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Rummagings 12: A Man in Glengarry: John Rae, Political Economist

In the summer of 1818, while en route from Montreal to Kingston, John Howison stayed briefly in the Glengarry settlement, where, as he recorded in *Sketches of Upper Canada* (1821), he hoped to see his fellow Scots “elevated in their characters, and improved in their manners, by the influence of independence” (18). This was far from the case, however, for, although the settlers had, “in some degree, surmounted...th[e] difficulties” facing them, “the settlement...[was] not in a very flourishing state, and its inhabitants seem[ed] too unambitious to profit by the advantages of their condition” and, worse, exhibited no “inclination to improve their way of life, being dirty, ignorant, and obstinate” (19). Nevertheless, the condition of the inhabitants of Glengarry did in one respect afford Howison “a pleasing subject of contemplation”: steady and “progressive improvement...may possibly produce an amelioration in their manners and habits” and a broadening of their “ambition,” and an “increase” in “[t]he means of education” will mean that “the children of...[the] present inhabitants, if allowed to enjoy the advantage of intellectual cultivation, will be raised several degrees in the scale of society, and their descendants, possessing superior opportunities still, will triumph over rusticity and ignorance, and become respectable alike for their circumstances and their acquirements” (20). So popular did *Sketches of Upper Canada* prove that, stripped of its harshest comments on the Glengarry settlement and settlers, it went to a second edition in 1822 and a third in 1825.¹ In subsequent years, it was read by countless immigrants to Upper Canada such as Samuel Strickland and Catharine Parr Traill, and its impact is evident in works as diverse as Thomas Chandler Haliburton’s *The Clockmaker* (1830) and Charles Sangster’s *The St. Lawrence and the Saguenay* (1856).²

It may also have had a more immediate impact in the form of the establishment in 1822 of a boys’ school in Williamstown, a sizeable community in the southern part of the Glengarry settlement by another Scot, John Rae (1796-1872). Like Howison, Rae had been a medical student at the University of Edinburgh; indeed, they were there together in the 1815-16 academic year.³ Early in 1822, “a sudden and unexpected change took place in...[his] circumstances” (Rae viii)—probably the “bankruptcy of his father” (James 14)—that induced Rae and his wife to emigrate to Canada.

Initially they settled in Montreal, the likely reason being the presence there of Rae's older sister, Ann Cuthbert, who is now best known to students and scholars of Canadian literature in Susan Birkwood's very valuable edition of her second volume of poems, *A Year in Canada* (1816). (Her other books include *Home: A Poem* [1815], *First Book for Canadian Children* [1843], and *Views of Canadian Children* [1843].)⁴ After the death of her first husband, James Innes Knight, with whom she had emigrated to Montreal in 1815, she married the author and businessman James Fleming, whose businessman-brother John was the author of an extensive body of work, including *Some Considerations on This Question: Whether the British Government Acted Wisely in Granting to Canada Her Present Constitution?* (1810), *The Resources of the Canadas* (1813), and, later, *Political Annals of Lower Canada* (1828). It was thus into a highly literary, politically engaged, and comparatively well-to-do family circle that Rae and his wife moved in 1822, quite possibly with a copy of *Sketches of Upper Canada* in their baggage.

While in Montreal, Rae "busied himself writing notes on the geological characteristics of the Gulf of St. Lawrence" for an essay that has been lost (James 16-17). In the ensuing years, he would contribute articles and letters to Canadian newspapers and periodicals on such subjects as manufacturing and education in Canada, the clergy reserves, plagiarism, and genius (the last two in the *Literary Garland*).⁵ In 1831, Rae and his wife moved back to Montreal and three years later he resumed school teaching, this time in Hamilton, Upper Canada, where he remained until he was dismissed in 1848, at which point, perhaps after a brief period in Trois-Rivières (see James 96-98) and the death of his wife, he moved to California. By 1851 he was in the Hawaiian Islands, where, as indefatigably curious and engaged as ever, he wrote articles on the Hawaiian legislative system and the languages of Polynesia and transcribed a Hawaiian legend. In 1871 he returned to the United States, where he died in Staten Island at the age of 77 on 12 July 1872.

Rae's most important and influential work is unquestionably his *Statement of Some New Principles on the Subject of Political Economy*, which was published in Boston in 1834 and reprinted in facsimile in 1965. As indicated by its extended title—*Exposing the Fallacies of the System of Free Trade, and Some Other Doctrines Maintained in the "Wealth of Nations"*—the book is a sustained argument against the ideas of Adam Smith, which were regarded as economic gospel when it appeared and would remain so for many years to come (and lead, among other things, to the repeal of the Corn Laws in 1846). As a consequence, *First Principles*

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made little impact in 1834 (and, for Rae, little money—hence, his return to school teaching in that year), but this would change in 1848 when John Stuart Mill repeated and endorsed its ideas on capital accumulation, luxury taxes, and the use of duties on imported goods to foster and protect native industries in his influential *Principles of Political Economy* (see Goodwin 57 and 126-28, James 162-75, and Neill 57).⁶ Through Mill's book and in its own right, *First Principles* exerted considerable influence in the late nineteenth century, nowhere more so than in the country in which it was written: in 1876 when he introduced the ideas that would become the National Policy (1878), John A. Macdonald cited both Mill and Rae as providing the justification for using "protecting duties" in "a young and rising nation" in "hope of naturalizing a foreign industry...suitable to the circumstances of the [new] country" (qtd. in James 172). In his Introduction to *First Principles*, Rae writes that "the solitude and labors of the Canadian backwoods...altered the...form" of his "inquiries" (viii). Over forty years later, four years before his death, his book would help to alter the course and change the shape of the country that, in Macdonald's words, was "just emerging from the first struggles with the forest" (qtd. in James 173).

Rae's most fundamental criticism of Smith is methodological. "[T]he author of the *Wealth of Nations* was completely opposed to ... inductive philosophy—the philosophy of [Francis] Bacon," the aim of which is to "explain...phenomena," not "according to...preconceived notions," but through strict "investigation" and "careful interpretation" whose "object [is] the discovery of truth" (328-29, 331). (After Smith and the *Wealth of Nations*, Bacon and his *Novum Organum* are the most cited author and text in *First Principles*.) Setting out to correct the errors that flow from Smith's apriorism, such as "taking what is merely a necessary concomitant, for a cause" (28), Rae made the Glengarry settlement and, more broadly, Upper Canada and North America his laboratory. What he saw and induced as he did so is that, contrary to Smith's theory that "the source of the wealth of nations" lies in the self-interested "accumulation of capital by the undisturbed industry and economy of individuals," which, therefore, "ought never to be interfered by legislature" (*laissez faire*) (42-43), national wealth is generated and increased by three means, each of which legislators can "advance":

- I. By whatever promotes the general intelligence and morality of...society; ...the moral and intellectual education of the people makes an important element in its progress;
- II. By whatever promotes invention;
 1. By advancing the progress of science and art within the community;⁷

2. By the transfer from other communities of the sciences and arts there generated:
- III. By whatever prevents the dissipation in luxury, of any portion of the funds of the community. (362)

By Rae's lights, "[t]he fundamental error...of Adam Smith, and the present prevailing [Ricardian or Classical] school of political economists in England" in opposing protective tariffs and other duties that could promote "invention" and prevent "dissipation in luxury" "lies, in their assuming, that what is true concerning an individual is true, also, concerning a community, and maintaining, consequently, that every impost [tax] is so much absolute loss to the society and every diminution of it, so much gain" (384).⁸ The fact that such assumptions are today the staple fare of neoliberals merely goes to confirm the obvious: they are direct philosophical descendants of Adam Smith.

As important as Rae's critique of Smith's methodology is his rejection of the notion that individuals are driven to accumulate wealth by saving money, starting businesses, and other means by a desire for "mere selfish gratification" (124). Asserting that this is an insufficient explanation and an inadequate view of human nature, Rae argues in good Scottish Entitlement fashion (see Neill 61-62) that more "important element[s] in the determination of the course of human action" and the "desire to accumulate wealth" are (1) the "intellectual powers" that "give rise to reasoning and reflective habits" such as financial prudence and (2) "the *social and benevolent affections*" that prompt individuals "to procure good for others" and to think beyond "mere personal interests" towards "future goods" of their family and their community (122, 124). The first of the principles listed by Rae and quoted earlier—the advancement of "intelligence and morality"—derives in great measure from his moral matrix, as indeed does the hostility to "luxury" apparent in the second. The reason for this is that, in his view, luxury is "the expenditure occasioned by the passion of vanity," a "purely selfish feeling" whose "pleasures centre in the individual" and whose "aim...is to have what others cannot have" (271-72, 265-66).⁹ Thus, "[a] person is...guilty of inflicting an injury on the community, when he runs into both acknowledged extravagances and real luxuries" (282). In other words, damage to society occurs when certain commodities are used in such a way that their "consumption is conspicuous" (310, and see 286-87)—a phrase famously adapted by Thorstein Veblen, who apparently "knew Rae's work but did not cite it" (see James 161 n33 and 187)¹⁰ and, of course, supervised the doctoral thesis of the political scientist who satirized the practitioners of conspicuous consumption in *Arcadian Adven-*

tures with the Idle Rich. Stephen Leacock would almost certainly have agreed with Rae's proposal to impose import duties on commodities on which vanity can "easily fix" (310).

At or near the heart of Rae's disagreement with Smith is his argument that national wealth and social advancement are the result, not of the "continual and parsimonious saving" by which an "individual [can] accumulate ...ten times the capital he once had" but, rather, through what today would be called creativity and innovation (14). "Invention is the only power on earth, that can be said to create," he asserts; "[i]t enters as an essential element into the process of the increase of national wealth, because that process is a creation, not an acquisition...The ends which individuals and nations pursue, are different. The object of one is to acquire, of the other to create" (15). From this it follows that whatever favors "invention"—education to increase the strength of the "intellectual powers" and the "social and benevolent affections" that "excite and nourish, the enthusiasm of genius"—should be encouraged and whatever impedes it—"the ascendancy of the "purely selfish" as manifested in vanity—should be discouraged (222, 265). Legislation can help to increase a society's capacity for invention and hence improve society as a whole (24-25), but other factors also do so. Some of these are environmental (abundant natural resources, for example, and a demanding climate [see 238-45]). Others are the society's wealth and stage of development ("seats of commerce," Rae observes, are "the points from whence improvements in the arts have emanated" [237]) and racial or ethnic diversity (thus Great Britain and the United States, "where various different races, or nations, have mingled together, are to be noted, as coming eminently forward in the career of industry" by virtue of the "inventive faculty" [237-38]). By placing people in new and demanding situations, the movement of "men and arts...from region to region" also "excites the principle of invention" (321). By the same token, "[i]ntestine commotions, persecutions, wars, internal oppression, or outward violence...excite the inventive faculty to activity," and "periods of great changes in kingdoms and governments, are the seasons when genius breaks forth in brightest lustre" (222-23). In short, "[w]hatsoever...breaks the wonted order of things" is conducive to invention because it "exposes the necessity, or the possibility, of connecting them by some other means" (223). It is not unlikely that Rae saw his own work as an instance of his change theory of invention in action and would also have seen the creations of two of his fellow emigrants from Scotland to Canada, Sandford Fleming and Alexander Graham Bell in the same light. Certainly, *First Principles*, time zones, and the telephone answer to Rae's definition

of “invention” as the faculty that “brings visibly before us forms previously hidden” that then become “the property of the whole human race” (208, 222).

In *A History of Canadian Economic Thought*, Robin Neill remarks that, although Rae may have arrived at the core ideas of *First Principles* before he came to Canada, this is not important “because he was able to elaborate his theory with the experience of the Canadian frontier in view” (56)—and, it may be added in fairness to his insistence on the primacy of empirical observation and deduction, adjust and alter it in accordance with what he saw in his Glengarry laboratory. As striking as anything else about Rae’s book is the sheer extent to which it is populated with examples and illustrations drawn from “the native peoples of the St. Lawrence lowlands, and the frontier communities of the European settlers in Upper Canada” (Neill 57), and, more generally, from the life and circumstances of “beginning settlements in North America” (Rae 58). Among the most striking of these are two narratives embedded in Rae’s analysis. One of these, which is based on observation of Natives on the St. Regis reserve,¹¹ is used to explain why nomadic hunter-gatherers do not accumulate wealth or possessions and do not, in Rae’s view, understand the desire of Europeans to do so (131-38). The other, which is based on observations of the practice of two isolated settler families in “the interior districts” of Canada who made “almost every article they required,” is used both to refute Smith’s claim that “[i]t is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy” (56-60) and to make the point that density of population and distances between people and communities must be factored into any account of the division of labour. When the settler “population is scattered” in countries such as Canada, “every man is at first probably obliged to be his own carpenter, glazier, tanner, cobbler, and perhaps to a certain extent his own blacksmith. As the settlement fills up, and the population becomes sufficiently dense, he gives up this multifarious, and takes to some particular branch.”¹² The advantages of the change to the whole community, and therefore to every individual in it, are great” (57, 165). Observation and inference reveal or confirm that what holds for an old country does not necessarily apply to a new one; a rising village in Canada exhibits economic realities that are not taken into account by a theory based on metropolitan centres in Europe. Developing countries and infant industries need to be understood and treated differently than developed countries and mature industries.¹³

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Nowhere is the impact of Rae's observations in the "Canadian backwoods" more apparent than in his discussion of the development and advantages of banking over the barter and credit systems that he saw around him (164-97). As an example of the former he refers to the amount of labour and time that determines the exchange value of a "straw hat," "fell[ing] trees," or a "willow basket," and situates the discussion firmly in a frontier context:

suppose...that a basket-maker, say in some settlement in North America, having to go on foot a considerable distance through woods and swamps for his willow twigs, requires one day to procure enough to make a basket, and that he takes another to work them up, he would then probably receive for each basket two days' labor, or articles having cost two days' labor. If ..., however, a place where equally good willows is discovered near at hand, so that only half a day is required to get enough for a basket, and this is generally known, he will no longer be able to exchange them at the same rate, because ...other people would make baskets for less.... (168-69)

Perhaps with Howison in mind,¹⁴ Rae observes that "[a]European visiting some parts of Upper Canada, is surprised...that a few dollars is all the cash that even men comparatively rich have lying by them" (179) and then relates this phenomenon to the barter system:

...especially in new settlements in Upper Canada, the scarcity of cash, and perhaps other circumstances, often lead traders to adopt a peculiar plan of business. Every dealer provides himself with a general assortment of all sorts of commodities in demand in the settlement he inhabits, and reckons on being paid for them in the shape of grain, potash, pork, beef, and other commodities, in the formation of which his customers are engaged. (183)

To manage this system, "the merchant opens an account with each of his customers, charging him with the goods furnished, and giving him for the product received, and in this way perhaps all the transactions between the two are managed, either by barter or credit, without the assistance of a dollar of cash" (184). Whether in "a remote American settlement" or a European city, the desire of store-keepers to "sell as many goods as possible" and their inability to judge the creditworthiness of customers means that "many...customers are much longer of paying...than promised, or do not pay at all," which, in turn, means that store-keepers are "obliged" to "balance" their "risk[s]" by charging more for their commodities (184). This vicious cycle is the reason, Rae infers, for the existence of "[t]he business of banking, [which] seems to owe its foundation and extension, to its

capacity for giving room for the development of the benefits, and for restraining and remedying the evils of the system of credit" (185).

Although most of the other examples and illustrations that Rae drew from "the progress of settlements in North America" are more incidental than his narratives and his chapters on banking, they nevertheless offer sharply observed details of life in Canada in the eighteen twenties and thirties. The tasks of levelling, draining, and "removing stones" from a field (the last an especially onerous undertaking in the Glengarry area) are changes that make the field an "instrument" for "the purpose of supplying ...[a settler's] future wants" (87-88); by means of "manuring..., sowing..., and tilling" over a period of years the field becomes a "succession of instruments of agriculture" (107-108); from year to year a farmer may "get...maize [corn] planted, hoed, and harvested next season, by Indian women, agreeing to give them part of the crop" (101). "An English farmer...who comes to North America to pursue his art, almost always commences on the same system which he followed in Britain," using agricultural implements...of the most expensive construction," but in time "he discovers that he may do better by being content with more simple, and less highly finished implements" (207). "There is...no better school for the dissolute European than the back woods," for "[a]fter a dozen years' residence in them, or in the clearings to which he has helped to convert them, he comes out a completely altered man" (281). "The consumption...of coarse unbleached cotton, for shirting" is greater among the "working classes in North America, than in Europe" because "the strength of their effective desire of accumulation" makes them more frugal (and less vain) (278). "[M]any of the Indians in Canada, when in high dress, [are] clothed in the finest English cloth, in which they are...excellent judges;...the way they wear it, the Indian blanket, one made thick for the purpose, with a broad blue border, makes a...convenient and...becoming robe" (412). The fashion among Canadian women for Leghorn bonnets in the early eighteen thirties, the relative prices of Scotch and Canadian whisky, and even the composition and durability of roads are summoned in support of Rae's ideas and insights (287, 373, 114).

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The foregoing is not intended to be anything like a full account of John Rae's ideas and insights, let alone an assessment of the validity of his economic and political arguments and theory; rather, it is an appreciative response to *First Principles* that, I hope, will serve to introduce it to students and scholars of Canadian writing and, perhaps, encourage some to

examine for themselves what seems to me to be one of the most brilliant—if not the most brilliant—books to emerge from and cast light upon a pre-Confederation Canada.

Notes

- 1 See 211 of my edition for the omissions and revisions between the 1821 and 1822 editions of *Sketches of Upper Canada*. A German translation of *Sketches of Upper Canada* was published in 1822 and facsimiles of the first edition in 1965 and 1970.
- 2 For a discussion of the impact of *Sketches of Upper Canada* on Canadian writing see the Introduction to my edition xvii-xxii.
- 3 See R. Warren James 9-10 for the dates of Rae's attendance at Edinburgh (1815-17). I am grateful to Sandalia Genus, Rona Morrison, and Steven King for the information that Howison attended the University for four years from 1812 to 1816.
- 4 Details of Cuthbert's life are drawn from James 15-17 and Susan Mann Tofimencoff's entry on her in the *Dictionary of Canadian Biography*.
- 5 See James x and the "Selected Papers" section of his edition (1:193-419). The information about Rae's life in the remainder of this paragraph are drawn from James 3-123.
- 6 In a footnote quoted in James 168-69, Mill attributes the poor reception of *First Principles* to the fact that it was published at an "[un]suitable time" and observes that, although he thinks many of Rae's "criticisms just, and some of them far-seeing," "there is much less real difference of opinion [between him and Smith] than might be supposed from Rae's animadversions." Mill's point is supported by the fact that, like Rae (see above, Smith was not opposed to the imposition of taxes to assist fledgling companies as Rae suggests (see Leacock 23-24).
- 7 By "science" Rae means "knowledge or cognizance" in a broad as well as a specialized sense and, by "art," "skill" in any practical or aesthetic pursuit (see the entries on both in the *OED* and in Raymond Williams, *Keywords*).
- 8 The classical economists reigned supreme from the Treaty of Vienna (1815) to the repeal of the Corn Laws in 1846 and the repeal of the Navigation Acts in 1849. David Ricardo's major work is *On the Principles of Political Economy and Taxation*, which was published in 1817. The running header in Chapter 1 of the first of the three Books for *First Principles* is divided is "Individual and National Interests Are Not Identical."
- 9 "Vanity is combated," he adds, "by the strength of the social and benevolent affections and intellectual powers. The former represent its excesses as hurtful, the latter as absurd" (Rae 275).
- 10 Rae's terms and, hence Veblen's phrase, may owe a debt to Jean-Baptiste Say's "'Luxe de L'ostentation,'" which Rae cites in a footnote (384n).
- 11 See Rae 136-37, where he describes the "little Indian villages" on "the banks of the St. Lawrence" and the activities of their occupants. At many points in *First Principles*, Rae draws upon the four stages theory of social development to explain differences between and among nations and races past and present (see, for example, 144). In describing "the Indian Village of St. Regis" he notes that the Indians are not "avers[e] to agricultural labor" as maintained by other writers but, on the contrary, engage in it when "the returns from...[it] are speedy, and great" as on "some of the little islands of lake St. Francis."
- 12 In an earlier passage Rae relates developments in the arts (again broadly understood) to population growth: "while a territory is scantily peopled, and its inhabitants spread over

a great distance from each other, they can never subdivide themselves into different trades and employments, and each devoting himself to a particular business or art, exercise his whole ingenuity to bring that particular occupation to perfection; and...hence arts are in general in the most flourishing condition, where the population is the most dense" (35). The importance that Rae attaches to population density may derive in part from Robert Gourlay's *Statistical Account of Upper Canada* (1883) (see ccxl), which, however, he does not mention.

- 13 In this and other regards, Rae's analysis was ignored, partly, James suggests, for the reason identified by Walter Bagehot in his *Economic Studies* (1905): failure to "recognize that there is a distinction between the main mode in which capital grows in such countries as England, and the mode in which it grew in all countries at first" (qtd. in James 174).
- 14 The evidence that Rae did indeed have Howison in mind is strongest in this section of *First Principles*, for in *Sketches of Upper Canada* Howison comments at some length on the weaknesses of the barter system and the scarcity of "specie" (coins and paper currency) in the province (see 61-62 and 115).

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