

‘MORE MONEY THAN SINCE OR BEFORE’:
HOW JOHN LABATT’S BREWERY PROSPERED DURING THE
CANADA TEMPERANCE ACT PERIOD, 1878-1889

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Judge Macdonald: ‘[D]id you find the manufacture of malt liquors decrease?’

John Labatt: ‘No, I made more money during the Scott Act time [i.e the period of Canada Temperance Act, 1878-1889] than I ever did since or before.’¹

On 8 May 1878 the Canadian federal government of Alexander Mackenzie attempted to restrict the production and consumption of alcohol by passing the Canada Temperance Act. Known popularly as the Scott Act, on account of its sponsor, the Leader of the Government in the Senate, Richard William Scott, the Canada Temperance Act gave municipal and county governments the legal authority to go ‘dry’ if a majority of local inhabitants voted in favour of prohibiting the retailing of ‘intoxicating liquors.’ Supporters of the Act hoped that the law would put brewers and distillers of the nation out of business. While the Act remained law until 1946, when it was successfully challenged and deemed unconstitutional by the Judicial Committee of the Privy Council, it was only widely embraced during the period 1878 to 1889.

This article examines how one prominent Canadian brewer, John Labatt, managed not only to survive but prosper, and ultimately gain national status during the Canada Temperance Act period, 1878-1889. The pressing need to compensate for the initial drop in local sales

prompted the London-based brewer to look to those distant places that had held the temperance forces at bay. He was thus motivated to move before his principal competitors. As a result, he gained what the Harvard business historian Alfred Chandler has termed a ‘first mover advantage’ in the quest to dominate the Canadian beer market. This ultimately helps to explain how a relatively small city like London, Ontario, came to be home to one of Canada’s most successful breweries. Ironically, the Canada Temperance Act, which was designed to constrict the liquor traffic, actually caused an expansion of the trade, as liquor men like John Labatt aggressively exploited existing technologies to seek out new markets and aggressively promoted their products across the land. By drawing on the recently released collection of *Labatt Papers* at the University of Western Ontario, this paper examines how the Labatt Brewery managed to grow and prosper during a period of local-option prohibition.

**The rise of teetotalism and the ratification of the
Canada Temperance Act**

During the second half of the nineteenth century the temperance movement gained ground in North America, Scandinavia and Britain.² While the temperance movement in each of these geopolitical regions varied, it was generally committed to bring about a reduction in the consumption of alcoholic beverages. At an earlier point in the temperance movement’s evolution, however, the means to the glorious end of dry heaven on earth was moral suasion.³ But as the movement evolved and the

* This article has undergone peer review.

apparatus of the State became more developed and pronounced, the 'drys' in society began to argue that moral regulation was the means to ending the reign of 'King Alcohol.'⁴ 'Righteous laws' should be enacted, proclaimed the Canadian temperance advocate Francis S. Spence, 'for the suppression of intemperance.' Like temperance advocates elsewhere in North America and in Europe, Spence believed that by wiping out the liquor traffic all of society's troubles would be washed away.⁵ He thus joined the chorus of dry voices in calling for the state to use its vast legislative powers to prohibit the production and consumption of John Barleycorn.

In an effort to have the State pass such laws, the prohibitionists began pressuring politicians and the public alike. In North America and Northern Europe, they came together to form lobby groups.⁶ In Canada, the most powerful lobby group was Francis Spence's Dominion Alliance for the Total Suppression of the Liquor Traffic. At the Alliance's inaugural convention in 1875, Canadian prohibitionists laid out their strategy for putting brewers like Labatt and the rest of the liquor traffic out of business.⁷ The decision was made to lobby the government for legislation prohibiting the production and consumption of booze and, simultaneously, to change the culture around imbibing. With this two-pronged approach spelled out, the Alliance began pressuring Prime Minister Alexander Mackenzie and his Liberal government for 'dry' legislation. Unlike the man who formerly held the highest elected office in the land, Canada's first Prime Minister, John A. Macdonald, Alexander Mackenzie abhorred drink. Nevertheless, he felt that on this issue the people should decide. Consequently, in 1878, his government passed the Canada Temperance Act.

John Labatt and the rest in the Canadian brewing community had hoped that beer would be excluded from the legislation. After all, they pointed out, beer was a less alcoholic beverage and thus far less damaging than hard liquor. 'My contention is that if the Government would do all they [sic] could to encourage the use of these malt beverages to the exclusion of the stronger ones,' stated the Toronto brewer Eugene O'Keefe, 'it would be better for the people.'⁸ Labatt shared O'Keefe's view.⁹ Indeed the brewing community generally believed that beer was a benefit to society. They had long maintained that beer was a 'temperance drink', and much safer to consume than either water or hard liquor. As early as 1821,

the Kingston brewer Thomas Dalton had told the people in his community to: 'Avoid stagnant water, and ardent spirits, drink copiously of genuine Beer, and you may confidently bid defiance to that pest of all uncleared Countries, the Fever and Ague.'¹⁰ During the first half of the nineteenth century this view captured the popular imagination, and thus only the most radical 'drys' advocated prohibiting the manufacture or retail sale of malt liquor.

But a number of developments took place during the last quarter of the nineteenth century that shifted the popular perception around beer, brewing and beer drinking. First, by the 1870s, Canadians had a new variety of relatively safe and affordable beverages available to them. As early as 1857, the *Abstainer*, a Halifax temperance periodical, had argued that coffee should take the place of beer 'as the working beverage.'¹¹ With the decline in the price of coffee and tea after 1870, thousands of families of all levels of society began brewing these hot, aromatic, non-alcoholic beverages on a daily basis. Milk was also widely available in towns and cities.¹² As well, the soda pop that Labatt had first seen and sampled at the Centennial Exposition in Philadelphia in 1876 was slowly making its way into Canada. And finally, the water supply was generally becoming more sanitary - notwithstanding the comments of the *Globe* in 1882 that Toronto's water was 'drinkable sewage.'¹³ Thus, a number of material developments were taking place that served to undermine beer's traditional role in society as *the* temperance drink.

The second development that caused a shift in the culture of beer related to the first, but took place at the level of perceptions and ideals. In the battle between the 'wets' and the 'drys', the latter were winning the propaganda war.¹⁴ In their minds and messaging, no distinction existed between the brewers, vintners and distillers of the nation. Together they were the 'merchants of misery and despair', each as guilty as the other at causing intemperance and social decay.¹⁵ The point was driven home in a cartoon published in the satiric magazine *The Grip*. The drawing, by the cartoonist and staunch prohibitionist John Bengough, was of a hellish-looking tavern - dark, unclean, impure, and dangerous. Standing beside the barmaid, 'Miss Canada', was her partner in the immoral business of booze peddling, the devil. As 'Miss Canada' worked the taps of the beer keg,



Figure 1. 'Miss Canada, Barmaid'. Grip (9 July 1887).

Satan tempted his patrons to sin, pouring them 'murder malt', 'crime rum', and 'riot gin'. Like other prohibitionist propaganda of the period, the message of this cartoon was clear: drinking *any* intoxicating beverage, be it beer, wine or hard liquor, would condemn one to an impure, unChristian life in a living hell.¹⁶

As a consequence of the prohibitionists' propaganda campaign and the resulting shift in perceptions of beer, brewing and beer drinking, the brewers were not exempt from the Canada Temperance Act. They found themselves bound by clause ninety-nine of the Act which stated that

no person ... shall, within such country or city [that has invoked the law], by himself, servant, or agent ... sell or barter ... any spirituous or other intoxicating liquor, or mixed liquor capable of being used as a beverage ...¹⁷

If there was any lingering doubt that beer was not included in the new legislation, the following section

of the Act laid any uncertainty to rest.¹⁸ In the eyes of the law, 'intoxicating liquors' included 'brandy, rum, whiskey or spirituous liquors, wine, ale, beer, porter, cider, or vinous or fermented liquors.'¹⁹ In short, the law suppressed the regular retail trade in beer in those areas where the Canada Temperance Act was in force.

The passage of the Act was the first federal legislative salvo launched in the battle over the bottle and it came as a wake-up call for those like Labatt who had made significant investments in their breweries. Immediately after the passage of the Canada Temperance Act, the Dominion Brewers and Maltsters' Association (D.B.M.A.) was formed with John Stevern, a brewer from Belleville, Ontario, as its first president. John Labatt was one of the principals agitating for a collective reaction on the part of the brewers of the nation to the passage of the Scott Act. He was also one of the first to make a sizable financial contribution to the D.B.M.A.'s war chest, which would be used to influence those in power.²⁰

At the first meeting of the D.B.M.A., the decision was made to lobby the federal government for the Scott Act's repeal. What had changed to make the D.B.M.A. believe such an action was possible was the fact that John A. Macdonald was back in power. Too moralistic, too Ontario-centric, too ideological, and far too 'dry', Mackenzie was unable to achieve re-election in 1878. Macdonald, on the other hand, was a pragmatic politician with an unequalled understanding of the Canadian condition.²¹ While in opposition, he had formulated the 'National Policy,' promising Canadians that if they returned him to power he would implement a tariff to protect domestic manufacturers from foreign competition, which, in turn, would create jobs, stem the tide of emigration to the United States, and create an internal market for the farmers of the nation. The idea of a 'National Policy' to stimulate economic development and restore economic prosperity resonated with Canadians. At a time when the *laissez-faire* economic doctrines of Adam Smith were being critically questioned by philosophers and public policy makers in industrializing nations, Canadians viewed the nationalist economic stance of Macdonald as progressive and modern.²² As a consequence, they rewarded him in the federal election of 1878, giving his Conservatives a majority of the seats in the House of Commons.

As part of the National Policy, the duty on imported ale, porter and stout was set at 18 cents per imperial gallon, thus protecting domestic brewers like Labatt from foreign competition.²³ Simultaneously, Macdonald lowered the tax on malt manufactured in the country back to the level that it had been before the Liberal government of Alexander Mackenzie had come to power.²⁴ This led many to believe that the Conservative government was a friend of the brewing industry.²⁵ Critics also pointed to the presence of the brewer John Carling in the federal Cabinet. As a member of federal parliament, Carling represented London more or less continuously between 1867 and 1895. The only time he was out of politics was during the Grit/Liberal years 1874-78 - the very period that saw the formation of the Dominion Alliance, a tax increase on manufactured malt and the ratification of the Canada Temperance Act. With the Conservatives back in power, Labatt and the rest of the beer lobby were optimistic that the Act's days were numbered.

To hasten that end, Labatt was asked to write to the Prime Minister on behalf of the brewing industry. Whether or not he did so remains a mystery. But it would not have mattered, even if he did. On Parliament Hill there was no craving to revisit the liquor question. Despite his own fondness for drink, Macdonald was unwilling to come to the defence of the liquor traffic. With his federal cabinet divided on the liquor question along religious, regional, and linguistic lines, 'Old Tomorrow' recognized the political advantages of inaction. He thus defended the status quo. By allowing counties or municipalities to prohibit the retail sale of liquor by majority vote, the Canada Temperance Act relieved the federal government of the responsibility for the law. Having passed the Act, the government had no real reason to pay any attention to Labatt or any other brewer. Until his death in 1891, Macdonald did little to further the interests of the brewing community. The questions surrounding alcohol and its place in society split Canadians more-or-less down the middle. In Quebec, for example, there was very little support for the Scott Act and even less for the idea of full-fledged prohibition, whereas in the rural communities with strong Anglo-Protestant populations support was relatively high. A man whose paramount concern was always unity, Macdonald was unwilling to take any action that might divide his party and, more importantly, fracture the nascent nation.

The Canada Temperance Act gave a new sense of purpose to the dry forces across the country. Under the guidance of the Dominion Alliance for the Suppression of the Liquor Traffic, local 'Scott Act Associations' orchestrated the necessary petition drives to get the 25% of the electors in each town or county necessary to force a referendum on the liquor question. When that was accomplished, they worked at winning over local populations to their cause. By the mid-1880s, their zeal had paid off. Much of the Maritimes, parts of Quebec and two counties in Manitoba went dry. In John Labatt's home province, where the bulk of his sales were made, the Canada Temperance Act was adopted in twenty-five counties and two cities.²⁶ If there was any consolation for Labatt, London never held a Scott Act vote. The tradition of beer making and beer drinking was too deeply rooted in the community. Thus as other cities and communities went dry, London, Ontario remained wet.

The problem for Labatt was that by 1878 a healthy portion of Labatt's sales was outside of London. This was not the case for most of his main competitors. As Eugene O'Keefe told the Royal Commission on the Liquor Traffic in 1895, 'My business was principally in the city [i.e. Toronto] at that time.'²⁷ The Royal Commission had been struck in 1892 to review the operation of the Canada Temperance Act and to consider the merits of enacting a new federal law prohibiting the manufacture of intoxicating liquors. Labatt also gave testimony before the commission reporting that his business had fallen off slightly following the enactment of the Act.²⁸ The pressing need to compensate for the initial decline in sales in Ontario prompted Labatt to look to those places that had held the temperance forces at bay. He was thus motivated to move before his main competitors. Ironically the Canada Temperance Act, which was designed to constrict the liquor traffic, actually caused an expansion of the trade, as liquor men like Labatt aggressively sought out new wet markets and aggressively promoted their products across the land.

Steaming into distant markets, east and west

In the years leading up to the passage of the Canada Temperance Act, the Labatt brewery recorded the largest profits since the company's founding in 1847. During the 1850s and 1860s, John Labatt had been

one of the first Canadian brewers to embrace the new technologies of steam, steel and rail, and to gain a widespread presence in Canada's most populated province, Ontario. The railroad revolutionized the Canadian brewing industry, although not to the extent that it did south of the border where a handful of U.S. brewers came to dominate the national market through their utilization of the railroad, refrigeration, advertising and, above all, economies of size.²⁹

With its relative speed and power, the railroad had the ability to overcome the seasonal difficulties of muddy roads and ice-packed waterways, and thus it was far superior to traditional modes of transportation at getting products to market. With the advent of the railway it was finally possible to conquer Canada's harsh winter and to keep trade and commerce moving all year long. In essence, climatic conditions were conquered, as were distance, time and all the obstacles that geography put in the way of transportation by land.

Brewers quickly recognized the blessings of railroad transportation, especially after the introduction in the 1870s of the refrigerated boxcars that kept beer cold and fresh. Aboard a railway, beer was less likely to spill, spoil or go stale. A greater amount of beer could be transported safely and conveniently and thus at a lower cost to producers and consumers. The railway broke down the old 'tariff of bad road' that protected artisanal brewers in small, local markets and helped lay the groundwork for the concentration of industrial production in a handful of metropolitan centres by the end of the period under review.³⁰

No province received the Canada Temperance Act more coolly than Québec. The Protestant moral urge towards prohibition that existed in English Canada was simply not evident in the predominantly French-speaking and Roman Catholic province. In addition the brewing lobby was far more potent in Québec than elsewhere in Canada. As a result, referenda were held in only eleven counties; nine of these were in the Eastern Townships, where a strong Anglo-Protestant population existed. In the eleven plebiscites, only five returned majorities in favor of the law, and only one of these - i.e. the one that took place in Chicoutimi - was in a county that was French-Canadian.³¹ Thus, most of the province remained wet during the Scott Act era, leading John Labatt to fix his sights on the beer-drinkers of Québec.

Of all the markets in *la belle province*, Montreal was by far the most attractive. With a population of over 150,000, of which 20% were, like Labatt himself, of Irish ancestry, Montreal was Canada's largest urban centre. In 1878, Montreal had a population that was almost double that of Toronto and five times that of London, Ontario.³² Despite being home to one of the first temperance societies in all of North America, Montrealers had decided to remain 'wet' during the Scott Act period. As a result, the quantity of places to 'tipple' increased substantially, although the quality of the establishments, in the eyes of some, diminished accordingly.³³ Between 1879 and 1887 the number of liquor licenses handed out in Montreal to hotels, restaurants, saloons and groceries increased from 723 to 1,273. According to William B. Lambe, the Collector of Provincial Revenue for the City and District of Montreal, in addition to these legal drinking establishments there were between 2,000 and 4,000 establishments selling liquor without license in the city during these years.³⁴ By 1887 there was roughly one legal drinking establishment for every 130 inhabitants, leading one temperance advocate to lament that Montreal was 'the most drunken city on the continent.'³⁵

People of every social stratum drank - rich, poor, and those in between. But increasingly the tavern was becoming the workingman's social club and, as Labatt was profoundly aware, beer was becoming the worker's beverage.³⁶ That is not to say that the alcoholic drink of choice of Canadians was malt liquor. That would come later, on the heels of the 'noble experiment', and as a result of the brewing lobby's creation of a cult of moderation. But the trend towards lighter, more moderate beverages was certainly apparent during the 1880s.³⁷ At a time when Montreal was experiencing its own industrial revolution, members of the working-class poured into such taverns as the Crown and Sceptre, the Horseshoe, the Suburban, French Marie's and Joe Beef's Canteen on the corner of Rue de la Commune and Rue Callières in the port district.³⁸ In 1882, visitors to Joe Beef's Canteen consumed 480 gallons (20 barrels) of beer each week.³⁹ Across the province, yearly per capita beer consumption increased from 1.51 gallons in 1879 to 2.82 gallons in 1889.⁴⁰ Total beer consumption in the province doubled during the same period from 2,092,521 gallons (83,700 barrels) to 4,144,904 gallons (165,796 barrels) of beer.⁴¹

Meeting much of this demand were some of the oldest and largest breweries in North America. If a brewer could make it in Victorian Montreal, they could make it anywhere in Canada. A great beer-making tradition had existed in Montreal since the Conquest of New France in 1763. A century after the Conquest, there were ten breweries in Montreal, producing 1,660,000 gallons (66,400 barrels) of beer.⁴² The largest of the existing Montreal breweries was not, however, the oldest. That distinction went to the Molson Brewery, which was established in 1786 at St. Mary's Current. But brewing at this venerable firm had, by the 1850s, become 'a secondary enterprise', and as a result production in 1863 was only 150,000 gallons (6,000 barrels).⁴³ This was substantially less than the brewing that was taking place at Montreal's largest brewery, Dow and Company.⁴⁴ By 1878, Dow was producing almost a million gallons. By comparison, Labatt's brewery was relatively small. While the capacity at the London brewery was 750,000 gallons (30,000 barrels), production in 1878 was far below that amount. Nevertheless, the 250,550 gallons (10,022 barrels) that Labatt produced that year earned him a profit of almost \$30,000.⁴⁵ Always confident in his abilities as a brewer and a businessman, Labatt ploughed the profits back into the business and headed to Montreal to take on the likes of Dow, Dawes and Molson.

Given the excess capacity at the London factory, John Labatt would certainly have made his way to Montreal eventually. But the passage of the Canada Temperance Act accelerated his push east. In 1878, he opened an agency in Montreal to distribute his product and began shipping his beer in barrels via the Grand Trunk Railway. Initially, he was forced to hire an independent merchant to sell his beer. He had disliked doing this in the past, for all of the reasons that manifested themselves after J.B. Richer began peddling his beer in Montreal. A wholesale grocer located at the corner of Laguchetière and St. Charles Borromée Streets, Richer was an experienced distributor of perishable goods. During his years in business, he established a network of valuable contacts in the city, many of which were engaged in the local liquor trade. While Richer approached his new job with an admirable level of professionalism, his other commercial commitments drew heavily on his time. This concerned Labatt, who preferred having a sales force made up of men dedicated to selling his beer, and his beer alone. As a result, in 1885,

he transferred the agency to P.L.N Beaudry, who agreed to devote all of his energy to promoting Labatt's ales and stouts. In return, Labatt paid Beaudry a salary of \$2,500 a year plus \$5.00 for each railway car of beer (roughly 1,650 gallons) he sold until his remuneration totaled \$3,000 year.⁴⁶

Labatt was determined to make a mark in Montreal. On December 30, 1885 he wrote Beaudry stating 'push it [India Pale Ale] all you can and if you find it takes, as you expected it should, push the draught ale business for all you are worth.'⁴⁷ Success in the business of brewing has always been determined by the ability to get one's products into the hands of consumers. In Victorian Montreal this meant first getting one's draught beer into a tavern, saloon, or hotel. Ordinarily, the owners of these drinking establishments, even one as popular as Joe Beef, could only afford to have one or two brands of malt liquor on draught, due to the perishable nature of the beverage in the tapped keg and the cost of the draught equipment. Competition for outlets, therefore, was fierce.

In order to get their beer on tap, brewers offered a variety of inducements to those in the licensed trades. These inducements included spending money at the bar treating the customers; discounts on the per-barrel price of beer; easy credit terms; and paying for the cost of the draught equipment. The first of these, which was known as 'spending', was generally regarded as the most unfortunate practice in the brewing business. Yet all the major Canadian brewers engaged in the custom. The way that the system of 'spending' worked was that in exchange for a tavern, saloon or hotel owner agreeing to put a brewer's beer on draught, the brewer agreed to treat the regular clientele to rounds of drinks whenever he or his representative visited the bar. This was an expensive way of gaining a share of the market, not only because the beverages of other manufacturers had to be purchased during the 'spending' spree but also because representatives like Beaudry felt obliged to drink with customers in one establishment after another.⁴⁸

Sometime the practice of 'spending' undermined the constitution and efficiency of Labatt's agents. At the Royal Commission on the Liquor Traffic, Labatt told his examiners that, 'there was not an unsteady man about the brewery.'⁴⁹ The statement was true enough.

But previously, he had warned more than one of his salesmen that their drinking was getting out of hand. On 31 October 1892, for instance, Labatt wrote to one of his agents instructing him to ‘spend’ and drink less. ‘I do not want anyone to kill himself by swelling [*sic*] on my account. I would sooner go out of business.’⁵⁰ Later he expressed a similar sentiment to his representative in Ottawa. ‘[B]e congenial in the taverns and saloons simply by spending money,’ he wrote, ‘for that is all they care about.’⁵¹ Labatt thus understood that the practice of ‘spending’ was necessary in order to compete in the highly contested battle to get one’s barrel behind the bar. But when the drinking and spending became excessive and compromised the constitution of his employees and the integrity of his firm, he demanded that the practice stop.

Labatt, however, never had any reason to offer Beaudry such sobering advice. He drank only in moderation and never lost self-control. Despite various accords between Labatt and other brewers, agreeing not to undersell one another in each other’s markets, price-cutting took place. Labatt did not like this to be advertised, however. He believed that there was an intrinsic link between price and quality and that by selling his beer at a lower price than his principal competitors ‘it will be considered an inferior ale.’⁵² Nevertheless, out of the public’s view, Beaudry offered discounts of up to 15% in order to get Labatt’s barrels on tap in Montreal.⁵³ He also was willing, when pushed, to pay for the bar-owner’s costs of putting the beer on tap. This strategy proved expensive in the long run, however, as bar owners demanded that Labatt also pay for the maintenance and repair of the pumps and pipes that had been installed. ‘This might go on indefinitely,’ wrote a frustrated F.W. Raymond to John Labatt, ‘[since] they not only ask us to put in the pumps but are continually at us to keep them in repair.’⁵⁴ Nevertheless in the short run the practice was effective.

Labatt’s inducements led to success in Montreal.⁵⁵ By the end of the period under review, Labatt was sending 53 railroad cars of ale (3,498 barrels), or roughly 15% of his total production, to Montreal for distribution and consumption.⁵⁶ So much beer was pouring into Beaudry’s agency that a new building was needed. The two-storey, 10,000 square foot structure at the De Lorimier Avenue near St. Catherine Street was one of the largest of its kind in Canada. Labatt financed the

construction and thereafter retained ownership of the building, which was ‘fully supplied with every convenience.’⁵⁷

Simultaneously with his geographic expansion into the east, Labatt pushed west. In the newly-minted province of Manitoba, beer consumption increased almost eight-fold during the period 1878 to 1889. This was accounted for by the fact that the population of Manitoba more than doubled during the period, along with the fact that, on average, each person drank twice as much beer at the end of the period as at the beginning.⁵⁸ As early as 1882, Labatt had sensed that the west was a land of opportunity. His business instincts proved sound that summer when two of his ‘travelers’ returned from Manitoba with the news that there was a market for Labatt’s ales and stouts. They also reported that a total of seven small, local brewers, four of whom were in the province’s most-populated city, Winnipeg, were meeting the demand.⁵⁹ The opportunity was too good for John Labatt to pass up. As a result, he told his travelers to return to the west and to be ‘aggressive’ in finding buyers for his stock. His instructions, and their subsequent actions, paid off the following summer. From Port Arthur came an order for ‘84 casks bottled and 31 barrels draught’; from Portage La Prairie an order was received for ‘100 casks bottled’; from Brandon an order was placed for ‘one freight car’ of beer. At 28 cents per gallon, Labatt grossed \$462 from the Brandon order, about half the amount he would make from an order twice the size that he had received from licensed trades in Winnipeg.

The completion of the Canadian Pacific Railway opened up a whole new market for businessmen like Labatt, who were constantly looking for new places to peddle their products. ‘In 1886 when the line opened,’ notes the distinguished business historian Michael Bliss,

it became possible to travel and ship from one end of Canada to the other via the Canadian Pacific Railway, the largest and most important business in the country, the first pan-Canadian corporation.⁶⁰

From Labatt’s brewery in London the C.P.R. stretched west, across the Prairies, to British Columbia, where a strong beer-drinking culture existed. Even before the ratification of the Canada Temperance Act, B.C. had the highest per capita beer consumption in the nation. The passage of the ‘Scott Act’ seemed only to exaggerate the

pattern. In 1878, beer consumption in British Columbia was 152,621 gallons (6,104 barrels), meaning that each man, woman and child was drinking on average 3.39 gallons of beer per year, between three and six times the amount they were drinking at the same time on the opposite coast.⁶¹ By 1889, British Columbians were drinking on average 5.944 gallons of beer per person, resulting in a province-wide consumption of 515,103 gallons (20,604 barrels).⁶²

Meeting this demand were a number of local brewers. Commercial brewing had existed in British Columbia since the gold rush. The moral impulse to brew a 'weaker drink' did not exist on the west coast the way that it did in New France during Jean Talon's intendency (1665-75).⁶³ Thus there was no premature birth of the industry on the west coast as there was in Quebec. Furthermore, unlike on the east coast, or in Ontario, brewing did not emerge out of a desire on the part of budding brewers to drain soldiers and sailors of their pay packets. Instead, brewing in B.C. began as a final demand linkage from the staple trades; that is, it emerged out of an existing demand by those engaged in B.C.'s primary product industries - fishing, lumbering, and especially mining - for beer. Between the 1858 Fraser River gold rush and 1890, breweries operated continuously in British Columbia.⁶⁴ By the time that Labatt arrived in 1886, the B.C. brewing industry was on the verge of a transition, from an industry made up of privately-owned, relatively-small providers of a necessary frontier beverage, to one in which large, modern breweries owned by multiple shareholders began to compete with the traditional, privately-owned plants.⁶⁵ Local brewers faced competition from imported products from the very inception of the industry. As in Labatt's hometown of London, in British Columbia the population preferred the taste of British ales, porter and stouts. As a result, large British brewers, like Allsops, Younger and Tennants supplied B.C. drinkers with beer, in bottles and wood, through the many liquor importers established in British Columbia during the gold rush.⁶⁶ By the mid 1880s, British Columbians could also purchase Bass Ale, Guinness Stout, as well as Val Blatz Milwaukee beer.⁶⁷

For Labatt, freight rates and the cost of advertising a brand name new to British Columbia meant that it was much more expensive to do business on the west coast than closer to home. In Victoria, for example, his pale

ale sold for \$12.80 per 'slack barrel' of five dozen quart bottles, or \$2.56 per dozen quart bottles.⁶⁸ The price was roughly twice as much as he was selling his beer for in Ontario and Quebec. But his inability to compete on a price basis with local brewers had not worried him in the past. He felt that his beer was superior to any other manufactured in Canada or the United States, and as good as the best of the British beers. His pricing reflected his costs and his perception of where his product stood, in terms of its quality, on the international stage. 'If anything', he wrote to one of his agents in the west in 1889, 'you should ask a slight advance over the best American beer, but undersell Bass.'⁶⁹

Of course, if Labatt was going to pursue a sales strategy that focused on quality rather than price, he would have to embark on an aggressive advertising campaign, letting people know that his was an award-winning beer. John Labatt was in the vanguard of the advertising revolution in Canada. A humble and reserved man in private, Labatt displayed none of these characteristics when it came to publicly promoting his products. At a time when other Canadian businessmen were beginning to employ the advertising services of others, Labatt oversaw his own advertising campaigns. His marketing was unique among the brewers of the nation. He was one of the first to engage in brand-driven marketing, reworking his advertisements so as to highlight a specific product. Shortly after winning a gold medal at the Centennial exhibition in Philadelphia in 1876, he began to promote his India Pale Ale as his 'flag ship' brand. Further demonstrating his ingenuity in the art of product promotion, in December 1885 Labatt became the first brewer in Canada to use a label facsimile as a regular feature in his advertisements. It was not until the 1890s that other Canadian brewers followed suit.⁷⁰ The tactic encouraged product recognition and kept Labatt's advertisements from disappearing into the tightly-typed and often cluttered newspaper pages of the Victorian age.⁷¹ Ultimately, the ads clearly defined what was being promoted, who was doing the manufacturing and why the product was worth purchasing - the essential themes of brand-driven marketing. This simple, yet clever innovation proved valuable to Labatt in the struggle to distinguish his ales and stouts in such integrated markets as Halifax, Toronto, London, Montreal, Hamilton, Winnipeg and Vancouver. The strategy of using advertising to secure brand loyalty added to the economies of scale obtained by Labatt. One effect of

this was to create barriers to entry and profits that were ploughed back into heavier advertising to increase further the market shares held by Labatt and to transform the structure of the Canadian brewing industry.

Industry and firm-specific outcomes

The evidence given at the Royal Commission by Labatt and other brewers from across the country demonstrated the extent to which the brewing industry had been transformed during the period. In 1878, there were 134 breweries in Canada, producing 8,658,356 gallons of malt liquor. In 1890, the number of breweries had been reduced to 129, but the amount of beer and ale being manufactured had almost doubled to 17,196,155 gallons.⁷² Admittedly these numbers paled in comparison to those of the great beer-producing nations. By 1894, brewers in the U.K. produced over a billion gallons of beer.⁷³ A year later, 1,771 brewers in the United States manufactured 1.04 billion gallons of the beverage, while German brewers produced 1.2 billion gallons of malt liquor.⁷⁴ Nevertheless, by the early 1890s brewing in Canada was playing an important part in Canadian economic life. In 1893, the Canadian brewing industry was providing direct employment to 1,724 workers and was paying \$774,411 in annual wages.⁷⁵

The majority of plants were still in Ontario, where 82 breweries employed 1,047 people, and manufactured \$3,578,874 worth of malt liquor.⁷⁶

One of the most striking developments of the period under review was the fact that the industry was becoming concentrated in a decreasing number of production centres. By 1891, London and Toronto were the principal hubs of the trade. These two cities were home to the 14 largest breweries in Ontario.⁷⁷ Labatt's was one of them. Together the 'big fourteen' produced over 50% of all the beer by value in Ontario.⁷⁸ They dwarfed the breweries at the other end of the spectrum. Whereas, on average, between six and seven people were working at the smallest 45 breweries in the province, the workforce at the 'big fourteen' numbered 38 or 39 people on average. John Labatt helped bring up the industry average by employing 70 men and boys.⁷⁹

The other notable micro-economic development of the period was that the big breweries were producing far more beer than could be locally absorbed.⁸⁰ This was certainly the case in London, Ontario. In combination with Carling, Labatt manufactured approximately \$500,000 worth of ale and stout in 1891, yet the local population consumed only \$54,361 worth of beer that year.⁸¹ When Thomas Alexander, an Inland Revenue

Year	No. of barrels brewed at London	No. of barrels bottled at London	Profits (\$)
1878	10,022	1,922	29,415.36
1879	13,482	2,516	49,851.03
1880	15,162	2,628	62,866.11
1881	17,290	2,472	57,126.01
1882	21,104	4,204	66,250.08
1883	22,673	3,980	47,315.33
1884	22,907	4,384	66,892.69
1885	19,702	3,298	51,432.26
1886	20,999	4,614	75,574.72
1887	22,855	5,380	74,078.76
1888	22,518	5,108	70,391.59
1889	21,611	6,728	55,117.15

Table 1: Production and Profits at Labatt's, 1878-1889.

officer, appeared before the Royal Commission on the Liquor Traffic he was asked specifically about the nature of the London-Middlesex brewing trade. 'Have you any means of knowing whether the malt liquor made in these years [i.e. 1878 to 1889] was sent out of the district, or consumed in it?' the Commissioners asked. 'Breweries like Carling and Labatt shipped a great deal away from here to Montreal, Hamilton, Ottawa, and Toronto,' he responded, 'but with the other breweries it is most local consumption.'⁸²

During the period under review, Labatt seized the opportunities of the railway age and expanded his distribution network in order to tap into the growing demand for beer in distant places. As the railway expanded across the nation, and new regions of the country became settled, Labatt's boxcars laden with beer followed swiftly behind. Ironically, the Canada Temperance Act, which was designed to do harm to those in the liquor traffic, had the reverse effect on Labatt. Between 1879 and 1889, Labatt recorded unprecedented profits.

When he appeared before the Royal Commission in 1895, Labatt was asked to explain how he had made so much money during what were supposedly temperance times. 'How do you account for that?' he was asked. 'I don't know,' he replied, 'but it's a fact.' Perhaps Labatt was being disingenuous. But if he was, it was completely out of character for a man that once told an insurance company that he thought he had received too much in the way of a financial compensation. Almost certainly he did in fact not know. After all, he was an instinctual businessman. The same instincts that served him so well as a young man in the 'art and mystery' of brewing, served him equally well during the 1880s as owner of a firm in an industry with literally hundreds of competitors, and thousands of 'dry' critics.

The remainder of his testimony, however, gave some insight into what had caused Labatt's remarkable growth and profitability. When asked about the nature of his sales, Labatt told the commissioners that an increasing proportion of his beer sales were 'all over the country in bottles,' which Labatt admitted was 'something more' profitable than draught ale.⁸³ Prior to the onset of the Canada Temperance Act, wood barrels were the most frequently used containers for packaging beer. Due to the combination of their relatively high cost and

breakability, glass beer bottles were not widely used prior to the 1870s. Admittedly, John Molson had sold his beer in bottles beginning in the early 1800s, but bottled beer from the historic Montreal brewery, as at breweries elsewhere, represented only a small percentage of total sales until the last quarter of the nineteenth century.⁸⁴

But during the 1870s a number of technological, political and economic developments combined to change the constitution of beer packaging. Economically, advancements in glassmaking technology, which lowered the price of bottles and enhanced their strength, allowed brewers to rely upon bottling increasingly as the century marched onwards. From a technological standpoint, bottle closures improved significantly.⁸⁵ As a result of these technological developments, Canadian brewers proved more willing to bottle their beer.

Just as important as these technological developments to the growing popularity of bottled beer was the passage of the Canada Temperance Act. When a city, town or county went dry, brewers could no longer legally sell their beer in those areas. But in spite of the law, some did. Labatt thought the act 'was a big humbug.'⁸⁶ And as he told the Royal Commission, he had no moral qualms about selling in contravention to the spirit of the law, which in his opinion 'did more harm than good.'⁸⁷ Time and again, men would show up at his plant in London or at one of his agencies across the land and purchase beer in bottles. Bottled beer had the advantage of being smaller than barrels and therefore easier to hide, camouflage and conceal. Furthermore, they were somewhat unidentifiable, as many of the beer bottles were identical to those used in the mineral water and soda water business. Labatt never asked his clients where they were from. He would take their money and see them on their way. If they chose to smuggle the beer into the areas that had gone 'dry' that was their decision.⁸⁸ He took comfort that he was doing nothing illegal, strictly speaking. As a result, by 1889, Labatt was selling three times as many bottles of beer at his London plant as he was in 1878. The demand for bottled beer was so great that Canadian brewers were forced to import bottles from as far away as Germany.⁸⁹ The figures listed in Table 1 above do not however, fully capture the total number of bottles sold during the period. This is because Labatt's practice was to ship his beer to his agencies in barrels and then have some of the beer

bottled for local distribution. Existing records do not inform us as to what percentage of the barrels shipped from London were subsequently bottled at Labatt's agencies. We can safely assume, however, given Labatt's testimony on the source of his profits during the 1878-1889 period, that it was not an insignificant amount, and certainly substantially more, as a percentage of total output, than the figures in Table 1 suggest.

Conclusion

To the lament of the dries, the Canada Temperance Act actually made a number of potent brewers even stronger. The best businessmen in Canadian history have always been fast to adapt to new social situations and political-economic environments. Labatt was certainly quick on his feet during the Canada Temperance Act period. Faced with dried out markets near to home, he expanded the geographical scope of his operations. By so doing he became the first Canadian brewer to supply a national market. Given his earlier expansion, Labatt would have certainly sought out distant markets at some point in the firm's evolution. But the Canada Temperance Act accelerated his push to the east and the west. Often quantities and profits were small by comparison to the costs, but he was making the name Labatt nationally known, establishing markets from a well-defined centre, weaving a rudimentary east-west network that would enable him to survive when other brewers succumbed to competition, declining and disappearing as viable enterprises in their confined regions. The Canada Temperance Act also changed the way that Labatt did business. No longer were his sales overwhelmingly in barrels. Due to the need to transport beer in containers small enough to elude the authorities, bottling beer became increasingly popular during the period between 1878 and 1889. Given that there was 'more money' to be made from bottled beer and from beer in barrels, Labatt's profits during the Canada Temperance Act were more than 'since or before.'

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times the cost of shipping a hogshead of Labatt's ale to Toronto. Thus the freight cost was roughly 30% of the delivered price. See 'Estimate of the costs for bottling' (18 October 1887), *Labatt Papers*, Letter Book, Vol. II, p.102.

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