The Canadian-American Reciprocal Trade Agreement of 1874: A Pennsylvanian’s View

Two issues that attracted a good deal of public attention in nineteenth-century America were tariffs and Canadian-American foreign relations. Protectionists and free traders chose up opposing sides on the first question; the dividing line for the second fell between expansionists who sought the annexation of Canada and those who preferred that these two nations live as independent, peaceful neighbors. While these issues were separable, it also happened that they became intertwined on several occasions, most notably when reciprocal trade agreements were proposed as a means of governing trade between the United States and Canada. Those who sought annexation supported such agreements, because they offered economic penetration of Canadian markets as a substitute for forcible conquest of that country. Protectionists, on the other hand, opposed them, but not because they feared that free


trade would lead to Canadian domination of the American economy. Their apprehension was based on another factor, Canada's long-standing and intimate relationship with Great Britain. And that was the crux of the situation. For nineteenth-century American protectionists, most of whom were ardent nationalists, nothing was more fraught with danger than a liberalization of trade relations with a country that was intimately involved with Great Britain. Consequently, when American protectionists remonstrated against reciprocal trade between their country and Canada, they did not do so out of fear of Canada per se. Rather, their opposition was based on nationalist fears that had existed from the days of the American Revolution—British threats to our economic and political independence.

This essay presents the reactions of one of nineteenth-century America's foremost economic nationalists, Henry Carey, to a proposal for trade reciprocity between Canada and the United States. Carey was the leader of the "American School" of political economy, a group that founded its economic doctrines in nationalist principles. Its philosophy was most evident in Carey's struggle against the ratification of a reciprocal trade agreement between Canada and the United States in 1874. Carey was in the forefront of most protectionist battles in the mid- and late-nineteenth century, and his position and arguments on this treaty are an outstanding example of how American nationalists, almost a full century after independence, still feared British economic domination, especially when it came (in their eyes) in the guise of free trade with Canada.

The development of economic thought to the middle of the nineteenth century is primarily a history of classical English political economy. Moreover, the tenets of this school were communicated to the United States where the writings of Smith, Malthus, Mill and Ricardo were enthusiastically adopted by such early American political economists as Henry Vethake, John McVickar, Francis Wayland and Henry Cooper. But there was also a strain of political economy in existence in the United States at that time that opposed the adoption of the "alien" philosophy of classical political economy. This was the nationally-oriented American School. The fore-
most member of this school was a Pennsylvania businessman, Henry C. Carey.\textsuperscript{8}

Henry Charles Carey was born in Philadelphia on December 15, 1793. His father, Matthew Carey, an Irish political refugee, publisher, and economist, was active in state politics and often served as a spokesman for the manufacturing class of his day. Henry Carey received no formal academic training. Like John Stuart Mill, however, he was educated by his father.\textsuperscript{4} Any additional education he had he acquired by reading many of the books that passed through his father's publishing house, Carey and Lea. He went to work for his father in 1802, when he was nine; in 1814 he was made a partner, and he ran the firm until his retirement in 1835, when he was forty-two.\textsuperscript{6}

After this, Carey devoted most of the remainder of his life to his work in political economy. His economic writings began with the \textit{Essay on the Rate of Wages} (1835) and ended only upon his death in October of 1879. Over this period his published works had global circulation, as they were translated into French, Portuguese, Swedish, Russian and Japanese.\textsuperscript{6}

Politically, Henry Carey was active in first the Whig and then the Republican Parties. He served as a delegate to the Republican National Convention of 1856 (where he received three votes for Vice-President), and he also received some mention as a possible candidate for President in 1860, as well as for Governor of Pennsylvania. However, the only public office he actually held was as a delegate to the Pennsylvania Constitutional Convention of 1872. Nonetheless, he was regarded as a powerful force in Pennsylvania politics.\textsuperscript{7}


\textsuperscript{5} William Elder, \textit{A Memorial to Henry C. Carey} (Philadelphia, 1880), 32.

\textsuperscript{6} John Turner, \textit{The Ricardian Rent Theory in Early American Economics} (New York, 1921), 113.

\textsuperscript{7} North American, June 20, 1856; Pittsburgh Gazette, June 19, 1859; \textit{Harrisburg Telegraph}, Oct. 18, 1859; Elder, 32.
Carey traveled widely, journeying to Europe in 1827, 1857, and 1859. While abroad he met John Stuart Mill, Cavour, Humboldt and Chevalier. At home, he and his friends instituted the "Carey Vespers." These were weekly meetings assembled to discuss topical items. Attending these discussions were such notables as Joseph Wharton, Representative William "Pig-Iron" Kelley (Carey's personal spokesman in Congress), Henry Vethake, James G. Blaine, and (according to Carey's biographer, William Elder) Ulysses S. Grant.8

Henry Carey's major interest (outside the publishing business) was economics, and he fashioned a doctrine of political economy that made protection the sine qua non of American economic development. But his political economy and espousal of protection were but means to an overriding goal, the economic independence of the United States. Whether it was something he drew from his anglophobic father, or whether he developed it on his own, Henry Carey was a perfervid nationalist. He always believed that American independence was threatened by the economic power of Great Britain. Thus he regarded any move toward free trade as a step toward a system in which America would be unable to compete with that country.9 Consequently, for most of his adult life he opposed each and every action that promised to place the United States at a competitive disadvantage with Great Britain.

Carey's greatest support came from the American business community. To his followers his political economy served as a rallying point for nationalist sentiments. He was called the "Ajax of Protection" and the "foremost political economist."10 His supporters in the United States maintained that his work in political economy would be remembered for what it had done "for the welfare of mankind . . . [and] . . . public gratitude . . . [would] . . . adorn his memory with a fitting monument in some appropriate place."11

9 Like most advocates of protection (both past and present), Carey was unable to understand that tariffs can impede rather than further economic development.
10 Chicago Inter-Ocean, Dec. 16, 1893; Bulletin of the American Iron and Steel Association, Dec. 27, 1893.
11 Industrial World, May 28, 1891.
He was also highly regarded in Europe. In France one commentator on the state of political economy wrote: "There certainly were dissidents [who broke with accepted theory] and the United States furnished one whose merit was generally recognized in Europe, and who had disciples there. I speak of Carey." In Italy he was described as the "greatest American economist."

Frank Fetter, writing in the *International Monthly* at the turn of this century, observed: "Before Francis A. Walker, only one American economist, Henry C. Carey, enjoyed any considerable reputation abroad—where, indeed, his reputation is greater than among his own countrymen—and he gained this by calling attention to the peculiar conditions existing in a new country."

It was also claimed that "five-sevenths of the newspaper offices of the day served as his pulpit and his arguments were in the mouths of half the businessmen and farmers of the country."

Perhaps the best example of the popularity he enjoyed in the United States is an editorial that appeared in the *Philadelphia Inquirer* during the depression of 1893.

At the present time, when so many thousands of Americans who in 1892 were surrounded by every sign of prosperity are without food and the necessaries of life, it is well to recall the patriotic efforts of the great American political economist whose life was devoted to an elucidation of the economic principles which Americans of today have seen demonstrated by inversion. It is a striking coincidence that on the hundredth anniversary of Carey’s birth-month the whole nation, in sackcloth and ashes, should be bearing witness to the eternal truths of Carey’s teachings.

While Carey did not have any great following in academic circles, he did have some impact there. Several institutions taught his political economy and used his *Principles* as a text, e.g., Antioch,

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16 *Philadelphia Inquirer*, Dec. 25, 1893.
Iowa State, Princeton and Union. As noted, the American School grew up around him, its philosophy centering on two propositions—protection and nationalism. All members subscribed to these tenets, but this was particularly true of Henry Carey. He investigated every matter involving international affairs to determine how it would affect the independence and economic well-being of the United States. Invariably, he examined every issue with two things in mind: (1) how to maintain protection as the nation’s official commercial policy; and (2) how to prevent British economic and political domination of the United States. These concerns were very much in evidence in Carey’s analysis of the effects of the proposed reinstitution of reciprocal trade between Canada and the United States in the late nineteenth century.

In 1874 a group of British and Canadian officials suggested that reciprocal trade be established between Canada and the United States. There was a firm basis in history for their proposal, for there had been several earlier economic agreements between these countries. Between 1855 and 1866, for example, a treaty of this type had actually been in effect. And even before that, beginning in the mid-1840s, the United States government had permitted goods in transit, destined for Canada, to pass duty free through its territory.

Like so many things, however, these agreements were affected by the Civil War. Specifically, shortly after the end of the war, the government demanded reparations from Britain for damages that it charged that it had suffered as a result of British actions during the conflict. The demands were known as the “Alabama Claims,” and the initial British reaction to them was a flat refusal. Short of using force, this left the United States in a rather awkward position. Having recently completed a most destructive war, Washington was scarcely likely to start another with the world’s premier economic power. Thus there was a search for another means of exerting pressure. When Parliament continued to drag its feet on the matter, President Grant turned to economics. In a message to Congress he asked for authority “to suspend by proclamation the operation of the laws authorizing the transit of goods, wares, and merchandise

in bond across the territory of the United States to Canada; and, further, should such an extreme measure become necessary, to suspend the operation of any laws whereby the vessels of the Dominion of Canada are permitted to enter the waters of the United States."

It appears that Grant’s threat was successful. Before his request was implemented, the governments of the United States and Great Britain concluded a rather comprehensive pact, the Treaty of Washington (1871). This agreement not only provided for a settlement of the Alabama claims, it went much further.

It stipulated that American fishermen would be permitted to fish in Canadian waters, and a commission was established to determine the actual amount that the United States would have to pay for this privilege. The treaty also provided that a North American boundary dispute between Britain and America would be settled by arbitration, and United States and Canadian shipping were permitted unhindered passage on each other’s waterways. And, finally, in response to Grant’s threat, Article XXIX of the treaty stated that goods “destined for Her Majesty’s possessions in North America may be entered at the proper customhouses and conveyed in transit, without the payment of duties, through the territory of the United States. . . .” A similar provision applied to the United States, but clearly this feature was far more important to Canada than it was to the United States.

The Treaty of Washington did not establish reciprocal-trade relations between the United States and Canada. There had been some discussion of this question when the treaty was in its formative stages, and Congress had even appointed a special agent to investigate the matter, but he recommended against it because of trade deficits the United States had suffered during the term of the 1855–1866 agreement.

It is an understatement to say that Henry Carey was opposed to the Treaty of Washington. That it did not cede Canada to the

18 Quoted by Carey in his “The British Treaties of 1871 and 1874,” Miscellaneous Papers on the National Finances, the Currency, and Other Economic Subjects (Philadelphia, 1875), 11. Carey’s letters to Grant were published in this volume.


20 Carey to Grant, Nov. 18, 1884, in Carey, Miscellaneous Papers, 3.
United States did not disturb him. His particular disagreement was with the fact that Canadian goods would once again (or still) have the right of free transit, while the United States would have to pay to fish in Canadian waters. Carey objected because he thought that the former was worth far more than the latter.

Thus while the Treaty of Washington did make some headway toward resolving the Alabama claims, Carey considered it a bad bargain for the United States. As he wrote Grant: "the Treaty of Washington, with its unparalleled array of knights and nobles, ministers and judges, presidents elective and sovereigns hereditary, has been so far as the Union was concerned, one grand mistake."  

The only thing worse for this hardline protectionist would have been the inclusion of reciprocity. Unfortunately for Carey, his fears on that score were soon realized.

In June of 1874, the secretary of state, Hamilton Fish, transmitted the following message to President Grant: "I have the honor to inclose a copy of the draught of a treaty for the reciprocal regulations of the commerce and trade between the United States and Canada, with provision for the enlargement of the Canadian canals, and for their use by United States vessels on terms of equality with British vessels, which British plenipotentiaries have proposed to this government."  

The ostensible reason for this proposed treaty was that the commission established to determine how much the United States should pay to fish in Canadian waters had been unable to settle on an amount. Consequently, it was suggested (by Canadian and British members) that payment could be waived if the United States agreed to reinstitute reciprocity.

As the Toronto correspondent of the New York Tribune reported:

The amount of compensation to be paid to Canada by the United States for the lease of in-shore fisheries was, according to the Treaty of Washington, to be determined by a commission. The data upon which to determine their value, however, were so uncertain, and the difficulties in the way of arriving at a solution of the point were seen to be so great, that the happy thought occurred to the Government to combine the abandonment of this

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21 Here Carey's democratic leanings were showing. The Treaty of Washington concluded with a long list of titled personages. Carey to Grant, Nov. 20, 1874, ibid., 14.

22 Carey to Grant, Nov. 19, 1874, ibid., 9.
claim with the positive obligations in connection with the canals in order to induce the United States to renew reciprocal relations with Canada. There can be little doubt that these reasons, combined with the desire on the part of Canada for a renewal of reciprocity, constitute the determining cause for her taking the initiative in the matter.\textsuperscript{23}

American nationalists like Carey saw this proposal as an unmitigated disaster, and he and his followers opposed it because of its possible effects on the United States. Carey made his opposition known in a series of letters to President Grant.

Here was the heart of his complaint. Ever fearful of the United States' inability to compete with British manufacturing, Carey had urged a system of stringent tariffs. He thought, however, that reciprocity would enable the British to subvert that protection. He pointed out, for example, that British iron exports to Canada could pass through the United States duty free, as a result of the transit clause of the Treaty of Washington. And when that iron was combined with Canadian raw materials, the finished product, in this case a producer's good, could also enter the United States duty free under the proposed reciprocity agreement. As he explained to Grant:

Timber is cheap in Canada and so is iron in England. What is now proposed is, that the latter shall supply such parts as are composed of iron, Canada doing the same with those composed of wood, the joint products passing into the American market duty free. The direct effect of this would be that the whole of this manufacture would be transferred to the country beyond the lakes. . . . Machinery of every kind, coming out of parts ready to be put together in Canada, must be here received as being of Canadian manufacture.\textsuperscript{24}

Thus the combination of free transit and reciprocity would result in a situation in which "British merchandise of all descriptions will, as British, be carried from Portland [Maine] to Montreal, to be thence distributed, as Canadian, throughout the towns and cities" of the United States.\textsuperscript{25} In the eyes of this fervent nationalist this could only mean the destruction of America's attempts to develop its own manufacturing.

\textsuperscript{23} Ibid., 7.
\textsuperscript{24} Carey to Grant, Nov. 25, 1874, \textit{ibid.}, 24.
\textsuperscript{25} \textit{Ibid.}, 26, italicized in the original.
But there were additional reasons why Carey opposed reciprocity. There was also a revenue question. At that time, the United States depended on its tariffs for the bulk of its taxes, and Carey contended that if there were a shift in trade flows, if more goods entered by way of Canada, reciprocity would lead to a reduction in tariff revenues. Thus, with no change in government spending, additional taxes would be required.26

Another objection had to do with a very familiar phrase, national defense. It may sound somewhat farfetched today, but to nineteenth-century American anglophobes it was a very real fear. According to the proposed reciprocity agreement, the United States and Canada were to enlarge and/or build new canals, and each party to the treaty was to have unhindered access to these waterways. The parties were also to have the right to maintain one warship on the Great Lakes. What made this ominous for Carey was his understanding that Great Britain would also have that right. Moreover, the United States was to join in the construction of canals from the St. Lawrence to the Great Lakes, canals with a minimum draft of twelve feet. Here Carey charged that "the whole British fleet, so far as it draws not more than twelve feet of water . . . [would] . . . be brought within twelve or fifteen days" of the major American cities on the Great Lakes. To a nationalist this was suicidal, because "In the event of future difficulty with Britain . . . what can we do, knowing that all those cities are practically under the guns of almost the whole British fleet."27

Carey's final objection to reciprocity dealt with diplomatic relations. He feared that if reciprocity were established with Canada, similar arrangements would have to be extended to all other powers, under the doctrine of "most-favored-nations."28 Such an eventuality would, of course, mean the end of his hopes that protection would continue as the official policy of the United States.

In support of these points, Carey tried to show that the British were well aware of the opportunities reciprocity would afford them, even where Canada was concerned. He cited one English newspaper

26 Ibid., 27.
27 Ibid., 25.
28 Ibid., 26.
that had urged that the treaty be ratified because of the benefits that it would provide British manufacturers.

England has been emphatically assured by the Canadian Prime Minister, the Canadian plenipotentiary, and—lastly and most strongly—by Lord Dufferin, in his speech at Chicago, that Canada will not consent to a differential arrangement to the prejudice of the mother country. In other words, what the United States is permitted to import into Canada at specific duty or free of duty, that also it will be arranged may be imported from the United Kingdom on precisely the same terms. Well, then, shall not our iron and hardware manufactures go up and possess the land? Shoals of American citizens are passing over to Canada in the summer season . . . American citizens in Canada ransack the various cities and towns for cheap purchases; articles of British manufacture being especially in demand. Our serious advice to our manufacturers is: Leave no stone unturned to take the leading position in the Canadian markets when the reciprocity treaty is ratified. Send to the new Dominion the best specimens of your manufacture, and charge the lowest practicable price, because in doing so you will be hastening the downfall of the American monopoly, and by our excellent workmanship and reasonable charges in the smaller markets of Canada, throwing open for yourselves the larger and almost unlimited market of the American Union, and obtaining a foothold there from which, if you act with sustained energy and discretion, you can never be driven.²⁹

In sum, Henry Carey’s position on reciprocity reflected nationalist fears that British goods, masquerading as Canadian, would flood the American market. He predicted that United States tariff revenues would decline precipitously, bringing about the necessity of new taxes. And, finally, as an ardent nationalist, he was strongly opposed to any treaty that might endanger military security. With this point in mind, he told President Grant that if this treaty were enacted, the United States would find itself bound “for five and twenty years to the wheels of the British chariot, to be ridden over at the pleasure” of its greatest enemy.³⁰

Henry Carey had no quarrel with Canada, nor did he want to seize control of that country’s economy. His concern was Great Britain and the threat it posed to the United States (and Canada as well). For, as he saw it, “the treaty is in effect a British, and not

²⁹ Carey to Grant, Nov. 23, 1874, ibid., 18.
³⁰ Carey to Grant, Nov. 27, 1874, ibid., 37.
a Canadian measure, and ... its tendency is in the direction of
subjugation to British domination of the whole country north and
south of the St. Lawrence. . . ."\(^{31}\)

American nationalists opposed that subjugation, and Henry
Carey, a Pennsylvania businessman and economist, is an excellent
example of a protectionist, a nationalist who actively, and success-
fully, sought to prevent such an eventuality from occurring.\(^{32}\) As
such, he epitomizes those American businessmen whose overriding
interest was the political and economic independence of the United
States, not the domination of Canada.\(^{33}\) More than two hundred
years after independence, American protectionists are still voicing
the same fears about the position of the United States \textit{vis-a-vis} the
world economy. For Carey and his followers, it was British manu-
facturing; today the concern runs the gamut from energy sources
to Japanese television sets to doubts about America’s ability to
compete with the “low-wage” labor of the Third World. Carey’s
economic analysis of reciprocity may have been faulty, but his
opposition to such measures exemplifies nationalist fears (both past
and present) of the threat of foreign economic competition.

\textit{Wellesley College} \hspace{1cm} \textbf{RODNEY J. MORRISON}

\(^{31}\) Carey to Grant, Nov. 23, 1874, \textit{ibid.}, 18.

\(^{32}\) The Reciprocity Treaty of 1874 never became law; on Feb. 3, 1875, the United States
Senate rejected it. Senator Justin S. Morrill led the opposition against the measure, claiming,
like Carey, that it was nothing more than a British trick. “A wolf,” he said, “suckled Romulus
and Remus, but there is no such fable concerning the British lion.” \textit{Congressional Record,}
\textit{Proceedings and Debates of the Forty-Third Congress, Second Session} (Washington, 1875),
III, 934.

\(^{33}\) In discussions of this reciprocity treaty, it is rarely mentioned that the original sug-
gestion was not made by the United States. It was put forward by the Canadian and British
members of the commission set up by the Treaty of Washington. However, both Canadian
and American nationalists opposed it. It is one of the ironies of history, but Canadian sup-
porters of reciprocity sound more like imperialists than their American brethren. Indeed,
some Canadian advocates of trade expansion saw the situation as one in which Canada
would capture all the benefits. The \textit{Ontario Reformer}, for example, suggested that reciprocity
was the best of all possible worlds. “Canada, so situated that she will have all the advantages
of being a State in the American Union, and all the advantages of British connection, without
any of the disadvantages of either country, will be in a most happy position. Enjoying free
access to the two best markets in the world without any of their burdens to bear, will make
Canada about the best country to emigrate to on the face of the earth.” Quoted by Carey
to Grant, Nov. 23, 1874, in \textit{Miscellaneous Papers}, 19.