

CHAPTER 1

1840-1896

*Development of
Canadian federalism*

PART 3

Colonial economy

**How would the Province
of Canada respond to
economic troubles with
its trade partners?**

Protectionism gives way to Free Trade



PROTECTIONISM

Protectionism

Definition

An economic policy put in place by a government in order to **protect the economy of a country or empire from foreign competition.**



Customs Duties

Definition

The duties or tariffs (\$\$\$) collected by a government on imported goods.



Protectionism

From 1815 to 1846, the UK had economically favoured its colonies.

CONSEQUENCES FOR THE COLONIES:

1. The UK imposed **LOWER customs duties** on the products of their colonies than it imposed on those from Europe and the USA.
2. These **preferential tariffs** led to a **increase (↑) in timber exports** from Lower Canada and **wheat exports** from Upper Canada.
3. This protection from foreign competition on the British market **fuelled economic development in the colonies.**

PROTECTIONISM

LOW or NO custom duties
= preferential tariffs

HIGH custom duties



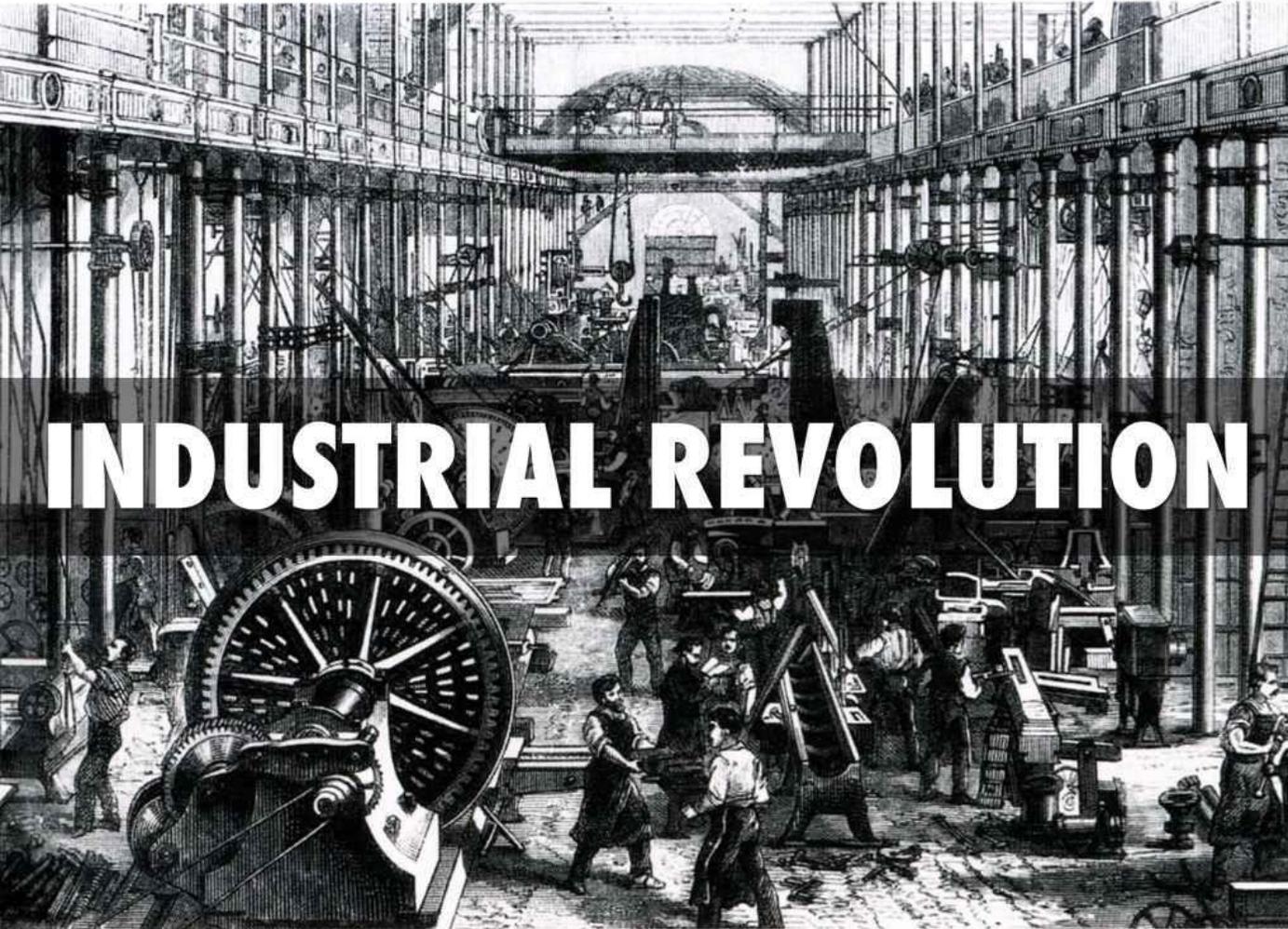
Lower Canada
(colony)



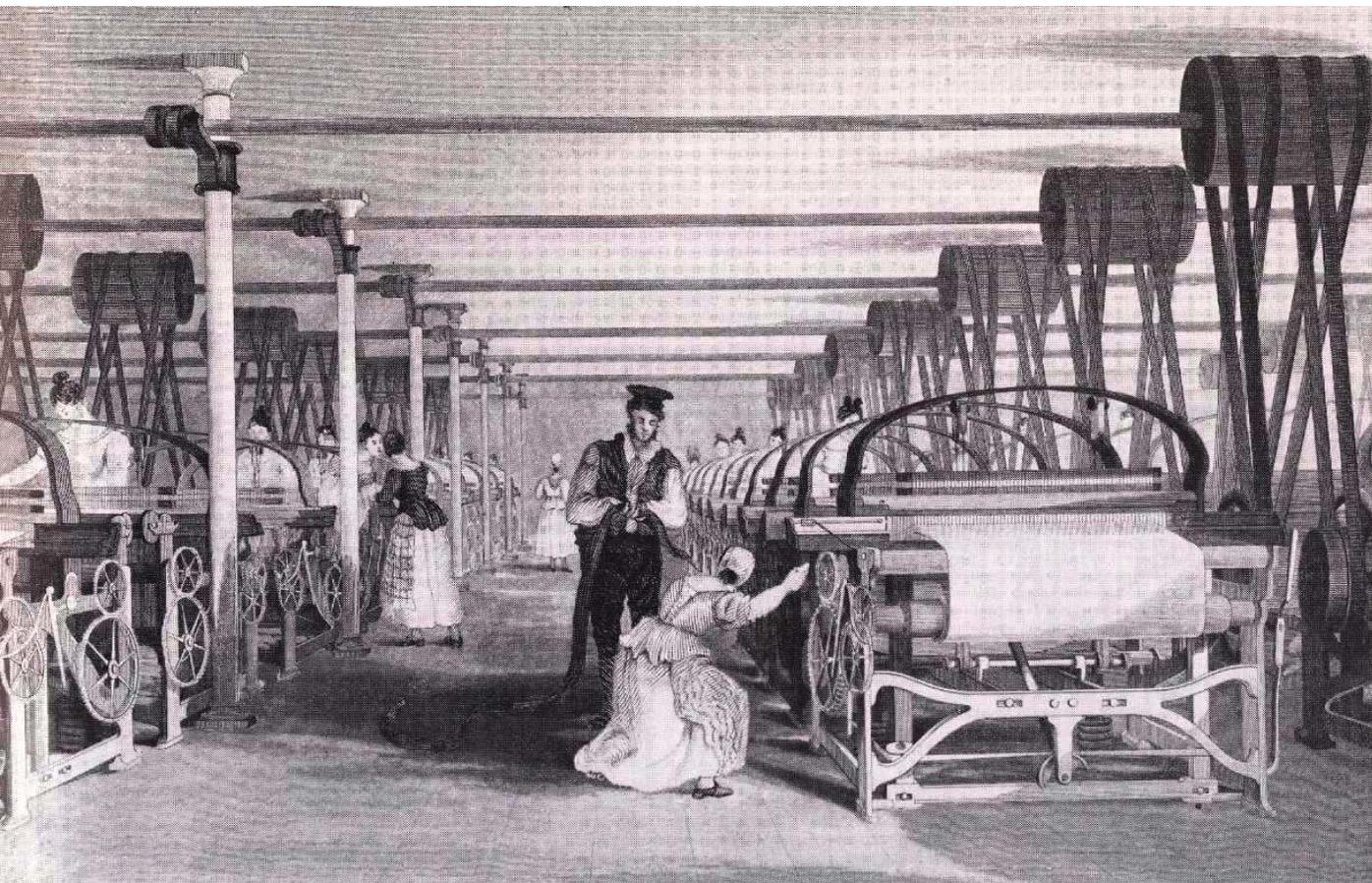
Scandinavia
(not a colony)

Britain
(mother country)





- Since the end of the 18th century, the **United Kingdom's economy** had been undergoing a **radical transformation**.
- The **steam engine** was created.
- The UK relied increasingly on **large-scale, mechanized production**.
- The UK became the cradle of the **first Industrial Revolution (economic boom)**.



➤ *Textile factory in the United Kingdom, circa 1840.*

- The UK wanted to increase its sales abroad and gain better access to European products.
- Thus, **in 1846, the UK** eliminated its protectionist policies and **adopted free trade policies with all of its trade partners.**

Economic liberalism

Definition

An ideology advocating **freedom of enterprise and trade**, and the **absence of State (government) intervention in the economy**.

Free trade

Definition

An economic system under which **customs duties are abolished** in order to **promote trade with other countries.**

- Free movement of products.
- No taxes on imports and exports paid by countries.



USMCA (July 1st, 2020)

**UNITED
STATES
MEXICO
CANADA
AGREEMENT**



Free trade

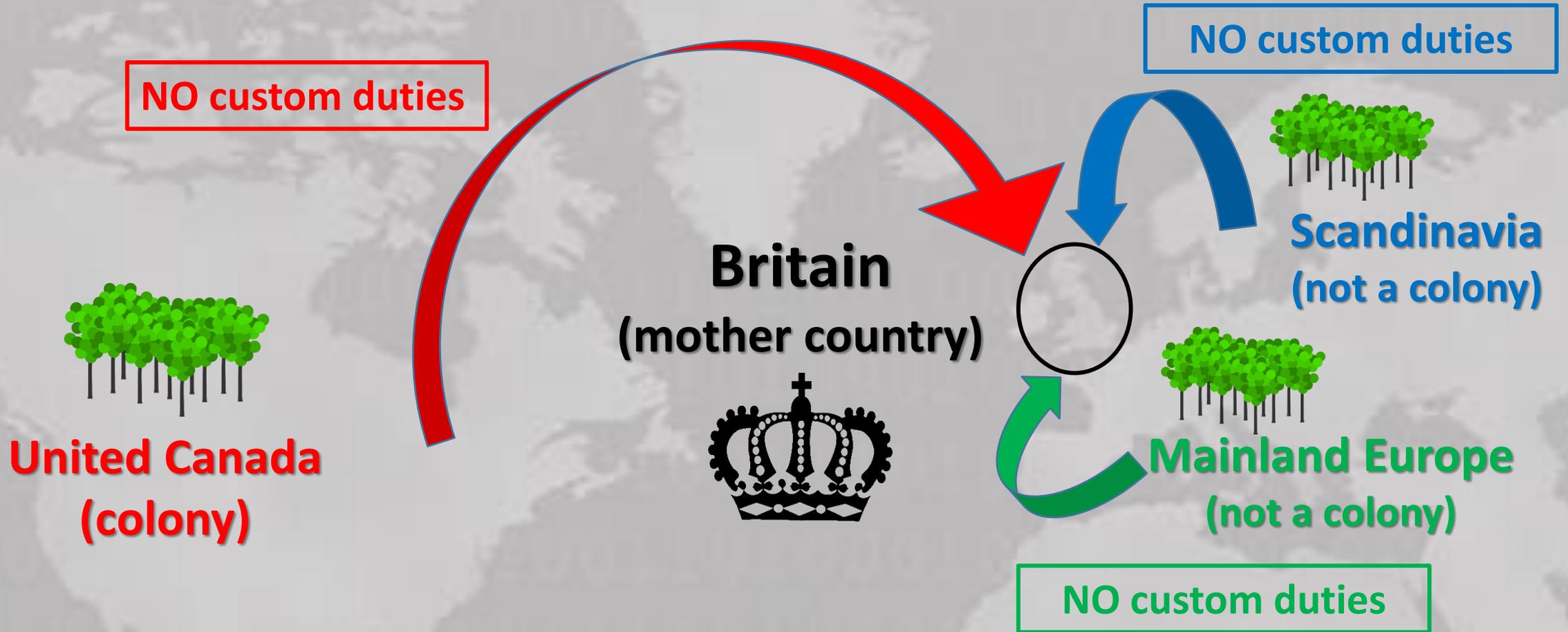
In 1846, the **United Kingdom** adopted **free trade policies**.

CONSEQUENCES FOR THE COLONIES:

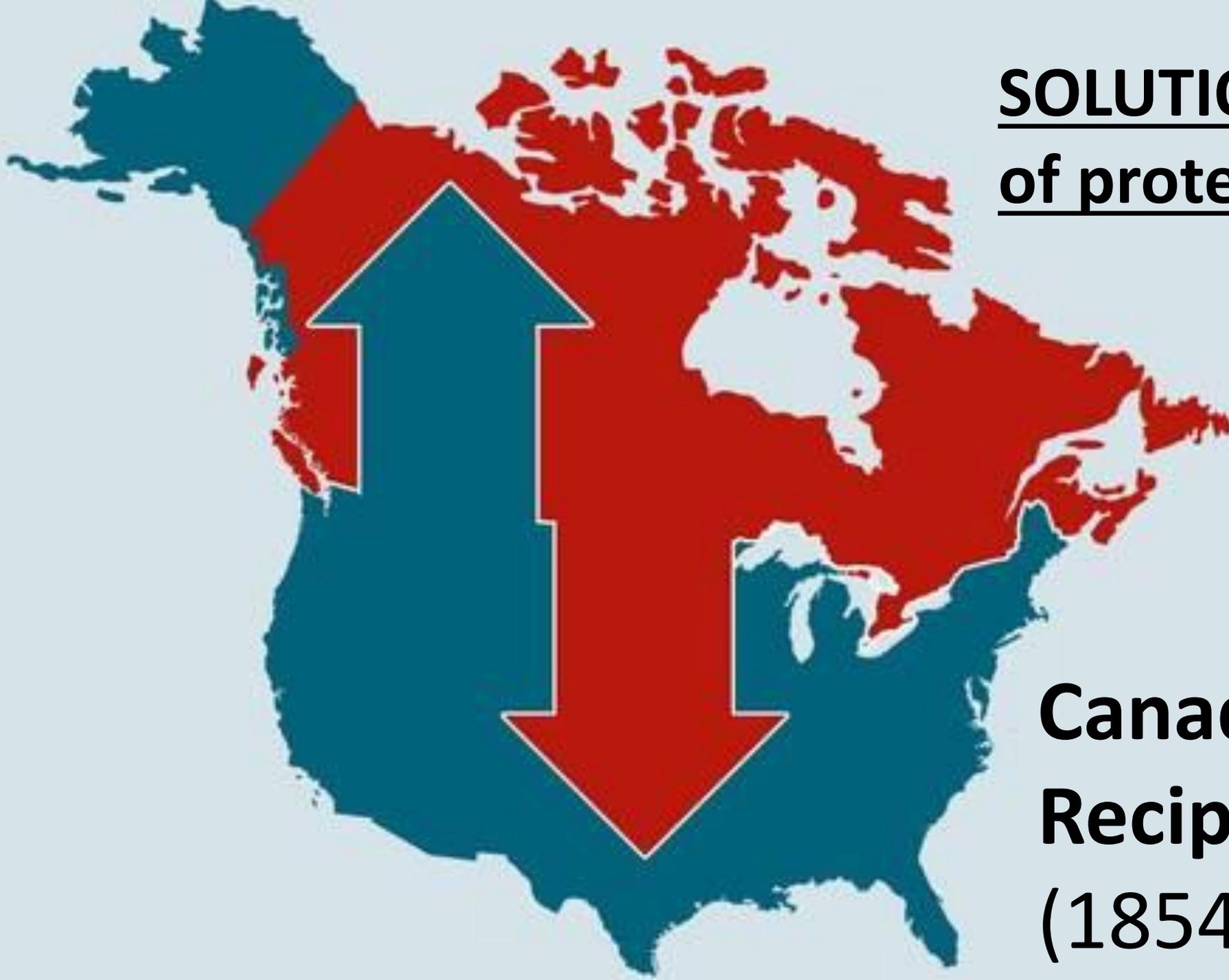
1. The Province of Canada had to charge more for its products to cover the cost of shipping since it was much farther from the UK than its European competitors.
2. As a result, there was a **decrease in exports from the colony to the UK**.

FREE TRADE

(economic liberalism)



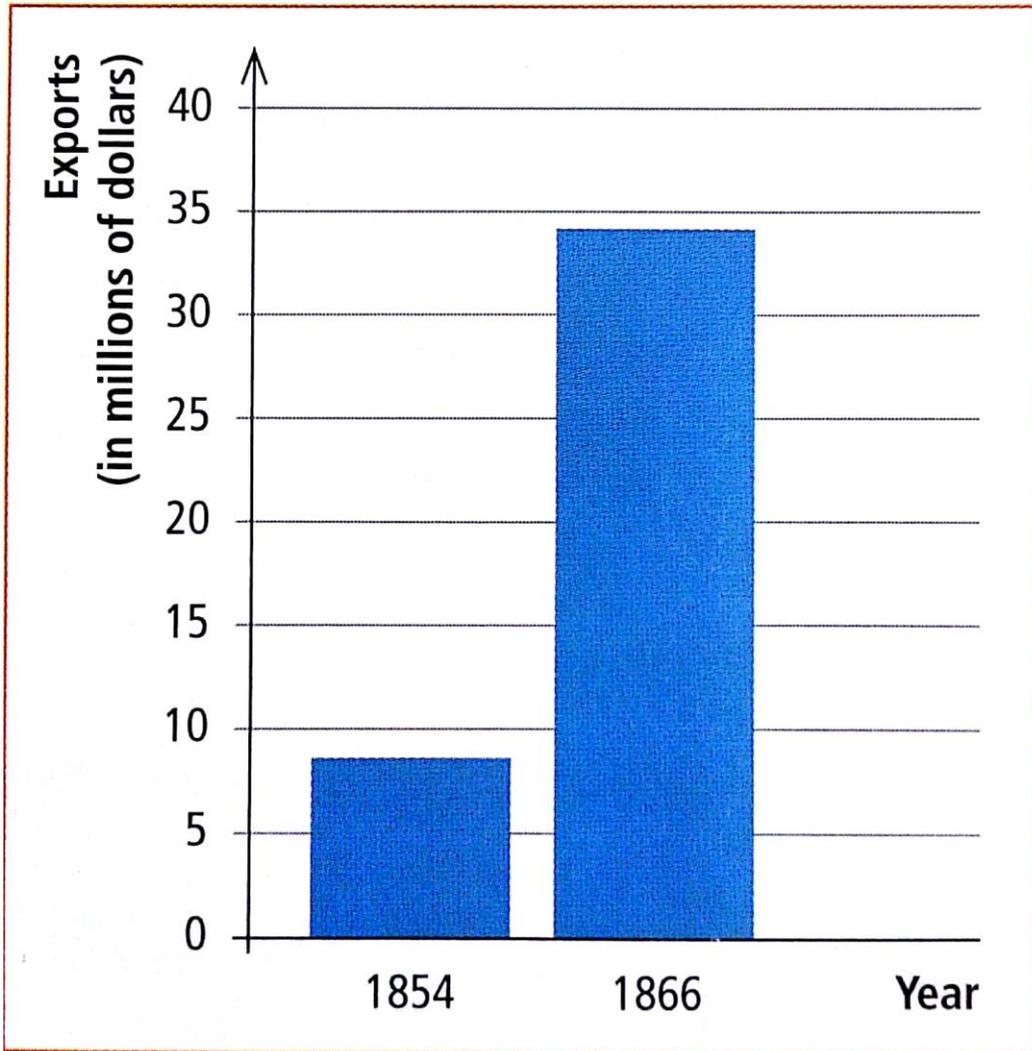
**SOLUTION to the end
of protectionism:**



**Canada-USA
Reciprocity Treaty
(1854-1866)**

18

Exports from the Province of Canada to the United States, 1854 and 1866



Data from: Kenneth Norrie et al.,
A History of the Canadian Economy, 2008.

The Reciprocity Treaty (free trade agreement) allowed the Province of Canada to **increase trade with the USA**, especially its **exports**.

- Timber
- Wheat
- Cheese
- Butter
- Fish
- Coal

Etc.



The Port de Montréal

Situated at the confluence of the Rivière des Outaouais and the Fleuve Saint-Laurent, the Port de Montréal flourished as a result of increased trade with the United States. By the mid-19th century, the port had become the colony's commercial hub and would continue to grow rapidly.