THE AMALGAMATION of the Hudson’s Bay Company with its Canadian rival, the North West Company, in 1821 created an aggregation of capital, skill, and enterprise unparalleled in the history of the fur trade. But the end of the exhausting conflict between these two great companies did not produce complacency. Petty traders continued to be active on the frontiers of the unified company’s fur preserve. As its London directors emphasized to their North American governors, William Williams and George Simpson, the frontiers must be watched with the most vigilant attention, and opposition destroyed by active competition before it could penetrate into the rich fur areas of the company’s own territories.1

1 For a more extended discussion of the company’s frontier policies, see John S. Galbraith, The Hudson’s Bay Company as an Imperial Factor, 1821–1869 (Berkeley, 1957).

2 John Clarke to George Simpson, September 18, 1822, Hudson’s Bay Company Archives, D-4/118, London, England. Clarke stated that traffic between the colonists and the Americans might soon prove “very injurious” to the company’s interest, and that in the event of a rupture between Great Britain and the United States, the Red River population probably would join the Americans. The author wishes to express his appreciation to the governor and committee of the Hudson’s Bay Company for permission to use its archives.

The most exposed section of the chartered territory was along the international boundary between what is now Minnesota and the present provinces of Manitoba and Ontario. Elsewhere climate and geography were the company’s allies, but here access to Rupert’s Land—the vast area granted to the Hudson’s Bay Company under its charter of 1670—was relatively easy. Furthermore, at the confluence of the Red and Assiniboine rivers, in close proximity to the border, was a settlement of Europeans and half-breeds who were disinclined to accept the company’s authority and eager to sell the furs they collected to the highest bidder. Traffic between the colonists and the Americans might eventually destroy the company’s monopoly in the innermost recesses of Rupert’s Land.

In the 1820s the threat of the Red River Settlement to the fur trade was still largely prospective. Some illicit trade was carried on, and the appearance in the settlement in 1822 of six Americans with a herd of cattle for sale alarmed the British company’s local officers, but in general the colony remained gratifyingly tranquil. The most serious opposition on the company’s southern frontier came from the American fur trade, in particular the American Fur
Company. The most active competition was in the vicinity of Rainy Lake and River.

Though the exact location of the international boundary between Lake Superior and Lake of the Woods was a subject of disagreement until the Webster-Ashburton treaty of 1842, American and British traders and their governments accepted Rainy River as part of the border. But acceptance did not always involve respect, and traders from both sides were prone to succumb to the temptation to pick up furs from the other side of the frontier if the risks involved were not too great.

To the east of Rainy Lake the border country is rocky and broken, but at the western end of the lake and along the river the rocky hills give way to a plain where the means of subsistence are more plentiful than in the rugged area to the east. In the 1820s traders depended upon the Indians of the neighborhood for provisions—in particular, wild rice. This food was essential to the border fur trade. Without it, traders would either starve or be forced to withdraw. Control of the wild rice crop and its denial to opponents consequently became important, and the Indians of the region exploited their strategic position as its principal suppliers. Among other advantages, they were able to indulge their craving for intoxicating spirits, and they were the last Indians in Rupert's Land to be denied liquor by the Hudson's Bay Company. Since most of the rice grew in American territory south of Rainy River, the Hudson's Bay Company would have been at a serious disadvantage had traffic across the border been effectively controlled. But until 1823 the company's employees traded in American territory, and then and thereafter the Indians moved with freedom back and forth across the boundary.

THE PRINCIPAL frontier post of the Hudson's Bay Company in this region was at Rainy Lake, then commonly known as Lac la Pluie. Confronting the company in the early 1820s were two principal American competitors—one the relatively petty enterprise of George Johnston of Sault Ste. Marie, and the other the giant of the American trade, the American Fur Company. The characteristics of their triangular competition illustrate the Hudson's Bay Company's policies of frontier defense. Against a petty competitor there could be no quarter; the British company's objective was his ruination. To temporize with a rival of small capital was not only to risk the growth of his powers to do damage, but to encourage others to follow him. On the other hand, against a rival too strong to be easily destroyed, an accommodation might be acceptable. But whatever the character of the opposition, the Hudson's Bay Company's policy was to scour competitive areas, paying whatever prices were necessary to deny furs to rival traders. This policy, as might be expected, had an earlier and more impressive effect upon Johnston than upon the American Fur Company.

Johnston maintained two posts in the vicinity of Rainy Lake in 1822, one at Crane Lake, just south of the international boundary in what is now Minnesota, and the other at Mille Lacs north of the border in present-day Ontario. In charge of these stations were Joseph Cadotte and Paul and Bazil Beaulieu. Cadotte had been an interpreter and clerk in the North West Company and allegedly had been involved in the murder of Owen Keveny of the Hudson's Bay Company in 1816. Partly for that reason and partly because of his reputation for drunkenness, Cadotte had been dismissed at the time of the coalition. But he also had a reputation for daring which won him the admiration of his fellow half-breeds and of the Indians. Despite his weakness for alcohol, he was a rival not to be taken lightly, particularly since most of the em-

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3 Probably the Bazil (or Bazal) Beaulieu who was engaged by the American Fur Company as an interpreter in 1818 and was discharged the following year with loss of wages. See Reuben G. Thwaites, ed., "American Fur Company Employees, 1818-1819," in Wisconsin Historical Collections, 12:134 (Madison, 1892).
employees of the Hudson’s Bay Company at Rainy Lake in the early 1820s had been in the service of the North West Company and were “much dissatisfied with the present concern.”

During the winter of 1821-22, Johnston’s traders had some initial success. Cadotte, with three canoe loads of goods and twelve men in his party, bought enough furs to injure seriously the trade at Rainy Lake, and captured a sufficient proportion of the wild rice supply to cause a shortage at the Hudson’s Bay Company posts. But before the season was over, Johnston’s traders were in dire straits. In the competition for furs, the company’s employees had forced prices down to levels where no profit could be made.

The fact that American territory offered him no refuge against ruthless competition greatly increased Johnston’s difficulties. By a law of 1816, the United States had excluded British traders from American territory, but the enactment had no force until the arrival of public officers in 1823. Until then the only power American fur traders possessed to oust the Hudson’s Bay Company from their territory was their own resources, economic and physical. In both respects Johnston’s strength was inadequate. The first resort to violence proved disastrous for the Americans. Early in 1822 a party of Cadotte’s men attempted to force the British company from Crane Lake, unquestionably in American territory, by taking possession of the buildings, but they were driven off. Then Cadotte, who had been absent at the time of the encounter, appeared. He represented himself as an American citizen and an agent of the United States government with authority to apprehend all persons trading illegally. But he could produce no evidence, and he withdrew in discomfiture. The crowning misfortune of an increasingly dreary winter came when the Indians of the Mille Lacs area fell upon Cadotte’s men, killing two of them and driving the rest back to American territory, where

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4 Roderick McKenzie, Jr., to Simpson, December 18, 1821, Hudson’s Bay Company Archives, D-4/116. Reveny, an agent of Lord Selkirk, was murdered by employees of the North West Company after being arrested on a warrant signed by one of its officers. See Arthur S. Morton, *History of the Canadian West to 1870-71*, 389, 391 (Toronto, 1939).
they concentrated their remaining forces at Crane Lake. The Beaulieus had ten men there—not an impressive number to carry on a spirited competition.3

Johnston's resources had been badly depleted. To complete his ruination and to meet the competition of the American Fur Company, Simpson in 1822 appointed as supervisor of the Rainy Lake district Dr. John McLoughlin, lately a formidable antagonist as a North West Company officer and soon destined to begin an illustrious career in the Oregon country. The choice of McLoughlin was in accord with a basic principle of the Hudson's Bay Company's trading policy that the most energetic and effective officers were sent to areas where the opposition was most severe. McLoughlin was exceptionally well qualified for this responsibility. Not only had he been tested in competition with the Hudson's Bay Company, but he was familiar with the Rainy Lake district. An additional measure of the importance which Simpson attached to the Rainy River frontier was his appointment of Chief Trader Simon McGilivray as McLoughlin's assistant, for the presence of two commissioned officers in a small district was most unusual.4

The success of the British company's agents in buying up most of the available wild rice around Crane Lake made it physically impossible for Johnston's men to continue a contest which was also economically unprofitable. His enterprise did not survive the second winter of competition. At the beginning of the winter, Johnston had two posts—the first at Vermilion Lake, the source of the Vermilion River, where one of the Beaulieus and twenty-two men were established, and the other at Lac de Bois Blanc, near the Grand Portage, maintained by a smaller party. By January, 1823, Beaulieu had been abandoned by all his men, and on hearing that the trader was starving, McLoughlin gave orders to furnish him with provisions. The

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3Simpson to James Keith, February 28, 1822; to John McDonald, March 8, 1822; McKenzie to Simpson, March 24, 1822, Hudson's Bay Company Archives, D-4/1, 116.
4Simpson to McLoughlin, December 4, 1821, Hudson's Bay Company Archives, D-4/1. McLoughlin entered the service of the North West Company in 1803 at Kaministiquia on the site of Fort William, and served for several years in the Lake Superior area. For a good brief summary of his career, see W. Kaye Lamb's introduction to E. E. Rich, ed., The Letters of John McLoughlin, First Series, 1825-38, xxix-cxxviii (Toronto, 1941.)
motive for this act of seeming kindness was not merely, nor even primarily, humanitarian. McLoughlin desired, if possible, to keep Beaulieu in the field so that his activities might annoy a more formidable rival — the American Fur Company."

THOUGH THE EFFORT to resuscitate Beaulieu as a trader was unsuccessful, the idea of encouraging him to harass the American Fur Company was intelligently conceived, particularly in view of the appearance of a new figure on the frontier — the American customs agent. In September, 1822, when McLoughlin sent a party of men on a trading mission against Beaulieu at Lake Vermilion, they were greeted by an American customshouse inspector, and clerks of the American Fur Company displayed commissions as customs officers when Hudson’s Bay traders appeared south of the boundary. Under American law, any person who traded with the Indians in American territory without a license was liable to imprisonment and a fine of a thousand dollars. Now that the law might be enforced, encroachments on American territory became, in McLoughlin’s view, unduly hazardous, particularly since active competition had virtually exhausted the border country. An additional hazard was the prospect that some disgruntled Hudson’s Bay employee — and there were many of them — might in spite give himself up to the Americans and thus subject the British company to heavy penalties. Consequently, with the approval of Simpson, McLoughlin withdrew his traders to the north of the boundary. The Hudson’s Bay Company’s techniques against the American Fur Company were as a result in some respects different from those against

John McLoughlin, British trader

Johnston, with both sides in general scrupulously observing the boundary and confining competition to aggressive economic activity without resort to violence.

The first point of contact between the two companies was in the vicinity of Rainy Lake, where the American company maintained two posts — on the south side of Rainy River and at Vermilion Lake. During the first winter of competition, 1822–23, on one or two occasions clerks from each company trespassed on the territory of the other. McLoughlin, to discourage such invasions, enticed one Côté and another American Fur Company clerk to visit the Hudson’s Bay establishment at Rainy Lake, where he detained them for about eight hours, releasing them only after they promised not to cross the river again. Apparently he achieved the desired effect, for no further violations were reported. In Simpson’s words, neither company was “extravagant” with the Indians and “trade more than opposition” was given emphasis. After McLoughlin’s departure for Oregon in 1824, Chief Factor John Dugald Cameron assumed charge of the Rainy Lake

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1 McLoughlin to Governor, Chief Factors, and Chief Traders, January 6, 1823; Simpson to Governor and Committee, June 23, 1823, Hudson’s Bay Company Archives, D-4/86, 117.
2 Simpson to Governor and Committee, June 23, 1823, Hudson’s Bay Company Archives, D-4/86.
3 Simpson to Governor and Committee, June 23, 1823, Hudson’s Bay Company Archives, D-4/86.
WILLIAM Morrison, American trader

district, but the characteristics of the competition remained unchanged.

The representative of the American company was William Morrison of the Fond du Lac department, in the judgment of Simpson "one of the best and most experienced Saulteaux traders in the country." Morrison was licensed by the American Indian agent in his area to trade at Grand Portage, Vermilion Lake, Rainy Lake, and Warroad, all in the vicinity of the international boundary.^

Morrison's status in the American Fur Company illustrates the differences between the practices of the British and the American enterprises. Whereas officers of the Hudson's Bay Company received a share of the profits of each year's outfit, Morrison himself, like other traders with the American firm, was required to assume most of the risks in the conduct of the trade of his district. This practice was one of the causes of the extreme hostility of frontiersmen toward the American Fur Company, since those who faced the hardships of the trade were frequently reduced to poverty while the managers reaped the profits.11

During the course of their strange gentlemanly rivalry, Cameron and Morrison on at least one occasion engaged in a frank discussion of the trading practices of their respective companies. When Cameron quoted the prices at which his company sold goods to licensed petty traders at Red River, Morrison complained that the supplies he received from Michilimackinac were priced much higher; thus it was not surprising that he could not afford to sell his goods at figures as low as those charged by the Hudson's Bay Company.12 Since the vigor of Morrison's competition remained undiminished each winter, the trade apparently was profitable both for him and the company he represented.

CONSISTENT with its policy regarding all frontier areas, the Hudson's Bay Company sought to create a "fur desert" along its southern border by intensive trapping and trading. Since the area had been the scene of competition for many years, it was not surprising that the supply of furs there declined. As early as the winter of 1822-23, McLoughlin stated that the country was exhausted and that trade could produce little profit even if his company

10 Simpson to Governor and Committee, August 31, 1825, Hudson's Bay Company Archives, D-4/7. Though Simpson refers to Morrison as "A.M.," the evidence seems conclusive that he was writing about William. For a brief sketch of Morrison and a description of licensing regulations, see Reuben G. Thwaites, ed., "The Fur Trade in Wisconsin," in Wisconsin Historical Collections, 19:474n., 20:44-49 (Madison, 1910, 1911). The American licensing system was instituted not only to regulate the Indian trade, but to exclude British subjects.


12 Simpson to Governor and Committee, August 31, 1825; J. D. Cameron to Simpson, September 11, 1825, Hudson's Bay Company Archives, D-4/7, 120. Simpson would have been willing to consider making an arrangement with Morrison if the latter had been interested, which apparently he was not.
had a monopoly. But in that mysterious way which was the puzzle of the fur trade, the number of fur-bearing animals fluctuated markedly from season to season, and profits varied accordingly.

Between 1823 and 1826 returns from the border district were substantial enough to provide the British company with what Simpson described as "fair" profits. In the winter of 1826–27, when returns declined by a few packs from the previous year, the district still produced profits for four Hudson's Bay and six American Fur Company posts. In 1823, when McLoughlin had predicted the imminent end of the fur trade in the district, the Hudson's Bay Company had maintained only three posts and the American opposition, four.  

Each year, Simpson and his company's representatives at Rainy Lake expressed optimism that the American Fur Company would soon withdraw from active competition in the border country, and each year their predictions were confounded. But there was probably some foundation for these expectations. The American company apparently found itself at a serious disadvantage in the competition. In arguing for a duty on furs or a drawback on goods sent into the Indian country, William Clark, superintendent of Indian affairs at St. Louis, and Lewis Cass, governor of Michigan Territory, declared that such preferences were necessary to place American traders on an equality with their British competitors. John Jacob Astor predicted that without a duty on foreign furs, the American Fur Company would have to suspend operations.

The legislative council of Michigan Territory in 1828 sent a memorial to Congress, calling attention to the alleged predicament of the American fur traders in an unequal competition. The document pointed out that the "boundary line of the United States, from Lake Superior and along the 49° of latitude, is undefended either by troops or settlers: the military posts are yet several hundred miles to the south of it. Throughout this great extent of territory and within the acknowledged limits of the United States, the American Trader is opposed by the Agents and Runners of the British Hudson Bay Company. Not only is there a great difference in the cost of goods of these Traders, but in their privileges also. The British Trader, therefore, inasmuch as the American cannot compete with him, traverses the Country in as perfect security as if the King of England were its true and lawful sovereign.

The British traders to whom the memorial referred were not Hudson's Bay Company employees, but settlers from Red River. In 1824 Simpson had reorganized the trading system in the district of Assiniboia, of which the Red River Settlement was the center. He authorized the issuance of licenses to settlers to engage in the Indian trade provided they bought their goods from and sold their furs to the British company. This policy, Simpson believed, would have two advantages—it would reduce resentment at Red River against the company's monopoly and it would sweep up furs along the frontier.

This was a highly dangerous expedient, and it may have encouraged the growth of the free trade movement in the settlement. But it produced certain immediate advantages. The Hudson's Bay Company's own employees were not allowed to cross the international boundary, but the Red River half-breeds, "children of the soil," claimed the same rights of passage as the Indians.
Simpson encouraged them in this activity. In approving the licensing system, the company's governor and committee had instructed Simpson that “no person connected with the Company should be permitted to encroach on American territory.” Simpson argued that the licensees were not “connected with the Company,” but were free agents, whom the company could not control even if it were so inclined. By their excursions across the border they damaged American competition and thus protected the company's frontier.¹⁸

Whatever the ultimate wisdom of encouraging these traders, the immediate effect of their activity was beneficial to the British company. In August, 1829, William A. Aitkin, head trader in the American Fur Company's Fond du Lac department, went to see Chief Factor Angus Bethune, in charge of the Hudson's Bay post at Sault Ste. Marie. The purpose of Aitkin's visit was twofold. The proximate but less important motive was to protest against the encroachments on American territory of the Red River licensees. But, more important, Aitkin wanted to end competition between the two companies altogether.¹⁹

In December William B. Astor, president of the American company and eldest son of John Jacob Astor, proposed that the two companies discontinue the distribution of liquor to Indians on the frontier. The Hudson's Bay governor and committee were receptive to an agreement to end competition on the border, or, at least, to end the use of liquor. But such arrangements were dependent not only on the good faith of both parties, but on their ability to carry out their obligations. The Hudson's Bay Company monopolized the trade of the chartered territory and the British side of the Lake Superior frontier. The American Fur Company had not yet demonstrated that it could maintain the same dominance on its side of the boundary. The British company's governor and committee replied to Astor, therefore, that they would end the use of liquor when the practice was stopped on the American side of the border.²⁰

The response was the only one the Hudson's Bay Company could make under the circumstances. So long as competition existed, spirits would continue to be a commodity in the Indian trade. The problem is illustrated by an incident in the Rainy Lake district in 1829, which is typical of experiences of every frontier trader in the vicinity at that time. When Cameron arrived at his Rainy Lake post that spring, he found over a hundred Indians encamped near the station awaiting “with great impatience” the landing of the liquor kegs. Cameron's Scottish thrift rebelled at the expense of handing out gratuitous drams in addition to bartering with spirits.

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¹⁸ Governor and Committee to Simpson, March 12, 1827; Simpson to Governor and Committee, June 30, 1829, Hudson's Bay Company Archives, A-6/21, D-4/96.

¹⁹ “Substance of Remarks made by Mr. Aitkin to A. Bethune,” Hudson's Bay Company Archives, D-5/78.

²⁰ The proposal is referred to in William Smith to W. B. Astor, March 3, 1830, Hudson's Bay Company Archives, A-6/22.
But he knew that unless he distributed liquor, the Indians would make their way to the post of the American Fur Company or the camp of some free trader. He, therefore, opened the kegs.

Apparently the American Fur Company’s problem was even more serious. Simpson heard from his officers that Indians in the Red, Leech, and Sandy lakes areas were so much under the influence of liquor that the Americans had to maintain large staffs to protect their posts against attacks by drunken braves.21

Both companies thus could benefit by ending competition. Not only could the expense involved in the use of liquor be reduced, but a monopoly price structure in trade could be established. These mutual interests finally led to an arrangement in 1833 between Simpson and Aitkin by which the American Fur Company agreed to abandon its frontier posts from Pembina to Lake Superior and to interdict the border country to its competitors in return for a payment of three hundred pounds sterling per year.22 The results demonstrated Simpson’s acumen and eliminated the skepticism of the London board regarding the Americans’ ability to keep the border clear of petty traders. Thereafter, so long as the American firm remained solvent, the Hudson’s Bay Company was able to carry on its trade in the frontier district with the security of a monopoly.

21 Cameron to Simpson, May 26, 1829; Simpson to Governor and Committee, July 18, 1831, Hudson’s Bay Company Archives, D-5/3, D-4/98.
22 Galbraith, Hudson’s Bay Company, 57-60. The Hudson’s Bay Company found it impossible to deny liquor completely to Indians of the Rainy Lake district, even after making this agreement.

THE FUR TRADE conflict of the 1820s in the Rainy River area illustrates the principles which made the Hudson’s Bay Company a great monopoly. Intelligent management, capital resources greater than those of any other fur trading enterprise, and trading goods of known quality were all basic assets. But in the long struggle with the Nor’Westers which ended in 1821, the Hudson’s Bay Company had learned that its security was dependent upon an aggressive policy of frontier defense which would destroy petty competitors before they became a serious threat. This was the fate of George Johnston and his associates. Against a rival monopoly, or a near-monopoly like that of the American Fur Company, however, co-existence was desirable.

The agreement of 1833 made possible a decade of tranquility and monopoly profits for the Hudson’s Bay Company. The failure of the American company in 1842 was a severe blow to the security of the chartered monopoly, for it opened the way to renewed competition on the frontier, turbulence in the Red River colony, and the demoralization of the price structure for hundreds of miles into the interior of Rupert’s Land.

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