

CHAPTER IX

THE REFORM OF THE OLD COLONIAL SYSTEM

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THE Canadian commercial-state was left unprepared and vulnerable at the very moment when threatening changes began to multiply beyond its borders. The failure of the Union Bill meant the continuance of a political system which helped to prolong futile disputes and to postpone desirable capital expenditures. In Canada the merchants stood arrested in frustration before a programme of reorganization which was a necessary preliminary to the solution of their problems; but all the while, the gravity and complexity of those problems were steadily increasing as a result of dynamic changes in England and the United States. The American Revolution, which undermined the British colonial system and created the basis for a great, independent commercial organization in the new world, was at length having its inevitable results. New York, the destined leader of the commercial Atlantic seaboard, built the Erie canal and laid a sudden, imperious claim to the trade of the north-western American states. The old colonial system, which had lost its own best justification with the wreck of the first empire, was now judged and condemned by men who had grown up in the new industrialism, who held the hope of world commerce and believed in the doctrine of free trade. The basic principles of Canadian commercialism, which seemed to the merchants to have all the consoling immutability of the mechanics of the solar system, were now being questioned and denied. The decade of the 1820's was a decade of reforms and changes which unsettled the whole trading system of the St. Lawrence and foreshadowed its disintegration within the next decades.

In 1822, after the Union Bill had been dropped, the British parliament passed the Canada Trade Act—a kind of mediocre substitute for union, in the opinion of the merchants—which regulated the financial relations of the two provinces and their commercial relations with the United States.¹ It was the year which ended the absolute domination of mercantilism and began the era of free trade; and thus, by an unhappy coincidence, the