

PRINCE EDWARD ISLAND AND CONFEDERATION¹

J. A. MAXWELL

THE people of Prince Edward Island had a more adequate opportunity to express their views about entry into federation than those of any other province. From 1864 to 1873 they debated the question annually. At first sentiment against union was overwhelmingly strong, and successive Governments of the province were, in this respect, a faithful mirror of public opinion. In 1872 the sentiment seemed unchanged, and a Government hostile to federation was elected. But then came a series of surprising incidents. In the spring of 1873 this Government submitted a scheme of union to the people and was defeated. The new Government was headed by J. C. Pope, who had been a violent opponent of union; but two months later it negotiated an agreement which made the Island a province of the Dominion. The story of this curious reversal is presented in the following pages.

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At the Quebec Conference in 1864 the delegates from Prince Edward Island were, according to J. H. Gray,² "restive and perhaps exacting"; yet four of them—J. H. Gray, W. H. Pope, T. H. Haviland and Edward Whelan—were favorable to the resolutions, and of the other three—Geo. Coles, A. A. Macdonald, and Edward Palmer—only Coles and Macdonald maintained a fairly consistent record of opposition. Palmer, at festive occasions in Canada following the close of the conference, spoke in glowing terms of the proposed federation. But apparently he had his tongue in his cheek; because as soon as the hostility of his constituents toward the Quebec resolutions became unmistakable, he declared himself unalterably opposed to their adoption. For this reversal Palmer gave a most disingenuous excuse. "I do not", he said, "deem my consistency called in question by what may have fallen from me during an unstudied complimentary speech at a Dejeuner".³

1. The material for this article was gathered while I was a Fellow of the Social Science Research Council, 1930-1.

2. Gray, J. H., *Confederation* (Toronto, 1872), vol. 1, p. 65.

3. Pope, W. H., *The Confederation Question* (Charlottetown, 1866, p. 8.)

There cannot be the slightest doubt that at this time the people of the Island were wholeheartedly against union. And when on June 24, 1865, Edward Cardwell, the Secretary of State for the Colonies, sent a dispatch to Lieutenant-Governor Dundas declaring it "the strong and deliberate opinion of her Majesty's Government" that union should be consummated,¹ the House of Assembly refused to yield an inch. In reply it framed a vigorous address to the Queen which affirmed that "any federal union of the North American Colonies that would embrace this island would be as hostile to its feelings and wishes as it would be opposed to the best and most vital interests of its people".² Thus the prospect that Prince Edward Island would voluntarily enter Confederation seemed remote and there were some, like W. H. Hope, who believed that the only way to handle "this insignificant but most troublesome dependency"³ was by compulsion. Of course, this was extreme counsel and the Imperial authorities were not prepared to go so far, but they were determined to put unrelenting pressure upon the Government of the Island. In addition, the Dominion stood ready to do its part by holding out the bait of better terms. Between the two it might seem to be only a question of time before the Island capitulated.

The first significant move was made by the delegates from Nova Scotia and New Brunswick while they were loitering at London in the autumn of 1866, awaiting the arrival of their friends from Canada. They proposed granting Prince Edward Island \$800,000 from the federal treasury for the purpose of buying out the absentee proprietors. It turned out, however, that the delegates from Canada were unwilling to be so generous, and the official resolution of the London Conference recommended merely that the Dominion should deal with the Island land question "in the most liberal spirit".⁴ Any slight hope that this might bring results was dashed when, by the elections of February, 1867, George Coles, a determined opponent of union, became premier.

But Lieutenant-Governor Dundas, advised by the Imperial Government to let "no trifling obstacle" interfere, kept on the alert and in August, 1867, he was optimistic enough to think that a "bid" from the Dominion would be favorably received. It was his impression that the Coles administration, attempting to settle the land question, had experienced difficulty in negotiating a loan. "Prince Edward Island's difficulty", he wrote to Lord Monck,

1. P. E. I. House of Assembly Journal] (henceforth A. J.), 1866, Appendix F.
2. *Ibid.*, p. 95.
3. Pope, *op. cit.*, p. 26.
4. Pope, Joseph, Confederation Documents (Toronto, 1895), p. 308.

"is Canada's opportunity".¹ But Dundas was ill-informed. The negotiations had fallen through chiefly because the absentee proprietors refused to come to a settlement.

This refusal gave the Imperial authorities another opportunity to show their position. The Coles administration, baulked in the attempt to reach agreement with the proprietors, prepared an address to the Queen, asking that sale be made compulsory and that the Imperial Government guarantee a loan which would be used to buy out the proprietors. Granville, the Secretary of State for the Colonies, replied in frigid language that the prospect of a guarantee was most remote, and that he refused to reopen a question which, if the Island entered Confederation, would no longer concern the Imperial Government.² Here was an explicit enough suggestion that the Island fall in line, and meanwhile, the screws had been applied by another method. For many years the salary of the Lieutenant-Governor had been paid from the Imperial Treasury. But late in 1867 a dispatch from the Colonial Office announced that after the present officer left the post, the charge would have to be assumed by the Island, and despite protest the decision stood.

The Dominion might well believe that under these circumstances the Island would incline to union, and it appears that people in Charlottetown, friendly to union, encouraged this belief. In August, 1869, three members of the Cabinet—Tilley, Cartier and Kenny,—visited the Island and consulted with members of the provincial Government. They went away satisfied³ and in December, upon their recommendation, the Federal Government made an offer which came to be known as "the better terms of 1869". In part, the terms corresponded with what had been given to other provinces by the British North America Act; the annual grant for the support of government was to be \$25,000, debt allowance approximately \$25 *per capita* upon population in 1861, annual *per capita* subsidy at the rate of 80 cents upon population in 1861. The unusual features were that the Dominion promised to maintain an efficient steam service, winter and summer, between the Island and the mainland, and to pay the provincial Government \$800,000 to enable it to buy out the absentee proprietors.⁴

1. Macdonald Papers (henceforth MacD. P.), Provincial Government, Dundas to Monck, Aug. 23, 1867.

2. A. J., 1869, App. S, letter dated Mar. 13, 1869.

3. Tilley telegraphed to Sir John, Aug. 15, 1869: "Have been spending week in Island doing good service. Sir George, Kenny and I had satisfactory conversation yesterday with Island Government preparatory to sending proposals after Government meet". (MacD. R. Correspondence with Tilley).

4. A. J., 1870, App. F.

The offer was not accepted. Possibly the terms were not sufficiently attractive, but it was Sir John A. Macdonald's opinion that the negotiations had been principally a game of humbug. Haythorne, the premier of the Island, had, so Sir John wrote privately to Rose, "humbugged Tilley and our Government into making an offer" for no other reason than to discredit his opponents—Gray, Haviland and Pope—by showing that better terms than they had accepted could be secured.¹ Thus at the close of 1870, despite pressure from London and despite bids from Ottawa, the Island stood as far outside Confederation as ever.

In the next year, however, when the Government undertook construction of a railway, a step was taken unwittingly which was to be decisive in making Prince Edward Island a province of the Dominion. The railway became the chief issue in Island politics, and successive administrations bemired themselves more deeply in attempting to finance it. On January 31, 1871, the debt of Prince Edward Island amounted to only \$506,000. Two years later it had risen to \$1,609,500 and contracts for railway construction had been entered into which would take \$2,240,500 more. Thus the liabilities of the Island amounted to \$3,850,000—\$41 *per capita*,—a sum greater by eight times than its debt when it refused this offer of 1869. Examination of the ordinary expenditure and revenue of the Island is also enlightening. For the fiscal year ending Jan. 31, 1873, these appeared to be approximately in balance. But the current payments for interest amounted to only \$36,000, because the bulk of the debentures for railway construction had not yet been issued, and because on most of those already issued interest had not come due. The Government was therefore confronted by the immediate necessity of finding an additional \$70,000 to meet new interest charges, and by the likelihood that within a few months its interest payments would amount to \$200,000. Unless the new railway could be expected to be remunerative beyond all belief—and nobody thought that it would—the Government might well be aghast at the prospect. In these circumstances, entry into Confederation offered an inviting alternative.

Let us now look more closely into the events of 1872-3. By the elections of April, 1872, a new Government, with R. P. Hay-

1. Haythorne, "under the pretence of desiring union, humbugged Tilley and our Government into making an offer. He proved afterwards that he never had any intention of supporting union, and that his object was by getting a better offer than the terms of the Quebec Conference to kill our friends Haviland, Col. Gray, W. H. Pope and others who had agreed to the original arrangement. This treacherous policy was successful, and our friends were for the time politically snuffed out." MacDonald Letter Book, No. 19, letter to Sir John Rose, December 13, 1872.

thorne as premier, took office;¹ and it proceeded to add to the already large railway obligations by contracting for the construction of branch lines. Bad trade conditions precipitated trouble. Imports fell off, and by the autumn collections from customs were appreciably below those of the year previous. Moreover, the prices of exported goods—mostly agricultural produce—declined, and sterling exchange, necessary to meet interest payments due in London, was hard to secure. These difficulties were promptly reflected in the market for Government securities. By the agreement entered into with the contractors who were building the railway, payment was made in Government debentures at par, (the interest and principle were due in sterling or currency at the option of the contractors), and the contractors in turn sold the debentures to the banks. When the credit of the Government became precarious, the debentures went to a discount; the banks of the Island, already large purchasers, were unwilling to buy; and the contractors soon practically suspended their operations. There were other indications of the weak credit of the Government. It had to purchase a right of way for the railway, and also to pay property owners incidental land damages. To provide funds debentures were issued, but the Government soon found itself unable to sell except at a heavy discount. Thus even in the autumn of 1872, at the very beginning of its railway enterprise, the finances showed signs of serious strain. In desperation Albert Hensley, the Colonial Secretary, was sent to the mainland to negotiate a loan; but rumors had preceded him, and the best he could obtain was a four months loan (due May 1, 1873) of about \$26,000 at the high rate of $7\frac{1}{2}\%$ from the Maritime Bank in Saint John.

The situation was fully known to Sir John A. Macdonald. He had two sources of information: Lieutenant-Governor Robinson was corresponding privately with the Governor-General, Lord Dufferin; and Sir John Rose from London was retailing news of the financial difficulties of the Island. In the Fall of 1872, Chas. Palmer, the President of the Union Bank of Prince Edward Island and the brother of Edward Palmer, the Attorney-General in the Haythorne administration, attempted unsuccessfully to sell in London some of the heavy holdings of Island debentures of his bank. Rose, in whom Palmer confided, did not fail to point out that if Prince Edward Island joined the union, the debentures would be readily marketable at a good price. Palmer was impressed, and on his return home he had interviews with leaders of the Government.

1. The Haythorne Government had been defeated in the elections of August, 1870, J. C. Pope becoming premier.

They were in a receptive mood, and on Dec. 16 he wrote to Rose that he was "quite sure that the way is open for our joining the Dominion of Canada on fair terms, and that as soon as the matter can be brought about without prominent advances on our part".¹ Rose was asked to broach the subject of union to members of the Dominion Cabinet, and this he did promptly.

Mindful of the "treacherous policy" of Haythorne in 1869, Sir John was wary. When Lieutenant-Governor Robinson urged that the Dominion make a bid, he had Dufferin reply that while the federal Government stood by its offer of 1869, it was unwilling "to initiate any fresh negotiations".² The Island Government was thus forced to move, and on Jan. 2, 1873, it sent a cautious, yet grasping, letter to Ottawa. Tilley at once wrote back that nothing could be done by correspondence, and that the proper course would be to send up a delegation. As a result, R. P. Haythorne and David Laird journeyed to Ottawa in February.

Terms of union considerably better than those of 1869 were soon agreed upon.³ Instead of a debt allowance of approximately \$25 *per capita* upon population in 1861, \$45 *per capita* upon population in 1871 was now conceded, i.e. \$4,230,945 instead of \$2,021,500. The justification for this increase was that the heavy expenditure which the Dominion was making, or planned to make, upon railways and canals would be of no benefit to Prince Edward Island and that, besides, a readjustment of the debt allowances of the existing provinces was in prospect. Instead of the promise of 1869 that \$800,000 would be given in settlement of the land question, the federal Government now agreed to make an *annual* payment of \$45,000. The Island Government could at its own discretion capitalize this grant and draw out a sum not in excess of \$800,000, interest being deducted at the rate of 5% upon any withdrawal. Since the annual grant of \$45,000, capitalized at 5%, comes to \$900,000, the net effect of the new clause was, roughly, to add \$100,000 to the offer of 1869; or, if we put it another way, to add \$5,000 to the annual payment. The *per capita* subsidy of 80 cents was not altered, but the subsidy in support of Government was increased from \$25,000 to \$30,000. The Dominion also promised to assume certain public works, none of which need to be mentioned here.

1. McD. P., Provincial Government, Palmer to Rose, Dec. 16, 1872. Rose sent the letter to Sir John.

2. McD. P., Correspondence with Dufferin, letter of Dufferin to Robinson Nov. 27, 1872.

3. A. J., 1873, App. A.

The Haythorne administration had bound itself to submit any scheme of union to the people; and Haythorne and Laird, highly pleased with the terms which they had obtained, telegraphed to Lieutenant-Governor Robinson advising immediate dissolution. This was done, and in March and April the astonished electors were confronted with a puzzling choice. Practically none of the candidates declared against union, but J. C. Pope, leading the Conservatives, did take the position that the new terms were inadequate and that he, as a Conservative, could get more. Lieutenant-Governor Robinson, aware of the alluring nature of this appeal, endeavored to spike it by telegraphing to Dufferin, asking for a statement that the new terms were all that would be given. Dufferin, after consultation with Sir John, telegraphed back congratulating the Island on "having obtained such liberal terms" and adding the explicit statement: "My Ministers are of the opinion—an opinion in which I fully coincide—that no additional concessions would have any chance of being accepted by the Parliament of Canada".¹ But Pope and his followers were not deterred, and the election returns proved that they had gauged public sentiment and that the people of the Island were in favor of holding out for still "better terms", because Haythorne was turned out and Pope put in.²

Thus once more union was rejected, but not for long. The new Government, faced by the same financial perplexities as its predecessor, proposed to meet them in the same way, and another delegation, composed of J. C. Pope, T. H. Haviland and G. W. Howlan, was promptly (May 3rd.) sent to Ottawa. There were no fresh facts upon which a case could be built, and although the delegates made a pretence at starting *tabula rasa*, everyone knew that they were asking simply for a larger slice. Their first proposals to the Dominion Cabinet were rejected, and the delegates were left in a perplexing position. To return home empty-handed seemed, however, somewhat more ridiculous than to make a new appeal. Accordingly, they prepared what can only be described as a begging memorandum, and now the Cabinet relented. On May 15th an agreement was reached which enabled the Pope delegation to save its face and to say that it had won still better terms. In fact, only one new concession of significance was made: debt allowance was

1. MacD. P., Correspondence with Dufferin, telegram Robinson to Dufferin, Mar. 10, 1873; Dufferin to Robinson, March 12, 1873.

2. "Better terms" was not the only reason for the defeat of the Haythorne Government. The question of sectarian schools entered the election, and the Catholic vote swung to Pope.

to be at the rate of \$50 instead of \$45 *per capita*, i.e. a total of \$4,701,050 rather than \$4,230,945.¹

That was enough. Immediately upon the return of the delegation the scheme was submitted to the Legislature. It was accepted unanimously by the Legislative Council, and with only two dissenting votes by the House of Assembly.

In conclusion, one question may be asked. Why was Prince Edward Island given such generous treatment by the Dominion? Certain practical reasons can be suggested. The Island might have been made a depot for smuggling operations, if its tariff was kept lower than that of Canada. However, it seems unlikely that this possibility had much weight. The border of Canada was and is so open that the continuance of the Island as a foreign territory would probably be of slight importance.² A related consideration has to do with fisheries. The Dominion would have been hampered in regulation of and negotiation concerning them, if the Island had remained a separate province. But the significance of this also had been lessened by the Washington treaty. Probably less material reasons had a greater influence. The express wish of the Imperial Government that the Island be brought into union counted for much, and so, likewise, did the desire to round out the Dominion.

1. A. J. 1873, App. O. On May 17, Dufferin wrote to Sir John (MacD. P., Governor-General's Correspondence, 5):

My dear Sir John,

I am sure you will be pleased to hear that Lady Dufferin had a little girl and that both she and the baby are very flourishing.

This with Prince Edward's (*sic*) Island makes twins.

Yours ever,

DUFFERIN.

2. But see Pope, Joseph, *Memoirs of Sir John A. Macdonald*, London (1894), Vol. 11, p. 146, letter of Sir John to the Gov.-Gen., Dec. 8, 1869. The curious expedition of General B. F. Butler to the Island in the summer of this year undoubtedly gave the Canadian Government a scare.