary, that the tariff was imposed on manufacturers by the commercial élite. In these volumes he attempts to adjust his argument to take some account of the reality he ignored previously. Without considering the extent to which it undermines his central hypothesis, Naylor admits there was a substantial flow of commercial capital into manufacturing caused by the tariff. He also admits that in many lines of manufacturing this caused "over-investment," with the eventual consequence that a process of cartelization led to the merger movement of 1909-13 and the creation of excess industrial capacity. (A minor empirical problem arises here when Naylor claims that the merger movement would have been "virtually unthinkable" without the upward tariff revision of 1907. The tariff was not revised upwards in 1907). His argument that the problem with Canadian manufacturing was inadequate capital now becomes a claim that the real problem was excess capacity (accompanied by acute inefficiency, high prices, and heavy debt burdens) sheltering behind the tariff. So the tariff becomes the villain.

To attempt to salvage his case Naylor argues that there were manufacturing companies, identified variously as those "built up by their owners generally from a handicraft base" (I, 42) or "small-scale local industries" (I, 58) which never really wanted the tariff and continued to oppose it for some years, preferring instead to operate in a continental market. Naylor likes these attitudes and is disapproving of the way the tariff induced mercantile capital into manufacturing which became dependent on the tariff. The clear and rather startling implication of his argument — he never makes it explicit — is that the natural development of a powerful indigenous Canadian manufacturing sector could only have occurred if Canada had adopted reciprocity or free trade in manufactured products.

Such trade policies would also have done away with both the branch-plant creating effect of the National Policy and the movement of American manufacturers into Canada to protect their patents. What we needed, then, was a slower, more selective growth of manufacturing, adequately funded, relying on native Canadian entrepreneurship and technology, and competing vigorously with the Americans throughout the continent. The trouble with our commercial classes was that they went too enthusiastically into unsound, inefficient manufacturing behind the tariff they had foisted on us.

Taken to this conclusion, the interpretation is a lucky hit. It errs in systematically over-stating the number of manufacturers who opposed the tariff, but is surely right in implying that the ultimate inability of Canadian manufacturing to be competitive was caused by the tariff. L.R. MacDonald was correct in locating the early Naylor in the tradition of industrial nationalism running from Isaac Buchanan through the CMA to Walter Gordon and Eric Kierans (see "Merchants against Industry: an Idea and its Origins", *CHR*, Sept. 1975). Mr. Naylor may still prefer to think of himself in that tradition. But his tortuous attempt to reconcile his theoretical presuppositions with Canadian reality leads him in these volumes to join the tradition of free trade continentalism running from Sir Richard Cartwright through Edward Porritt to Harry Johnson, John Dales, and the Economic Council of Canada. There is nothing objectionable in that tradition, but Mr. Naylor has arrived there the long way as a consequence of his determination to work out a useless theory. The MacDonald article, cited above, is an excellent criticism of that theory.

If *The Business History of Canada* is seriously flawed by its author's determination to twist reality into the requirements of his theory, perhaps its 650 pages nonetheless contain valuable material on Canadian business history in general. In a sense they do, for by industriously mining the pages of some trade journals, notably the *Monetary Times*, Naylor has uncovered a wealth of information on such topics as branch plant formation, bonusing, and bank failures (although on this subject his distorted comparison with the United States, in which he only counts American National banks, means nothing). He has also read fairly widely in other printed sources published before about 1971. He states his intention to add to our understanding of "the *factual* as opposed to the fictional foundations of the process of capital formation in Canada" (I, xvii, emphasis added), and documents his text with several thousand footnotes. Professor Eric Kierans, who supplies a foreward to the study, finds "no evidence that he has allowed his own scale of values to distort or colour unfairly the facts" (I, xv). Unfortunately Naylor has so little regard for scholarly accuracy that nothing he writes should be believed until its source has been checked.

Any reasonably knowledgeable Canadian historian who reads that there was no more Crown land in the Province of Canada suitable for settlement in 1850 (I, 31), that Sir Richard Cartwright raised the tariff in his 1873 budget (I, 35, repeated a few pages later as his 1973 budget), that Sir George Foster's career as Minister of Finance was "effectively ended" by the bank act revisions of 1890 (I, 71, followed by the statement that the banks stopped Borden from making Foster Minister of Finance in 1911), and that the "key instrument" in toppling the Ontario Liberals in 1905 was the CMA (I, 250), will begin to have his doubts about Naylor's accuracy. Those who have read other accounts of the role of manufacturers in tariff policy — the work of Porritt, McDiarmid, Waite, and Bliss, among others — will find Naylor's emphasis on dissenting manufacturers unrecognizable (it rests on continual fudging of chronology in the 1870s, extensive use of dubious, highly partisan *Globe* articles written in 1890-1 and 1911, and studied neglect of the *Canadian Manufacturer* and *Industrial Canada*). Those who believe sources should occasionally be taken with a grain of salt will not be impressed by citations to the works of W.T.R. "Hug-the-Machine" Preston, or to the *Farmer's Advocate* and *Grain Growers Guide* as sources of fact for business behaviour.

Then there is the fascinating exercise of checking Naylor's sources. Almost anyone with a senior undergraduate's knowledge of Confederation will be surprised, for example, to learn that the Bank of Montreal's general manager, E.H. King, "sent a letter to the Charlottetown Conference where the terms of federation were worked out, stating that only by the union could the provinces' credit be restored in London" (I, 32). The footnote is to Denison, who interprets one highly ambiguous phrase in a letter to Galt, written "on the eve of the Charlottetown Conference," as evidence that King was advising Confederation. The original letter, which Naylor did not consult, is a long justification of the Bank's behaviour in the commercial stringency and contains not one word about Confederation. King addressed it to Galt at Quebec with a duplicate to him at Charlottetown.

Where does Naylor find "the *fact* that Travers [general manager of the failed Farmers Bank] contributed *heavily* to a \$120,000 testimonial to Finance Minister W.S. Fielding" (I, 147, emphasis added)? According to his footnote, this "fact", which he uses to imply corruption by Fielding, is drawn from the 1911 *Canadian Annual Review*. It, in fact, records a *charge* that Travers made a contribution and then immediately records a denial by the people who organized the fund. Undocumented assertions that the CPR was behind the *La Presse* affair of 1904 (I, 287) seem to be based on a rumour mentioned and then denied by G.R.

Stevens. George Stephen of the CPR is accused of having a law changed (II, 8); in the *Monetary Times* article cited as evidence Stephen suggests to a reporter that the law should be changed. A *Monetary Times* editorial pointing out that a high tariff will induce American competition is turned into a claim that the journal "fretted, lest the tariff be inadequate to tempt firms to jump over it" (II, 71). An article claiming that Tilley's 1884 loan signified "the highest mark in the steady rise of the country's credit" is used to support a judgment by Naylor that London was not very receptive to Canadian loans. In the next sentence Naylor distorts comments made by Tupper and attributes them to Tilley (I, 236).

This account of Naylor's inaccuracies is not selective and could be extended at great length. In one afternoon's excursion into the *Monetary Times* I went through 57 footnotes. Naylor's statements seemed to me a completely fair inference from 32% (18) of the sources checked. I had moderate quibbles about his inferences from 26% (15) of the sources, and seriously disagree with the inferences drawn from an extraordinary 35% (20). The other four citations were completely garbled and could not be checked.

Nobody can withstand a determined footnote checker, and it is a common enough dirty trick to highlight isolated errors in a scholar's work. The errors in Naylor's work are not isolated. Nor does the way most of them tend to reinforce his prejudices suggest that they are due to random carelessness. Professor J.T. McLeod, who is effusively thanked in the introduction to this work, revealed in a laudatory review in the *Toronto Star* (March 27, 1976) that an earlier draft of it had been turned down as a Ph.D. thesis at Cambridge. In my judgment this draft of *The Business History of Canada* would also be rejected as a Ph.D. thesis because it does not meet reasonable standards of scholarship.

In general, there is little reason to take seriously a work laden with factual errors, framed in an untenable conceptualization, unsupported by significant statistics, and based on a thorough contempt by the author for his subjects. Surely radical scholarship can do better than this. A comparable history of Canadian labour from the opposite end of the theoretical spectrum would be written by a disciple of Ayn Rand dedicated to arguing the thesis that Canadian trade unions developed as a tacit conspiracy by lazy workers to suppress the energies of industrious workers. Reviewers would not know whether to laugh or cry. The extent to which *The History of Canadian Business* is recognized as an important and reliable contribution to Canadian history will reveal much about the drift of standards and interests in our Magic Kingdom.

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FRANCIS JENNINGS. — *The Invasion of America: Indians, Colonialism, and the Cant of Conquest*. Chapel Hill: The University of North Carolina Press, 1975.

In this publication of the Institute of Early American History and Culture, Jennings's intention is to rewrite the history of the colonial period in order to give the Indian his due and the white man what he deserves. Among the whites he singles out the Puritans, for whom he admits a "strong aversion," for particular disapprobation. Along the way Jennings takes to task various historians who have preceded him in the field, and again he has a favorite target. This time it is Alden T. Vaughan, whose defence of Puritan dealings with the Indians appeared in 1965.