A Diverse Economy: The Columbia Department of the Hudson’s Bay Company, 1821-1846
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The Hudson's Bay Company, contrary to popular perception and perhaps to academic perception as well, was not a monolithic firm narrowly preoccupied with a single source of profit, namely beaver fur for fashionable hats. This misconception is perhaps nowhere more inappropriate than in the Oregon Country, where the company, which dominated the region's economy until the middle 1840s, was affected by American and Russian competition and the proximity of growing markets. Here, beaver was neither the sole nor even the main fur in the company's outfits.

From 1826 through 1846 beaver constituted more than half of the company's fur returns in only two years (1826 and 1830), and thereafter it usually constituted from one-third to one-quarter or less. Admittedly, in terms of value, beaver's share was undoubtedly greater; nevertheless, these figures do not include returns of beaver coating, castoreum, marten robes, sea otter tails, swan skins, deer hides, isinglass, tortoise shell, pearl shell, and gold dust, the inclusion of which would depreciate beaver's share somewhat. Moreover, these figures also do not include the output of farming, fishing and lumbering, which loomed ever larger after the 1820s.

By 1845 the company's agricultural property was considerable, amounting to 3,000 acres of plowland and nearly 17,000 head of livestock. In the same year at Fort Vancouver, the department's headquarters and largest post, the farmland fronted the Columbia River for 25 miles and stretched inland for 10; up to a third of the fort's servants were employed in farm work; in addition to two dairies and two grist mills, there were two saw mills, one of which in 1841 employed as many servants as the farm and produced 2,500 feet of lumber daily. Farming likewise loomed large at Forts Colville, Langley and Victoria, and only 2 of the company's 23 establishments (Chilcotin and Flathead posts) lacked both plowland and livestock.

The company owned the Puget's Sound Agricultural Company, a subsidiary firm exclusively devoted to crop growing and stock rearing, with sizable farms at Cowlitz and Nisqually. Fishing was more important than farming at one post at least Fort Langley where 200-300 barrels of salted salmon were packed annually during the 1830s, and more than 1,500 in 1846; the 400 barrels of salmon output in 1841 were worth almost a third as much as the fur catch. Columbia Department economics, then, were anything but simple.

What were the reasons for this economic diversity? For one thing, some auxiliary activities were necessary in order to support the fur trade, which still remained the company's raison d'être. It did not, of course, exist in a vacuum, and it was cheaper to produce some ancillary essentials, such as food, lumber and leather. Than to import them. George Simpson in particular was sensitive to the economies of import substitution, and it is no accident that the economic perestroika of the Oregon Country dates from the time
of his gubernatorial appointment in 1821, the same year that saw the absorption of the North West Company by the Hudson's Bay Company.

In 1824-25 Simpson toured the Columbia Department and concluded that it had been neglected and mismanaged but was nevertheless potentially very profitable, provided the "extravagance" was eliminated. And this, he decided, could best be accomplished by encouraging the posts to produce as much of their own food grain, beef, venison, fish as possible for the company's servants, who were paid an annual salary and a daily ration. In Simpson's own words, "it has been said that Farming is no branch of the Fur Trade but I consider that every pursuit tending to lighten the Expense of the Trade is a branch thereof." Overland supply from York Factory on Hudson's Bay and overseas supply from London were both lengthy and costly; the "London ship," for example, took at least half a year to reach the mouth of the Columbia, where it faced the treacherous breakers on the bar, and up to another month to make Fort Vancouver, whence the supplies were boated and horsed over the risky, long Columbia-Fraser brigade system to New Caledonia. In addition, local farming would lessen dependence upon the Indians for fish and game.

Another reason for economic diversification was the desire to make more efficient use of manpower. Simpson hated waste, including the waste of labor. When servants were not trading, they could be farming or fishing or doing whatever else was profitable. Although most of the auxiliary activities, like trading, were carried out in the warm season, not every hour of the day was taken up by these activities. And in winter, when the Indians were trapping, the Bay men had a lot of free time on their hands.

A third reason for diversification was the desire to spread the company's commercial risk by developing other sources of profit. The local market was small, the "Willamette Settlement" not burgeoning until the middle 1840s. So Simpson hoped to open foreign markets to Columbia "country produce," particularly grain, beef, butter, fish and wood. Indeed, his policy of diversification was predicated on the exploitation of foreign as well as domestic markets.

Especially promising were Russian America, the Hawaiian Islands and California. Hawaii was the most distant, but its population was considerable and increasing; California was the closest, but its modest population had not yet been swollen by the gold rush. Nevertheless, company agents were stationed in both Honolulu and Yerba Buena. The best prospect was Russian Alaska, with its chronic shortage of consumer goods, including foodstuffs. Moreover, if the Hudson's Bay Company could replace the American fur trading vessels as the suppliers of New Archangel (Sitka), then what Simpson called the Yankee "birds of passage" would be driven from the coast, leaving its trade to the British and the Russians.

Beginning in the late 1820s, Simpson tried to do just that, and within a decade he had succeeded. His cause was aided by the withdrawal of Sitka's American suppliers when the coast trade declined, and by the collapse of the California missions, another group of suppliers, in the wake of secularization. When the Honourable Company signed the "Russian contract" with the Russian-American Company in 1839, it gained virtual control of the coast trade in exchange for annual deliveries of Columbian provisions and English manufactures to Sitka.

The same agreement enabled the Russians to dispose of Russian California (sold to the soon-to-be famous John Sutter) and the Hudson's Bay Company to abandon Forts McLoughlin and Taku. It also prompted the Hudson's Bay Company to establish the Puget's Sound Agricultural Company to fulfill the alimentary clauses of the contract. (In fact, Fort Vancouver and the Willamette settlers were to provide most of the grain and Fort Langley most of the butter, with the "sheep concern" at Cowlitz and Nisqually farms catering largely to the English wool market.) This situation remained unchanged until the division of the Oregon Country in 1846 and the California gold rush in 1849.
The final motive behind diversification was the desire to develop alternative sources of profit to the fur trade. Just as the maritime fur traders of the coast increasingly diversified their traffic in the face of the over-hunting of sea otter, so too did the continental fur traders of the interior with the over-trapping of beaver. The company had entered the Oregon Country in order to compensate for the falling returns of Rupert's Land (in northern Canada). On the Pacific slope its policy had been to "trap clean" the lower Columbia and Snake River lands, forming a buffer against American mountain men for the protection of what one Bay man called "the great beaver nursery" of New Caledonia.

This policy was so successful that beaver returns did not decrease substantially until after 1841, while the returns of all furs remained fairly stable. In other words, beaver pelts were increasingly replaced by non-beaver pelts, just as in the coast trade non-sea otter skins increasingly supplanted sea otter.

What one servant described as "the exterminating system of hunting" was the chief but not the only reason for the demise of the beaver trade. Capricious fashion was changing: the felt hat was becoming old hat, giving way to the new silk topper. The result was what James Douglas characterized as "the decline and wreck of fur trade affairs," with the company's profits falling steadily after the mid 1830s.

The old order of the Indian Country fur trade was changing, and Simpson, with his sharp business sense, had realized this early. His response diversification succeeded in prolonging the company's profitable years and, by ousting the American coasters, helped to keep the central part of the Northwest Coast in British hands. Indeed, it is arguable that his policy could well have kept all of the right bank of the Columbia River British, too, since it was the lack of resolve in London, not the lack of British or the presence of American settlers on the northern side of the Columbia-Snake-Clearwater axis, that resulted in the Oregon Country being divided internationally along the 49th parallel. Much later another kind of diversification, this time into real estate and general merchandising, was to change the company into a modern corporation and help it survive to the present day.

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