

The Rhetoric of Dominion Income Taxation and the  
Modern Political Imaginary in Canada, 1910-1945

by

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## Abstract

This thesis uses Quentin Skinner’s study of rhetoric to interrogate the origins of the modern political imaginary in Canada between 1910 and 1945. The Dominion taxing power was the object of a sustained rhetorical critique in the early 20<sup>th</sup> century, in which the Liberal and Conservative party identities, built around the protective tariff in the post-Confederation era, were slowly weakened and supplemented with a new representation of difference: the left-right spectrum. Beginning in 1910 with the *Grain Growers’ Guide*, the nationalist resonances of the Dominion tariff were cast as duplicitous distractions from exploitation and fiscal inefficiency. During the First World War, this characterization of the tariff and the political differences it produced became tied to demands for ‘conscription of wealth,’ as the basis of a fairer and more democratic political culture. A species of what Ian McKay calls a “people’s enlightenment,” this critique resulted in the first Dominion income tax, the Income War Tax of 1917. A Dominion income tax introduced the new possibility of transferring income that had been taxed progressively from one region to another. The catastrophic economic depression of the 1930s exposed the weakness of the tariff as a fiscal instrument; a more powerful Dominion income tax was cast as the necessary solution to the crisis, and was duly introduced in 1941 and 1942. With these changes, income taxation became a universal burden and the possible basis for large-scale Dominion social programs like the Family Allowances – a combination that Shirley Tillotson calls “the citizenship of contribution.” In recognition of this new possibility, party programs for the redistribution of income were aligned on a left-right spectrum. The displacement of the old party system and the establishment of the new spectrum were both examples of what is here termed *political*

*modernism*, creating a new and modern political imaginary for a democratic politics of redistribution.

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I began talking about studying the effect of income taxation shortly after finishing my Master's thesis at Trent University, and I drew on the experience and knowledge of a lot of people there. Jim Struthers, who had been on my Master's committee and had taught the Honours seminar on the welfare state, was the first person I spoke to about studying effects of income taxation on the language of political difference. He talked me

through the idea and gave me a preliminary reading list, and also advised me strongly to study the period before 1950, when my lack of technical knowledge would be less of a handicap. It is probable that if Jim had not been there to guide me early on I would have quickly abandoned the idea of studying income taxation, even if it had occurred to me.

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Much of the material in this dissertation was presented at conferences where I benefited from questions and commentaries. Chapter 2 was presented to my colleagues in the history department at the Underhill Graduate Colloquium in 2010, and the part of

Chapter 4 dealing with ‘fiscal need’ was presented at a conference at McGill University in 2008. Chapter 3 has had a very long pre-dissertation journey, having been presented at the annual meeting of the Canadian Historical Association at Carleton University in 2009, rejected (with extensive comments from peer reviewers) by *Labour/Le travail* in 2009, and finally published in the *Canadian Historical Review* in 2012. Although the focus of the argumentation changed significantly through all these stages, I benefited immensely from feedback received along the way.

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# 1. Introduction

## 1.1 A History of Possibility

“NDP making huge gains as Canada tilts leftward,” a headline in the May 28 2012 issue of the *National Post* said. The article explained that respondents to the *Post*’s poll “think Canada suffers from an income gap, where the rich are getting too rich and the poor are getting too poor,” and credited this concern with the rising popularity of the New Democratic Party.<sup>1</sup> Nowhere in the article was it explained what it meant to “tilt leftward,” nor what the connection was between income inequality and the New Democratic Party’s electoral fortunes. No explanation was offered as to how electing the NDP would affect the income gap, though voters’ sense that it would was the crux of the article’s logic. The editors saw no need to draw an explicit connection between concerns over income inequality, a leftward tilt, and the fortunes of a political party. It was presumed that readers would be familiar with these terms and with the code that made them coherent. Even though the New Democratic Party had never formed a government on the federal level, it was possible for readers to imagine what political conditions would increase the possibility of its formation, and to imagine what such a government might possibly do – all because it was possible to understand what it means to tilt leftward.

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<sup>1</sup> Adrian Humphreys, “NDP Making Huge Gains as Canada Tilts Leftward: Poll,” *National Post*, May 28, 2012, retrieved August 10, 2012. <http://news.nationalpost.com/2012/05/28/ndp-making-huge-gains-as-canada-tilts-leftward-poll/>

This kind of understanding, which to us is so common and straightforward that a newspaper sees no need to explain it, is neither timeless nor universal. A century ago most Canadians would not have recognized the left-right spectrum as a meaningful representation of their politics. So when friends asked me “Was she right wing or left wing?” after I told them my Master’s thesis was on Sara Jeannette Duncan’s politics, they were projecting their own image of the field of the political back through time. Duncan was a journalist and author whose most famous novel, 1904’s *The Imperialist*, is about an idealistic young man who loses a by-election in a fictional Ontario town.<sup>2</sup> The book is suffused with intelligent and witty political commentary, reflecting Duncan’s deep absorption of turn-of-the-century Canadian political life and lore, and contains no mention of left or right as descriptors of political positions. Duncan would have recognized left and right as the two sides of political controversy in continental Europe, and might even have said she first encountered them in Thomas Carlyle’s *History of the French Revolution*, which did a lot to popularize the terms among English speakers.<sup>3</sup> But she, and most people sensitive to the political rhetoric of her time, would have felt it an

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<sup>2</sup> Sara Jeannette Duncan, *The Imperialist* (Toronto: Copp Clark Company, 1904). The thesis, “The Politics of Sara Jeannette Duncan’s *The Imperialist*” (MA thesis, Trent University, 2005), argued that the novel, which has often been seen as a transparent portrait of the political culture of Ontario, is actually a sharp critique of that culture. Duncan creates a confrontation between Lorne Murchison, a young lawyer who embodies the idealistic and sensitive candidate, and the Moneida Indians, who embody the unthinking voting mass, and uses the opposition to argue for the attractiveness and impossibility of a politics that exists beyond calculation. In an article based on the thesis, I suggest that this opposition functions as a disguised plea for woman suffrage. See “‘Civilization Had Given Him a Vote’: Citizenship and the Ballot in Sara Jeannette Duncan’s *The Imperialist*,” *Journal of Canadian Studies* 40, no. 3 (Fall 2006), pp. 120-134.

<sup>3</sup> The scholarship on left and right as terminology is uneven and scattered. This dissertation follows J. A. Laponce in arguing that the terminology is adopted at different times in different places: English-speaking liberal societies adopt it later than continental Europe, for example. (*Left and Right: The Topography of Political Perceptions* (Toronto: University of Toronto Press, 1981), pp. 47-68). Although Laponce does not say that the circumstances of its adoption in various places informs its effective meaning in those places, his analysis at least suggests it. Another authority, Norberto Bobbio, argues that left and right are distinguished by “the attitude of real people in society to the ideal of equality . . . [which] is relative, not absolute.” (*Left and Right: The Significance of a Political Distinction* (Chicago: University of Chicago Press, 1996), p. 60) This position is also similar to the one outlined in this dissertation.

odd and misplaced question when asked of her. She was a Liberal, and a critic of corruption in politics, but not especially a friend of the dispossessed; she was a proponent of stronger economic ties between the trading members of the British Empire, which she believed would make politics less small-minded and calculating. Her politics, however convoluted they may seem to us, were legible at the time: she was a Liberal. But to someone hearing of her existence a century later, the first – and perhaps last – question about her politics is whether she was left or right. Not only is it a familiar shorthand, it is in some sense the only shorthand we know.

It comes naturally to us, as Canadians invested in electoral politics, to organize our political possibilities on a left-right spectrum, in terms of the extent to which we share the fruits of our economy and society equally as a function of citizenship. Parliamentary democracy assumes a central role for the state's treasury and regulatory powers in shaping a private economy upon which it relies for revenue. Parties vie for the favour of electors on the basis of their promises for how wealth and power will be distributed, and whose interests the budget and other pieces of legislation will serve. Voters choose between party programs that are commensurable but also differentiated. Parties that propose a more egalitarian economic arrangement, in which wealth is pooled through taxation and spent on vast projects to benefit the general population, are placed on the left of the spectrum, while parties that propose to use taxation only to fund the bare minimum of state projects, thus easing the individual burden on income earners, are placed on the right; those that seek to balance both approaches are placed in the centre. The possibility of different outcomes, of a range of possible arrangements of wealth and

power, is a core feature of our conception of democracy and citizenship, even if it doesn't always work out that way in practice.

We have this conception of politics because we are, in some sense, moderns. We are heirs to the modernization of politics in the early 20<sup>th</sup> century, and rely on its categories to make sense of our world. The idea that democratic citizenship entails the choice between different and competing ways of organizing the economy is natural to us, even if we lament its deficiencies and underline its outmodedness. The left-right spectrum through which we share and communicate an understanding of modern politics is often unpopular, and decried as a misrepresentation or simplification of a much more complicated field, but nothing has replaced it. We may not believe in its promise as we once did, but we rely on it when we need to communicate, and so are, in practical terms, still its heirs and its instrument. Even with nationalism, climate change, electoral reform, and the legal status of the family and the sexual person crowding the electoral landscape and muddying the clarity of the politics of economic inequality, we still use the language of left and right to make sense of our world. The core of differences between the parties is in how wealth is arranged, and the range of possibilities for different arrangements of public wealth, which we map on a spectrum, from left to right.

In this dissertation, I argue that, in Canada, the mapping of political possibilities on a left-right axis is the product of a three-decade-long process in which the ideas and

rhetoric associated with the possibility of a federal income tax were a key focus.<sup>4</sup> Income taxation was central to the establishment of left and right as the standard representation of political difference in Canada because of the possibilities that it suggested. The potential of income taxation, its promise of impersonally equalizing incomes and seamlessly transforming an unequal and dysfunctional federation into a mass democracy, had a profound effect on the way politics was imagined. With the introduction of income taxation at the Dominion level, it became possible to imagine, and to communicate clearly, the potential for taxation to transform society, and therefore to have a much wider range of possible political outcomes from an election. It became possible – because it was necessary – to distinguish between party programs that sought to use this potential, and those that sought to limit its use. As parties outlined programs for how they would use or limit this power, the left-right spectrum, which was not applied to Canadian political parties before the 1920s, was progressively adopted to make sense of the new field. To a thinker like Duncan, who wrote before there was a federal income tax and who died before parties began defining themselves on the basis of their position on taxing and spending, left and right was not a familiar or natural way of positioning herself; for others who went through that transformation, it could be frustrating and disorienting, but was most often greeted as an improvement; for those of us who never knew a time before it, it is a virtually unchallenged, if often frustratingly limited, representation of the field of political differences. Other factors during the period – the growth of organized labour, the

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<sup>4</sup> A tax is a compulsory, non-punitive payment to the public treasury. The taxes discussed in this dissertation are levied on incomes or on trade (when they are called tariffs). A progressive tax is one that falls more harshly on high incomes than low incomes; a regressive tax falls more harshly on low incomes. A progressive income tax is often graduated, meaning that it is levied at increasing rates in relation to the size of income, as determined by the legislation. Tariffs and other consumption taxes are generally regressive, and often have non-revenue motives such as discouraging particular kinds of purchases.

enfranchisement of women, the development of non-liberal alternatives to capitalism and the world wars that arose from them – undoubtedly influenced the political categories that were meaningful to Canadians. However, this dissertation proposes a Dominion income tax as the instrument most responsible, through the medium of political rhetoric, for aligning Canadian politics along a left-right axis.

To be clear, it was the possibilities it offered, the language that it generated, not the tax itself, that was the engine of political change. Income taxation was not itself a powerful instrument that changed social relations; in fact, the first federal income tax was a perfunctory gesture in response to non-fiscal exigencies of a world war, and would only mature into what we would recognize as a universal tax in the next war. What was revolutionary about income taxation was its promise, not its fact. People saw in income taxation the answer to a range of difficulties that haunted politics in the early 20<sup>th</sup> century, and the rhetoric through which they articulated and shared their fantasies became a part of a transformation in political thought. The fact that there was no income taxation at the federal level before 1917, and that for two decades after 1917 it was a very weak tax, meant that a federal income tax could only be effective during that period as an idea, rather than a thing. As an idea its power was unlimited and multi-faceted; it could do a remarkable range of things with remarkable force and precision. Whether in practice it would or could, and whether the social effects would be as ideal or as catastrophic as its prophets claimed, was less important than the rhetoric and the repertoire of images that income taxation generated, and the new topography of political differences that arose to

make sense of that repertoire. This dissertation is a history of those possibilities, and of the sense that people seemed to make of them.

In tracing the development of a new political imaginary through the use of highly charged rhetoric about Dominion taxation, this dissertation essentially ignores the place of Quebec, and debates occurring in French, in the period under consideration. The major events covered in the various chapters – the Dominion election of 1911, the conscription crisis of 1917, the Great Depression, and the development of major taxing and spending programs in the 1940s – were as important in Quebec as elsewhere. However, they were often important at least partly for different reasons. Because of these different reasons, and the language barrier between English and French speakers and writers, rhetoric like ‘conscription of wealth’ and ‘fiscal need’ is unlikely to have had much currency in debates in Quebec during the period. Methodologically, the thesis relies on a sensitivity to the subtleties of language that the author does not possess in French, not to mention a fluency with the cultural codes through which these subtleties resonate in Quebec politics that the author could not demonstrate. A study of a similar rhetorical transformation occurring in French, or a study comparing the political language used in French and English during the period would no doubt be interesting, but is beyond the ambitions of this thesis.

Although the period between the defeat of the Laurier government in the 1911 election and the adoption of federal Family Allowances in 1944 is one of the richest in documentation and historiography in all of Canadian politics, historians have ignored the

adoption of left and right as the common language of politics. The proverbial ‘hole in the historiography,’ this oversight is less a problem to be fixed than an invitation to reflection. Why has no one taken an interest in the change? I would suggest it is most likely because the modern political imaginary it created, the left-right spectrum, is understood to simply be a reflection of the reality of politics rather than a historical artifact worthy of analysis. There is no tradition of political difference as there is with gender and race, and so the modern imaginary of political differences, mapped left to right, is still experienced and understood as normal, and represented as such by scholars, rather than as a particular projection of the political that we happen to live inside. Indeed, as a leftist, I have been asked – with as much suspicion as curiosity – what purpose a reflection on political differences might serve for the cause of democracy and equality. If the dissertation overall does not answer that question, I address it directly in the Conclusion. An immediate response, however, is that people in the past cared deeply about the language of political differences, decried its poverty, and pushed, as part of a project of democratic and fiscal reform, for a new delineation of possibilities. If they felt it was important to think about, we should as well.

## **1.2 The People’s Enlightenment, Citizenship of Contribution, and Political Modernism**

The originality of this dissertation lies in its focus on the rhetoric through which people made sense of political differences, and on its connection to changes in the forms of

taxation at the Dominion level. In part this connection happened very consciously in its own time, as speakers explicitly strove for a new language and a new fiscal regime, but it also happened unconsciously, with speakers adopting language that made sense of their new reality without much active intention. This dissertation's novel contribution to thinking about how people made sense of politics lies in examining income taxation as a source of new political possibilities that had to be made sense of in new ways. This argument relies on core concepts developed by other scholars who have traced the way that political ideas and possibilities changed in the early 20<sup>th</sup> century. In the second and third chapters of the dissertation in particular, Ian McKay's term *the people's enlightenment* is used to make sense of a way of talking about politics that connects critiques of the party system to critiques of Dominion finance in 1911 and 1917. In the last two chapters, Shirley Tillotson's term *citizenship of contribution* is used to designate a new awareness of the relationship between universal taxation and citizenship. In each case, though the term is central to the conclusions its author wants to underline, its exact meaning is not spelled out. This section, therefore, will both unpack the terms as they are used in their original contexts and position them for their somewhat different use in the current study.

McKay uses the term *the people's enlightenment* to refer to a self-conscious sense of growing intellectual and political independence on the part of workers, farmers, and other political groups in the early 20<sup>th</sup> century. Building on a perceived explosion of knowledge and independent inquiry in the 18<sup>th</sup> and 19<sup>th</sup> centuries, speakers saw socialism and other political ideas as reflecting a socialization and democratization of the

enlightenment ethos. Immanuel Kant's enlightenment dictum "Dare to Know!" became tied in the 20<sup>th</sup> century, McKay argues, to the development and encouragement of political and intellectual independence on the part of previously unrepresented and marginalized groups.<sup>5</sup> This was linked to a belief that political thought was, or should be, common property, "the possession of all," and should serve social ends.<sup>6</sup> Socialism, for what McKay calls "first formation leftists," was about "unlocking the 'immense power' of knowledge" to create "a genuine people's enlightenment."<sup>7</sup> For McKay, the people's enlightenment is synonymous with socialism, and what McKay sees as the beginnings of a left in early 20<sup>th</sup> century Canada. In this dissertation, people's enlightenment is used more generally to refer to the celebration of political and intellectual independence – a self-consciously modern and democratic ethos of which socialism was one possible variant.<sup>8</sup> In addition, whereas for McKay the people's enlightenment was a reality, in this dissertation it is a rhetoric, a common way of speaking about an intellectual and political transformation. A wide range of speakers said that a mass political awakening was both needed and happening in early 20<sup>th</sup> century Canadian politics, and described it in similar terms. McKay's term *the people's enlightenment*, unmoored slightly from its place in his history of the Canadian left, is a helpful term for characterizing what people were talking about, particularly in the lead-up to the 1911 election (Chapter 2) and the passing of the Income War Tax in 1917 (Chapter 3).

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<sup>5</sup> Immanuel Kant, "What is Enlightenment," cited in Ian McKay *Reasoning Otherwise: Leftists and the People's Enlightenment in Canada, 1890-1920* (Toronto: Between the Lines, 2008), page 16.

<sup>6</sup> McKay *Reasoning Otherwise*, 62

<sup>7</sup> Ibid.

<sup>8</sup> McKay does not analyze the language of political differences, or the changes in political language over the period; the word 'left' is not problematized as a descriptor of the people whose thoughts and writings he discusses. This tendency is discussed later in the section on rhetoric.

Shirley Tillotson's concept of *citizenship of contribution* encapsulates her tracing of a major transformation in what she calls the "moral and symbolic meaning of taxation" in the early to mid-20<sup>th</sup> century.<sup>9</sup> Before the 1940s, Tillotson argues, income tax was seen as a "rich man's tax, outside the obligations and taxpaying experience of most working class and middle class Canadians."<sup>10</sup> Income taxation was seen as a tax on the rich; the first Dominion income tax, the Income War Tax, for example, initially only taxed incomes above \$2000, the pay of a senior executive. Extending the tax down so that it was paid by everyone, which is called universalization or base broadening, was as much a conceptual shift for taxpayers as it was an administrative challenge for the state. The argument for an income tax had historically been based on the idea that "the middle and upper classes had obligations based on the enjoyment of wealth."<sup>11</sup> With the advent of universal taxation, Tillotson argues, a new political logic was necessary. In place of the old emphasis on the moral obligations of the rich, with universal taxation the poor and working class "were being offered, as an image of their place in a system of collective care, the citizen as consumer, whose responsibility consists in paying part of the price for the services they use."<sup>12</sup> The citizenship of contribution was the responsibility to participate in paying for a more active state that benefited everyone, but especially those with low or moderate incomes, through tax-funded services and social programs. It represented the democratization of taxation, and of the costs and benefits of a tax-

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<sup>9</sup> Shirley Tillotson, "A New Taxpayer for a New State: Charitable Fundraising and the Origins of the Welfare State," in *Social Fabric or Patchwork Quilt: The Development of Social Policy in Canada*, ed. Raymond B. Blake and Jeff Keshen (Peterborough, Ontario: Broadview Press, 2006), p. 162. Although the term "citizenship of contribution" appears in Tillotson's later *Contributing Citizens: Modern Charitable Fundraising and the Making of the Welfare State, 1920-1966* (Vancouver: University of British Columbia Press, 2008), the earlier article is used here because its discussion is more definitional.

<sup>10</sup> Tillotson, "A New Taxpayer for a New State," p. 162.

<sup>11</sup> Tillotson, "A New Taxpayer for a New State," p. 164.

<sup>12</sup> Tillotson, "A New Taxpayer for a New State," p. 164 .

supported state. In some sense, it echoes T. H. Marshall's concept of social citizenship, though with more emphasis on the responsibility to pay than on 'rights' conferred by the state, and more emphasis on the novelty of the shift, rather than its consistency with a whiggish unfolding of liberal rights.<sup>13</sup> As with McKay's people's enlightenment, which sought to universalize the right to political and intellectual independence, Tillotson's citizenship of contribution made the obligation to fund the welfare state a common property. While Tillotson underlines the role of charitable fundraising in laying the conceptual groundwork for the taxpayer-funded welfare state, the focus here is on the urge for a new political difference as an important factor. Otherwise, citizenship of contribution is used in Chapters 4 and 5 in much the same way as in Tillotson, to refer to the novelty of the idea of using universal taxation to fund social programs, harnessing the power of taxation as a link among citizens.

McKay's people's enlightenment and Tillotson's citizenship of contribution are both species of what I have termed political modernism, a concept that runs through this dissertation.<sup>14</sup> Political modernism is a conscious drive to re-make politics, to make it clearer and more efficient by overturning established and ossified political practices. It is a privileging of the new over the old and of the abstract and universal over the familiar and local. It is characterized by what David Harvey has called "a radical break with the

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<sup>13</sup> See T. H. Marshall and Tom Bottomore, *Citizenship and Social Class* (London: Pluto Press, 1992), pp. 3-49. Marshall proposed in a series of lectures in 1949 that liberal citizenship was comprised of civil rights, political rights, and social rights, which were conferred in succession, and at different times.

<sup>14</sup> Political modernism draws on other people's understanding of what modernism is and how it expresses itself politically, but no one uses the term as such. See my article "'The rich ... should give to such an extent that it will hurt': 'Conscription of Wealth' and Political Modernism in the Parliamentary Debate on the 1917 Income War Tax," *Canadian Historical Review* 93, no. 3 (September 2012), pp. 382-407.

past,” an awareness of radical novelty.<sup>15</sup> Although, as Harvey says, a radical “break with the past” is not literally possible, the idea of such a break was central to political thought in the period. Political modernism is neither left nor right, but has been used to express varying political projects. It is concerned with “unblocking energies and releasing flows” by a process of creative destruction.<sup>16</sup> Although political modernism is necessarily anti-conservative (in the sense of resisting change), the novelty it celebrates can be of various kinds, as long as it eliminates barriers, clarifies and simplifies, and allows energy and knowledge to flow more freely and efficiently.

While the term political modernism seems abstract, its centrality in the analytic framing of the dissertation actually arose out of the sources. In heralding the possibilities of a federal income tax, the word people most often used to describe its salutary effects was “modern.” The character of income taxation as modern was articulated in many ways: income tax was modern because it was clear; it was modern because it was destructive; it is modern because it was scientific; it was modern, most often, because it was novel and unprecedented. Their critiques of the party system invariably characterized it as old, inefficient, sentimental – that is, as not modern. When people wrote articles or letters calling for a political change, they often spoke of the change as modern, as a

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<sup>15</sup> David Harvey, *Paris, Capital of Modernity* (London: Routledge, 2003), 1.

<sup>16</sup> Tim Armstrong, *Modernism: A Cultural History* (London: Polity Press, 2005), 82. Creative destruction is a term coined by the economist Joseph Schumpeter, used by Harvey to characterize the re-design of Paris by Georges-Eugène Haussman in the period following the 1848 uprising. See Harvey, *Paris*, 2. Schumpeter was an economist of the Austrian school who argued, echoing Marx, that economic growth under capitalism had to constantly revolutionize itself, destroying the old in order to make way for the new. See Joseph Schumpeter, *Capitalism, Socialism, and Democracy* (London: Routledge, 2003), p. 83. Schumpeter was also an advocate of historical studies of taxation, claiming in an influential essay that “fiscal history” is “the thunder of world history. Schumpeter, “The Crisis of the Tax State,” *The Economics and Sociology of Capitalism*, Ed. Richard Swedberg (Princeton, New Jersey: Princeton University Press, 1991), p. 101.

necessary improvement, as the realization of a new and better way of understanding things and organizing them. To be true to the sources, to “see things their way,” has required engaging with the modernism of taxation.<sup>17</sup>

The modernism of income taxation connects to the modernism of the left-right terminology of political differences. The terms arose out of the French Revolution, when legislators in the National Assembly who favoured hierarchy and order sat on the right of the speaker while those who argued for egalitarian reforms sat on the left; the names were adopted quickly in other European countries, but very slowly in Britain, the United States and Canada.<sup>18</sup> Because the terminology was adopted at a much later date outside Europe, it would be reasonable to expect that the meaning of left and right was different in those places. In this sense, this dissertation is part of a de-centering of modernity advocated by Dipesh Chakravarty in *Provincializing Europe*, which argues that there are many modernities, which should not be seen simply as a poor reflection of Europe’s modernity.<sup>19</sup> Coming from post-colonial theory, Chakrabarty’s intent is not simply to shift the focus to other countries, but more specifically to other countries whose histories have been displaced by European imperialism – a project in which a history of Canadian fiscal politics sits awkwardly. Still, because the scholarship on left and right is so limited and so overwhelmingly Eurocentric, even a minor de-centering introduces a major re-interpretation. In Canada, political modernism was tied to a rethinking of Dominion fiscal

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<sup>17</sup> Modernism is used here in preference to modernity because it defines an urge rather than a condition. David Harvey defines modernism as a “movement,” and modernity as a “condition” in *The Condition of Postmodernity: An Enquiry into the Origins of Cultural Change* (London: Basil Blackwell, 1989), p. 10. Harvey’s distinction informs the terminological preference for political modernism in this study.

<sup>18</sup> See footnote 3 for a discussion of the scholarship on left and right.

<sup>19</sup> Dipesh Chakrabarty, *Provincializing Europe: Postcolonial Thought and Historical Difference* (Princeton, New Jersey: Princeton University Press, 2000).

politics; left and right were tied more specifically to economic equality than a generalized, universal right of personhood as in Europe. This is a key argument of this study, and is discussed at length in the Conclusion.

### **1.3 Political History, Intellectual History of Politics, and Tax**

#### **Scholarship**

In sketching out the role of income taxation in the re-alignment of political differences in Canada, this dissertation draws on a number of different scholarly traditions, some of which are poorly developed, and others of which are long abandoned. In one sense, there is an almost limitless scholarly literature on Canadian politics in the early 20<sup>th</sup> century. Because the crisis of Confederation caused by the depression in the 1930s was such a defining moment for students of Canadian history and social science, it is well covered by the scholarship of what Donald Wright has called the “post-1918 generation” of professional scholarly researchers.<sup>20</sup> The federal election of 1911 and the political challenges of the First and Second World Wars are key touchstones of Canadian politics, and have been studied extensively. But these topics fell out of favour along with the rest of political history in the aftermath of the explosion of social and cultural history after the 1960s, and have become largely dormant. The study of taxation in Canada, meanwhile, essentially began and ended with the work of J. Harvey Perry, a civil servant who

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<sup>20</sup> Donald Wright, *The Professionalization of History in English Canada* (Toronto: University of Toronto Press, 2005), p. 53.

published the definitive two-volume *Taxes, Tariffs and Subsidies* in the 1950s.<sup>21</sup> Tax history, like political history more generally, is currently undergoing a revival, but the book that would be most relevant to this study, Shirley Tillotson's study of taxation in Canada in the 20<sup>th</sup> century, remains unpublished.

Much of the early canon of political history in Canada, in fact, grew out of the democratic struggles of the early 20<sup>th</sup> century. Frank Underhill's contributions to the study of Canadian political parties and political culture, informed by his belief that both traditional parties were "dominated by the business interests of the great Eastern industrial and financial centres," found its way into articles in the *Canadian Forum* before being published in academic articles.<sup>22</sup> Donald Creighton's account of the political and imaginative challenges in the development of *The Commercial Empire of the St Lawrence* appeared during the depression, and its arguments about the need for a strong central government were echoed in the historical volume Creighton contributed to the Royal Commission on Dominion-Provincial Relations.<sup>23</sup> The work of historians like Creighton and Underhill work was criticized after the 1960s for representing only a narrow swath of political reality and implicitly siding with elite conceptions of politics but, at the time they were writing, the nature of political parties and the role of the Dominion government in creating a national economy were important questions. This dissertation is informed by the understanding that questions of political difference and its

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<sup>21</sup> J. Harvey Perry, *Taxes, Tariffs, and Subsidies: A History of Canadian Fiscal Development*. Toronto: University of Toronto Press, 1955.

<sup>22</sup> Carl Berger, *The Writing of Canadian History* (Toronto: University of Toronto Press, 1976), pp. 64-67.

<sup>23</sup> Donald Creighton, *The Commercial Empire of the St Lawrence, 1760-1850*. Toronto: Ryerson Press, 1936; Creighton, *British North America at Confederation* (Ottawa: The Queen's Printer, 1937). The idea that the book echoes Creighton's contribution to the Commission is from Berger's *The Writing of Canadian History*, pp. 215-216.

effect on democracy were important in the 1930s; that it harks back to those old discussions is intentional and unapologetic.

The historiography that is the most direct precursor to this study is the intellectual history of politics that, to a large extent, replaced traditional political history in the 1980s and 1990s. Books like Doug Owsram's *The Government Generation* and Barry Ferguson's *Remaking Liberalism* took the focus of political history away from politicians and electoral contests, and put it on ideas and the people who produced them.<sup>24</sup> This work underlined the importance of ideas to how government and politics changed, drawing attention to the rapid transformation in ideas of what the liberal state could and should do in the years leading up to 1945. While it has been very valuable in framing key questions of this study, the intellectual history of politics had some problems that this study has tried to overcome. For one, it displayed a conception of the role of intellectuals in government that tended to idolize intellectuals, presenting their rise to power and influence in the inter-war period in whiggish terms. It also presented ideas and intellectuals as necessarily linked, as if non-intellectuals had no ideas and ideas were always identifiable concepts imported into government from academia. This study differs from the intellectual history of politics tradition first by examining rhetoric rather than ideas; second, by looking at how various speakers – journalists, politicians, farmers, workers, as well as university-trained administrators and authors – re-shaped politics

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<sup>24</sup> Doug Owsram, *The Government Generation: Canadian Intellectuals and the State 1900-1945* (Toronto: University of Toronto Press, 1986); Barry Ferguson, *Remaking Liberalism: The Intellectual Legacy of Adam Shortt, O. D. Skelton, W. C. Clark, and W. A. Mackintosh, 1890-1925* (Montreal and Kingston: McGill-Queen's University Press, 1993).

through their use of rhetoric; and third, by placing these uses of rhetoric in political struggle, rather than on an abstract plane. It studies how politics changed in the first half of the 20<sup>th</sup> century, not by looking at the formal intellectuals and their ideas, but by looking at literate society more broadly, and the people's enlightenment that swept through it.

The last decade has witnessed the emergence of a 'new political history' that engages with formal politics from a perspective informed interpretively and methodologically by social and cultural history.<sup>25</sup> In response to the proliferation of social history in the 1960s and 1970s, followed by cultural history in the 1980s and 1990s, political history became an intellectual backwater. The isolation of political history had the perverse effect of shielding its traditional elements (hero-worship, belief in the transparency of documentary sources) from sustained critical reflection, the result of which was an ossification of traditional habits in the study and teaching of political history. 'New political history' is a rejection of this isolation, and reflects a desire to engage with formal political power in fresh ways. Political history is no longer regarded as relic or intellectual backwater, and is now explicitly promoted as a newly vibrant field

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<sup>25</sup> New political history as such has not been defined or outlined by scholars. See Larry Glassford "The Evolution of 'New Political History' in English-Canadian Historiography: From Cliometrics to Cliodiversity," *American Review of Canadian Studies* Vol. 32 # 3 (October 2002), pp. 347-367, for an overview that does not reflect the current re-birth and that is too eager for a return to, rather than a re-thinking of, political history of the Creighton-Underhill type. Glassford cites Ian Radforth and Allan Greer (eds.), *Colonial Leviathan: State-Formation in Mid-nineteenth-century Canada* (Toronto: University of Toronto Press, 1992) and Nancy Christie, *Engendering the State: Family, Work, and Welfare in Canada* (Toronto: University of Toronto Press, 2000) as examples of publications that point in that direction. Important new political history publications in French include Michele Dagenais, *Des pouvoirs et des hommes: L'administration municipale de Montréal, 1900-1950* (Montreal: McGill-Queen's University Press, 1999), Jean-Marie Fecteau, *La liberté du pauvre: Sur la régulation du crime et de la pauvreté au XIXe siècle québécois* (Montréal: VLB Editeur, 2004), and Michel Ducharme, *Le concept de liberté au Canada à l'époque des révolutions atlantiques, 1776-1838* (Montreal: McGill-Queen's University Press, 2010).

of study.<sup>26</sup> Although there were signs of revival beforehand, much of this new interest can be traced back to Ian McKay's essay "The Liberal Order Framework," which proposed seeing Canada as "a liberal project of rule," in which non-liberal practices and aims were either absorbed or suppressed by society and the state.<sup>27</sup> The essay served broadly as a rallying cry for scholars wanting to re-politicize and re-invigorate political history. In addition, although McKay's work was explicitly intended as a "concept of reconnaissance," not a theory, it has been adopted by scholars as a frame of reference, and is often cited as the interpretive basis of major research projects.<sup>28</sup> This study is not informed interpretively by the Liberal Order Framework but, as a study of formal politics informed by social and cultural history's leftism and post-structuralism, it is a contribution to a wider interpretative culture that can be traced to McKay's influence and example.

As part of this new interest in political history, a new scholarship is emerging that treats taxation as an important social and political fact. The key figure in this new scholarship is Shirley Tillotson, who has not only been prolific in producing her own scholarship but has taken a leadership role in spearheading the development of a tax field

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<sup>26</sup> The founding of the Political History Group in the Canadian Historical Association in 2009 was a key marker of this re-birth. Also notable were the lecture series "Re-imagining the Political," held at Carleton University in 2008, and the conference "Transformation: State, Nation, and Citizenship in a New Environment," held at York University in 2011.

<sup>27</sup> Ian McKay "The Liberal Order Framework: A Concept of Reconnaissance," *Canadian Historical Review* 81, no. 4 (December 2000), pp. 616-678. See also Michel Ducharme and Jean-François Constant (eds.), *Liberalism and Hegemony: Debating the Canadian Liberal Revolution* (Toronto: University of Toronto Press, 2009), which includes McKay's essay and critical commentaries by other historians.

<sup>28</sup> Two examples are Jarrett Rudy, *The Freedom to Smoke: Tobacco Consumption and Identity* (Montreal and Kingston: McGill-Queen's University Press, 2005) and Darren Ferry, *Uniting in Measures of Common Good: The Construction of Liberal Identities in Central Canada* (Montreal and Kingston: McGill-Queen's University Press, 2008).

in Canadian historiography more broadly. Traditional political history, for all its focus on politicians and government, paid little attention to taxation. What there is of tax history before the last decade is either intellectual history of politics like Owsen and Ferguson (in which tax is peripheral) or highly technical and institutional histories of statutes and practices like Harvey, W. Irwin Gillespie's *Tax, Borrow and Spend*, or Robert Bryce's *Maturing in Hard Times*.<sup>29</sup> Recent tax scholarship by Tillotson, Elsbeth Heaman, Andrew Smith and others has been strongly differentiated from this institutional approach by placing taxation in a broader political, social and cultural context, examining taxation as a site of social struggle and as a screen for projecting anxieties and desires.<sup>30</sup> This renewal of interest in taxation is partly a reflection of the phenomenon of 'new political history,' but also reflects a wider, more interdisciplinary renewal of interest in taxation, as can be seen in what scholars are calling the New Fiscal Sociology.<sup>31</sup> Like the Canadian

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<sup>29</sup> Perry, *Taxes, Tariffs, and Subsidies*; W. Irwin Gillespie, *Tax, Borrow, and Spend: Financing Federal Spending in Canada, 1867-1990* (Ottawa: Carleton University Press, 1991); Robert B. Bryce, *Maturing in Hard Times: Canada's Department of Finance through the Great Depression* (Montreal and Kingston: McGill-Queen's University Press, 1986).

<sup>30</sup> See in particular Tillotson, "The Family as Tax Dodge: Partnership, Individuality, and Gender in the Personal Income Tax Act, 1942 to 1970," *Canadian Historical Review* 90, no. 3 (September 2009), pp. 391-425; Elsbeth Heaman, "'The Whites Are Wild About It': Taxation and Racialization in Mid-Victorian British Columbia," *Journey of Policy History* 25, no. 3 (2013), pp. 354-384; Andrew Smith, "Toryism, Classical Liberalism, and Capitalism: The Politics of Taxation and the Struggle for Canadian Confederation," *Canadian Historical Review* 89, no. 1 (March 2008), pp. 1-25.

Although this dissertation does not address gender and race systematically, research towards it led indirectly to an article on gendered understandings of bicameralism in the Senate in 1917 that is currently under consideration for publication in *Histoire Sociale/Social History*. However, neither it nor my first journal article, "'Civilization Had Given Him a Vote': Citizenship and the Ballot in Sara Jeannette Duncan's *The Imperialist*," (*Journal of Canadian Studies* 40, no. 3 (Fall 2006)), which deals with the intersections of race and gender, is on taxation. Besides generic references to men and man, particularly in the parliamentary debates in Chapter 3, and the portrayals of the farmer in the *Grain Growers' Guide* discussed in Chapter 2, gender rarely offers itself as an issue in the material used for this thesis. Even those few references themselves appear to be of very little relevance to the central question of changing political differences. This is interesting given that political differences are strongly identified with gender differences in current debates, as is discussed in the Conclusion.

<sup>31</sup> Isaac William Martin, Ajay Mehrotra, Monica Prasad (eds.), *The New Fiscal Sociology: Taxation in Comparative Historical Perspective* (Cambridge, UK: Cambridge University Press, 2009). The term 'fiscal sociology' was coined by Joseph Schumpeter (see footnote 15 above).

historians studying taxation, these scholars are reviving the field by seeing taxation as a central fact of political life.<sup>32</sup> This thesis is a part of this emerging national and global scholarship.<sup>33</sup>

#### **1.4 Post-structuralism, Rhetoric, and the Imaginary**

Theoretically, this dissertation is rooted, like much recent history, in an engagement with critical theory and post-structuralism. It is premised on an understanding of the political as an unstable entity, and of the ways in which people understand politics as attempts to make sense of differences and powers that are multiple and, in themselves, unintelligible. This understanding is based on a particular tradition of continental philosophy, and most especially the work of Jacques Derrida. While the dissertation does not directly address post-structuralism or even theory very much, the post-structuralist account of meaning-making informs its presentation of the material. The terminological universe of the study is dominated, though, by two terms from outside post-structuralism: rhetoric and the imaginary. Rhetoric, which is identified here most directly with political philosopher Quentin Skinner, is the use of language as an instrument of politics, which is a key consideration of the chapters that follow. The imaginary, which was coined in

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<sup>32</sup> Martin, et al (eds.), *The New Fiscal Sociology*, p. 2.

<sup>33</sup> While this dissertation has been informed by reading scholarship on political difference and public finance in other national contexts, it has not taken a specifically transnational approach. The Canadians who were engaged in these discussions were undoubtedly aware of similar discussions happening elsewhere, even as they struggled with particularly Canadian questions, and drew, without question, on ideas and examples from other places in their calls for reform. Pursuing these connections systematically would have made for an interesting project which, given the lack of an existing historiography on these questions in other countries, would have required research in primary documents. As this would have required too much time away from the core question of how speakers understood political difference and its relationship with fiscal questions, I chose to limit my analysis to explicit mentions of networks and influences.

psychoanalysis but has had wide inter-disciplinary application, is used to designate the result of the modernizing of the early 20<sup>th</sup> century: a new mapping or understanding of political difference. This section will examine and explain all of these concepts in turn.

Continental philosophy, from Immanuel Kant on down, has been concerned with understanding what it calls “conditions of possibility,” the conceptual groundwork required for something to be identified and understood. In an argument called the “Transcendental Aesthetic,” Immanuel Kant suggested that in order for basic sensory information to be intelligible, our minds had to have already, or *a priori*, developed certain abstract concepts with which we order that information – what Kant calls “intuitively.”<sup>34</sup> An example Kant uses is the concept of space: we cannot develop an awareness of space from experience; we have to know space exists *a priori* before we can see it. All our knowledge of the world is therefore contingent on the abstractions we intuit to make sense of our experience of the world. This transcendental critique has been progressively radicalized. Post-structuralists, for example, have argued that we only make sense of our world by active sense-making, which is always contingent, never fixed or reliable, and always politically problematic. Jacques Derrida in particular has called attention to the importance of differences in sense-making, and has shown how unstable systems of difference invariably are. Systems of difference like man/woman, Europe/Orient, self/other structure our thought without us being aware of them and their instability. Derrida finds these unstable structuring differences in parts of texts that had been previously ignored or dismissed, like dedications, notes, jokes, and so on. Marginal

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<sup>34</sup> Immanuel Kant, *Critique of Pure Reason* (New York: St. Martin’s Press, 1965), p. 72.

elements of texts betray the fragile system of differences upon which they are based – the conditions of possibility of the knowledge or political claim being made.

Informed by post-structuralism's attention to language and construction of differences as a condition of possibility, the original aim of this dissertation was to simply trace the change in language, a largely unremarked increasing use of left and right, and explain its development in relation to changes in fiscal arrangements of the state. The starting assumption was that the terms used in texts would slowly change, and these changes would be reflected in asides, in parts of writings to which authors had devoted very little attention. The sources, however, immediately told another story. In certain situations, speakers were very clear and self-conscious about the language they were using, and often commented openly on either a change in terminology or the need for such a change. This changed the nature of the project: rather than simply a history of words, it became a history of people actively changing words. The development of a new representation of politics through the emergence of the possibility of tax-and-spend politics was not, then, an accident or simply an inevitable surrender to destiny, but a kind of mass intellectual project. The introduction of a Dominion income tax, the Income War Tax, in 1917, and its broadening in the early 1940s reflected the anxieties, concerns and possibilities arising out of a previous political or social crisis – and, more importantly, out of a way of understanding a previous political or social crisis. Rhetoric, circulating in the form of images or phrases in speeches, newspapers, cartoons and books, was crucial to how the immediate events of the period unfolded; words and phrases were consciously chosen for their political effects.

The question of how people used language pointed to the study of rhetoric, which Quentin Skinner defines as language used in political struggle.<sup>35</sup> Skinner argues that “there cannot be a history of unit ideas as such, but only a history of the various uses to which they have been put at different times.” The history of the uses of words is, Skinner says, “the only history of ideas to be written.”<sup>36</sup> Words and ideas only matter, that is, when they are spoken, and they are only spoken when it is important politically that they be spoken. This approach arises out of the philosopher Ludwig Wittgenstein’s dictum that “words are also deeds,” that is, that there should not be too sharp a distinction between saying, thinking and doing.<sup>37</sup> In Skinner’s own field of political philosophy this becomes an insistence on “seeing things their way,” situating a text in its original context, a call for scholars to “situate the texts we study within such contexts as enable us to make sense of what their authors were doing writing them.” Such a method allows students of past political speakers “to grasp their concepts, to follow their distinctions, to appreciate their beliefs and, so far as possible, to see things their way.”<sup>38</sup> This approach is critical of much of the discipline of political philosophy, which understands thinkers as elucidating timeless questions rather than engaging in immediate political struggles: a favourite example of Skinner’s is C. B. Macpherson, who argued that Parliamentarians in the English Civil War were fighting for something he called possessive individualism, which

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<sup>35</sup> Quentin Skinner, *Visions of Politics, Volume I: Regarding Method* (Cambridge, UK: Cambridge University Press, 2002). David Banoub, a fellow PhD student, wrote a paper on rhetorical analysis, and later presented it at the Underhill Graduate Colloquium at Carleton University in early 2009. Banoub’s paper introduced me to Skinner’s work and subsequent discussions with him have guided my understanding and use of it.

<sup>36</sup> Skinner, *Visions of Politics*, p. 176.

<sup>37</sup> Cited in Skinner, *Visions of Politics*, p. 4.

<sup>38</sup> Skinner, *Visions of Politics*, p. 3.

appears nowhere in any document of the time and, Skinner argues, would have meant nothing to the people to whom Macpherson ascribes it as an ideal.<sup>39</sup>

This imperative, which is the core of Skinnerian method, applies less to historians, who always want the wider context. Indeed, determining and communicating the context in which something happened is the core of the historical enterprise. But historians do tend to reify ideas, elevating them over the textual evidence they assemble. Ian McKay is a good case in point. *Reasoning Otherwise*, the first volume of his history of the left, contains very little direct citation, and none that uses the word ‘left.’<sup>40</sup> The left is asserted as the subject of the history, and its presence in the narrative is simply presumed. Did the people whose ideas McKay is tracing identify as the left? If the answer is no, does it matter? For McKay’s purpose, which is telling a history of a movement that exists in the present, perhaps it does not. But if we want to understand how people in the past thought, what categories they used to make sense of their world and their place in it, we need to examine their words carefully. In this dissertation, accordingly, an insistent attempt has been made to keep the analysis tethered to the language and tone speakers at the time used, in order to discuss more precisely what they meant. More broadly, Skinner’s point that words matter politically, are part of social struggle, is the key to how rhetoric is used in this dissertation.

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<sup>39</sup> C. B. Macpherson, *The Political Theory of Possessive Individualism: Hobbes to Locke* (Oxford, UK: Oxford University Press, 1962).

<sup>40</sup> McKay, *Reasoning Otherwise*, passim.

The concept of the imaginary is also important to this dissertation, as the left-right spectrum that emerged over the period examined here is characterized as a new imaginary. The term is widely used in political and social theory. Curiously, though scholars from various disciplines have claimed new theoretical ground on the basis of the term, the word is often left undefined, and quite often used without terminological or etymological attribution, as if it were being coined anew each time. One of the attractions of the term, and reasons for its recent proliferation, seems to be that it has no immediately recognizable meaning and purpose, in contrast to terms like discourse and hegemony, which have well-established theoretical lineages and potentially constraining methodological and political resonances. The imaginary is particularly appealing to authors who want to claim new conceptual ground and reach non-specialists, and don't want to seem to be overburdening their prose with a towering, pre-fabricated theoretical edifice. The imaginary, to the untrained eye, suggests something that has been dreamed up specifically for the occasion, something that allows the author to pull back from the material and reflect on it without subjecting it to a hackneyed and pre-determined analytic procedure. But the imaginary, despite its appeal as a blank slate, does in fact mean something. In fact, when it is defined it is often suggested that different uses of it are unrelated. Despite these differences, a general definition is possible.

The imaginary is an abstract representation of a field of action, in which people place themselves. It is a schematic guide to, or simplification of, the repertoire of political and social possibilities available at a given time. Sometimes the imaginary is primarily a visual or special concept, a way of seeing or positioning objects; at other times it is more

linguistic, more a set of phrases and words that can be used; usually, both the linguistic and the spatial are implied. The imaginary in all cases is seen as the conditional ‘world’ in which other actions can be intelligibly taken and understood. As Patrick Joyce says in *Democratic Subjects*, his study of social identities in 19<sup>th</sup>-century Britain, the imaginary “is not the image of something else, but without which there cannot be something else.” Rather than the imaginary being the result of social relations, Joyce argues that “society and ‘the social’ are the outcome of this ‘imaginary.’”<sup>41</sup> The similarities with Kant’s Transcendental Aesthetic are obvious: both are based on the idea that, in order for anything to mean anything, some preliminary delineation needs to be invented. The imaginary is, in this sense, a Kantian concept. In fact Bruce Curtis, in *The Politics of Population*, his history of the meaning-making behind the Canadian census, refers to the imaginary as “a transcendental vision of social relations.”<sup>42</sup>

For political theorists, the imaginary is a perspective or lens through which abstract phenomena are viewed and given meaning. The imaginary is portrayed as the fundamental site of social struggle and invention, because it is what allows possibilities to be formulated before they coalesce into demands. In Ernesto Laclau and Chantal Mouffe’s *Hegemony and Socialist Strategy*, for example, they describe the French Revolution as having begun as a new “egalitarian imaginary” that posited the fundamental equality of people and that, for the first time, allowed a total evaluation of

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<sup>41</sup> Patrick Joyce, *Democratic Subjects: The Self and the Social in Nineteenth-Century England* (Cambridge, UK: Cambridge University Press, 1994), p. 4. Joyce’s use of the concept of the imaginary draws heavily on Cornelius Castoriadis’s *The Imaginary Institution of Society* (New York: Polity Press, 1987).

<sup>42</sup> Bruce Curtis, *The Politics of Population: State Formation, Statistics, and the Census of Canada, 1840-1875* (Toronto: University of Toronto Press, 2001), p. 12.

previously unexamined social hierarchies. “This break with the ancient regime,” they write, “made it possible to propose the different forms of inequality as illegitimate and anti-natural, and thus make them equivalent as forms of oppression.” The core of the French Revolution, they argue, was this novel perspective, and the vista it opened up to a new concept of political legitimacy.<sup>43</sup> Beyond being a perspective, though, the imaginary is also a set of possibilities. Literary scholar Louis Montrose, for example, in a discussion of 16<sup>th</sup> century English poet Edmund Spenser, defines the imaginary as “the collective repertoire of representational forms and figures – mythological, rhetorical, narrative, iconic – in which the beliefs and practices of ... political culture were ... articulated.”<sup>44</sup> It is a collective repertoire, Montrose says, that is produced by the entire literate society:

With widely varying degrees of conscious and deliberate fashioning, complexity, and skill, countless ... subjects worked and reworked such forms and figures when they sought to formulate their experience, understanding, or judgment of the relations of power in their society.<sup>45</sup>

Political philosopher Charles Taylor, similarly, defines the imaginary as a “‘repertory’ of collective actions at the disposal of a given group of society.”<sup>46</sup> Taylor also underlines the visual-spatial aspect of the imaginary, saying that it constitutes “an implicit map of social space.”<sup>47</sup> The imaginary, as used by a wide range of scholars across the humanities and social sciences, is a repertoire of expressions that coalesces into a recognizable and definable spatial representation of a given reality.

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<sup>43</sup> Ernesto Laclau and Chantal Mouffe, *Hegemony and Socialist Strategy: Towards a Radical Democratic Politics* (London: Verso Books, 1985), p. 155.

<sup>44</sup> Louis Montrose, “Spenser and the Elizabethan Political Imaginary” *English Literary History* 69, no. 4 (Winter 2004), p. 907.

<sup>45</sup> Montrose, “Spenser and the Elizabethan Political Imaginary,” pp. 907-908.

<sup>46</sup> Charles Taylor, *Modern Social Imaginaries* (Durham, North Carolina: Duke University Press, 2005), p. 25.

<sup>47</sup> *Ibid.*

In this dissertation, the left-right spectrum that makes sense of a politics defined by the political possibilities of income taxation is called the *modern political imaginary*. It is a spatial representation of political differences. It displaces a more personalized and identity-based system of differences in which people, like Sara Jeannette Duncan, were Liberals or Conservatives, offering instead an abstract plane on which possibilities were lined up left to right. It was a repertoire of phrases and images that coalesced over a thirty-five year period into a new way of perceiving political differences.

### **1.5 Periodicals, the Parliamentary Record, and Other Primary Sources**

The major sources in this thesis are the four periodicals that respectively dominate the documentary basis of each of the central chapters: the *Grain Growers' Guide* (Chapter 2), the *Industrial Banner* (Chapter 3), the *Canadian Forum* (Chapter 4), and *Saturday Night* (Chapter 5). These were weekly (except in the case of the *Forum*, which was a monthly) magazines carrying opinion editorials, analytical articles, guest commentaries, letters and illustrations. Produced at the time with pressing immediate concerns, they are ideal source material for the Skinnerian ambition of “seeing things their way.” Generally, newspapers and magazines have been taken seriously by historians working on very different topics. A classic example in Canadian political history is P. B. Waite’s *The Life and Times of Confederation*, which not only relies on newspapers as source material but devotes the first chapter to the role of Confederation-era newspapers which “entered all the cut and thrust of political life with all the verve of the politicians whose views they

represented.”<sup>48</sup> Traditional political history, with its focus on events and personalities, relied heavily on newspapers as source material, though it rarely drew explicit attention to their language as an object of analysis. Gregory S. Kealey’s *Toronto Workers Respond to Industrial Capitalism*, which relies almost exclusively on newspapers, and Valerie Korinek’s *Roughing it in the Suburbs*, which is an in-depth analysis of gender and culture in *Maclean’s* magazine, are examples from social history and cultural history of scholars using print media.<sup>49</sup>

Specifically, the four periodicals that form the evidential backbone of this thesis have been used by scholars before with varying degrees of regularity. They are relatively common choices because they are organs, the official voices of particular social or political movements. The *Industrial Banner*, the newspaper of the Trades and Labour Council, a moderate labour group headquartered in London, Ontario, has been used often by labour historians. The *Forum*, which was for a time the official voice of the socialist think tank, the League for Social Reconstruction, is often cited by intellectual historians of politics.<sup>50</sup> *Saturday Night* has been quoted less, though J. L. Granatstein uses it in similar, though more limited, ways.<sup>51</sup> Though magazines and periodicals are used regularly as sources, they are also regularly belittled. The *Grain Growers’ Guide* is an

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<sup>48</sup> P. B. Waite, *The Life and Times of Confederation, 1864-1867: Politics, Newspapers, and the Union of British North America* (Toronto: University of Toronto Press, 1962), p. 4.

<sup>49</sup> Gregory S. Kealey, *Toronto Workers Respond to Industrial Capitalism 1867-1892* (Toronto: University of Toronto Press, 1980); Valerie Korinek, *Roughing It in the Suburbs: Reading Chatelaine Magazine in the Fifties and Sixties* (Toronto: University of Toronto Press, 2000).

<sup>50</sup> See Michiel Horn, *The League for Social Reconstruction: The Intellectual Origins of the Democratic Left in Canada, 1930-1942* (Toronto: University of Toronto Press, 1980) and Owsram, *The Government Generation*.

<sup>51</sup> J. L. Granatstein, *The Politics of Survival: The Conservative Party of Canada, 1939-1945* (Toronto: University of Toronto Press, 1967). Granatstein is interested in the intricacies of intra-party strife in the period, and the positions taken by *Saturday Night* are of minor consideration in his narrative.

excellent case in point. It is extensively relied upon as a source in monographs and in textbooks, but it has been criticized and patronized for its polemical interpretation of Canadian political history. In an illustration of what E. P. Thompson famously called “the enormous condescension of posterity,”<sup>52</sup> Carl Berger referred disparagingly to the *Guide*’s “blunt and caricatured economic interpretation of Canadian politics.”<sup>53</sup> Berger’s insulting characterization might have been a reflection of politics – he was invested in the legitimacy of the two-party system and the meaningfulness of differences between the Liberals and Conservatives – but also what Donald Wright has referred to as the “amateurization of history”: the corollary of the professionalization process, in which the work of non-academic historians was pushed to the margins of historical interpretation.<sup>54</sup> Because the focus of this thesis is on the use of rhetoric in service of political modernism, here the *Guide* is taken seriously as the primary source of political rhetoric against the tariff in the period before the First World War.

The record of parliamentary discussions, which forms a key part of Chapters 3 and 5, has been less used by scholars, even in traditional political history. This disregard arises out of a perception that discussions in Parliament, because they were merely rhetorical, had no real substance. Quentin Skinner has been critical of this position, as has Janet Ajzenstat, a political scientist who has taken a keen interest in the history of the

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<sup>52</sup> E. P. Thompson, *The Making of the English Working Class* (London: Victor Gollancz, 1963), p. 12.

<sup>53</sup> Carl Berger, *The Writing of Canadian History: Aspects of English-Canadian Historical Writing, 1900-1970* (Toronto: University of Toronto, 1976), p. 63.

<sup>54</sup> Donald Wright, *The Professionalization of History in English Canada* (Toronto: University of Toronto Press, 2005), p. 83.

Canadian Parliament.<sup>55</sup> While Skinner is keen to insist that rhetoric should be taken seriously, Ajzenstat takes the opposite position, insisting that Canada’s “founders” were articulating not rhetoric but ideas – specifically classical liberal ideas – which should be taken seriously.<sup>56</sup> The interest paid to parliamentary discussion in this thesis is motivated more by Skinner’s position, which treats all political language, all rhetoric, as equally important and interesting. It is also informed by recent scholarship in Early Modern British history. This body of work sees Parliament, within a wider culture of politics, as an institution with particular rhetorical requirements and investments. Its authors are keen to underline the point that “Parliament did not operate in a vacuum, but ... adapted and reacted to, and interacted with, the outside world,” and look at how Parliament “functioned as a body” and as “a ‘public space’ in which its participants were on display as ‘representatives of the nation.’”<sup>57</sup> Similarly, this thesis treats Parliamentary speeches as part of a larger social world in political struggle. Speakers in Parliament, like speakers elsewhere, are seeking to make powerful and effective use of rhetoric, with the added consideration that they are defending and promoting the institutional centrality of Parliament. This point is underlined most forcefully in the section of Chapter 3 that directly deals with ‘conscriptio of wealth’ rhetoric and Parliament. Parliament is a privileged space interpretively because of its proximity to political power and because of its extreme rhetorical self-consciousness, which makes it an ideal source for examining political language.

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<sup>55</sup> Skinner, *Visions of Politics*,” p. 145; Janet Ajzenstat, *The Canadian Founding: John Locke and Parliament* (Kingston: McGill-Queen’s University Press, 2007), pp. 3-6.

<sup>56</sup> Ajzenstat, *The Canadian Founding*, p. 7-8.

<sup>57</sup> Chris R. Kyle and Jason Peacey, *Parliament at Work: Parliamentary Committees, Political Power and Public Access in Early Modern England* (Woodbridge, Suffolk, UK, 2002), pp. vii-viii.

Other sources used in the thesis, such as novels and other books, pamphlets, reports and scholarship from the time, are intended to demonstrate the breadth of interest in a given rhetorical question at the time. In Chapter 2 in particular the cast of commentators is large, and their words reveal a widespread concern about the quality of political differences and a shared desire to intervene imaginatively in politics through polemic and humour. In Chapter 4 the cast is narrower, most of the primary sources other than the *Canadian Forum* being government reports. In part this change reflects a transformation in the role of intellectuals, from predominantly literary and critical in the 1910s to predominantly social-scientific and instrumental in the 1940s. In the dissertation overall, though, while the four periodicals provide the voices of various groups engaged in rhetorical struggle, and the speeches and reports represent the responses of the government (conceived elastically to include the Official Opposition), the other material provides breadth, illustrating the point that the struggles were happening in public, and that authors and other commentators were acting as witnesses and often as participants.

## **1.6 Structure and Narrative**

This dissertation is written as a direct challenge to the common assumption, among scholars who are both interested and actively uninterested in tax history, that taxation must be written about in only one way. It is a common error to assume and assert that, because income taxation is highly technical and involves numbers and arcane legislation, the history of taxation can only be written about technically. What this error ignores is,

first, that taxation is a central part of modern political life which everyone experiences in ways that make sense to them as non-specialists. What Tillotson calls the “moral meaning of taxation” is a shared cultural knowledge, running through the entire society, not an area of professional expertise. Taxation affects everyone, and the more scholarship engages with it in different ways, the more generous and rich the field becomes, the better the likelihood that readers who would never have read a book about taxation find a way in to the discussion.<sup>58</sup> In addition to this, scholarship is, or should be, a conscious act of imagination, an attempt to actively make new sense of a set of sources rather than a product of sources. Historians do not simply report what they find in archives, so they should be able to present material in a thoughtful way that grasps the reader’s attention by fixing on interesting and remarkable elements and observations, even if the source material, if presented in raw form, would bore almost anyone.

In this case, the material has been presented in four discrete political scenes in which the rhetoric of fiscal politics and political differences were a key concern. They are four moments that combine a self-conscious interest in the power of rhetoric, a reflection on political differences, and a focus on the politics of taxation as the problem or solution. Spaced out over four decades, these scenes demonstrate a long-standing interest in addressing rhetorical questions as fiscal problems and vice versa. They encapsulate the

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<sup>58</sup> I have argued elsewhere for scholars to engage readers more actively in political discussions about taxation. I wrote that “To insist that taxes must be discussed only in their technical capacity is to essentialize taxation into a form of representation that is out of reach of most readers, who are thereby excluded from a discussion about a central fact of their political lives. By presenting other truths about taxation, we multiply points of entry into the discussion of a political economic practice that ... ‘affects everyone’—a discussion a privileged and professionalized minority has sadly dominated.” “Broadening the Political Constituency of Tax Reform: The Visual Rhetoric of *Canadian Taxation*, 1979-1981,” *Journal of Canadian Studies* 46, no. 1 (Winter 2012), p. 18.

transformation in the political imaginary that characterized the period. The episodes focus first on the destruction of the two-party system inherited from the 19<sup>th</sup> century, then on the establishment of a new, more abstract and impersonal system of differences characterized by the use of left and right. They are in a sense two pairs, in which a problem is articulated from society and the state responds. Although what happens between the episodes is ultimately covered, they do not follow one another directly. Rather they are pivotal moments in which self-awareness about the rhetoric of political differences attached itself to a critique of Dominion fiscal politics.

The rhetorical inventions that are detailed in each chapter are premised on the speakers' deep familiarity with current and recent fiscal politics. Accordingly, each chapter begins with a presentation of the immediate political and economic background as it appeared to the participants. Rather than simply providing a context for the political struggles, these opening sections provide an inventory of the references upon which speakers in the period draw. Although these sections are the most directly concerned with political economy, they do not present a material base that determines the rhetorical battles. These sections themselves are rhetorical, in that they are concerned with how problems were spoken of, and what resources they produced. These sections are then built on in speakers' reflections on political difference, on the power of a phrase or slogan, and the power of a more equitable or powerful tax measure. This general pattern has variations: in Chapter 2 there are two sections examining political differences, whereas in Chapter 3 there is no section devoted specifically to that question; in Chapter 4 the controversy over a phrase is woven through the background material. But in all

cases the core question is the speakers' collective anxiety or excitement over the rhetorical resonances of fiscal questions.

The account begins, in Chapter 2, with the controversy over the tariff, and the Laurier government's intention to lower tariffs as a concession to western farmers, in the 1911 election, and the critique of party differences that farmers and other writers produced. At the start of the 20<sup>th</sup> century, the tariff, a tax on imported goods, was the chief fiscal instrument of the Dominion. Although it was in formal sense a tax (or, more correctly, a set of taxes), the tariff was more than simply a fiscal instrument, having been invested with nationalist significance by the Conservative party in the period immediately following Confederation. This was because the tariff had the practical effect of making imported goods more expensive than goods made in Canada, and therefore of protecting domestic industry. It was therefore a tax paid, by the consumer, partly to the Dominion treasury and partly to Canadian business, in the form of inflated prices. Liberal policy for two decades was in opposition to the tariff, and so Liberals and Conservatives presented themselves to voters as having different views on the tariff. To win the election in 1896, however, the Liberals abandoned their opposition to the tariff and, for all intents and purposes, practiced the same fiscal strategy as the Conservatives. Nevertheless, both parties continued to campaign on the basis of their tariff differences, in the form of an appeal to party memory and tradition, rather than on their actual positions. Canadian politics during the period between 1896 and 1911 was characterized by forcefully stated differences between parties that governed in essentially the same way. Critiques of the inadequacies of the tariff as revenue source and as a basis for clear political differences

gave rise to calls for a reform of politics through fiscal reform, or vice versa. For farmers, the focus was on the tariff itself, and secondarily on the party system, primarily as an instrument to getting rid of the tariff. Farmers and others became increasingly disillusioned with the parties, seeing bitter humour in their rhetorical self-importance and seeing them as important only if useful. Ultimately the farmers' call was heard at Ottawa, and the Liberals renewed their partisan vigour by campaigning in 1911 on a deal for partial reciprocity with the United States. The defeat of the government by the Conservatives' emotional appeal to nationalist sentiment alienated farmers further from the party system.

This alienation and distancing from the party system was furthered by the political and fiscal controversies of the First World War, which are the focus of Chapter 3. The memory of 1911, and of the role of rhetoric in disguising the tariff issue as a question of loyalty rather than of class exploitation, created a fertile field for the appeal of direct taxation as an alternative to the tariff. The Dominion had stayed away from income taxation, leaving it to the provinces, because the British North America Act allowed the provinces only direct taxation, and the Dominion treasury wanted to avoid taxing people's incomes twice. But the First World War made some sort of change necessary. With the cost of the war, both in money and lives, weighing so heavily on the working class, and with military conscription on the table, labour leaders pushed for 'conscription of wealth,' in the form of a tax on high incomes, as a necessary corollary. The government reluctantly introduced first a tax on war profits and then a tax on incomes a year later, as a sop to critics of the tariff and other consumer taxes that fell too heavily on

the poor and not heavily enough on the rich. As in the lead-up to the 1911 election, the controversy over war finance reflected the increasing irrelevance of the two-party system, which all but expired in the last years of the war. The divisions that were meaningful were increasingly between the old parties and various groups of political modernists, not between the parties themselves. Strikes ignited all over the country, the most infamous at Winnipeg, and people ran provincially and federally as farmer and labour candidates. In Alberta and Ontario they formed the government, and in Ottawa they held the balance of power.

The Income War Tax, though it was criticized as weak by Liberal parliamentarians and labour groups outside Parliament, served in the 1920s and 1930s as a suggestion of the possibilities for a new fiscal regime, in which the Dominion government would actively use its powers of taxation to direct and shape the economy, a campaign that is the focus of Chapter 4. With a federal income tax permanently in place, though weak enough to be more of an idea than an actual fact for most taxpayers, the modernization kicked off by the farmers, workers and intellectuals shifted into high gear. In the Maritimes, for instance, progressive reformers pushing for public expenditure on public works ran up against the limits of the provincial fiscal models, which had to tax a predominantly low-income population, given that so much business leadership had relocated to Ontario and Montreal; they used the Liberal and Conservative parties interchangeably to advance their progressive ends, using their lack of clear party principles to strategic advantage. The controversy over ‘fiscal need’ that emerged out of this realization was a struggle over the role of the federal government in equalizing and

correcting for regional economic disparities – something that had not been on the agenda previously.<sup>59</sup> In the 1930s, when provinces and municipalities began paying out unprecedented sums for household relief and hung precipitously close to bankruptcy, the critique of the tariff and the possibility of using the federal taxing power to correct for the vagaries of capitalist development began to collide. The growth of third parties, notably the Co-operative Commonwealth Federation and various progressive splinter groups of Conservatives, made for a crowded and chaotic electoral field. This combined with the emergence of the possibility of using the federal income tax to effect large-scale income equalization led to increasing use of the left and right to try to keep track of and agree, often unsuccessfully, on what was going on. The Royal Commission on Dominion-Provincial Relations, called to address once and for all the question of how the federal government should use its taxing powers to stabilize the federation, recommended that the income tax become solely a federal responsibility. The report also suggested that a single income tax at the federal level would make the political field clearer, by allowing the elected government to project a single, clear rate of progressivity.

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<sup>59</sup> The original intention was for the interpretation of the role of the ‘fiscal need’ controversy as a bridge between the introduction of the Income War Tax in 1917 and the establishment of the Rowell-Sirois Commission in 1937 to be a chapter of its own. (It was presented as such at the Negotiating Histories conference at McGill University in March of 2008 under the title “Negotiating ‘Need:’ Thomas White, the Income War Tax and the Maritime Rights Challenge, 1917-1937.”) However, two factors influenced the decision to absorb the material into the chapter on the Rowell-Sirois Commission. The first one was that, beyond the commission reports, there were no obvious primary sources to draw upon; no equivalent to the *Grain Growers’ Guide* or the *Industrial Banner* appears in E. R. Forbes’ *The Maritime Rights Movement, 1919-1927* (Montreal and Kingston: McGill-Queen’s University Press, 1979), and so there was no obvious source material in which to encounter the rhetoric of Maritime Rights in its original context, which is a key imperative of Skinnerian scholarship. A stand-alone chapter, therefore, would have been short and relied overwhelmingly on secondary sources – chiefly Forbes. The second was that the figure of Norman McLeod Rogers emerged as such a good illustration of the link between regional protest movements and the civil service mandarinate that it made sense to form a single narrative arc showing his absorption into the Dominion cabinet via ‘fiscal need’ and anti-tariff agitation. While having a chapter explicitly on the Maritimes would have been an excellent contribution to the historiography, having a chapter that links Maritime movements directly to the rise of the intelligentsia and the Rowell-Sirois recommendation of a strengthened income tax is also valuable, and arguably works better structurally.

The political realities involved in implementing the idea of a single powerful Dominion income tax envisioned by the Commission are the focus of Chapter 5. The Commission's recommendations were rejected by some provinces and, in a formal sense, died. Within a few months, however, with the unanswerable justification of the war, Dominion Finance Minister J. L. Ilesley inflated the Income War Tax to gargantuan proportions, creating a tax base and a budget that exceeded all previous expectations, let alone experience. Over the years that followed, as the Dominion further increased income taxation and introduced its first large-scale social program, the Family Allowances Act, the parties increasingly defined themselves in terms of how they would use the treasury to mold Canadian society after the war. The Co-operative Commonwealth Federation, the Liberals and the renamed Progressive Conservatives jostled for a spot on the left-right spectrum, and, even as all parties insisted on never repeating the catastrophe of the 1930s, commentators more confidently than ever proclaimed that those on the left sought to do this by using the power of the state to create an egalitarian society while those towards the right sought to do it by using tax rates to stimulate growth.

The narrative ends with the establishment of the left-right spectrum as a widely understood representation of difference, and universal income taxation as an accepted fact of political life. From the 1940s on, the connection between Dominion taxation and Dominion political differences was little remarked upon. The 1945 *White Paper on Employment and Income*, widely acknowledged as marking a new, more central role for the Dominion treasury in stimulating growth, evinces the evaporation of the modernizing

role of income taxation in the period leading up to the Ilesley reforms.<sup>60</sup> Income taxation as a commonplace experience was no match imaginatively for income taxation as an idea: the former produced revenue on an unprecedented scale, but the latter produced rhetoric that in turn produced the modern political imaginary. Once that imaginary was established as a shared norm, it was no longer worthy of comment; income taxation stopped producing possibilities, and became a largely silent burden.

Over the course of a little over thirty years, a fractured mass movement to modernize political rhetoric by replacing the tariff with an income tax transformed political possibilities. The old, backward-looking tariff-based positions of Liberal and Conservative were increasingly loosened, first by a political vanguard and then by political society as a whole. New, modern positions, more fluid and more clearly tied to identifiable fiscal strategies, started to dominate, solidifying by the end of the Second World War into a recognizable way of seeing political reality, a political imaginary in which voters chose between parties arrayed on a left-right spectrum according to their propensity to use income taxation to fund social programs and equalize incomes. No single person was involved in this endeavour from the beginning to the end; it was a shared project across the years and regions and, in some cases, deep political divides, a mass modernist push to make a more meaningful and democratic politics. To us, its outcome might be obvious, hackneyed, or even a frustration, but to its architects the

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<sup>60</sup> In parliamentary politics, a white paper announces a general direction in policy, and is often exploratory rather than definitive. (Pierre Trudeau's government's 1969 white paper on Indian policy, which was politically explosive, is often referred to simply as 'the White Paper,' leading to confusion regarding other white papers.) Technically, the words 'white paper' are not part of the title: the 1945 white paper was called simply *Employment and Income*. However, the name *White Paper on Employment and Income* is more familiar, and is therefore used here.

taxpayer funded social state and the left-right spectrum were a necessary and important liberation.

## 2. The Rhetoric of the Tariff and Dominion Political Differences in 1911

### 2.1 The Appeal to the Flag

Stephen Leacock, the chair of political economy at Montreal's McGill University, published his second book of funny stories, *Sunshine Sketches of a Little Town*, in 1912. Originally serialized in the *Montreal Star* over the months of February to June, the book consisted of a series of vignettes of a fictional Ontario town called Mariposa. Two of the stories, "The Great Election in Missinaba Country" and "The Candidacy of Mr. Smith," together relate the tale of an election that seized the local imagination like no other ever had. Leacock's trademark faux-naïve narrator gives an account of the issues at stake:

I only know it was a huge election and that on it turned issues of the most tremendous importance, such as whether or not Mariposa should become part of the United States, and whether the flag that had waved over the school house at Tecumseh Township for ten centuries should be trampled under the hoof of an alien invader, and whether Britons should be slaves, and whether Canadians should be Britons, and whether the farmer class would prove themselves Canadians, and tremendous questions of that kind.<sup>1</sup>

The passage consists almost entirely of phrases that are heavy with connotation, but denote very little: the actual question before the electorate is not directly explained, but the emotional nationalism of terms like "flag," "Briton," "slave," and "alien invader"

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<sup>1</sup> Stephen Leacock, *Sunshine Sketches of a Little Town* (London: John Lane, 1912), p. 124. Albert Moritz and Theresa Moritz point out in *Stephen Leacock: His Remarkable Life* (Markham, Ontario: Fitzhenry and Whiteside, 2002) that Leacock spoke often during 1910-11 in support of the Conservative party's defense of the tariff, and note that "his addresses were packed with factual material, convincing arguments and even, it appears, emotional rhetoric." (148) They suggest that "Leacock's satirical view of the election may have emerged in the hindsight of 1912, as he worked on *Sunshine Sketches*." (147) The idea that Leacock write a humorous story with a Canadian setting for the *Star* came from B. K. Sandwell, a journalist who later became editor of *Saturday Night* (see Chapter 4). (149)

make clear how the election was represented and understood. What the narrator characterizes as “tremendous questions” are in fact not questions at all but rhetoric through which questions are framed, and perhaps even obscured. What Leacock is saying is that the issues of the election, whatever they may have been, were lost on most of voters, who understood it in terms of the over-heated rhetoric the parties invoked. Caught up in the excitement, people accepted the rhetoric as the issues at stake, and voted accordingly. “Now that it is all over,” the narrator notes, “we can look back at it without heat or passion.”<sup>2</sup>

Leacock was satirizing the federal election of September 21 1911, when the Liberal party under the leadership of Sir Wilfrid Laurier was defeated on a platform of reciprocity, or partial free trade, with the United States.<sup>3</sup> The object of energetic appeals to national sentiment, the proposed reciprocity agreement was the product of vigorous

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<sup>2</sup> Leacock, *Sunshine*, 124.

<sup>3</sup> The 1911 election, which Paul Stevens, in the document collection *The General Election 1911: A Study in Canadian Politics*, called “the most important election in Canadian political history,” was once the object of significant scholarly interest. (Toronto: Copp Clark, 1970, p. 1) Because of the issues at stake and the outcome, it attracted historians writing on quite different aspects of politics. The issue of reciprocity itself and of its threat to manufacturing, railroad and finance interests in eastern Canada has been examined by scholars of Canadian business, as well as (more critically) some scholars of political culture. The role of Henri Bourassa’s nationalist movement in defeating Laurier in Quebec has also been extensively examined. There is considerable scholarship about party organization, which was seen for a period in the 1960s as the determining factor in the outcome of the Liberal defeat. W. L. Morton and John English have both seen the 1911 election as the first act of a larger drama of political party formation: in English’s *The Decline of Politics* (Toronto: University of Toronto Press, 1977), of the formation of the Union Government in the First World War, and in Morton’s *The Progressive Party in Canada* (Toronto: University of Toronto Press, 1950), of the western development of a Progressive Party after the war. Only in surveys such as Robert Craig Brown and Ramsay Cook’s *Canada 1896-1921: A Nation Transformed* (Toronto: McClelland and Stewart, 1974) was the election examined from the perspective of reciprocity and defense. Patrice Dutil and David MacKenzie’s recent *Canada 1911* (Toronto: Dundurn, 2011) is the first monograph to attempt to integrate the story of English and French Canada. Dutil and MacKenzie, like this chapter, see the election as “a moment marking out a transition from an older political culture to a more modern one,” but their focus is more on the words and actions of Laurier and Borden than on the reciprocity issue and the organized farmers’ role in framing it. On the whole, the argument and emphasis in this chapter is most similar to Morton’s, though with more particular attention paid to the role of the *Grain Growers’ Guide* and to the language of political contestation generally.

lobbying by organized farmers, particularly in the three Prairie Provinces, who argued that the protective tariff was an injustice. Although the tariff was framed by both parties as a protective measure, shielding Canadian manufactured goods from American competition, for the writers and correspondents of the *Grain Growers' Guide*, the weekly magazine of the farmer organizations, the tariff was a tax – and a particularly unfair and inefficient one at that. By allowing Canadian companies that were protected from foreign competition to charge inflated prices on manufactured goods, the tariff was essentially a benefit to Special Privilege, the ruling class of finance and industry centred in Montreal and Toronto, represented politically by the Dominion government in Ottawa. The *Guide's* comment on the election was similar to Leacock's satire in drawing attention to the role of nationalist rhetoric in obscuring the issues at stake. An editorial responding to the election results argued that

The chief appeal of the Special Privileged and anti-reciprocity forces during the campaign was not to reason but to sentiment. Emotion and not intellect was worked upon by the anti-reciprocity forces. The Ontario people feared the loss of their home market. The strong anti-American sentiment in that province also resented anything savoring of bargaining with the United States. The appeal to the flag undoubtedly played a very strong part in the decision.<sup>4</sup>

The blunt and analytical tone of the editorial, the explicit valuing of reason and intellect over emotion and sentiment, and the critical link between Special Privilege and the “appeal to the flag,” all reflect the *Guide's* positioning of itself and its readership as intelligent modernizers up against a dishonest political machine. Leacock and the *Guide* were on different sides of the election, and the tone of their comments was quite different

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<sup>4</sup> Editorial, “The Election Results,” *Grain Growers' Guide* 4, no. 9 (September 27, 1911), p. 5. Editorials in the *Grain Growers' Guide* were not signed, but Roderick McKenzie was the editor throughout the period examined in this Chapter.

– the former light and patronizing, the latter earnest and analytical. But both showed a keen awareness of the power of rhetoric in defining the terms of the election, and shared a sense that the issues were not discussed clearly and honestly.

The election marked a high point for rhetorical self-consciousness in Canadian politics. At stake in the election was the core element of Canadian political economy: the protective tariff that was the Dominion's main source of revenue and had been the basis both of the National Policy – leading, belatedly, to the country's explosive growth at the turn of the century – and of the two-party system, in which the Liberals and Conservatives appealed to voters on the basis of their different rhetorics of protection. For the Conservative party, which had created the National Policy under John A. Macdonald, a high tariff was the basis of true patriotism and loyalty, beyond its obvious practical benefit to the development of manufacturing in Ontario and Quebec. For the Liberal party, which had been a low-tariff or Free Trade party until the 1890s, the tariff was a necessity which, under the moderate leadership of Wilfrid Laurier, they prided themselves on making as easy a burden as they could. The 1911 election re-energized the fight over the tariff by introducing the possibility of reciprocal tariff easing with the United States, which suggested, both to protectionists and Free Traders, the possibility of reciprocal Free Trade and the end of the National Policy. For the first time, a governing party was fighting for a policy that threatened to remove the protective tariff from its central symbolic function as a bulwark against continental annexation. Because the tariff was the central financing instrument of the federal government and the symbolic basis of the competing nationalist rhetoric of the two parties, the stakes of the election were high.

The sense that the election marked an important political crossroads began the year before in the pages of the *Grain Growers' Guide*, when it called on farmers to play a key role in Dominion politics by voicing their position on the issue that mattered most materially to them: the tariff burden. Throughout 1910 and 1911, the *Guide* emphasized repeatedly that it was the farmer's unique responsibility to modernize politics in Canada by taking power away from political parties that substituted rhetorical excess for substantive political differences, and thereby insulated the electoral process from the issues that mattered most to voters. The *Guide* argued that the tariff was an unfair tax cloaked in misleading rhetoric and called for greater clarity in discussions of national revenue, up to and including the possibility of substituting for the tariff a direct tax, either on land or income, which, in addition to being more progressive and fair, would have the advantage of being both visible and free of protective protectionist baggage. More generally, the *Guide* served as a forum for farmers and other critics of the two-party system and its role in obfuscating meaningful political debate, particularly about taxes, at the Dominion level in Canada.

The *Guide* was, of course, not alone in its critique of the deficiencies of the party system, nor in relating these deficiencies to the influence of the tariff. Social scientists and literary authors in the first decade of the twentieth century wrote extensively and with worry and bitterness about the quality of political difference in Canada, and mocked the false sentimentality with which the tariff was invoked by parties desperate to find points of differentiation. The election of 1911, though it was ignited by the western farmers'

calls for political clarity and represented an unprecedented opportunity to test voters' sympathy for a reduced tariff, perfectly illustrated, for critics of the party system, the tendency of Canadian politics to be determined by nationalist rhetoric rather than thoughtful discussion. Although it was pushed forward by a demand for a more reasoned and honest political process, the election was contested by both politicians and the public with unprecedented rhetorical excess. This rhetorical excess of Canadian politics, which had become an explicit object of concern in the years leading up to 1911, was even more of an object of reflection and concern following the election. The disappointment of 1911 became an object of memory and the basis of a vow to do away with the tariff and fix Canadian politics in the decades that followed.

In this chapter, I will argue that the period leading up to the 1911 election was the first step in a modernist 'break with the past' that would seek to clarify Canadian politics by replacing the tariff with a form of direct taxation that was fair and easy to understand. Looking at the rhetoric used in the *Grain Growers' Guide* in 1910 and 1911, and at the literary and scholarly interventions of various intellectuals into the two-party system in roughly the same period, this chapter will trace the outlines of a shared belief that political differences were misleading and uninspiring in the early twentieth century, and that changing the issue upon which political difference turned – the fiscal crux of partisanship – was important for the future of democracy. The key concern, in this chapter as throughout the dissertation, is the understanding of political difference that was widely shared by a range of speakers. In the period of the 1911 election, the difference between Liberal and Conservative political appeals was an object of explicit

critique by a self-consciously modern political vanguard of farmers and consistent satirization by scholars and authors. This critique and satire were tied to a critique of the tariff and its politicization, and in some cases prompted calls for a shift to direct taxation as a better basis for political controversy.

The centrality of the tariff to post-Confederation party politics and the western critique of its unfairness are familiar stories in Canadian history and historiography. The first section of this chapter, which outlines the place of the tariff in the political imaginary leading up to 1911, covers well-trodden ground. What is original in this chapter is the attention to the tariff as a rhetorical instrument, as distinct from its fiscal effects. The sections that follow examine in more detail the way people talked about the tariff, and how this language reflected an understanding of and a critique of the tariff's rhetorical effects. These sections build on classic studies of political history by W. L. Morton, John English and Doug Owram in examining the critique of the party system among farmers and intellectuals.<sup>5</sup> Again, the particular contribution of the analysis is its attention to

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<sup>5</sup> See W. L. Morton, *The Progressive Party in Canada* (Toronto: University of Toronto Press, 1950), John English, *The Decline of Politics: The Conservatives and the Party System 1901-20* (Toronto: University of Toronto Press, 1977), and Doug Owram, *The Government Generation: Canadian Intellectuals and the State* (Toronto: University of Toronto Press, 1986).

The *Grain Growers' Guide* was used extensively by Morton as evidence of the western farmers' increasing political self-consciousness in the period leading up to the 1911 election. Because Morton's interpretive focus is on the character of the Progressive Party in the 1920s, the 1910-1911 period is covered as part of a prologue showing how the farmers' hopes for eliminating the tariff through the two-party system were disappointed, necessitating an alternative route for reform. Although he discusses the tariff and its pernicious effects on the party system, Morton does not discuss the discussion of income taxation in the *Guide* in 1910-11 or the inclusion of direct taxation in the Farmers' Platform, though he does discuss its place in farmer thought later in the decade, during the war. Cook cites some of the same passages from the *Guide* in the period, but presents its critique of the two-party system and the tariff as a political problem of business corrupting democracy only, not as a conceptual challenge.

John English, similarly, begins his analysis of the Conservative Party under Robert Borden's leadership by noting that corruption was perceived to be endemic to Canadian politics in the early 20<sup>th</sup> century, and cites both Sara Jeannette Duncan and André Siegfried as examples of this intellectual tradition; for English,

words, phrases and images, rather than ideas and events. Because the purpose of this analysis is to establish a cumulative and shared understanding, the identities and biographies of individual authors, where they are known, are largely ignored as irrelevant. To some extent, the critique of the tariff and the party system reflected a conscious desire for and insistence upon a new language of politics – a clearer and more intelligent language that was more amenable to serious discussions of issues and less prone to partisan grand-standing – that would come with the arrival of a new way of raising revenue for the federal government; this project, adopted most consciously by the farmers’ movement and the *Grain Growers’ Guide*, is a key narrative of this chapter. To the extent that the intellectual history of this set of ideas and the political history of their application in the context of the 1911 election are underlined, this chapter builds upon the work of Morton, English and Owrarn. Above and beyond what happened and what people thought about it, though, this chapter and the dissertation as a whole is about how people *spoke* a shared understanding of political differences – a political imaginary or rhetorical map of the political – of which they were only partly aware. This unconscious repertoire of images and equivalences is, I argue, an important political resource whose existence historians have overlooked.

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though, the focus of reforming intellectuals was on patronage and civil service reform, not the tariff. While the party system is an object of explicit concern, it is discussed more in terms of the practical politics of governing than through the ideas and images associated with the parties.

Owrarn focuses on the development of an intellectual and administrative elite in the first half of the 20<sup>th</sup> century, and makes minimal mention of the tariff and political differences, though he does note that one limitation in the development of welfare state policies in the early period was that economic issues “tended to be framed in terms of one major issue – the tariff.” (34)

## 2.2 The Tariff and Political Differences Before 1911

In order to discuss the critique of the tariff and its effects on the system of political differences, it is necessary to revisit the development of the tariff as a political issue – a story which has been told before.<sup>6</sup> Business and political historians have examined the emergence of the tariff as a key element of Dominion economic development policy; while that scholarship informs this chapter, the analysis presented in the next two sections does not depend on an understanding of the powers and interests that went into the development of the tariff state. It is important to keep in mind that what is at stake here is the system of political differences – Liberal and Conservative – that formed around the tariff, and that the tariff's actual functioning as a revenue measure or as a barrier to imports is only important as it illuminates those political differences. Here the focus is on the rhetorical apparatus through which Canadians understood Dominion politics.

The tariff was an inescapable and determining fact of Canadian political life at the turn of the 20<sup>th</sup> century. Although the British North America Act gave the Dominion the

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<sup>6</sup> Besides the Skelton and Perry scholarship cited in this section, the development of the tariff is touched on in every major survey, and in particular in histories of Canadian capitalism like Norrie and Owrans' *A History of the Canadian Economy* (Toronto: Harcourt Brace Janovich, 1991), which underlines the reactionary and half-hearted nature of protection as a response to American protectionist efforts, (312-315) and Michael Bliss's *Northern Enterprise: Five Centuries of Canadian Business* (Toronto: McClelland and Stewart, 1987), which uses the story of the tariff to argue against government involvement in the economy (225-252). The emergence of a private sector lobby and its influence on economic policy is illustrated in Ben Forster's *A Conjunction of Interests: Business, Politics, and Tariffs 1825-1879* (Toronto: University of Toronto Press, 1986, passim), while the role of labour in the attachment of the Conservative party to an actively protectionist position has been examined in Gregory S. Kealey's *Toronto Workers Respond to Industrial Capitalism, 1867-1892* (Toronto: University of Toronto Press, 1980, 154-171). In all these accounts, the function of the tariff as an instrument of political difference is alluded to but not directly engaged. An American monograph by S. Walter Poulshock, *The Two Parties and Tariff in the 1880s* (Syracuse, New York: Syracuse University Press, 1965), covers similar ground to this chapter with reference to the American two-party system, arguing that the tariff was an organizing principle of party differences in the late 19<sup>th</sup> century.

power to enact any form of taxation, by specifically limiting the provinces to direct taxation it had the effect of confining the Dominion to the tariff as its sole source of tax revenue. Between the elections of 1896 and 1911 the two parties were committed to the sanctity of the tariff as a means of economic development and protection of industry and manufacturing. Despite this overall agreement, Liberals and Conservatives continued to insist on the inherited importance of the difference between the two parties' tariff policies. Party rhetoric that had developed through the 19<sup>th</sup> century, when the parties were in acute opposition on tariff issues, survived the parties' convergence, and held the public imagination long enough to be drawn upon at elections well into the 20<sup>th</sup> century. The memory of partisanship defined by the tariff was a key element in the outcome of Dominion elections, long after the outcome stopped affecting the fiscal policy of the country. It was impossible to vote against the tariff, but also unlikely that beliefs about the tariff would not inform one's voting.

The tariff as a fiscal strategy had developed out of a long-standing crisis in the political economy of the British colonies of North America. The end of imperial protection in the 1840s with the adoption of Free Trade by Britain left the colonies to find international markets on their own. Anxiety and desperation in the face of this prospect were so acute that Montreal merchants proposed annexation to the United States as the most appropriate response. Instead colonial representatives negotiated a treaty for reciprocity with the United States in 1854. The Americans abrogated the treaty in 1866, and again anxiety and desperation helped push colonial authorities towards a radical solution, in this case the Confederation of the three British colonies along the St

Lawrence estuary. The new Dominion government extended invitations to re-instate reciprocity to successive American administrations and was continually rebuffed.

The immediate context of the abrogation of reciprocity amid the on-going crisis of economic direction pushed the Dominion towards a high tariff policy. It was originally understood primarily as an irritant to pressure the United States into re-entering into a reciprocity agreement; for the first years following Confederation, high tariffs were invoked by the Minister of Finance as a general retaliatory threat to American protection. However, the Dominion also had to support its considerable expenses for infrastructure projects like railways and canals. The tariff went up and down depending on how negotiations with the Americans were going, and did well as a revenue source until the depression of the 1870s, when revenue collapsed. The tariff was always, as J. Harvey Perry said, a “fair-weather friend” that “produces prolifically in good, and abysmally in poor, times.”<sup>7</sup> The burdensome and inefficient nature of the tariff became clear in this period, and made its performance as a political and fiscal instrument an object of partisan disagreement.

Liberals and Conservatives began in the depression of the 1870s to invest the tariff and their differing positions on it with increasing partisan sentiment. Given the depressed conditions, the Liberals were keen to not raise the tariff, even though it was not raising enough to support a balanced budget. Conservative critics called for an increase that would protect manufacturers. Defending their budgets against proposals for slightly

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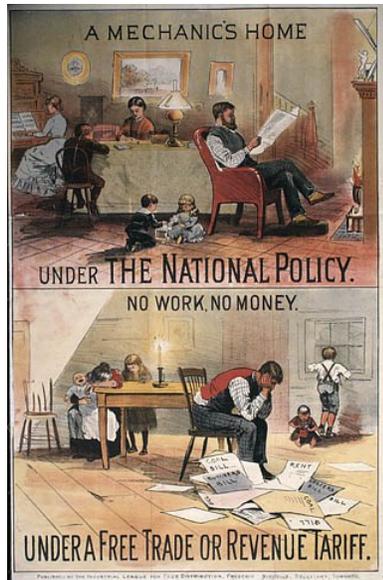
<sup>7</sup> J. Harvey Perry, *Taxes, Tariffs and Subsidies*, Volume 1 (Toronto: University of Toronto Press, 1955), p. 52.

increased rates, the Liberals borrowed the language of free trade, even though their position, like that of the Conservatives, was far from absolute. The result was an increasingly divided partisan dispute on the question of the tariff. “The concrete proposals of the opposing parties differed comparatively little,” Skelton wrote of the 1870s in 1913. “In discussion, however, the advocates of seventeen and a half percent and the advocates of twenty per cent frequently took up positions poles apart.”<sup>8</sup> What was actually a difference of degree, that is, was presented rhetorically as an absolute difference, a difference of poles whose difference and distance from each other was the basic fact of each pole’s meaning. This hardening of partisan positions continued through the decade, and through the return of John A. Macdonad’s Conservatives to power in 1878 on a platform identified as a “national policy.” As the tariff became established as a solid rule of Canadian political life, the partisan rhetoric around it intensified. Through the next few elections, both parties coined phrases to define their contrasting positions on the tariff, underlining and amplifying differences between the two to the extent that the parties were seen as absolutely different – “poles apart,” as Skelton said, rather than merely differentiated from one another by a detail of fiscal policy.

The deepening rhetorical divide between parties over the tariff through the 1880s, and the tendency to present Liberal and Conservative tariff policies as polar opposites, can be seen in two images from the Dominion election campaign in 1891, when the new Liberal leader Wilfrid Laurier campaigned on a policy of “unrestricted reciprocity.” Both images insist on a sharp contrast in the social effects of the two parties’ positions. The

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<sup>8</sup> O. D. Skelton, *General Economic History of the Dominion 1867-1912* (Toronto: The Publishers’ Association of Canada Limited, 1912), p. 146.



**Figure 1: The Tariff and Party Differences I.**

A colour lithograph by an unknown artist working for the Toronto Lithographing Company for the Industrial League, a pro-tariff lobby group campaigning in support of the re-election of the Conservative party in the 1891 Dominion election. The image shows two possible visions of the future – one prosperous, the other destitute – representing the different partisan stances of the Conservatives and Liberals on the question of the tariff. *Library and Archives Canada LAC1117*



**Figure 2: The Tariff and Party Differences II**

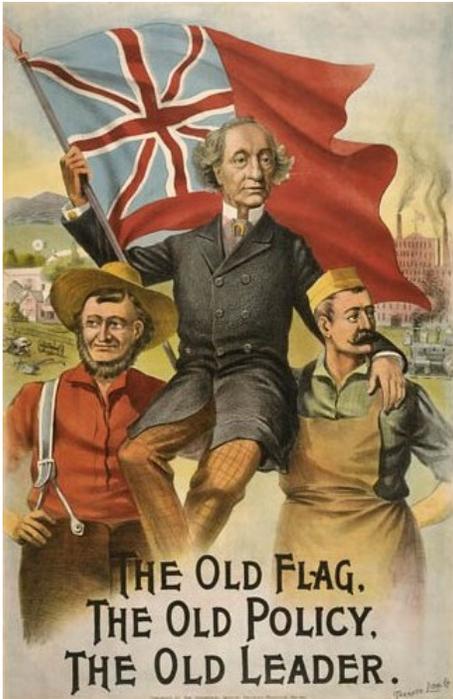
A Conservative Party campaign poster from 1891 shows the Grit (Liberal) policy associated with an American flag sending snakes of annexation sneaking up the tree to eat the apples of industry. The image underlined the association of Liberal tariff policy with disloyalty, and more generally portrayed the two policies as fundamentally opposed. *Library and Archives Canada MIKAN #122153 (item 4 of 6)*

first (Figure 1) is a poster depicting two versions of a worker's home, the top panel showing him prosperous and content under the National Policy, the bottom showing him poor and despairing under reciprocity or a revenue tariff. By focusing on the home of a mechanic (or manufacturing worker), the party was able to amplify a small truth – that much of the country's manufacturing depended on protection from American industry to survive and continue to employ works at good wages – into *the* truth: that the National Policy created prosperity, whereas free trade killed jobs. The different panels represented stark depictions of the tariff policies of the two parties, depicting them as absolute opposites, as having entirely contrasting outcomes, reflecting the polarized political differences at the time and their connection to the tariff. Another image, a cartoon from the same election (Figure 2), reinforces the contrast between plenty and want, but does so by linking plenty to loyalty. It shows two trees, one labeled National Policy and the other labeled Grit policy, that are sharply differentiated: one is full of ripe fruit bearing the names of components of Canada's economy while the other is barren; one flies the Union Jack while the other flies the American flag, indicating disloyalty. Snakes labeled annexation slither from the barren Grit tree to the full National Policy tree, symbolizing the hidden agenda behind the Liberals' pro-American tariff stance. These images both underlined the polar logic of tariff differences: the party policies were fundamentally opposed, one favouring a low tariff and the other favouring a high tariff. Other associations about prosperity and nationalism were laid on top of these fundamentally polarized party positions.

These polar differences, the easy and absolute association of the Conservatives with protection and the Liberal party with its opposite, were crystal clear by the early 1890s. And they already had an air of permanence. A third image from the 1891 election (Figure 3) captures succinctly how entrenched the link between Conservatism and the National Policy had become. It shows Macdonald, hoisted on the shoulders of a farmer and an industrial worker, with a Union Jack behind, and the words “The Old Flag, The Old Policy, The Old Leader.” The story that made sense of these elements, the fact that the poster was even about the tariff, would have been unintelligible to anyone who was not deeply familiar with Canadian politics; part of the power of the image, though, is in its appeal to the viewer’s familiarity with the story being told very obliquely. The flag represented loyalty to Great Britain (associated with the refusal to trade freely with the United States), while the workers and the farmers represented the people, and especially the economies, that benefited from the policy of protection: farmers and workers. The old policy, then less than two decades old, was the National Policy. What is remarkable about the image is how little is in fact said. The viewer must know that the poster is about the tariff, and know that the figure at the centre is John A. Macdonald, for it to make any sense. These associations did not need to be spelled out because they were part of a widely shared understanding of how political difference made sense.

After losing the election handily to the Conservatives in 1891, Laurier led his party into a historic about-face, adopting a position in favour of a tariff for revenue only. This allowed the party to free itself from a hard-line opposition to the tariff while still positioning itself against protection – that is to say, as the party more sympathetic to free

trade to those who wanted free trade, but, for those who were easily spooked by the idea of free trade, pledged to never go to that extreme. In the election of 1896, this position served the Liberals well, and they won the election. For the next few years, both the Liberals and Conservatives campaigned on the tariff, the Liberals touting it as a revenue generating measure, the Conservatives as part of an assertion of British patriotism.



**Figure 3: Party rhetoric: The Old Flag, The Old Policy, the Old Leader**

The lithograph was made by an unknown artist working for the Toronto Lithographing Company for use as a poster in the Conservative party's 1891 Dominion election campaign. The image features John A. Macdonald held aloft by a farmer and a worker, representing the common people of rural and urban society respectively, suggesting a harmony of interests under the Conservatives' leadership. The Union Jack flag connects Macdonald and the workers to British identity, and in turn to the protective tariff. The three part tag-line, "the Old Flag, the Old Policy, the Old Leader," connects Britishness, the tariff, and John A. Macdonald. The images drew on rhetorical associations that would have been familiar to people viewing the poster at the time. *Library and Archives Canada C-6536.*

In the midst of this protectionist phony war, when the two parties both ran on support for the tariff, Laurier pulled off one ingenious stunt that appealed to both the hard-line Free Trade Liberals and imperialists (traditionally associated with the

Conservative party because of the more deep-seated anti-Americanism of its protectionism): a preferential duty on trade with the British Empire. This proved to be such a powerful coup that it aligned a number of hard-core imperialists with Laurier Liberalism, and perilously complicated party differences, weakening the old and easy link between Conservatism, protection, and the Empire. However, the old associations did not go away. They merely became more obscure. Combined with the earlier position on revenue tariff, the imperial preference made the rhetoric behind party differences more misleading and unnecessarily polarized than they were at their origin.

The tariff, therefore, was an omnipresent political fact in Canada at the end of the 20th century. It defined political differences that were absolute and cloaked in nationalist rhetoric, but bore little relation to the difference in actual policies carried out by the respective parties. It was impossible to vote for a clear position on the tariff, though the tariff was the main issue upon which many voters decided and justified their partisan loyalties. Beyond its effects on politics, of course, the tariff was also a tax, though seldom defined that way. Its limitations as a tax have been noted repeatedly, including by Doug Owram in his history of reform-minded intellectuals. Much as it did with politics, the tariff dominated all economic discussions, making it difficult to address issues of income inequality.<sup>9</sup> This was partly because of rhetorical associations that made the tariff about loyalty, not tax burdens. It was also, though, because the tax revenue generated by the tariff was low, and could not have been used, as a more lucrative tax could, to fund

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<sup>9</sup> Owram, *The Government Generation: Canadian Intellectuals and the State 1900-1945* (Toronto: University of Toronto Press, 1986), p. 34.

comprehensive programs of social spending.<sup>10</sup> At the start of the 20<sup>th</sup> century, as Alberta and Saskatchewan graduated from colony status, joining Manitoba as provinces in the agriculture-dominated (and manufacturing-less) prairie west, Canadian politics was about to be reminded that the tariff was indeed a tax.

### **2.3 The Farmers' Critique of the Tariff**

The western farmers' political awakening began in 1909, with the launch of the *Grain Growers' Guide*, a weekly newspaper dedicated to the cause of cleaning up politics by getting rid of the tariff. The official organ of three provincial farmers' associations – the Manitoba Grain Growers, Saskatchewan Grain Growers, and United Farmers of Alberta – the *Guide* played a central role in organizing farmers by serving as a forum for criticisms of the tariff and of Dominion politics more broadly. The injustice, inefficiency, and deceptiveness of the tariff were reiterated by editors, illustrators, contributors and correspondents of the *Guide*, who together produced an understanding of the tariff as a core corrupting feature of public life. This understanding was communicated by the farmers' associations to Laurier during his western tour in the summer of 1910 and to Parliament when the Canadian Council of Agriculture met in Ottawa in the fall, and was the primary inspiration for the government's gamble on reciprocity. As W. L. Morton has said, the political case promoted by the *Guide* was “the first act in the agrarian revolt of Western Canada.”<sup>11</sup> It was also an important step in the articulation of the relationship

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<sup>10</sup> Owram, *The Government Generation*, p. 41.

<sup>11</sup> W. L. Morton, *The Progressive Party in Canada*, 26.

between fiscal politics and political differences, and in the campaign for both to be clearer and more honest.

The farmers' influence was a conscious product of a process of political modernization and education akin to what Ian McKay has called the people's enlightenment.<sup>12</sup> Against the unjust system of "Special Privilege" that cloaked its greed behind a rhetorical veil of nationalism, the *Guide* cast farmers as the liberators of the nation's democratic possibilities, who had to open their eyes and see honestly what was before them, and act politically upon that knowledge. Whether that action took place through one or both of the existing parties, or was embodied in a party with new principles and a new approach to politics, the key was to be knowledgeable and act on that knowledge to awaken the possibilities inherent in it. In the context of the party system, that meant being honest and intelligent about the relative merits of the Liberals and Conservatives, and open to the possibility of acting outside party lines; in the context of the tariff, that meant being honest about what it was and how it worked, and what alternatives there were.

The fundamental goal of the *Guide* with respect to the tariff, and the first step in getting the tariff "out of politics," was to clarify that it was a tax. Where other commentators would call the tariff protection or, with even more nationalist weight, the National Policy, the *Guide* used the word tax often in describing the tariff and its effects. In a letter to Laurier in August 1910, for example, a United Farmers of Alberta member

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<sup>12</sup> See McKay, *Reasoning Otherwise* (Toronto: Between the Lines, 2008), passim. McKay's work, and the concept of a "people's enlightenment" specifically, are discussed in detail in the Introduction.

complained to the Prime Minister that “We are now paying taxes on a larger proportion of our imports than fifteen years ago.”<sup>13</sup> The *Guide* encouraged its readers to see the tariff burden as a tax; letters from farmers testifying to the personal burden of the tariff were a regular feature. One correspondent wrote to the *Guide* in August 1910 saying “I know a person who bought a second-hand gasoline engine from the States and paid \$125 duty, tax or tariff, on it. That is a specimen of the burden of taxation for you.”<sup>14</sup> By identifying the tariff as a tax, the *Guide* was seeking to dissociate it from other considerations, such as its role in creating manufacturing jobs, that obfuscated what was, for the editors, the core issue.

Related to the fact that the tariff was a tax was that it was inefficient and unfair. By raising the cost to consumers of imported manufactured goods, the tariff encouraged consumers to buy from within Canada’s tariff wall; but this protective effect, which was the basis of its political and nationalist appeal, meant that very few imported goods were purchased, and so the duty, which only applied to imported goods, raised very little revenue. To the extent that the tariff worked to prevent imported goods from finding a market, that is, it failed to raise revenue, and vice versa. By combining revenue and protection in a single blunt instrument, the tariff essentially taxed consumers to pay Canadian manufacturers, with an incidental amount accruing to the Dominion treasury. For the *Guide*, then, the tariff was the worst and most egregious form of tax, in that it imposed an unfair burden on the taxed without raising significant revenue.

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<sup>13</sup> James Speakman, “The Tariff,” *Grain Growers’ Guide* 3, no. 4 (August 24, 1910), p. 7. The article was a letter from Speakman, director of United Farmers of Alberta, to Laurier – one of many letters from farmer leaders printed on that day.

<sup>14</sup> W. D. Lamb, “Sifton and the Tariff,” (letter) *Grain Growers’ Guide* 3, no. 5 (August 31, 1910), p. 12.

This point was made repeatedly in the *Guide* in various ways. That, in the words of a November 1910 editorial, the “balance of the revenue, unjustly taken from the people, goes into the treasury of the protected manufacturers”<sup>15</sup> was reiterated in articles, letters and illustrations throughout 1910 and 1911. An editorial during Laurier’s tour in July of 1910 explained that

When a high tariff is placed on a manufactured article it stops to a great extent the importation of these articles, while the Canadian manufacturers of that article add the amount of the tariff to the legitimate charge for such an article. In these cases the farmer or other consumer pays the whole burden of the tariff but the revenue from this tax does not go into the public treasury. It all goes to the treasury of the manufacturers.<sup>16</sup>

Other articles gave the monetary breakdown, estimating the amount that farmers paid in the tariff versus how much went into the Dominion treasury, illustrating forcefully how inefficient the tariff was. A letter from December 1910, using census figures from 1906, claimed that

the enhanced price that the local manufacturers were enabled to charge us for their wares in consequence of this duty, amounted to no less than \$2,067,326, which did not go towards the revenue, but into their own pockets. Thus on the plea that we have to impose big customs duties so as [to] procure a revenue, we tax our own people \$2,067,326 for the benefit of manufacturers and \$323,026 goes to the government. Thus for every dollar that this duty gives to the government, we are made to pay \$6.40 to the manufacturers.<sup>17</sup>

Similarly, an editorial in November 1910 argued that

... the farmers of Canada are taxed approximately \$2,142,000 per year on agricultural implements alone, to furnish a revenue of just

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<sup>15</sup> Editorial, “Protection and Revenue,” *Grain Growers’ Guide* 3, no. 15 (November 9, 1910), p. 6.

<sup>16</sup> Editorial, “Different Ways of Looking at it,” *Grain Growers’ Guide* 2, no. 51 (July 20, 1910), p. 6.

<sup>17</sup> James Finlay, “For the Farmers,” (letter) *Grain Growers’ Guide* 3, no. 21 (December 21, 1910), p. 16.

\$142,000. Thus, for every dollar of revenue that the government collects on agricultural implements \$15 additional goes into the pockets of the manufacturers of implements, and this is supposed to be a tariff for revenue purposes, which our manufacturers tell us is a splendid thing.<sup>18</sup>

That the overwhelming bulk of the amount taxpayers had to pay as a result of the tariff didn't go to the public but into the private treasury of the manufacturers was repeated forcefully in issue after issue. A cartoon titled "How the Protective Tariff Benefits the Farmer" (Figure 4), which ran in the *Guide's* November, 1910 issue, would have been immediately understood to regular readers. It showed a farmer being squeezed in a vise-like machine labelled "The Protective Tariff Mill" and controlled by two identical grimacing figures in three-piece suits, one tagged as "Government," the other as "Manufacturers." The machine was extracting coins from the farmer's pockets, which were accumulating in a box beneath labelled "Manufacturer's Treasury." The cartoon, like the articles and letters from the same period, was making the point that the tariff was an unjust scheme which amounted to taking money from people under the guise of taxation that mostly ended up in the private treasuries of manufacturers.

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<sup>18</sup> Editorial, "Protection and Revenue," *Grain Growers' Guide* 3, no. 15 (November 9, 1910), p. 6.



**Figure 4: The Tariff as Exploitation**

The image shows a farmer's coins being extracted by "the protective tariff mill." The operators of the mill, marked "government" and "manufacturers" are both wearing the top hats and three-piece suits that denote wealthy men. They represent the collusion of industry and politics in taking money from the farmer under the guise of protection, that ended up in the manufacturers' treasury, not the Dominion's. The use of a machine to torture and exploit the farmer is also perhaps meant to suggest the exploitative relationship between industry and agriculture – or, more concretely, the industrial regions of the country and the agricultural regions. (The question of who owned mills was an important issue in the *Guide*, and was often discussed alongside the tariff.) The image is unsigned, but was probably by Dick Hartley. It appeared in *Grain Growers' Guide* 2, no. 38 (April 20, 1910), p. 4. The image was published again in *Grain Growers' Guide* 3, no. 16 (November 16, 1910), p. 4.

The *Guide's* critique of the unfairness of the tariff burden was linked to its critique of the misleading and overheated rhetoric that protected the tariff from intelligent criticism and infected the entire political apparatus of the country. The tariff was politically inseparable from its rhetoric, having been established in the public imagination as the key component of the National Policy in the 1870s, and having been, since that time, the basis of the partisan identities of the Liberal and Conservative parties. The fact that the Liberals had, since the 1890s, abandoned their anti-tariff stance and embraced a

nearly identical commitment to the permanence and necessity of tariff protection complicated matters, but did not change the fact that the parties still campaigned on tariff differences, thereby contributing further to the haze of misrepresentation and confusion that surrounded the issue. The rhetoric that saw the tariff as the necessary basis of loyalty to the British Empire was seen by the farmers' associations and the *Guide* as a cover for exploitation and an insult to the intelligence of Canadians.

That the tariff and nationalist rhetoric were inseparable, and that to argue against the tariff meant to take on that rhetoric, was acknowledged forcefully by the *Grain Growers' Guide*. An editorial in the summer of 1910 said that "Advocates of a tariff invariably argue that a tariff spells national unity."<sup>19</sup> Manufacturers and others who benefited directly from the tariff routinely reminded advocates of Free Trade that it was important to keep in mind the Empire when devising a trade policy, and not be tempted by the easy money that would come from trading with Americans. A cartoon (Figure 5) from August 1911 showed a fat industrialist in a Union Jack vest saying "You must build up the Empire" and waving a flag in front of the farmer to distract him while he reaches into his pocket and steals his money, the message being that nationalism was introduced in discussions of trade as a distraction from the real business, which was exploitation by industry of farmers and other taxpayers. A few months later, the editors noted hopefully that "The disloyalty cry is playing out. The farmers of Canada are too sensible to allow themselves to be fooled by such transparent fallacies."<sup>20</sup> The idea that ignorance and

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<sup>19</sup> Editorial, "Canadian Farmers: The Facts About Preference," *Grain Growers' Guide* 2, no. 50 (July 13, 1910), p. 9.

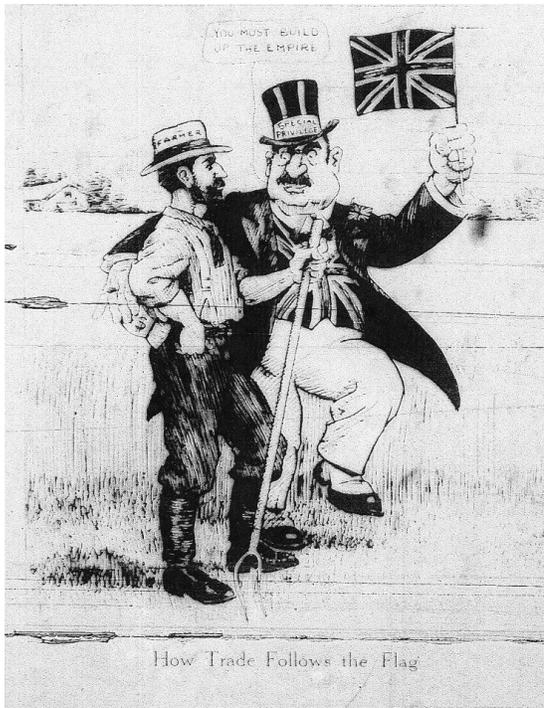
<sup>20</sup> Editorial, "Trade and Loyalty," *Grain Growers' Guide* 3, no. 33 (March 15, 1911), p. 6.

intellectual laziness made people susceptible to the claim that the tariff was a necessary instrument of nationalism and that intelligence was guiding people to a truer understanding ran through the *Guide*'s analysis of the rhetoric of the tariff. "To make an intelligent argument either for or against reciprocity based on comparative prices and market requirements entails a considerable expenditure of time and industry in the preparation of facts and figures," an editorial in September 1911 said, "but anyone can say, 'I am not prepared to throw myself into the arms of Uncle Sam and therefore I am opposed to reciprocity.'"<sup>21</sup> That the political rhetoric of the tariff was an insult to the intelligence of educated and politically engaged farmers was a common theme from correspondents as well, such as the one who asked: "Do the parties really think that the Western farmer is fit only for a diet of such bumkum and flap-doodle as their paid press hands out daily or weekly?" and then commented that "If so, their estimate of his intelligence is indeed low."<sup>22</sup>

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<sup>21</sup> Editorial, "The Last Word," *Grain Growers' Guide* 4, no. 7 (September 13, 1911), p. 5.

<sup>22</sup> Zummerzset, "Bumkum and Flap-Doodle," (letter) *Grain Growers' Guide* 3, no. 4 (August 24, 1910), p. 12. Zummerzset was one of several correspondents whose letters were published under pseudonyms such as Jack O'Lantern and Unitas, a tradition in English journalism dating back to the 18<sup>th</sup> century.



**Figure 5: The Nationalism of the Tariff as Exploitation**

“How Trade Follows the Flag,” a cartoon from the *Grain Growers’ Guide* depicting a protectionist using nationalism (“the flag”) to distract the farmer from the exploitation of the tariff. The protectionist is rendered as fat and is wearing a top hat, spats and a three-piece suit, all of which reflect his wealth. His stance and his facial expression both suggest aggressiveness and perhaps even desperation. The farmer, in contrast, is firmly planted and looking straight ahead – even as his money disappears from his pocket. The image was probably drawn by Dick Hartley, and appeared in *Grain Growers’ Guide* 4, no. 1 (August 2 1911), p. 3.

The critique of political rhetoric surrounding the tariff was linked to what was, apart from the injustice of the tariff as a form of taxation, the most well-documented concern of the editors of the *Grain Growers’ Guide*, the difference between the two ostensibly opposed parties. The Conservatives were traditionally a high-tariff party, and the Liberals low, but under Laurier’s leadership the Liberals had accepted the necessity of having a tariff, ostensibly for revenue and not protection, and therefore ostensibly milder in effect. To the editors and readers of the *Guide*, however, the difference was unnoticeable. “We cannot see any difference between the two political parties in Canada on this score,” an editorial in the fall of 1910 announced flatly. “We cannot see that the

names of these two parties stand for anything.”<sup>23</sup> During Laurier’s western tour, an editorial insisted that “Sir Wilfrid and leader Borden stand on the same platform as regards tariff. There is no hope of ousting one in the hope of securing aid from the other.”<sup>24</sup> The hope lay, the editorial claimed, in putting citizen pressure on both parties to insist on a change. A letter a few weeks later asked “If the Liberal party stands for that infamous doctrine of ‘Protection’ then how differs it from the Conservative party?”<sup>25</sup> Another correspondent noted the similarities between the parties when they were governing, and suggested a new way of differentiating their positions. He said: “It is true that we have two parties or at least two party names, and it is also true that their platforms look different, but it seems to me that the only great difference is that one is in power, while the other is out, so we have the ‘ins’ and the ‘outs.’”<sup>26</sup> The differences between the two parties, the editors and correspondents argued, were not real; they were not to be taken seriously.

The political differences between the two parties were, the *Guide* argued, a distraction from what was really happening, which was that both parties were in league with industry and finance and cared little about democracy or any other principle. Special Privilege, the *Guide*’s term for the business elite, worked through both parties to advance its material interests, damaging political life in the process. “Both political parties are dominated by these vested interests,” one letter argued, “and legislation for years past has

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<sup>23</sup> Editorial, “The Politics of Business,” *Grain Growers’ Guide* 3, no. 4 (October 12 1910), p. 6.

<sup>24</sup> Editorial, “Ontario Will Help the West,” *Grain Growers’ Guide* 3, no. 1 (August 3 1910), p. 5

<sup>25</sup> W. D. Lamb, “Sifton and the Tariff,” (letter) *Grain Growers’ Guide* 3, no. 5 (August 31 1910), p. 12.

<sup>26</sup> J. L. Williamson, “On Party Rule,” (letter) *Grain Growers’ Guide* 3, no. 17 (November 23 1910), p. 17.

been influenced and controlled by the thralldom of this concealed but irresistible force.”<sup>27</sup>

What this meant was that the two-party system was a misrepresentation. In reality government was in the hands of one power, Special Privilege, which operated through whichever of the two parties was in power. The parties shouted at each other on election day, and attacked one another across the floor of the House of Commons, but ultimately they governed the same way, according to a letter writer from the summer of 1910:

In public matters there is no genuine opposition at Ottawa in the most important work of any session, even when it gets down (always in its closing days) to voting the public money. Dualism then, only expresses the number one. It is in the closing days of the session, mark well, it is then, that unity of the two factions – they are no longer parties – begins to manifest itself. It is then that the Liberal and Conservative factions form one camp.<sup>28</sup>

The vagueness of political party labels, and their obscuring effect of concealing the exploitation at the heart of Canadian political economy, was a recurring concern for the editors of the *Grain Growers' Guide*, who lamented that “blind partisanship ... has broken down representative government in Canada and reared upon the ruins the feudalism of privileged wealth.”<sup>29</sup>

That the tariff was the bedrock of a corrupt system was a common theme in the *Guide's* interpretation of the tariff. An editorial from late 1910 stated flatly that “The tariff is a system under which corruption creeps into our national life; it lowers the moral standard of Canada and undoubtedly does more to injure the common people than any

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<sup>27</sup> G. E. Wainwright, “The Future Outlook,” (letter) *Grain Growers' Guide* 4, no. 11 (October 11, 1911), p. 14.

<sup>28</sup> Frederic Kirkham, “Mr. Kirkham Returns Again,” (letter) *Grain Growers' Guide* 2, no. 52 (July 27, 1910), p. 14.

<sup>29</sup> Editorial, “On to Ottawa,” *Grain Growers' Guide* 3, no. 14 (November 2, 1910), p. 6.

other single law.”<sup>30</sup> The editors took great pleasure in citing Laurier’s statement from before he was Prime Minister, that “protection, besides being the cause of the worst political corruption, is the deadly foe of all true freedom,” noting that “Since that time, he has swallowed himself completely.”<sup>31</sup> The corrupting influence of Special Privilege and its hunger for tariff wealth had destroyed whatever political principles he ever held.

Another editorial drew all the critiques of the tariff together, arguing that

One of the evils of Protectionism is its corrupting influence upon the morals of the people. Protection makes people dishonest; it stimulates selfishness and greed; it is responsible for the corruption of public life and it causes antagonism and strife between countries whose relations should be friendly and harmonious.<sup>32</sup>

The political dishonesty and economic greed that were, for the *Grain Growers’ Guide*, inseparable from the tariff played a central role in damaging the country’s democracy.

This point was illustrated in a cartoon (Figure 6) from the summer of 1911 that showed the two party leaders, Laurier and Borden, together turning the crank on a machine that was churning up the consuming public to feed the coffers of the rich, as symbolized by Max Aitken. The political culture and fiscal strategy of the country were equally problematic and mutually reinforcing. In order to make politics meaningful, the farmers would have to modernize both the fiscal and the political.

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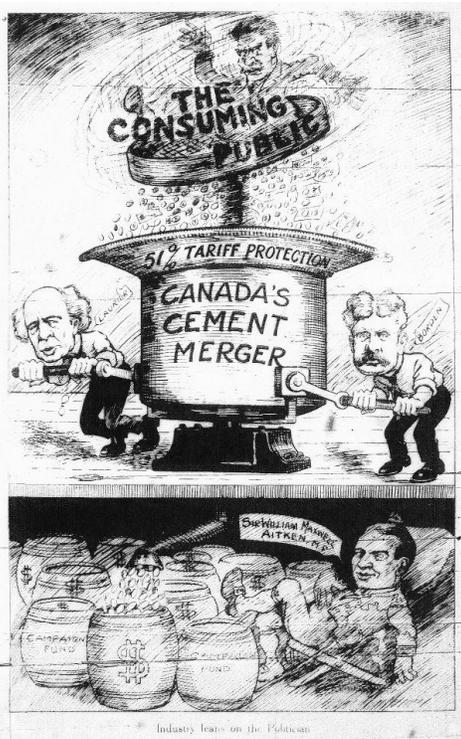
<sup>30</sup> Editorial, “Let There be Light,” *Grain Growers’ Guide* 3, no. 17 (November 23, 1910), p. 6. The title phrase and variations on it appeared regularly in the *Guide*.

<sup>31</sup> Editorial, “What Protection Means,” *Grain Growers’ Guide* 2, no. 50 (July 13, 1910), p. 6 (this editorial cited Laurier’s speech at a Liberal party convention in Ottawa in 1893); Editorial, “What About the Tariff,” *Grain Growers’ Guide* 2, no. 50 (July 13, 1910), p. 6.

<sup>32</sup> Editorial, “Protection and Morals,” *Grain Growers’ Guide* 4, no. 11 (October 11, 1911), p. 5.

Although the primary concern of the *Guide*'s editors was to expose the tariff as an exploitative and corrupting tax, contributors and especially correspondents devoted considerable attention to alternatives to the tariff that would be fairer, more efficient, and more honest. This project, the other side of the same coin from debunking the rhetoric of the tariff, involved making a case for forms of taxation that were conventionally seen as unpopular and aggressive, and therefore unrealistic as alternatives to the tariff.

Proponents of the tariff defended it on political grounds as a more palatable tax, one that



**Figure 6: The Party System as Exploitation**

“Industry Leans on the Politician,” an illustration from the *Grain Growers' Guide*, shows Robert Borden and Wilfrid Laurier, the leaders of the two federal parties, together working the machine that takes money from the public and gives it to rich businessmen like Max Aitken who are hidden from view. Cement was subject to a 51% tariff; the writing on the mixer references this as well as, perhaps, the effective merger of the two parties as equally willing servants of the wealthy. The image, probably by Dick Hartley, was published in *Grain Growers' Guide* 3, no. 52 (July 26, 1911), p. 4.

avoided popular discontent because it was subtle and invisible; a direct tax would more clearly and recognisably take money from people, and was therefore politically impossible. Even those, particularly in the Liberal party, who professed to agree that Free

Trade would be ideal in terms of trade, argued that a direct tax would never be generally accepted. Building on the *Guide*'s critique of the tariff, and the readership's sense of itself as enlightened thinkers, letters and editorials engaged with the possibility of direct taxation as an alternative to the tariff.

The fear of direct taxation was central to the strength of the tariff case, and was often invoked by people who wanted to cool the appetite for tariff reform or free trade. This was a particularly common tactic of Liberal politicians who differentiated between a protective tariff, which was high enough to dissuade consumers completely from purchasing imports, and a revenue tariff, which was more moderate and only added enough to imports to generate revenue from their consumption; while the protective tariff was defended on nationalist grounds, a revenue tariff was defended as an alternative to a direct tax. For example, while he claimed to be a true English free-trade liberal, Laurier argued that the tariff situation in England was different from the one in Canada in that in the former "it was possible to impose direct taxation. In Canada, a new country, it was necessary to continue to secure money for the purposes of the country by customs duties."<sup>33</sup> The *Guide* answered this argument, in part, by its insistence that the tariff was in fact a tax, and an unfair and inefficient one at that. For example, an editorial pointed out that "Direct Taxation would be a boon of inestimable value to every farmer in Canada" in that "All his tax would then go into the public treasury and none into the pockets of Special Privilege."<sup>34</sup> Indirect taxation and direct taxation were both taxation,

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<sup>33</sup> Unsigned article, "Sir Wilfrid's Reply," *Grain Growers' Guide* 3, no. 4 (August 24, 1910), p. 11. The article paraphrased a speech by Laurier at Red Deer, Alberta, on August 11, 1910.

<sup>34</sup> Untitled editorial, *Grain Growers' Guide* 4, no. 18 (November 29, 1911), p. 6.

the *Guide* was saying, the difference being that with direct taxation all the money taxed went to the public treasury, while under the tariff a large portion of what consumers paid went into the profits of the manufacturers. As with the argument against the tariff, the argument in favour of direct taxation was represented as part of a process of awakening, of seeing reality for the first time, of no longer being misled or deluded.

The political distinction between indirect and direct tax was often expressed in visual terms: indirect taxation was a misrepresentation, a trick, whereas direct taxation was more honest and therefore democratic. “The present system does not at first glance appear so oppressive as direct taxation,” an editorial pointed out, “because the indirect tax is collected in so many ways that the taxed does not realize how heavily they are paying.”<sup>35</sup> The visual language – ‘glance’ and ‘appear’ – underlines the idea of indirect taxation as dishonest and misleading, something that keeps people in the dark, so that their understanding is incomplete. This visual rhetoric was reflected in the ability of the enlightened farmer to see through the phony distinctions between forms of taxation. Echoing the critique of the tariff, one letter queried the distinction between direct and indirect taxation, pointing out that in both cases taxes are paid; the difference with direct taxation is that all the money goes to the treasury, and so the public only pays what is necessary. “Doesn’t [tax revenue] come out of pockets as much now as it would under Free Trade, only more so?” asked David Ross. “Under Free Trade we would save enough in one year on the goods we buy to pay twice over the revenue necessary for the expenses

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<sup>35</sup> Editorial, “Direct Taxation,” *Grain Growers’ Guide* 3, no. 50 (July 12, 1911), p. 6.

of government.”<sup>36</sup> The willingness to bear direct taxation arose out of the clear understanding of the exploitative and inefficient nature of the tariff, and the conviction that farmers were being overtaxed in relation to their responsibility to the state; this willingness was a key strength in the farmers’ political case against the tariff. As one editorial noted, “Those protectionists who say that direct taxation is the only alternative to tariff need not fear that the farmers will object to direct taxation because if there was direct taxation in Canada to-day and no tariff every farmer would be money in pocket.”<sup>37</sup> The argument that the tariff was exploitative and misleading, which was the central theme of commentary in the *Guide*, implied that a direct tax would be a significant improvement both for economic and political reasons; directly championing direct taxation, which was commonly understood as unpopular and confiscatory, took the *Guide*’s project of political enlightenment a step further. The case for the elimination of the tariff had to also be a case for the introduction of some alternative instrument for raising revenue – one that would be fairer, more efficient, and easier to make sense of politically, without recourse to mystifying rhetoric that obscured the real issues. The *Guide* and its readers had to offer a positive policy change to buttress the negative policy change: it had to champion direct taxation.

The most commonly proposed form of direct taxation in the *Guide* during 1910 and 1911 was the single tax on unused land. Popularized by Henry George in his 1881 book *Progress and Poverty*, the single tax was popular with progressives and populists in

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<sup>36</sup> David Ross, “On the Tariff,” (letter) *Grain Growers’ Guide* 3, no. 13 (October 26, 1910), p. 20.

<sup>37</sup> Editorial, “Who Pays the Tariff,” *Grain Growers’ Guide* 3, no. 12 (October 19, 1910), p. 6.

the United States and Canada.<sup>38</sup> The single tax, in the pages of the *Guide* as in reform thought of the period more generally, reigned as the fairest and most efficient form of taxation. An editorial claimed that “those who have studied the question know that a tax upon land values in the most equitable system of raising revenues.” By taxing people who owned land but did not work it, proponents believed that the single tax would “shift the burden from the backs of the farmers and laboring classes and place it upon the exploiters and monopolists where it belongs.”<sup>39</sup> As an alternative to the tariff, the single tax was presented as its absolute opposite: where the tariff taxed the farmers, workers and the consuming public for the benefit of the wealthy, the single tax only taxed those who could afford to pay.

The single tax had appeal beyond its fairness in putting the burden of taxation on those most able to pay. Proponents argued that it would have the side benefit of encouraging land-holders to sell land, thereby making it cheaper to buy. This made buying a farm easier: “The higher the tax on land values the more anxious the owner will

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<sup>38</sup> See Henry George, *Progress and Poverty: An Inquiry into the Causes of Industrial Depressions, and of the Increase of Want with Increase of Wealth* (New York: Appleton and Company, 1881). The single tax was a widely influential idea and was applied in some form in a few cities in western Canada for a short time. As Elsbeth Heaman notes in the manuscript chapter “The Single Tax vs the Supply-Side State: Revisiting a Western Canadian Experiment,” the single tax was powerful and important at the turn of the century because it served as “a kind of middle ground between the two metatheories” – socialism and liberalism. (33) (See my similar claim for ‘constriction of wealth’ in Chapter 2.) However, this malleability, which was a political strength of the idea at the time, has consigned the single tax to “a no-man’s-land between two great conflicting interpretations of history: material and liberal.” (4) This claim is disproved somewhat by Ian McKay, who discusses the single tax briefly in *Reasoning Otherwise*, noting George’s reforms as being an important bridge between liberal and socialist thinking and pointing out many later leftists migrated left through the single tax idea. (85-86) On the practical side, J. Harvey Perry has paid significant attention to the single tax in *Taxes, Tariffs and Subsidies*, devoting an entire chapter to analyzing the taxation of undeveloped land in new cities in western Canada, and concluding that taxing unearned increment only worked at all because of the “exceptional and non-recurring condition of the times” – that is, a “land boom of extravagance never witnessed before or since in Canada [which] reached its peak during these years.” (131) These treatments, though, ignore the more broadly political significance of the single tax idea itself as a case of what Heaman calls “popular state-formation.” (25)

<sup>39</sup> Editorial, “Direct Taxation,” *Grain Growers’ Guide* 3, no. 50 (July 12, 1911), p. 6.

be to get rid of their vacant or half used lots and lands, and the more anxious they are to sell the lower will become the selling price, and easier it will be for a man to get a home or a farm,” a letter writer claimed. And that would be good for society because “The more home earners and independent small farmers there are, the more useful and progressive in all things will be the citizenship which constitutes the state.” To have a better citizenry and an improved state all that was needed was a single tax. “Why should the higher purposes of a civilization be delayed longer,” the writer asked rhetorically, “when a slight change in the method of taxation will start it onward and upward on the highway to happiness to all.”<sup>40</sup>

The single tax owed much of its appeal to the likelihood that none of its proponents would ever have to pay it. It was therefore the most appealing form of direct taxation, in the sense that it was directed elsewhere. It was also appealing, however, in the sense that it was not an income tax, which was the threatened outcome of efforts towards tariff reform and free trade in Canada. In fact, in at least one instance, the *Guide* cited a speaker who suggested the single tax would save the country from income taxation – assuming the farmers succeeded in replacing the tariff with direct taxation. Speaking to a Toronto delegation, a farmer spokesperson clarified that “there is [no] danger, from our movement, of the taxation of incomes. More and more we are coming to the opinion that taxation in the main should be levied on unearned increments in land and

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<sup>40</sup> Joseph Schickl, “Re: Land Taxation,” (letter) *Grain Growers’ Guide* 2 #50 (July 13, 1910), p. 14.

natural resources.”<sup>41</sup> For all its novelty and its promise of utter social regeneration through the shifting of the fiscal burden and the democratization of land ownership, the single tax was still sold as a bulwark against the spectre of income taxation.

The preference for the single tax over an income tax was marked in the farmer movement, but not absolute. Although the *Guide* published no articles or editorials endorsing a federal income tax as an alternative to the tariff, some correspondents criticized the idea of a single tax as less fair than an income tax would be. Income taxation applied the principle of ability to pay, and shifted the fiscal burden onto the rich and off the poor, much more consistently and effectively than a single tax on land realistically could. One critic wrote: “The conclusion, as a farmer, that I have reached, is this: that granting that the taxation of land values to get at the ‘unearned increment’ is just, then must the principle be extended to include the taxation of all unearned increments of all wealth whatsoever – an income tax does this.” The farmer contrasted a rich man who owned land with another rich man – a “capitalist” – who owned financial assets. “How should they be taxed? Henry George would not tax the capitalist at all, as he would allow him ‘the full return of his capital.’ What a taxless haven of rest for the millionaire lender would this single tax be,” he concluded, urging his fellow readers “not to be misled by windy, unstudied statements, but to study” the claims of the single tax “for themselves.”<sup>42</sup> Another letter, titled “Some Henry George Nuts,” asked rhetorically

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<sup>41</sup> Unsigned article, “Western Leaders’ Ideals,” *Grain Growers’ Guide* 3, no. 22 (December 28, 1910), p. 20. The article was paraphrasing the remarks of E. A. Partridge, head of the United Farmers of Alberta, to the Canadian Club in Toronto on December 19, 1910.

<sup>42</sup> John R. Symons, “Taxation on Land Values,” (letter) *Grain Growers’ Guide* 3, no. 45 (June 7, 1911), p. 18.

whether the editors “think a single tax will catch those cunning highwaymen whose methods of evasion and extraction are legion, or a land tax, a wolf hound whose every thought is how not to produce and still secure what others produce.”<sup>43</sup> The income tax was put forward by critics of the single tax as a more effective and coherent instrument for accomplishing what was, for farmers, the prime motive for tax reform: shifting the burden of taxation from the common people to the rich.

Beyond proclaiming income taxation the fairest form of direct taxation, proponents of income taxation sought to disarm what they felt was an irrational fear that prevented a true understanding of the alternatives to the tariff. The key point in this debunking was that farmers, who were already taxed heavily by the tariff, would pay little to no income tax, simply because their incomes would be too low. The case of England was again important, as opponents of free trade liked to underline the necessity of having other forms of taxation, and often cited England as a place where direct taxation was heavy because there was no tariff revenue. Citing various taxes including the income tax, one correspondent made the claim that “These taxes are only paid by the well-to-do people in the Old Country,” and wondered “how many of the 5,000,000, or thereby, who live in Scotland, pay income tax.”<sup>44</sup> Another pointed out that the income tax, by definition, was in fact “a small tax rising higher as the income gets larger.” Again, the appeal for farmers is partly that an income tax would only fall on them if they were fortunate enough to have a high income. The letter asked the editors

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<sup>43</sup> Fred W. Green, “Some Henry George Nuts,” (letter) *Grain Growers’ Guide* 3, no. 47 (June 21, 1911), p. 18.

<sup>44</sup> Unitas, “What is Taxation,” (letter) *Grain Growers’ Guide* 4, no. 5 (August 30, 1911), p. 10.

How many farmers make an income ... of much more than \$800 per year? How many get less? One great advantage of an income tax is that it is necessary for you to prove you have an income of more than \$800 before you pay, whereas this duty has to be paid whether you have an income or only an outgo. I wish, sir, I had the figures so I could state what sized income a man in England would have before he would be liable to a tax of \$200 per year, the same as we pay in duty.<sup>45</sup>

The income tax, by this reckoning, was less onerous than the tariff. It appeared more confiscatory, but only because the tariff hid its exploitation behind rhetoric. Although the advocacy of income taxation in the *Guide* was a minority pursuit, and was not the paper's official policy, it resonated with key themes of the farmers' movement: the evils of the tariff and the importance of modern, progressive thought applied to questions of political economy.

As devoted as the *Guide* and its affiliated organizers were to exposing the evils of the party system and the injustice and dishonesty of the tariff, and as interested in promoting direct taxation as a fairer and more honest alternative as they were, their greatest rhetorical flair was reserved for the evaluation and celebration of the role of the movement itself in modernizing politics. Building on the recognition that the two parties were essentially indistinguishable promoters of identical policies, the *Guide* repeatedly underlined the role farmers were playing, and could continue to play, in the renewal of meaningful democratic politics. In the process, writers and correspondents underlined their increasing disenchantment with the party labels, and their increasing identification as farmers and intelligent voters rather than party boosters. The *Guide* and its readers

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<sup>45</sup> C. S. Watkins, "Direct Taxation Welcome," (letter) *Grain Growers' Guide* 4, no. 4 (August 23, 1911), p. 10.

were proclaiming a new, modern political identity that was characterized by a critical distance from party labels and an eagerness to be a political instrument, certainly as an organized interest, and perhaps through one of the existing parties or a new third party.

The farmers were uniformly impressed with their efforts at organizing themselves, and the example they gave to the rest of the country in terms of exposing the dishonesty of phony politics and embracing the reality of true politics. An early editorial on organization stated that “The farmers should keep out of party politics but should go as far as possible into real politics.”<sup>46</sup> The way to do this, the editorial claimed, was to “lay aside party affiliations and work in our own interests.”<sup>47</sup> Editorials about farmers and the political promise they showed bore titles like “Cleansing Political Life.”<sup>48</sup> In a letter titled “Let There be Light,” a correspondent argued that “What the country wants is a great man, a statesman of unassailable position and of patriotic character, a St. George who may match our modern dragon, corruption.”<sup>49</sup> To most correspondents, though, the ‘great man’ was the farmer himself, whose awakenings “have come as welcome rays of hope out of the darkness.”<sup>50</sup> One such farmer wrote that “Since I have been reading your

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<sup>46</sup> Editorial, “We Must Pull Together,” *Grain Growers’ Guide* 3, no. 2 (August 10 1910), p. 6.

<sup>47</sup> Ibid.

<sup>48</sup> Editorial, “Cleansing Political Life,” *Grain Growers’ Guide* 3, no.12 (October 19, 1910), p. 18. Mariana Valverde has argued in *The Age of Light, Soap, and Water* (Toronto: McClelland and Stewart, 1991), that images of cleanliness and light were crucial to how moral reformers conceived of their work and its importance. (38-43) Farmers who defined protection as corruption and saw their work as bringing cleanliness and light to politics were undoubtedly counting on the same “inspiring imagery” Valverde outlined. (41)

<sup>49</sup> Jack O’Lantern, “Let There be Light,” (letter) *Grain Growers’ Guide* 3, no.17 (November 23, 1910), p. 18. St George slew a dragon and was the patron saint of England; invoking such a symbol of Britishness may have been an attempt to play to ethnic fears and desires on the multicultural prairies.

<sup>50</sup> J. A. Stevenson, “The Battle for Democracy in Canada,” *Grain Growers’ Guide* 3, no.14 (November 2, 1910), p. 11. This article was also cited by Morton.

paper I realize more clearly the highness of my calling as a farmer. Co-operation seems to me like a light shining through the darkness.”<sup>51</sup>

In the most systematic treatment of the importance of the farmers’ movement, J. A. Stevenson wrote that, far from simply objecting to the unfair burden of the tariff, farmers “are embarking on an effort to re-establish the proper functions of representative institutions for the people of Canada and to renovate the whole system of national life.” Stevenson then explained how the tariff poisoned the whole of society:

The root of the evil lies largely in our economic system. It corrupts our political system, our political system corrupts and degrades the public administration, and the corroding influence extends to the social system and business life till the disease permeates the whole community.<sup>52</sup>

Perception of political corruption was widespread in the early 20<sup>th</sup> century; what the farmers were doing for the wider public was identifying the root of the evil – the unfair and dishonest fiscal policy of the Dominion – and the method of remedying it, through education, organization and co-operation of interest groups in defiance of party labels. The farmers, for Stevenson and others, were the sharp point of modernism in Canadian politics:

Every thinking man realizes the existence of gross evils in the body politic and would fain end them but sees no feasible method and contents himself with waiting until the trail is blazed. This service the farmers’ organizations are purposing to perform for the community at large.<sup>53</sup>

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<sup>51</sup> G. Swanton, “Light in the Darkness,” (letter) *Grain Growers’ Guide* 2, no. 50 (July 13, 1910), p. 14.

<sup>52</sup> Stevenson, “The Battle for Democracy in Canada,” 11.

<sup>53</sup> *Ibid.*

What precisely the rest of the democratic people would do with the trail thus blazed was unclear, but the implication was that they would reject party labels and insist on a politics that was about what was really happening in a material sense, and that presented clear democratic alternatives on that score.

The farmers' role and political example in refusing and refuting party rhetoric was self-conscious and explicit in the months leading up to the 1911 election. The insistence of the *Guide* on naming and shaming what it gleefully called "miserable peanut party politics" made farmers aware of their self-appointed role in Canadian politics as modernizers and destroyers of party cant.<sup>54</sup> Aware of their starring role in the people's enlightenment, farmers, whether as readers of or contributors to the *Guide*, revelled repeatedly in their political modernism and the threat it posed to Dominion party politics.<sup>55</sup> As one organizer put it: "Let the light shine in the dark places and the muck and dirt which has accumulated in past years will be visible to all and once plainly seen by the people there will be such a house-cleaning that it will make the party politicians tremble with fear."<sup>56</sup> The farmers' critique of the tariff, refusal to play to partisan rhetoric, and attention to education and organization, they believed, had made them "the most powerful engine for the betterment of social conditions that Canada has ever seen."<sup>57</sup>

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<sup>54</sup> Editorial, "Condemn Extreme Partyism," *Grain Growers' Guide* 3, no. 33 (March 15, 1911), p. 4. The phrase was attributed to Manitoba organizer J. W. Scallion, who used it in a speech in Virden, Manitoba, on March 8, and was used repeatedly by the editors in the weeks that followed.

<sup>55</sup> See McKay, *Reasoning Otherwise* (Toronto: Between the Lines, 2008), passim. McKay's work, and the concept of a "people's enlightenment" specifically, are discussed in detail in the Introduction.

<sup>56</sup> J. E. Paynter, "The Forward Movement," (letter) *Grain Growers' Guide* 3, no. 16 (November 16, 1910), p. 18. Paynter was identified as Secretary of the Comrades of Equity, a farmer organization.

<sup>57</sup> Editorial, "Organize and Get Your Rights," *Grain Growers' Guide* 3, no. 13 (October 26, 1910), p. 6.

## 2.4 Writers on the Parties Before 1911

The farmers' associations and the *Grain Growers' Guide* were not alone in criticizing the differences between the Liberals and the Conservatives in the years leading up to the election of 1911. Many commentators, some social scientists and some literary authors and some both, thought that Canadian political culture suffered from a deficiency of meaningful partisan debate, which tended to make elections cynical exercises with little at stake but the actual personnel in charge of governing. As John English has noted, the lack of meaningful difference on policy issues was linked to corruption because it encouraged a politics that was focused on winning and holding power rather than introducing concrete policies.<sup>58</sup> Like farmers who resented the impossibility of voting for a party that would replace the tariff with a direct tax, scholars and writers expressed detachment from the party system, mocking the deep investment people claimed to have in political labels and party statements that were without substantive meaning or purpose. In some cases, this critique of the party system was explicitly or implicitly about the insidious effects of the tariff on party politics, while in others it was simply about the absurdity of having a two-party system in which parties agreed on virtually everything. Overall, though, intellectuals writing on the party system in the early 20<sup>th</sup> century underlined the emptiness of party labels, and the effect of that emptiness upon the quality of democratic life.

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<sup>58</sup> John English, *The Decline of Politics: The Conservatives and the Party System 1901-20* (Toronto: University of Toronto Press, 1979), 1-30.

Stephen Leacock's *Elements of Political Science*, first published in 1906, while it ignored Canada as a specific case, articulated a theory of parties in general which serves as an interesting introduction to the issue. Leacock notes that "air of inevitability" that surrounds political parties arose out of times and places in which "some one paramount political issue presents itself which of necessity separates the community into affirmative and negative divisions" to such a degree that "the supporters of either side are perfectly willing to subordinate to it all minor matters and to act in concert in everything for the sake of the main point to be gained."<sup>59</sup> In most times and places, Leacock argues, there is no single issue upon which the political class is strictly divided. In this (most common) state of affairs, "the party system must depend for existence on the strength of its organization. It must have pledges first and principles after, and its members, having first decided to agree, must next make up their minds what it is they agree about."<sup>60</sup> For Leacock the existence of parties is only natural and legitimate as the expression of a profound and overpowering disagreement within the political class; under normal conditions, a party is a mere political machine, searching for a common policy to unite it and distinguishing it from its opponent, rather than being the expression of a common policy.

Although Leacock did not cite it or include it in his recommended reading list, André Siegfried's *The Race Question in Canada*, published in 1907, made a very similar argument about Canada. Siegfried, a French social scientist, studied Canadian political

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<sup>59</sup> Leacock, *Elements of Political Science*, (New York: Houghton, 1906), p. 328-329.

<sup>60</sup> Leacock, *Elements*, p. 329.

life as part of his analysis of the country's handling of the French-English question.

Siegfried noted with disapproval that Canadian political parties infiltrated every sphere of public life in the federation, and yet were almost wholly lacking in political content and distinguishing ideology. "Originally formed to subserve a political idea," Siegfried wrote, "these parties are often found quite detached from the principles which gave them birth, and with their own self-preservation as their chief care and aim."<sup>61</sup> Political parties born of the struggles over responsible government had become "mere associations for the securing of power; their doctrines serving merely as weapons, dulled or sharpened, grasped as occasion arises for use in the fight."<sup>62</sup> Although their struggle for power dominated Canadian political life, Siegfried concludes, "Liberals and Conservatives differ very little really in their opinions upon crucial questions, and their views on administration are almost identical."

Siegfried's explanation for this is fascinating and simple: Canadian politics is about nothing because if it was about anything it would be about race, language and religion – which would be disastrous as far as the future of Confederation is concerned. "Let a question involving religion or nationality be once boldly raised," Siegfried argued, "and all the trivial little questions of patronage and vested interests will disappear below the surface: the elections will be turned into real political fights, passionate and sincere."<sup>63</sup> Like Leacock, Siegfried believed that meaningful party differences arose from true bifurcations of opinion. In Canada, however, "far-sighted and prudent politicians"

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<sup>61</sup> André Siegfried, *The Race Question in Canada* (New York: Appleton, 1907), p. 141-142.

<sup>62</sup> Siegfried, *The Race Question in Canada*, 142.

<sup>63</sup> Siegfried, *The Race Question in Canada*, 143.

looking to “preserve the national equilibrium” did everything they could “to prevent the formation of homogeneous political parties, divided according to creed or race or class.”<sup>64</sup> For Siegfried, the problem with Canadian political life is not that its parties lack definition and meaningful purpose, but that these parties are too dominant culturally, that one’s party “is held in esteem almost like one’s religion, and its praises are sung in dithyrambs that are often a trifle absurd.”<sup>65</sup> The problem, that is, was not that Canadian political party divisions were baseless, but that Canadians invested them with immense imaginative energy.

Siegfried’s critique contrasts interestingly with that of Sara Jeannette Duncan, whose novel *The Imperialist*, published in 1904, took the excesses and absurdities of Laurier-era Canadian politics as a central theme. The book told of the rise and fall of a promising young Liberal politician, Lorne Murchison, who is both exceptionally inspired in his commitment to political ideals and exceptionally incapable of playing by the corrupt rules of the political game. In Duncan’s case, writing at a distance from the Canadian scene (she had lived in India since her marriage in 1890) and a few years before the 1911 election, she set her story as a by-election, which justifies the ultra-local focus of her characters. At that time, in the fictional town of Elgin, Ontario, “The great question was the practicability of the new idea,” – the new idea being imperialism or, more specifically, imperial preferential trade – “and how much further it could be carried in a loyal Dominion which was just getting its industrial legs.”<sup>66</sup> Duncan asserts, following

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<sup>64</sup> Siegfried, *The Race Question in Canada*, p. 143.

<sup>65</sup> Siegfried, *The Race Question in Canada*, p. 144.

<sup>66</sup> Sara Jeannette Duncan, *The Imperialist* (Toronto: Copp Clark Company, 1904), p. 197.

convention, that the Conservatives traditionally were seen as the party of protection, industry and the Empire, while the Liberals stood for the farmer and had only adopted the tariff in 1896 as the precondition to getting elected. “Upon the top of this,” Duncan noted, “had come the possibility of a great and dramatic change of trade relations with Great Britain, which the Liberal Government at Ottawa had given every sign of willingness to adopt – had, indeed, initiated, and were bound by word and letter to follow up.”<sup>67</sup> This reference to the Liberal coup of introducing imperial preferential trade is in a sense the political lynch-pin of the novel, the fact which justifies Lorne, the imperialist, expressing his idealism, however awkwardly and imperfectly, through the Liberal party.

Within a short time of Lorne’s nomination, the Liberals begin to regret their choice, and try to rein him in. As the election drew nearer, it became clear that “the new idea, the great idea whose putative fatherhood in Canada certainly lay at the door of the Liberal party, had drawn in fewer supporters than might have been expected.”<sup>68</sup> While the local party leaders were no doubt disappointed at the weak traction Lorne was making with voters, “What sickened them, they declared, was to see young Murchison allowed to give [imperialism] so much prominence as Liberal doctrine.”<sup>69</sup> The Chamber of Commerce and the working class solidly against him, Lorne is strongly urged to backpedal on the imperialism and win back his chances in the formerly safe seat. Lorne tries to play along, but in the end makes an inspiring and dangerous last-minute speech extolling the virtues of the Empire. Luckily, the party leader had on hand one Dominion

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<sup>67</sup> Duncan, *The Imperialist*, p. 197.

<sup>68</sup> Duncan, *The Imperialist*, p. 250.

<sup>69</sup> Duncan, *The Imperialist*, p. 236.

cabinet minister, who followed Lorne with a very different speech which, Duncan says with characteristic irony,

was a defence of the recent dramatic development of the Government's railway policy, and a reminder of the generous treatment Elgin was receiving in the Estimates for the following year – thirty thousand dollars for a new Drill Hall, and fifteen thousand dollars for improvements to the post-office.<sup>70</sup>

As Duncan says, “It was a telling speech, with the chink of hard cash in every sentence, a kind of audit of the Liberal books,”<sup>71</sup> and a desperate attempt to evade identification with an abstract and (therefore) unpopular policy. Duncan's mockery of the Liberals' evasion of principles reflects a deep resentment of her own party for its failure to develop and sustain policies to differentiate it from the Conservatives, and to elevate Canadian political culture.

Duncan's tortured irony was echoed a few years later by Andrew Macphail, who bluntly stated in his 1909 collection *Essays on Politics* that “There are now in Canada two pseudo-Conservative parties, both standing for the same privileges and for the interests of the same class.”<sup>72</sup> Like the editors of the *Grain Grower's Guide* and André Siegfried, Macphail underlined the degree to which party labels were based on the memory of previous stances, not on the current positions or actions of the parties.

The electors at large ... have developed an instinct that privilege and monopoly are the portion of the Conservatives ... [and] that Liberalism has always been the voice of popular discontent and the instrument by which those evils were to be overcome. They

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<sup>70</sup> Duncan, *The Imperialist*, p. 262.

<sup>71</sup> Duncan, *The Imperialist*, p. 262.

<sup>72</sup> Andrew Macphail, *Essays in Politics* (London: Longmans, Green and co., 1909), p. 179.

have not learned that the strife is at an end.”<sup>73</sup>

For Macphail, the positions of the parties in the early 20<sup>th</sup> century were virtually identical. Whichever of the two parties was elected to govern, the broad outlines of the economy would stay much the same. Voters were marking their ballots on the basis of a difference in image or rhetoric, not policy. Macphail’s proposal was for the parties to reclaim their old opposition, which amounted to the Liberals re-positioning themselves as the party against the tariff. It was important, abstractly, for the parties to stand for something, or else they would become corrupt – “a ‘curse’ which the country will not endure forever.”<sup>74</sup>

It was also important, more concretely, for the parties to disagree on the question of the tariff specifically. The purpose of the legislature was to demonstrate consent to be taxed; if both parties accepted without question that there would be a tax on imports, there was effectively no democracy. Macphail, like the farmers, was keen on the point that it was, underneath its nationalist finery, a tax. It had to be discussed that way, and the political consequences of that discussion had to be faced. He said:

You may yet convince the consumer that he does not pay the tax ... [or] ... that a tax paid to a manufacturer is as useful to the community as if it were paid into the exchequer – and yet, if his moral sense is outraged; if he becomes convinced that the doing of these things leads to corruption of public life, the degradation of Parliament ... then he will calmly ignore these excellent arguments, and declare that industrial excitement may be purchased at too high a price, and that prosperity has turned to disaster.<sup>75</sup>

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<sup>73</sup> Macphail, *Essays in Politics*, p. 183.

<sup>74</sup> Macphail, *Essays in Politics*, p. 189.

<sup>75</sup> Macphail, *Essays in Politics*, p. 158.

Macphail's sense of the costs of the tariff – the corruption of public life, the degradation of Parliament – echoes the position of the *Guide* from that time, as does his ironic description of tariff rhetoric as 'excellent arguments.' Macphail was on much the same page as the farmers, and as eager to see electoral politics wrestle with an anti-tariff position. "The Manufacturers' Association affirm that they have taken the tariff out of politics," he said, but "The people are very likely to bring it in again when they get the chance."<sup>76</sup>

Given the resonance of his critiques with those of the farmers, it is no surprise to see Edward Porritt, a regular contributor to and active ally of the *Guide*, affectionately citing Mcphail's phrase that the tariff "uses one of the political parties until it becomes too corrupt to be kept any longer in power, and then seizes on the other party 'and proceeds to corrupt it.'"<sup>77</sup> *The Revolt in Canada Against the New Feudalism*, Porritt's book about the farmer's movement, was published in 1911. It centres on a history of tariff politics. For Porritt, the year 1896 was the key one for party differences, the beginning of a phony contest between the Liberals and the Conservatives, when their differences become so subtle as to be non-existent. "After the election of 1896," he wrote, "it cannot be claimed that general elections afforded any test of the political leanings of the people of Canada, for the reason that on the issue that touches every home in the Dominion there was no real difference between the Parliamentary candidates of the

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<sup>76</sup> Macphail, *Essays in Politics*, p. 182.

<sup>77</sup> Edward Porritt, *The Revolt in Canada Against the New Feudalism: Tariff History from the Revision of 1907 to the Uprising of the West in 1910* (London: Cassell, 1911), p. 27.

two political parties.”<sup>78</sup> Like MacPhail, but with more painstaking detail and deeply felt resentment, Porritt lay the blame for the lack of differences at the feet of the Liberals, who had abandoned principle for power, denying the people a voice against what he called the New Feudalism, the power and wealth behind the tariff, in Parliament. He wrote that the Liberalism espoused by the Liberal party since 1896 “has no kinship, near or remote, with the Liberalism of the days of opposition, and only the name survives to associate this official Liberalism with the history and traditions of the Liberal party that met in national convention in 1893.”<sup>79</sup> What Porritt called The Great Deception, the lack of actual party differences, and the shrill insistence on party differences, was, he argued, a problem not just of confusion but of democracy. Anyone who became politically active after 1896 would have no idea that politics could be about actual differences. “These Canadian men and women,” he said, “and these immigrants from the old world and the new, can have no conception that politics ... have any other meaning, aim, or end than personal advantage or graft. These aims have been the only ones in sight since there ceased to be a clear and abiding line between Conservative and Liberal at Ottawa.”<sup>80</sup> But the “clear ... line” that Porritt mourned was being brought back into politics by the organized farmers. Like other farmer intellectuals, Porritt reveled in the role their co-operation was playing in reviving a moribund polity, and in making opposition to the tariff and the political deception it inspired an active, inspiring force. “A new era in the history of Canada opened with Sir Wilfrid Laurier’s tour of the west in the summer of 1910,” Porritt wrote, “when the strength and the widespread character of this revolt was

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<sup>78</sup> Porritt, *The Revolt in Canada*, p. 9

<sup>79</sup> Porritt, *The Revolt in Canada*, p. 25

<sup>80</sup> Porritt, *The Revolt in Canada*, p. 27.

made obvious to the Government and to the people of the Dominion.” Where others made light of the poverty of Dominion political differences, Porritt underscored the immense toll that poverty took on the prospects for democracy, as well as the importance of the work the *Grain Growers’ Guide* and farmers’ organizations in the West were playing in revitalizing differences by re-politicizing the tariff.

Dominion political differences were the object of focused criticism and mockery by writers and intellectuals in the period leading up to the 1911 election. Intellectuals were suspicious of political differences that were inflated or misleading, masking what they regarded simply as a struggle for control of the treasury benches. For Leacock and Siegfried, the critique took the form of a scholarly reflection on the meaning of political differences, underlining the effect of obscure or misleading political differences on the quality of political leadership. This point was illustrated facetiously by Duncan, in her parody of the intricacies of the Liberal party’s position on the tariff and the Empire and the party’s open corruption during the election. A more openly critical position, articulated by Andrew Macphail and Edward Porritt, underlined the role of industry in nullifying political difference (and therefore democracy) by using the two parties interchangeably to advance its private interest. Despite the differences between the arguments and stories presented by various authors, all shared a suspicion of the party differences as they were commonly understood and a concern about the effect of those differences upon the tone of public life.

In drawing attention to the sad state of Dominion political differences, these intellectuals were, like the writers and correspondents to the *Grain Growers' Guide*, pointing to the inadequacy of the polar differences between Liberal and Conservative. Leacock and Porritt (who would have agreed on little else) agreed that political differences should be established on the basis of differences that were clear and meaningful. The tariff was very difficult to make sense of, as Duncan illustrates, and therefore served as a mask for corruption, as Macphail and Porritt claim. This critique did not lead any of the authors to explicitly call a shift from indirect to direct taxation as the basis of political differences; even Porritt, who most explicitly follows the *Guide* in calling for the elimination of the tariff, does not call for a single tax or income tax. In contrast to other scholarship that has examined the critique of Dominion politics in this era, this chapter underlines the role of farmers, not intellectuals, in linking rhetorical and fiscal reform.<sup>81</sup> However, by pointing out the flaws of the political differences as defined by the tariff issue, these authors implicitly lent support to the *Guide's* call for a renewal of political differences. Both were making modernist demands for a 'break with the past' that would inaugurate a new political imaginary – one with clearer political differences that allowed for intelligent political discussion.

## **2.5 The Dominion Election of 1911**

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<sup>81</sup> See the Introduction, section 1.3, for a discussion of the intellectual history of politics and how this dissertation relates to and differs from it.

The opportunity to, as Macphail put it, put the tariff back in politics came in the summer of 1910, when Laurier responded to the first stirrings of the farmers' political awakening by announcing a summer tour. Prompted by the *Guide*, local groups met the Prime Minister at every stop and pushed him to make a principled stand against the tariff a feature of his party's platform, as it had been in the 1880s. Arriving as a teacher to explain the benefits of his government's balanced approach to the tariff, Laurier was quickly made into a student of democratic modernism, absorbing the farmers' case and moving from condescending approval to near-allyship by the end of his tour. But the farmers were only getting started: after Laurier returned to Ottawa, the *Guide* began agitating for a mass meeting of farmers from all provinces to meet during the winter and present their case for tariff reduction directly to Parliament.

What was somewhat facetiously dubbed the 'siege of Ottawa,' the national meeting of farmers, happened on November 30, 1910. Provincial delegates representing, in the *Guide*'s telling phrase, "two erstwhile political parties"<sup>82</sup> met for two full days, agreeing on a manifesto that called, among other reforms, for a direct tax to cover the lost revenue from eliminating the tariff. Laurier's Minister of Finance, W. S. Fielding, was not present to hear those recommendations, however, as he was in Washington D.C. negotiating an agreement with the United States for partial reciprocity. When Fielding returned in the weeks following the farmers' meeting and unveiled the agreement, the opposition was at first despondent, confident that the tax reduction would resonate with the public and that the 'infant industries' argument no longer would.

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<sup>82</sup> *Grain Growers' Guide* 3, no. 32 (March 8, 1911), p. 1.

In the weeks that followed, however, Conservative leader Robert Borden played rough with the Liberals in the Commons, and little by little the agreement began to take on controversial tones. After weeks of indecision on the subject, Laurier decided in the summer of 1911 to call an election on the agreement – a decision the *Grain Growers' Guide* had been pushing for, and with which it was duly pleased. In an editorial shortly after the election was called, it exulted that

Reciprocity, neat and clean, will be the issue before the public between the parties, whatever may be the issues behind the scenes. Not in a generation has an election been fought in Canada on a farmer's issue, or on any issue as clear and distinct as this. By the farmer's vote the issue will be decided.<sup>83</sup>

The opportunity for, in Porritt's phrase, a clear line between the parties had finally come, and would regenerate and re-energize Canadian politics.<sup>84</sup> The lack of a clear question on which to distinguish the parties, the *Guide* claimed in an earlier issue, had led to a lack of public interest in political questions. "For the past ten years at least," it said, "Canada has been verging towards political stagnation. The differences between the two parties have largely been over very trivial matters in which the public refused to become interested." Sounding the note of political modernism and people's enlightenment that was the *Guide's* stock in trade, the editorial reflected on the historic change that had occurred in the short time it had been publishing, and the effects that those touched by its message were having on the wider society:

The Canadian people have learned more in the past few months about the resources of their country, her trade, her tariff laws, trusts and combines than they have learned in the past decade.

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<sup>83</sup> Editorial, "Reciprocity the Issue," *Grain Growers' Guide* 4, no. 2 (August 9, 1911), p. 5.

<sup>84</sup> Porritt, *The Revolt in Canada*, p. 27. See footnote 81 above.

The spread of such knowledge is good for people, but it is dangerous to professional politicians and to the beneficiaries of Special Privilege.<sup>85</sup>

If nothing else, the *Guide* was enjoying its starring moment in history and the opportunity it presented, by clarifying party differences on the tariff, of renewing political life in Canada.

Evidently proud of its efforts at political education, the *Guide* was confident that a clear case to the electorate about the costs and benefits of a tariff would win the day for the reform position. As the election approached, however, signs were clear that the Laurier position on the tariff, being cast as anti-nationalist in loyalist, vote-rich Ontario, would have a rough ride. In the election, Laurier was defeated, in part because of unrelated issues to do with the government's naval policy in Quebec, but in Ontario, largely on the basis of his government's reciprocity agreement, which the Conservative party successfully characterized as a dangerous concession to American commercial supremacy.

The reciprocity agreement itself was not terribly radical in relation to the history of the tariff and the nationalist rhetoric that surrounded it. It lowered rates primarily on food, which was meant to appeal to farmers who produced more food that could be eaten in Canada or realistically exported to Great Britain, and who hated the tariff in any case; it kept tariffs high on manufactured goods, which was the crux of the National Policy, and the only issue that realistically mattered in industrial Ontario, where reciprocity was

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<sup>85</sup> Editorial, "Arousing Public Opinion," *Grain Growers' Guide* 3, no. 45 (June 7, 1911), p. 6.

most fiercely denounced. What was defeated, many commentators insisted, was not the agreement itself but a caricature of it, a rhetoric of disloyalty and national danger. Voters were invited to cast their votes on the dangerous possibility that the agreement would lead to further agreements that would erode manufacturing tariffs, sap the country's industrial capacity, and ultimately make the Dominion another vassal state to the United States.

Commenting glumly on the role of rhetoric in the outcome of the election, O. D. Skelton wrote that "The party of 'moderate' protection is out and the party of 'adequate' protection is in." A serious examination of the issues, Skelton felt, would lead one to the conclusion that there was precious little "difference in tariff policy between Tweedledum and Tweedledee."<sup>86</sup> Skelton, who was actively sympathetic to the Liberals in the election, pointed out that "the proposed agreement followed exactly the lines long accepted by both political parties as eminently desirable, if only they could be obtained."<sup>87</sup> Because the Liberals were advocating a good agreement and the Conservatives were opposing it, Skelton noted bitterly that

Both on broad considerations of the mutual advantages of free intercourse between neighboring peoples not unevenly matched in those fields, and on detailed study of market conditions in the two countries, the advocates of reciprocity had the better argument.<sup>88</sup>

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<sup>86</sup> O. D. Skelton, "Canada's Rejection of Reciprocity," *The Journal of Political Economy* 19, no. 1 (November 1911), p. 731.

<sup>87</sup> Skelton, "Canada's Rejection," p. 726. A similar claim was made by Fielding in the House of Commons: "This is the reciprocity we begged the United States for thirty years to give us. ... the leading gentleman on the opposite side of the House [the Conservatives] went down to Washington ... to ask for the very reciprocity that is now before the house." Cited in Dutil and MacKenzie, *Canada 1911*, p. 158.

<sup>88</sup> Skelton, "Canada's Rejection," p. 728.

With all the frustration of an expert political economist, Skelton claimed it “beyond doubt that it was the political rather than the economic aspect of the case that carried most weight.”<sup>89</sup>

The idea that the agreement was an economic one and should have been examined on its merits rather than on political terms was a common position for Liberals. William Lyon Mackenzie King, who lost his seat in 1911 and did not return to Canadian politics for almost a decade, complained that “The whole question was taken out of the realm of economics, and fears and passions were aroused, which today men are ashamed of.”<sup>90</sup> In a letter to a colleague, King wrote that the Conservatives won by not talking about the issues. “Annexation, not reciprocity, was the issue on which the government was defeated.”<sup>91</sup> Porritt, meanwhile, was quoted in the *Guide* saying that “It was the New Feudalism that raised the annexationist cry, and infused into the campaign the rancor against the United States by which it was characterized.”<sup>92</sup> Overall, however, the *Guide* did not dwell on the election results – except to unequivocally make the case for a new party, neither Liberal nor Conservative, to push for progressive reform in Ottawa.

The most sustained and entertaining commentary upon the absurd rhetoric of the 1911 election, though, came from Leacock, who had spoken and written for the Conservative side, in the last two chapters of *Sunshine Sketches of a little Town*. Writing

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<sup>89</sup> Skelton, “Canada’s Rejection,” p. 727.

<sup>90</sup> Charles W. Humphries, “Mackenzie King Looks at Two 1911 Elections,” *Ontario History* 56, no. 3 (September 1964), p. 205.

<sup>91</sup> Terence A. Crowley “Mackenzie King and the 1911 Election,” *Ontario History* 61, no. 4 (December 1969), p. 194.

<sup>92</sup> “Porritt’s Election Views,” *Grain Growers’ Guide* 4, p. 11 (October 25, 1911), p. 9.

in the aftermath of the election, and potentially with his own guilty conscience as his guide, Leacock makes much the same point as Duncan and Siegfried but puts the tariff much closer to the centre of his satire of Canadian political culture. When John Henry Bagshaw, the Liberal incumbent, gathers his fellow party leaders to discuss the imminent election, and they ask him what the issues will be, he replies,

The whole thing is going to turn on the tariff question. I wish it were otherwise. I think it madness, but they're bent on it, and we got to fight it on that line. Why they can't fight it merely on the question of graft ... Heaven only knows.<sup>93</sup>

The joke here is, of course, that the Liberals are the governing party, and so the obvious candidates for graft (corruption); Bagshaw is confident that graft would interest no one, but worries that reciprocity might get voters excited. His supporters then inform him that Josh Smith, the local innkeeper, will be running for the Conservatives, on the basis of his opposition to reciprocity.

"I never knew Smith was a Conservative," he said faintly. "He always subscribed to our fund."

"He is now," said Mr. Gingham ominously, "He says the idea of this reciprocity business cuts him to the heart."

"The infernal liar!" said Bagshaw.<sup>94</sup>

Playing on the perceived dishonesty of Conservatives' outraged opposition to reciprocity, Leacock has Bagshaw doubt Smith's motives. Later, Leacock himself paints Smith as willing to say anything to please his listeners. He offers some sample dialogue from the campaign:

"Mr. Smith," said the chairman of a delegation of the manufacturers of Mariposa, "what do you propose to do in regard to the tariff if you're elected?"

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<sup>93</sup> Leacock, *Sunshine Sketches*, p. 131.

<sup>94</sup> Leacock, *Sunshine Sketches*, p. 133.

“Boys,” answered Mr. Smith, “I’ll put her up so darned high that they won’t never get her down again.”

“Mr. Smith,” said the chairman of another delegation, “I’m an old free trader –”

“Put it there,” said Mr. Smith, “so’m I. There ain’t nothing like it.”<sup>95</sup>

A few days later, Smith is asked about imperial defense, and asks “What do the Conservative boys at Ottaway think about it?” When he is told the Conservatives are in favour of it, he answers “Well, I’m fer it too.”<sup>96</sup> Leacock’s gleeful mockery of Smith’s vague grasp of the issues and his own positions on them reflects, like Duncan’s view of the Liberals’ reluctance to stand for anything, a more serious disgust at the emptiness of Canadian party politics in the pre-war era – a disgust made all the more rueful by the outcome of the 1911 Dominion election.

The parties that Skelton dubbed the “Tweedledum and Tweedledee” of tariff policy had precious little to differentiate them. They were effectively machines for winning elections and, having won, for using office to improve their position to fight the next election. No great principle divided the two parties, though they were rhetorically differentiated, particularly during the 1911 election, by their stance on the tariff. For Siegfried, Leacock, Duncan and Skelton, the election would have illustrated the tendency to get excited about words rather than actual policies, and to inflate tiny, poorly understood and vaguely articulated differences into absolute oppositions. A better definition of the parties, some basis on which to make clear their purpose for existing and contesting elections, was wanting. New forms of politics were emerging which would

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<sup>95</sup> Leacock, *Sunshine Sketches*, p. 136.

<sup>96</sup> Leacock, *Sunshine Sketches*, p. 137.

force this clarity upon Liberals and Conservatives. The farmers and their *Grain Growers' Guide* were leading the way, and intellectuals were pushing as well. However bitter their perspective on the parties was, this disenchantment was based on the firm modernist belief that, as Macphail said, “words do occasionally convey a meaning to intelligent persons, which cannot be entirely taken away by further arrangement of words.”<sup>97</sup> Skelton’s study of socialism, which gave him his first monograph – titled *Socialism* – in 1911, was premised on the insistence that it ought not to be seen as just a scary or seductive shadow or spectre, that it was “a word with a definite and ascertainable meaning.”<sup>98</sup> That the same could not be said for Liberal or Conservative in Canada went without saying.

There were high hopes for the election of 1911, arising out of the farmers’ self-conscious efforts to transform Dominion politics, the Liberals’ embracing of a policy of lower tariffs, and the possibility of clear differences between Liberal and Conservative on the tariff question. Those hopes, however, were more than disappointed: the outcome of the election, and the rhetoric that was widely seen as responsible for that outcome, suggested that the party system was beyond repair, and that to re-affirm the old 19<sup>th</sup>-century oppositions would not be enough. The election underlined, for critics of the tariff and of the party differences that were attached to it, the need for a new solution, a ‘break with the past’ that would overcome and overturn the differences of the 19<sup>th</sup> century, not clarify them. This new awareness, this loss of investment in the two-party system, was at

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<sup>97</sup> Macphail, *Essays in Politics*, p. 167.

<sup>98</sup> Skelton cited in Norman Hillmer, “Citizen Entrepreneur, 1908-1914” (unpublished manuscript chapter of O. D. Skelton biography, 2009), p. 23.

this point entirely negative: a sense that what had seemed meaningful was no longer meaningful, that what had made sense of the political landscape no longer did so.

## 2.6 Conclusion

The protective tariff was the issue upon which political differences were forged in the 1870s and held fast into the early 20<sup>th</sup> century. These differences, according to the *Grain Growers' Guide*, were expressed in the phony poses and windy phrases of party apologists, and masked a corrupt and oligarchic system of exploitation of the consumer. The fiscal system and the system of political differences were inextricably linked. Reforming the political system and reforming the mode of taxation were inseparable. Because the party system was corrupted by tariff wealth and by its own dishonesty, the leadership to create meaningful political differences would have to come from outside the two parties. This happened in 1911, but the rhetoric of party and nation was too powerful, and the decision was made on an emotional basis to keep the tariff. For the farmers and others who were eager to see a real contest between different fiscal strategies discussed clearly and intelligently, the 1911 election was a bitter disappointment. For those who had begun to see the two-party system from a detached perspective, the performance of the parties – especially the Conservative party – in 1911 led to an even deeper and more permanent alienation from the two-party system.

The failure of the hopes of 1911 made fertile ground for linking tax reform with political modernism, both in the form of new political parties and in clarity in political

differences, in the aftermath of the Borden victory. Over the next few years, political priorities would shift dramatically. First, the long boom associated with the entry of the western region into the national economy came to a sudden and nerve-wracking stop. Then the war in Europe dominated and distorted every aspect of public life. Throughout all of these changes, which will be examined in Chapter 3, the memory of 1911, both its promise and disappointment, served as a sort of bedrock moment and inspirational text for modernist desires and ambitions. The desire for direct taxation as the basis of more meaningful political differences was expressed through the war, and moved to the centre of Dominion political culture.

The 1911 Dominion election was hailed as an event, unique in Canadian politics, in which both parties offered a ‘break with the past,’ a direct challenge to the established orthodoxies of Canadian political economy and public life. It marked the more direct influence of new political groups (organized farmers, professionalizing intellectuals) on the political process, and as such was the beginning of the end of the period in which the parties were the totality of political life, and the start of a period in which self-conscious social groups increasingly organized themselves, independent of parties. It marked the culmination of a desire for what Edward Porritt called “a clear line,”<sup>99</sup> a new language of political differences that would make politics more meaningful, more intelligible, and more effective – as well as the bitter disappointment of having those desires unfulfilled.

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<sup>99</sup> Porritt, *The Revolt in Canada*, p. 27. See footnote 81 above.

### **3. ‘Conscription of Wealth’ and Political Modernism in 1917**

#### **3.1 To the Brink of the Abyss**

Electoral politics at the Dominion level were in such a state of intensity by the end of the First World War that they taxed the imaginations of many observers of current events. The mysterious and sudden fire that consumed the Centre Block of the Parliament on February 13, 1916, leaving members to meet in the makeshift space of the newly-completed Victoria Museum until 1921 (Figure 1), was neatly symbolic of the shocking and uneasily improvisational style of politics in the period. The two great parties were transformed, the ruling Conservatives having formed a coalition called the Union Government with pro-conscription Liberals late in 1917, leaving Wilfrid Laurier to lead a weakened opposition; third parties representing farmers held power in Alberta and in Ontario (the latter in a coalition with labour members). An unprecedented wave of militant industrial action shut down major industries and one major city – Winnipeg. Resentment at the inequities of the tariff, which had emerged among the farmers in the lead-up to the 1911 election, became common, along with the sense that the differences between the Liberal and Conservative parties that rested on the tariff were increasingly irrelevant. The difference between the old electoral order represented by both parliamentary parties, on the one hand, and the new order represented by farmers and labour on the other hand, was more salient than the old polarization about the flag and loyalty. What it meant for the future of electoral politics was unclear.



**Figure 7: The House of Commons in the First World War**

The House of Commons photographed on March 18, 1918 in the Victoria Memorial Museum, where it met between 1916 and 1921. The museum was newly opened when a fire consumed the Centre Block and space had to be made immediately available. The physical arrangement of the speaker and clerks (including Arthur Beauchesne, whose papers the photograph belong to) in the centre of the picture, the gallery above, and the government and opposition benches was the same as in the Commons' permanent home, but the fact that members all sat at the same level and on chairs that moved might have contributed to a less formal way of operating and interacting. Group portraits of parliamentarians were not a regular event, and there is no record of why this one was taken. Source: Library and Archives Canada/Fonds Arthur Beauchesne/PA-139684

This new difference was a challenge to liberal presumptions about how government and politics should work. In the 19<sup>th</sup> century, Dominion politics was understood as a contest between Liberals and Conservatives over the control of Parliament, tariff revenue, patronage appointments and railway contracts; if those issues were no longer the most relevant – if class and regional tensions were more meaningful –

why was the contest relevant or its outcome legitimate? “The public mind is confused,” Stephen Leacock wrote in 1920 in *The Unsolved Riddle of Social Justice*, his anguished reflection on the strike in Winnipeg.<sup>1</sup> Lamenting the polarization between defenders of the old order and proponents of the new at the end of the war, he wrote that

To some minds the demands for law and order overwhelms all other thoughts. To others the fierce desire for social justice obliterates all fear of a general catastrophe. They push nearer and nearer to the brink of the abyss. The warning cry of “back” is challenged by the eager shouts of “forward!”<sup>2</sup>

To a writer like Leacock, who was an affectionate critic of the traditions of Canadian political practice but also an active participant, the wholesale abandonment of moderation struck a harsh blow. In a telling phrase, Leacock lamented in particular that

“Parliamentary discussion is powerless. It limps in the wake of popular movements.”<sup>3</sup>

Part of the anxiety and horror with which Leacock viewed the political season was a sense that the charisma of parliamentary debate was being undermined; if the representative state was not to become redundant, it had to get on board, or try to, with a polity that was less interested in the old contests between Liberals and Conservatives.

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<sup>1</sup> Stephen Leacock, *The Unsolved Riddle of Social Justice* (Toronto: S. B. Gundy, 1920), p. 13. *The Unsolved Riddle* was Leacock’s first serious book on a contemporary issue, his previous publications having been humorous novels, textbooks, and history. Leacock was sympathetic to the Conservative party, and became an ardent opponent of leftism late in his career, but students of his political thinking have consistently underlined its subtlety. Gerald Lynch identifies Leacock in his book *Stephen Leacock: Humour and Humanity* as a tory humanist, (Kingston: McGill-Queen’s University Press, 1988) somewhat akin to what Gad Horowitz would later describe as Red Tory, but with less explicit sympathy for the left (*Canadian Journal of Economics and Political Science* 32, no. 2 (May, 1966), pp. 143-171). Myron J. Frankman, in his essay on “Stephen Leacock, Economist,” connects Leacock to Thorsten Veblen, the American sociologist and social critic, (in *Stephen Leacock: A Reappraisal*, edited by David Staines, Ottawa: University of Ottawa Press, 1986, p. 52) while Ian McKay in *Reasoning Otherwise* points out that Leacock was at a young age a follower of utopian socialist Edward Bellamy (Toronto: Between the Lines, 2008, p. 87).

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

An excellent illustration of Leacock's point that Parliament was the follower, not the leader, would have been in the summer of 1917, when Liberal Members of Parliament tore into the government's proposed Income War Tax. The debate was remarkable for its intensity and its self-consciousness, as members vied to say the most outrageous and extreme things against the weakness of the bill. The Honourable George Graham, a veteran of Wilfrid Laurier's cabinet, commented during second reading of the Bill on 2 August that he hoped the Minister of Finance would "increase somewhat the amount of taxes on these men. I do not want to use the word 'somewhat,' but I would say to increase radically the taxes on the large incomes."<sup>4</sup> Later, during third reading on 17 August, other members spoke similarly. The Honourable Charles Murphy, another Laurier-era cabinet veteran, hoped that White would amend the bill to "provide for a more equitable distribution of this Income Tax, and [to] see that those in receipt of large incomes shall pay a much larger percentage than they are going to pay under the present measure."<sup>5</sup> And Michael Clark, the Liberal member for Red Deer, claimed that "I know millionaires who have expressed their very highest satisfaction with this income tax, and I do not think that is a good compliment to the tax. I would lower the satisfaction of these gentlemen if I were in the position of the minister; I would give them less satisfaction and more taxation."<sup>6</sup> Frederick Forsyth Pardee, the chief Liberal whip, complained that "there is no conscription of wealth here," and called the tax "a flea-bite; a mere cheese-paring." Lamenting that the tax "does not take from men enough to make it hurt," Pardee said that

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<sup>4</sup> Canada, *House of Commons Debates* (2 Aug. 1917), 4108 (George Graham).

<sup>5</sup> Canada, *House of Commons Debates* (17 Aug. 1917), 4652 (Charles Murphy).

<sup>6</sup> Canada, *House of Commons Debates* (17 Aug. 1917), 4641 (Michael Clark).

“The rich man and the rich corporation who are protected by the men who are fighting our battles at the front should give to such an extent that it will hurt.”<sup>7</sup> Other members spoke with equal ferocity and directness about the limitations of the tax as a burden on the wealthy, and the importance of increasing the rate of taxation for high incomes.

The debate was full of energetic and humorous remarks, all intended to underline the weakness of the tax and the member’s interest in having it strengthened. It consisted entirely of Liberals criticizing the Conservative government, but it also featured some surprising examples of inter-party agreement. Murphy quoted at length from a pamphlet by noted Conservative Leacock called *National Organization for War*, which complained that “Our present taxes are, for war time, ridiculously low, as far as people of comfortable, or even of decent, means are concerned” and suggested that “Every cent of the money that can be gathered up by national thrift should be absorbed by national taxes and national loans.” (A part of the pamphlet he did not cite read: “We need a blast of taxation – real taxation, income tax and all, that should strike us like a wave of German gas.”)<sup>8</sup> The copy of the pamphlet Murphy read from was published by the National Service Board of Canada, a wartime agency headed by Conservative MP R. B. Bennett, and was therefore, Murphy noted, government literature. In the end, the members who were ruthless in their criticism of the bill’s weakness voted in favour.

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<sup>7</sup> Canada, *House of Commons Debates* (17 Aug. 1917), 4639 (Federick Forsyth Pardee).

<sup>8</sup> Charles Murphy, *House of Commons Debates*, August 17, 1917, p. 4561; Leacock, *National Organization for War* (Ottawa: National Service Board, 1917), p. 9.

This rhetoric is surprising and unexpected to anyone familiar with liberal political culture. According to liberal theory, the role of legislatures is to protect the people from excessive and abusive taxation; liberal government presumes that the goal of good legislation is satisfaction. It is therefore rare to hear legislators at any time call for “more taxation.” In this case, politicians are not only calling for an increase in taxation but for taxation that “will hurt,” that will give “less satisfaction” to those who pay it. It is also notable that a former cabinet minister would use the word “radically” to lend weight to his position. Why was a leading political figure calling for a radical increase in taxation? What was happening to parliamentary democracy, and to liberalism, if members criticized the government for giving their constituents too much satisfaction?

In the last years of the First World War, Dominion fiscal and party politics were radically transformed. The critical position on party politics previously expressed in the *Grain Growers' Guide* emerged as the dominant political ethos. The old Liberal and Conservative party labels, tied to the tariff, were becoming less meaningful to the general public as well as the political and intellectual elite, and the fiscal system of the tariff was increasingly seen as exploitative and dishonest, and in need of modernization. Under widespread pressure to do something to counteract the regressive effects of the tariff and the inequalities of wealth, the Borden government reluctantly introduced direct taxation. The government's reluctance was reflected in the tax's mildness: incomes below \$2000, the salary of a senior civil servant, were exempt; the tax was primarily targeted at very high incomes. More broadly, the tax reflected changes in the way that political

differences were imagined – changes that were widely recognized as constituting a much-needed ‘break with the past.’

That the Income War Tax was introduced in response to demands for ‘conscription of wealth’ is well established in the historiography. The role of ‘conscription of wealth’ rhetoric in the origins of the federal income tax, indeed, is repeated in every history of Canada that touches on the war and Canada’s economy and government. All of these accounts offer a variation on a standard narrative: a reluctant state introduced income tax in response to calls for ‘conscription of wealth’ from farmers and workers, who argued that military conscription for overseas service, as presented under the Military Service Act, was unfair unless it was accompanied by some material sacrifice by the wealthy.<sup>9</sup> This interpretation indirectly echoes Antonio Gramsci’s hegemony theory, an echo which has been made more explicit by Ian McKay in *Reasoning Otherwise*, the first volume of his history of the left in Canada.<sup>10</sup>

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<sup>9</sup> See for example Robert Craig Brown and Ramsay Cook, *Canada 1896-1921: A Nation Transformed* (Toronto: McClelland and Stewart, 1974), 230 and Craig Heron and Myer Siemiatycki, “The Great War, the State, and Working-Class Canada,” in *The Workers’ Revolt in Canada, 1917-1925*, ed. Craig Heron (Toronto: University of Toronto Press, 1998), 21-22; Bob Russell’s “The Politics of Labour-Force Reproduction: Funding Canada’s Social Wage, 1917-1946” (*Studies in Political Economy* 13, (Spring 1984), pp. 43-73) is representative in underlining the threat of labour unrest, rather than the appeal of labour’s rhetoric, in the passage of the Income War Tax.

<sup>10</sup> Ian McKay, *Reasoning Otherwise: Leftists and the People’s Enlightenment in Canada 1880-1920* (Toronto: Between the Lines, 2008), 434. Gramscian theory holds that power is exercised by a hegemonic bloc, essentially a coalition of powerful groups, and contested by a range of counter-hegemonic groups, which potentially form a counter-hegemonic bloc. See Antonio Gramsci, *Selections from the Prison Notebooks*, translated by Quintin Hoare and Geoffrey Nowell Smith (New York: International Publishers, 1971).

This chapter, like the dissertation as a whole, is less interested in power than in possibility, and in how rhetoric is used to have particular political effects. It is only concerned with how power is wielded to the very limited extent that it is a response to rhetoric or generates more opportunities for rhetoric. As much as Gramscian theory guides the historiography that informs this dissertation, the key questions here are conceptual and terminological – areas that Gramscian theorists do not prioritize.

For example, whereas this dissertation traces the emerging into prominence of the left-right terminology, McKay uses the term ‘left’ without demonstrating how it was used at the time, or that the people he cites

‘Conscription of wealth’ was, as McKay has argued, an attempt to oppose conscription and critique the unequal burden of war service working-class Canadians were expected to offer, without appearing unpatriotic.<sup>11</sup> For McKay, ‘conscription of wealth’ was a slogan of the left, not of parliamentary Liberals; he takes no interest in its use by others or in the effects of its adoption by the political mainstream. A new radical ethos sought to overthrow liberal institutions, and use the power of the general strike and what McKay calls the people’s enlightenment to establish socialism.<sup>12</sup> Historians have quite correctly underlined the deepening divide between these two visions of politics at the end of the First World War.<sup>13</sup> McKay’s linking of ‘conscription of wealth’ with the people’s enlightenment connects his analysis to this broader historiographical tradition that underlines the deepening divide between the left (and a radicalized labour movement in particular) and the Canadian state and party system.

The place of ‘conscription of wealth’ in parliamentary party politics, though alluded to in the dominant interpretation of the tax’s origins, has been less studied. Richard Krever has noted in a little-read article that the ‘conscription of wealth’ debate in Parliament reflected a delicate strategic dance between pro-conscription Liberals and Conservatives trying to create a coalition party. Examining statements from members

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used it. This is a methodological problem if we take seriously Quentin Skinner’s dictum of ‘seeing things their way.’ This issue is discussed in the Introduction. For McKay’s purposes, however, asserting a continuity with a pre-1914 left is more important than tracing the vicissitudes of the terminology.

<sup>11</sup> He writes, that ‘conscription of wealth’ ... ingeniously worked to subvert the unifying ‘myth of the war’ while seemingly agreeing with it.’ McKay, *Reasoning Otherwise*, pp. 433-34.

<sup>12</sup> McKay, *Reasoning Otherwise*, passim.

<sup>13</sup> The historiography of Canadian working-class and left history forcefully underlines the increasing opposition between radical and hegemonic political projects in this period. See especially McKay, *Reasoning Otherwise* and Craig Heron, ed., *The Workers’ Revolt in Canada, 1917-1925* (Toronto: University of Toronto Press, 1998).

through the war years, Krever shows the Liberal members signaling their willingness in 1917 to vote in support of conscription provided an income tax was introduced.<sup>14</sup>

Krever's interpretation dovetails with a smaller historiography on the emergence of a cross-party consensus about war service that emerged at the end of the war. A new elite ethos, which John English has called an "ideology of service," sought to overcome political partisanship and greed, and use a socialized state to embody ideals of social service.<sup>15</sup> As English notes, this ideal was profoundly anti-democratic and indeed contradictory in that it sought to overcome divisions within the governing elite and therefore, in order to have a stronger and more coercive state that could defend liberalism.<sup>16</sup> What Krever shows in microcosm and English shows on a wider scale is that the governing elite was actively seeking to shore up its power by modernizing party politics.

These two historiographies on political differences and the power of 'conscription of wealth' tend to ignore one another, though Krever does cite increased farmer and labour militancy as a contributing factor in the Liberals' embrace of income taxation. Because the parliamentary and extra-parliamentary uses of 'conscription of wealth' have been isolated from one another, scholars have not noted the extent to which elite and insurgent uses of 'conscription of wealth' had similar ulterior motives. Both were expressions of political modernism, attempts to get beyond the partisan identities of

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<sup>14</sup> Richard Krever, "The Origin of Federal Income Taxation in Canada," *Canadian Taxation* 3, no. 2, (Winter 1981): 170-188.

<sup>15</sup> John English, *The Decline of Politics: The Conservatives and the Party System, 1901-20* (Toronto: University of Toronto Press, 1977), pp. 106-122.

<sup>16</sup> English argues in *The Decline of Politics* that "the tension between the two conflicting visions," liberalism and coerced service, "was Unionism's crucial flaw." (221)

Liberal and Conservative and make the state an instrument of a coherent social purpose. Although they differed substantially on what form the modernity of post-war Canada would and should take, and their differences would take violent forms by 1919, their negative position, the need for a ‘break with the past,’ was broadly shared. This chapter is an attempt at bringing the two together, to underline the relationship between political differences and the origins of income taxation, through a rhetorical analysis of the uses of ‘conscription of wealth’ and its use in articulating the need for a ‘break with the past.’

It might be objected that the Income War Tax, as well as the more general “ideology of service,” was more a product of the immediate exigencies of the war, and that the rhetoric associated with its passage reflected a highly charged debate over the cost of the war and the horrific burden of sacrifice it entailed. The First World War was at its grimmest in the summer of 1917, with more than 300,000 Canadian soldiers having been sent to western Europe, more than 100,000 of whom had been killed or injured, and a controversial decision to conscript more men to serve overseas under consideration, when those very excited words were said in Parliament.<sup>17</sup> Clearly the war weighed heavily on the minds of the members and cast a shadow over the debate. As Pardee’s reference to “the men who are fighting our battles at the front” suggests, this was an exceptional debate about taxation because it was also about military service and sacrifice; the brutal horror of the war was absolutely crucial to the passage of the Income War Tax and to the power of the rhetoric that surrounded it. But the simple fact of the war itself tells us little without understanding the political and social tensions that ran under the

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<sup>17</sup> Canada, *Canada Year Book, 1916-1917* (Ottawa: King’s Printer, 1917), pp. 639, 688.

war. The war transformed Canadian political culture, but it did so in ways that reflected pre- and post-war anxieties and desires. The war was expressed politically; the antagonisms and anxieties it produced, and the possibilities it opened up for political modernism, were to a large degree extensions of pre-1914 controversies, including the critiques of the tariff and the party positions that derived from it.

This chapter will demonstrate that ‘conscription of wealth’ rhetoric was a powerful instrument because it was an expression of political modernism. The rhetoric Parliamentarians used in the debates on the Income War Tax reflected a self-conscious urge to modernize politics on the part of elites as well as opposition groups. Comments on the war and taxation during 1917 were coloured by a sense of a ‘break with the past.’ ‘Conscription of wealth’ reflected a shared aesthetic that ran across the more obvious political and economic divisions. The rhetoric’s vagueness and lack of coherence allowed it to proliferate and resonate with widely-felt resentment of war profiteering, clarifying widespread disapproval of profit-making and high incomes more generally. The rhetoric of ‘conscription of wealth’ was powerful precisely because it was politically promiscuous, less a watchword than a spectrum of meanings. It was the ideal phrase for a political moment in which old differences were dying and new ones were being born.

The spectrum of meanings will be seen in this chapter in the use of ‘conscription of wealth’ rhetoric by a range of speakers of differing political positions, from the speeches and writings of Liberals and Conservatives to the labour magazine *Industrial*

*Banner* in the period leading up to the parliamentary debate on the Income War Tax.<sup>18</sup>

These expressions clearly indicate that a more powerful income tax (one that taxed high incomes at higher rates) which proponents described as radical and progressive, held political appeal across the deepening political divides. ‘Conscription of wealth’ could be used to marginalize the entirety of parliamentary politics, and it could also be used to bring together the two major parties in a single parliamentary force: it was therefore important for Parliamentarians to use it judiciously. At the same time, the parliamentary record makes it clear that rhetoric that appeared to undermine the economic and political orthodoxies of the war effort, as ‘conscription of wealth’ did, was a matter of concern. The risks in voicing ‘conscription of wealth’ rhetoric were justified by its obvious political value in appealing to critics of conscription and war finance and its more subtle expression of a modernist desire for a ‘radical break with the past.’ All of these rhetorical gestures only made sense, of course, in a political-economic context in which the cost of the war, financially and otherwise, was steep and regressive, falling more sharply on the poor than the rich.

### **3.2 The Income War Tax and the Political Economy of War**

The enormous and unequal cost of the war in terms of displacement, debt and death gave rise to a rapidly polarizing political culture and what was arguably the most controversial Parliamentary session in the history of the Dominion. The Military Service Act, which

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<sup>18</sup> The *Industrial Banner* was the organ of the moderate labour organization The Trades and Labour Council (TLC). It was founded in 1899 in London, Ontario by TLC activist Joseph Marks, and relocated to Toronto in 1912. In 1916-1917 it was published weekly, with Joseph Marks serving as Editor and James Simpson as Managing Editor. The editorials were most likely written by Marks.

saw men conscripted for military service overseas for the first time in Canada's history, and which was debated at precisely the same time as the Income War Tax, was at the centre of this political controversy. In order to pass conscription, Robert Borden's government took unprecedented measures: it negotiated a coalition with pro-conscription Liberals, called the Union government; it enfranchised women who were either in the armed forces or had relatives serving, and disenfranchised recent immigrants. The Income War Tax, similarly, was the first Dominion income tax, and, along with the Business War Profits Tax of 1916, represented the overturning of a long tradition of resistance to direct taxation by the federal government. It was a 'break with the past' that, like the Union government and the enfranchisement of women, was a political gesture by the government to enlist support for conscription, and had little to do with paying for the war.

The Income War Tax was introduced by Thomas White, a Minister of Finance who had entered politics at the top, following the 1911 election. One of 18 prominent Liberal-identified businessmen who threw their support behind the Conservative Party's anti-reciprocity campaign, White was enthusiastically welcomed in Borden's cabinet as a symbol of non-partisan elite rule.<sup>19</sup> White encountered serious problems shortly after becoming Finance Minister. The long economic boom that had been identified with Laurier and the delayed success of the National Policy in the 1890s came to an end in 1913, with the result that Canada's credit dried up and its revenue from trade tariffs fell just as railways and other major public projects turned to the Dominion government for

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<sup>19</sup> John English, *The Decline of Politics: The Conservatives and the Party System 1901-20* (Toronto: University of Toronto Press, 1979), 53-69.

desperately needed financial support. White spent most of the year before the war anxiously assessing the extent of the damage to the country's financial reputation while endeavoring to appear unconcerned.<sup>20</sup> The crisis illustrated the core problem with the pre-war fiscal model, as R. T. Naylor has demonstrated: government operations were financed with loans that were paid with revenue from tariffs; in a depression, when trade slowed down, revenues fell, and credit dried up precisely when the state most needed it.<sup>21</sup> A traditional resistance to the imposition of direct taxation by the federal government (in part because provinces – and hence their creatures, the municipalities – could only levy direct taxes) had forced the Dominion to rely on tariff revenues, leaving the Borden government with no alternative but to wait for trade conditions to improve so revenues could revive.<sup>22</sup>

When the war began in the summer of 1914, White's chief concern was that interruptions in trade would cut even further into Dominion revenues.<sup>23</sup> Although he was advised in Parliament and by correspondents that an income tax would be both possible

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<sup>20</sup> Boxes 1-4 of Sir William Thomas White Papers, Library and Archives Canada (LAC), consist of correspondence between White and various banking executives and Canadian officials in London, sharing intelligence about Canada's standing as a credit risk.

<sup>21</sup> R. T. Naylor, "The Canadian State, the Accumulation of Capital, and the Great War," *Journal of Canadian Studies* 16, no. 3/4 (Fall-Winter 1981), p. 29.

<sup>22</sup> W. Irwin Gillespie devotes considerable space to the many objections of Dominion finance ministers, from Richard Cartwright in the 1870s to White in the 1910s, to direct taxation. A representative quotation is George Foster's remark, "I would like to see the man who could be elected in any constituency on a policy of direct taxation." *Tax, Borrow and Spend: Financing Federal Spending in Canada, 1867-1990* (Ottawa: Carleton University Press, 1991), pp. 56, 56-60. H. V. Nelles has also noted that the peculiarities of Ontario's resource policies can be largely explained by the province's fear of "the 'bugbear' of direct taxation." in *The Politics of Development: Forestry, Mines, and Hydro-Electric Power in Ontario, 1849-1941* (Montreal: McGill-Queen's University Press, 1974), pp. 46.

<sup>23</sup> "On account ... of the serious interruption of ocean commerce which is bound to ensue by reason of the hostilities I apprehend that our imports, and consequently our revenues, may be more seriously curtailed and reduced and it would appear to me that we may face a situation in which the [previous] estimate of revenue will not be reached." White to Robert Borden, 3 Aug. 1914, Box 3, Sir William Thomas White Papers, LAC.

and perhaps necessary, White refused to adopt what he called a ‘minor’ measure, and repeatedly emphasized the government’s intention to rely on the tariff for revenue.<sup>24</sup> Within a year of the start of the war, in fact, munitions production had revitalized the Canadian economy, and employment and trade conditions improved.<sup>25</sup> But the war economy also made a regressive system of finance all the more regressive: war loans, a central financing instrument which provided income in the form of interest payments to banks and wealthy individuals, and which ultimately had to be paid in revenue raised through the tariff, were essentially an income transfer from the poor to the rich.<sup>26</sup> Added to this was the impact of the boom on the cost of living, which increased dramatically in the middle of the war, causing further hardship to low-income people who were already suffering from unfair taxation. That wealthy Canadians were actively encouraged to profit from the war by investing in war bonds muddied the distinction between the anti-social war profiteer and patriotic investor that the government was keen on emphasizing, and underlined the deep inequity of the government’s approach to war finance.

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<sup>24</sup> During the debate on the Income War Tax, Carvell cited his own suggestion in August 1914 that income tax should be introduced to pay for the war. *House of Commons Debates*, 25 July 1917, 3769-3770. Frederick William-Taylor, Chairman of the Bank of Montreal, then Canada's largest bank and a key ally of the federal treasury, and B. Edmund Walker, Chairman of the Canadian Bank of Commerce, wrote to Thomas White on 10 August 1914 to say that income taxation was an option that, however unpopular, would be accepted. Box 3, Sir William Thomas White papers, Library and Archives Canada (LAC). White's description of income tax as a "minor" tax is highlighted in J. Harvey Perry, *Taxes, Tariffs, and Subsidies, Volume 1* (Toronto: University of Toronto Press, 1955), p. 151.

<sup>25</sup> Myer Siemiatycki, “Munitions and Labour Militancy: The 1916 Hamilton Machinists’ Strike,” *Labour/Le travail* 3 (1978), p. 132.

<sup>26</sup> W. A. Mackintosh noted shortly after the war that “issue after issue of tax exempt bonds put a premium on large incomes to be paid out of the taxes of the ordinary consumer.” Cited in Hugh Grant, “Revolution in Winnipeg, 1919,” *Labour/Le travail* 60 (Fall 2007), p. 174. Krever also notes that some Liberal members “pointed out that, without an income tax, raising revenue through bonds would mean that the poorer pay to the richer citizens of the country.” (p. 184)

By reviving industrial production and increasing the cost of living, the war boom strengthened and revitalized organized labour. The economic crisis of 1913-1915 had reversed many of the gains the labour movement had made during the Laurier boom. Massive unemployment gutted unions; labour struggled to maintain basic rights with a severely weakened bargaining position and became conciliatory. The advent of war and munitions contracts, Myer Siemiatycki argues, “revived sagging trade union fortunes by turning the flooded labour market of 1914 into a dire manpower shortage by 1916.”<sup>27</sup> Organized labour was a rising power, particularly in Ontario and Quebec, where workers threatened strikes that would have seriously undermined imperial war production.<sup>28</sup> The introduction of national registration, which implicitly subjected industrial labour to the same power of compulsion as military service, created more resentment among workers, and the introduction of conscription, in the form of the Military Service Act, further inflamed class resentment towards a government that compelled military service while it invited the rich to contribute voluntarily to finance the war – for a profit.

Calls for the ‘conscription of wealth,’ as articulated by labour, drew on a moral opposition to the further enrichment of wealthy Canadians, especially as viewed against the conscription of other Canadians. The introduction of the Income War Tax in the summer of 1917, which constituted a reversal of the government’s previous position, was a response to these criticisms. It was not the expression of a changed attitude by White regarding the value of income taxation. It was a political solution to a political problem, and was greeted as such by the government’s critics.

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<sup>27</sup> Siemiatycki, “Munitions and Labour Militancy,” pp. 131-32.

<sup>28</sup> Siemiatycki, “Munitions and Labour Militancy,” p. 133.

### 3.3 Wealth, Labour, and Conscription

The rhetoric of ‘conscription of wealth’ developed out of the political economy of the war, and served as a sharp indictment of the Conservative government’s management of the war. It rested on a concept of fairness that implied an equivalence between conscription and taxation. ‘Conscription of wealth’ rhetoric was in fact quite complex and vague, often conflating a number of distinct arguments. Sometimes wealth was paired with labour in that both were resources comparable to natural resources and professional expertise, and should in all fairness be made available to the state in order to prosecute the war efficiently, usually via some specific mechanism such as income taxation. At other times, conscription of wealth was presented as a kind of punishment for the rich – as illustrated by Forsyth’s insistence that taxation should “hurt” – who benefited from the war through war bonds or actual profiteering, and who should be made less rich. Whether arising out of a technocratic idea of service to the state or a bitter class resentment at the inequities of wartime economic conditions, or both, ‘conscription of wealth’ rhetoric found expression in the statements of a wide range of speakers in the year leading up to the Income War Tax debates.

At the centre of the class critique of conscription and war finance was the insistence that conscription, in defiance of its official universality, meant conscription of the working class. This point was illustrated forcefully in the *Industrial Banner* in an article citing a study by the Canadian Manufacturers Association, which pointed out that

an overwhelming majority of those already enlisted were workers: “out of 268,111 enlistments up to February 15, 1916, 170,369 are to be credited to ‘manual labor,’ and 48,777 to ‘clerks.’” “In other words,” the editorial concluded, “mechanics, labourers and clerks have furnished more than eighty per cent, or four fifths, of all Canadian enlistments.”<sup>29</sup> The numbers were not intended to suggest that professionals and managers, who made up the other 48,995, were less patriotic or brave, but to remind readers that there were far more poor people than rich, especially among those young enough to be conscripted. Conscription was therefore primarily conscription of the non-rich.<sup>30</sup> Another story in the *Banner* on September 15, 1916 stated forcefully that “The principle of conscription is one thing – the practice is quite another. In principle, it is an instrument of national defence; in practice, it is made an instrument of working-class subjugation.”<sup>31</sup> The headline “The Government has promised there shall be no conscription” was paired on October 20, 1916, with the subtitle “Insistent demand for conscription of wealth.” The articles reported that members of the Trades and Labour Congress Dominion Executive were meeting with Borden, and quoted Simpson as saying that “If a man is computed to be worth \$100,000 a good portion of that wealth should be conscripted if it is found necessary to force conscription on men.”<sup>32</sup> Conscription of wealth could therefore be an argument against conscription (on the basis that men were already doing enough for the war by enlisting), but it drew on a class understanding of

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<sup>29</sup> Editorial, “Workmen and Recruiting,” *Industrial Banner* 24, no. 37 (June 30, 1916), p. 2.

<sup>30</sup> Under the Military Service Act, Class 1 recruits, who were first priority and, as it turned out, the only ones to be actually conscripted, had to be unmarried, without children, and between the ages of 20 and 35. Canada, *The Military Service Act – Its Meaning and Effects* (Ottawa: King’s Printer, 1917), 1.

<sup>31</sup> Editorial, “Labour Will Demand Better Conditions After the War,” *Industrial Banner* 25, no. 48 (September 15, 1916), p. 1.

<sup>32</sup> “The Government Has Promised There Shall be No Conscription,” *Industrial Banner* 26, no. 1 (October 20, 1916), p. 1.

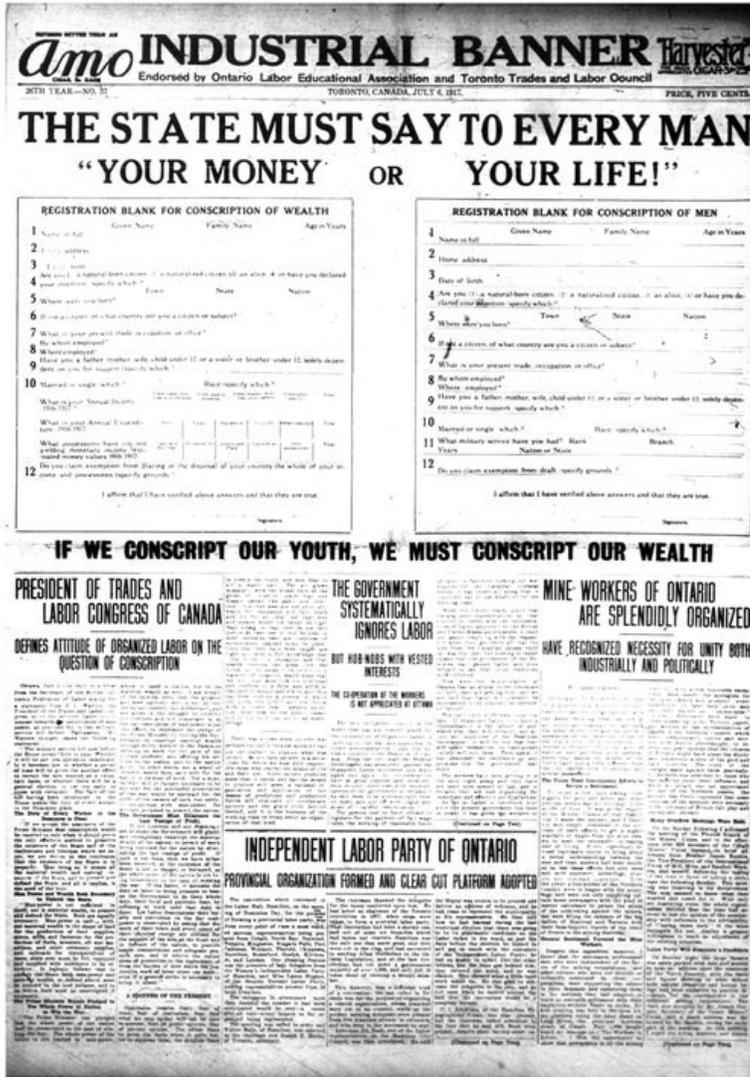
war service, valorizing the contributions that workers made to the war short of being forced to fight.

The idea of conscription of wealth was so effective and powerful, as McKay has noted, because it attached a critique of wealth to the patriotic culture of the war.<sup>33</sup> Indeed, by representing conscription of wealth and conscription of manpower as two halves of an inseparable whole, labour intellectuals were able to portray free enterprise as unpatriotic, and the government that nurtured its continued success as negligent in its execution of the war effort. The originality of this rhetorical gesture is illustrated in a June 22, 1917 editorial in the *Industrial Banner*, which aimed at re-framing the range of possible positions on conscription. “Individuals may honestly and conscientiously differ on the question of conscription,” as “some honestly advocate it and some honestly oppose it, but neither Borden nor Laurier are to be placed in that class.”<sup>34</sup> The *Banner* insisted that it was inconsistent and dishonest to support conscription of men and not conscription of wealth. An even more forceful equating of the conscription of wealth and men appeared on the front page of the *Banner* on July 6, 1917: an image of a conscription registration form for men side-by-side with one for conscription of wealth. (Fig. 8) The image encapsulates the rhetorical claim the *Banner* had been making for more than six months: that men and wealth should equally be conscripted and that to conscript one it was fair and necessary to do the other.

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<sup>33</sup> Ian McKay, *Reasoning Otherwise: Leftists and the People's Enlightenment in Canada, 1880-1920* (Toronto: Between the Lines, 2008), 434.

<sup>34</sup> Editorial, “A Battle for Place and Power,” *Industrial Banner* 26, no. 35 (June 22, 1917), p. 4.



**Figure 8: An Equivalence: Conscription and ‘Conscription of Wealth’**

The cover of the *Industrial Banner* for July 6, 1917 showed paired images of registrations cards for conscription of men and conscription of wealth – the former real, the latter invented. The page illustrated the point the editors of the *Banner* had been making in textual form for most of the previous six months, that, as the headline reads, “If we Conscript Our Youth, We Must Conscript Our Wealth.” The use of images was limited in the paper; although the message was familiar, it was usually presented textually, not visually. Source: Library and Archives Canada/ The Industrial Banner 26, no. 37/AMICUS 8550541/July 6, 1917, 1.

A slightly different view of the relationship between conscription and taxation was taken up by Stephen Leacock, a noted Conservative, in his pamphlet *National Organization for War*, part of which Charles Murphy cited in the debate on the Income

War Tax. In typically immoderate style, Leacock bemoaned the wastefulness, in the context of war, of selfish activity, and insisted that all resources should be made available for the war effort. He wrote: “If a war were conducted with the full strength of the nation, it would mean that every part of the fighting power, the labour, and the resources of the country were being used towards a single end. Each man would either be fighting or engaged in providing materials of war, food, clothes and transport for those that were fighting, with such extra food and such few clothes as were needed for themselves while engaged in the task.”<sup>35</sup>

For Leacock, the efficient use of resources for the prosecution of the war should be the singular priority of political economy. “This is the fashion in which the energies of a nation would be directed,” he noted with evident approval, “if some omniscient despot directed them and controlled the life and activity of every man.”<sup>36</sup> The implication that individual freedom and property rights are, in a wartime context, anti-social, comes to the surface when Leacock addresses taxes specifically. He estimates that consumers are paying 10% of their income in war taxes, noting that this “means that nine-tenths of the man's work is directed to his own use and only one-tenth for the war.”<sup>37</sup> War finance is depicted by Leacock as unscrupulously capitalistic and profit-seeking. Taxation is devised with “one eye on the supposed benefits to industry,” and the “so-called patriotic

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<sup>35</sup> Leacock, *National Organization for War* (Ottawa: King's Printer, 1917), p. 3.

<sup>36</sup> Leacock, *National Organization*, p. 3.

<sup>37</sup> Leacock, *National Organization*, p. 4.

loan is so issued that the hungriest money-lender in New York is glad to clamber for a share of it.”<sup>38</sup>

A more moderate expression of political elites calling for ‘conscription of wealth’ in the form of income taxation is provided by Newton Rowell, the Ontario Liberal leader who would run as a Unionist candidate in the 1917 Dominion election and play a central role in Borden’s second government. In a speech on July 26, 1917, and later reprinted in a pamphlet entitled *Conscription of Wealth*, Rowell said that “Men at the front feel and feel keenly that while they are giving their all for Canada and for liberty, men at home are making huge profits out of the war. In justice to the men at the front as well as to the cause for which they are fighting, we must require wealth to bear its share of the burden. Men who are profiting by the war must make a full contribution to the cost of the war, and in addition, a radical, progressive income tax measure is urgently required.”<sup>39</sup> Rowell here links a sense of justice and fairness in war sacrifice, and connects the large profits arising out of the war to the need for an income tax – which he describes as “radical” (like his federal colleague Graham in the parliamentary debates cited above) and “progressive”; while progressive is a technical term in taxation, referring to the taxation of higher levels of income at higher rates, radical has no equivalent technical meaning. In another speech on August 2, 1917, and reprinted in the same pamphlet, Rowell brought up the issue again, this time specifically commenting on the Income War Tax, which was in second reading at the time, criticizing its weakness by noting that “A progressive income tax is a step in the right direction, but we need a war measure not a peace

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<sup>38</sup> Leacock, *National Organization*, pp. 9, 3.

<sup>39</sup> Rowell, *Conscription of Wealth*, (no publisher, no date (1917?)), p. 4.

measure like the present Bill.”<sup>40</sup> Rowell again emphasizes the issue of equality of sacrifice, but frames it in explicitly economic terms, saying that “The whole capital of the working man is in his life and his capacity for work” and arguing that “If he is placing that at the service of his country, the contribution of a man of large income, who only gives the surplus over reasonable living expenses, is but dust in the balance compared with the contribution of the man who offers his life.”<sup>41</sup> Rowell’s insistence on what he calls a “radical” income tax, and his rejection of the Income War Tax as a peace measure, both reflect a deep sense of injustice at the wartime economic conditions and a modernist interest in a ‘break with the past.’

The phrase ‘conscription of wealth’ articulated a critique of the inequalities generated by the Borden government’s governing of the war effort. It built on an existing critique of the tariff as the Dominion’s central financing instrument, but sharpened that critique in the context of war finance, which exacerbated the regressivity of the tariff, and of the threat of conscription of men for military service. As the debate over conscription intensified, the linkage between income taxation and conscription that was encapsulated in ‘conscription of wealth’ was widely reproduced, and articulated in various ways by Liberal and Conservatives as well as labour voices. The idea that taxation had to be higher and fall more heavily on those with higher incomes for the burden of war service to be fairly apportioned held appeal across a wide range of political views. But beyond its status as an appeal to equal sacrifice, the phrase was appealing for its political effects. For Liberal and Conservative parliamentarians as for the readers and editors of the *Industrial*

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<sup>40</sup> Rowell, *Conscription of Wealth*, p. 9.

<sup>41</sup> Rowell, *Conscription of Wealth*, p. 9.

*Banner*, ‘conscription of wealth’ was a useful rhetorical instrument in clearing a path to a new way of doing politics, and new ways of understanding political differences.

### **3.4 Parliament, Parties, and the Power of Rhetoric**

‘Conscription of wealth’ rhetoric had been widely disseminated by the time the Income War Tax was introduced in the summer of 1917. Parliamentarians using intemperate language calling for “more taxation” and “less satisfaction” were therefore at the end of a long rhetorical arc. Similar rhetoric in response to the weakness of a self-styled war tax on income would have been anticipated, given that ‘conscription of wealth’ and labour’s political threats were a crucial inspiration for the introduction of the tax. As the historiography asserts, the opposition’s keenness to use radical language was, like the government’s introduction of the Income War Tax, an attempt to appeal to the critique of war finance that was happening outside Parliament and, in the process, pass conscription. But it was more than a mere reflection. As Richard Krever has argued, the debates on the Income War Tax reveal legislators from two parties seeking to work out a pro-conscription coalition, which would become, later in 1917, the Union Government. As John English has argued, the Union Government grew out of an elite criticism of partisanship that was radicalized by the war, creating what he calls an “ideology of service” that argued for Liberal and Conservative identities to be folded into one governing elite that would defend the state against threats from without and within. ‘Conscription of wealth’ rhetoric, then, was tied to elite attempts to undermine Liberal and Conservative differences by working out a coalition government that would embody

and defend the shared values of the whole political class. The obverse of the people's enlightenment, English's "ideology of service" also relied on the power of income taxation, and its critique of inequality, to initiate a 'break with the past' of a different kind.

The intricacies of the Liberal and Conservative alliance that would become the basis of the Union Government were signaled in the debates on income taxation, as Krever says, which "showed the price the Conservatives would have to pay to entice Liberals into the ranks of a union party."<sup>42</sup> Opposition members indicated repeatedly and forcefully that they supported conscription, but would only support the government if it introduced an income tax. These Liberals also indicated their inclination to join a coalition for the purpose of winning the war. Pardee, for example, the day before White presented the Income War Tax, had said that "The affairs of this country to-day demand a National Government, if it can be formed on a proper basis for the proper administration of those affairs." Krever notes that Liberal members viciously criticized the bill when it was introduced, but voted for it anyway, which indicates that they accepted that the conditions for coalition had been met. The shift in the political culture that John English sees happening in 1917, a shift away from partisanship and towards a shared elite "ideology of service" that was about governing the economy and winning the war, was expressed through 'conscription of wealth' rhetoric.

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<sup>42</sup> Krever, "Origins of Federal Income Taxation," p. 185

But as useful as ‘conscription of wealth’ rhetoric was to the working out of Liberal and Conservative differences, it was a potentially dangerous import. Using extreme language to create an unprecedented arrangement to defend the status quo is an awkward exercise, and can easily go awry. It was important for the Liberals to express the discontent that the government’s reliance on the tariff was causing, but it was risky to make Parliament simply a reflection of popular and radical ideas; it had to be done with finesse. In the debate on the Income War Tax, however, Sir Thomas White did not respond to the onslaught of criticisms unleashed by the Liberals, a reflection of the convention that, in budget debates, “members of the Opposition conduct almost the entire debate.”<sup>43</sup> The government’s silence presents us with a provocation without effect, and prevents us from assessing how much of a threat to Parliament's functioning it was felt to be. However, two other incidents in Parliament in the summer of 1917 illustrate the anxieties associated with intemperate speech related to the government’s handling of the war.

The first of these incidents directly addresses the anxieties associated with the rhetoric of ‘conscription of wealth.’ It began on June 22, when George Graham rose to say that he supported the introduction of an income tax, but that what he really meant was the imposition of a tax on high incomes. “I would not have an income tax for the man with the ordinary income because he has difficulty enough now in living, but there are in Canada a great number of men who receive a great deal more money than they earn, and

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<sup>43</sup> As J. Harvey Perry notes: “Generally the members of the Opposition conduct almost the entire debate and to an observer unfamiliar with this fact it would appear from its tenor that the budget had been pretty much a dismal failure.” See J. Harvey Perry, *Taxation in Canada* (Toronto: University of Toronto Press, 1951), p. 308.

a portion at least of their excess income ought to go hand in hand with the labour and the soldiery of Canada for the prosecution of this war.”<sup>44</sup> He followed this up with a resolution, which he presented for the House's consideration: “That in the opinion of this House it is desirable that steps should be taken forthwith by the Government to provide that accumulated wealth should contribute immediately and effectively to the cost of the war, and that all agricultural, industrial, transportation and natural resources of Canada should be organized forthwith so as to ensure the greatest possible assistance to the Empire in the war and to reduce the cost of living to the Canadian people.”<sup>45</sup> Graham made a point of drawing the House’s attention to the fact that unlike “Some people [who] have spoken of conscription of wealth, [...] I have not used that term.”<sup>46</sup>

Despite Graham's evident circumspection and explicit distancing of his resolution from ‘conscription of wealth,’ Thomas White rose a few weeks later, on 10 July, to clarify the risks of inflammatory speech. In a formal “Statement of the Finance Minister,” White said: “It has been officially drawn to the attention of the Government that the use of the expression ‘conscription of wealth’ in the debates in Parliament and by public and other bodies outside Parliament and by the press in its news reports has caused a certain uneasiness among those whose savings constitute a vital factor in the business and industrial life of the Dominion and are so essential to the credit and prosperity upon which our efforts in the continued prosecution of the war must largely depend.” A number of things were at work in this statement. First, White was reminding the

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<sup>44</sup> Canada, *House of Common Debates* (22 June 1917), 2576 .

<sup>45</sup> Canada, *House of Common Debates* (22 June 1917), 2576.

<sup>46</sup> Canada, *House of Common Debates* (22 June 1917), 2576.

Commons and the public of the importance of private credit for the Dominion, which was the basis of federal finance and, crucially, of the war effort. An “uneasiness” on the part of holders of capital was a potentially serious problem. White therefore asserted that “there need exist no apprehension on the part of the public that any action of a detrimental character will at any time be taken with respect to the savings of the Canadian public,” clarifying that the government might introduce “income taxation upon those whose incomes are such as to make it just and equitable that they should contribute a share of the war expenditure of the Dominion.”<sup>47</sup> Secondly, White was distinguishing between taxing accumulated wealth (or savings), which was not under consideration, and taxing income, which was. Finally, he was issuing a condemnation and a caution to Parliamentarians to avoid frightening capital-holders with intemperate and imprecise speeches.

Understandably concerned that the character of his comments had been misconstrued, Graham immediately rose to defend his parliamentary record:

I did not use the term ‘conscription of wealth.’ The resolution which I introduced was in these words: “That in the opinion of this House it is desirable that steps should be taken forthwith by the Government to provide that accumulated wealth should contribute immediately and effectively to the cost of the war.” The observations that I made were, I think, perfectly in harmony with the wording of this resolution and with the remarks just made by the Minister of Finance.<sup>48</sup>

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<sup>47</sup> Canada, *House of Commons Debates*, (10 July 1917), 3187.

<sup>48</sup> Canada, *House of Commons Debates*, (10 July 1917), 3187.

White made no reply, but the Prime Minister stood and said, clearly enough for the parliamentary reporter to hear and record: “Hear, hear.”<sup>49</sup> Thus ended a particularly self-conscious display of cross-partisan concern for the risks of parliamentary rhetoric.

A few weeks later, on 6 September, a less collegial dispute arose about the effects of rhetoric, this time on the subject of conscription, and this time in the Senate. P. A. Choquette, a Liberal appointee, rose to speak against conscription, which had just been passed in the form of the Military Service Act. Following a pre-emptive warning that Choquette not speak against the war, the Senate listened anxiously as Choquette tried to avoid offending his audience and yet make his point. When he said “These are some reasons why this war must stop and why many men are asking the Government not to put into force now this law which will send their sons,” the Speaker, Joseph Bolduc, and the government leader, James Lougheed, interrupted him to berate him for his speech. The Speaker declared that Choquette’s “line of argument is such as to create excitement in the country and opposition to the law of the land.” Lougheed was more direct and aggressive, telling Choquette, “If you had given expression to these sentiments in Europe, there would have been a firing-squad called out.”<sup>50</sup>

A long, bitter and chaotic debate ensued, during which Choquette accused the speaker of being a sell-out to the English, and members repeatedly called for order and told each other to “shut up.” Things cooled down eventually, and Lawrence Geoffrey Power, another Liberal appointee, pointed out that the problem was how Choquette had

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<sup>49</sup> Canada, *House of Commons Debates*, (10 July 1917), 3187.

<sup>50</sup> Canada, *Senate Debates* (6 Sept. 1917), 844.

spoken rather than what he had said. A Senator, Power said, “must be guarded in his language.”<sup>51</sup> Further emphasizing the need for moderate use of language, he continued: “Honourable gentlemen should try to keep their heads and not be carried away by the strong feelings of the moment. I quite understand, as the honourable gentleman from Grandville [Choquette] has a rather aggressive way of addressing the House, that possibly some honourable gentlemen opposite felt, in fact, ‘riled’ about it. ... But we must not let our angry passions rise.”<sup>52</sup> Obviously fiery rhetoric was seen as a potential problem by Parliamentarians. It was risky and it was taken seriously.

The anxious insistence of White, Lougheed and Power that Parliamentarians be circumspect in their criticism of the government's conduct of the war speaks to the concerns of the political elite, both Liberal and Conservative, about the risks rhetoric along the lines of ‘conscription of wealth’ might pose to political and economic support for the war. This anxiety was evidence of a widening polarization between a political elite committed to continuing and even increasing Canada's involvement in the war and an array of opposition groups increasingly intransigent in opposing it – a polarization historians have underlined repeatedly.<sup>53</sup> The debates on the Income War Tax reflected this polarization, both in the sense that Liberal members were unrestrained in their criticism of it and in the sense that the tax itself was introduced to dull opposition to conscription, which was the most divisive element of the government's war policy. But conscription of wealth was also a key instrument in the working out of an unprecedented

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<sup>51</sup> Canada, *Senate Debates* (6 Sept. 1917), 845.

<sup>52</sup> Canada, *Senate Debates* (6 Sept. 1917), 849.

<sup>53</sup> See footnote 13.

alliance of Liberals and Conservatives seeking to introduce conscription. This was possible not only because a new political culture had emerged among the elite that was disdainful of partisanship, but also because the desire for a more active – indeed radical – instrument of taxation was widespread.

‘Conscription of wealth,’ the rhetoric that motivated this response, while it arose out of the polarization of political positions on the war, also served as a bridge between political positions; unlike other increasingly absolute oppositions, it admitted a spectrum of differences. It could be an expression of a range of desires, from those of labour thinkers of the *Industrial Banner* for a more equal industrial order to the pamphleteers of the Conservative and Liberal parties for a more efficient war effort. The extraordinary appeal of radical critiques of war finance was in part an effect of the unprecedented violence and upheaval of the First World War, and in part simply a deepening and widening of earlier critiques of the tariff as regressive and unfair. ‘Conscription of wealth’ resonated, that is, because of the unique circumstances of the war, but also because of a shared desire for a ‘radical break with the past,’ a political modernism that ran across more obvious political differences.

### **3.5 War, Tax and Political Modernism**

Rather than simply an expression of class fear or political opportunism, or a critique of the political economy of war sacrifice, the rhetoric of the debate on the Income War Tax can also be seen as a reflection of widely-shared but contested project of political

modernism. Conscription of wealth wove together competing strands of critique, and was voiced by speakers from differing and opposed political positions. While Borden and White's undeveloped project of progressive reforms, and the emergence of the coalition Union government after the election of 1917, were the political fruits of the elite project of political modernism, the emergence of independent Labour parties and a wave of strikes after the war (including the one at Winnipeg in the spring of 1919) reflected a labour project of modernism. As with the 'conscription of wealth' rhetoric with which it overlaps, however, the modernist project reflected some similarities between elite and labour politics. In particular, both saw the war, and the general modern era in which it was unfolding, as a force that was awakening people to new possibilities and, in particular, to a clearer awareness of the world.

The idea that the time had come for independent political action on the part of labour was a near-constant theme in the *Industrial Banner* over the year leading to the summer of 1917. While the efforts of the Trades and Labour Congress Executive to influence Borden and other members of the political elite were applauded and endorsed by the editors, the paper exhibited a pronounced distaste for the old political parties. What the paper called the "strike at the ballot box"<sup>54</sup> was partly an expression of ultimate frustration with labour's marginalization by the ruling Conservatives in particular, but was also an expression of the full flowering of the working class's own political emancipation and intellectual independence –the people's enlightenment.

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<sup>54</sup> Editorial, "Political Action," *Industrial Banner* 24, no. 38 (July 7, 1916), p. 2. The phrase was a common one in the *Banner* in this period.

The link between mass political enlightenment and a break with the Liberal and Conservative parties was a recurring theme in the *Industrial Banner*. An editorial on 16 July 1916 makes this point clearly, arguing that the creation of a party for workers is the logical expression of labour's political education:

The ballot must supplement political organization on the industrial field, and the lessons that labour has learned of late in the school of hard experience should itself be the incentive to spur it into action to organize a great political party of its own in order to capture and control the law making power of the state, in order to lay the foundations for a real and enduring democracy in which the people should rule and justice finally triumph.<sup>55</sup>

The same editorial ridiculed workers who still defined themselves as Liberal or Conservative, arguing that “the man who carries a union card today and can insult his intelligence in order to follow round in the rear of an old party bandwagon should be caged in some zoo as a curiosity for sensible people to gaze upon.”<sup>56</sup> This insistence on independent political action as the essence of political modernism, and on old elite-led parties as relics of political ignorance, is reflected repeatedly in the *Banner*, but most clearly in an editorial on the importance of independent political action that explicitly draws on the modernist imagery of mandatory progress:

There is not an intelligent observer to-day but realizes that great changes, industrially and politically, are in the making; that things will not go on as they have done as in the past; in the old worn-out run that resulted in worldwide exploitation and disaster. None know this better than the professional politicians, who fully realize that the old parties are losing their hold on the people, that the old pleas have lost their efficacy, and that ancient traditions must be quickly relegated to the scrap heap.<sup>57</sup>

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<sup>55</sup> Ibid.

<sup>56</sup> Ibid.

<sup>57</sup> Editorial, “The Awakening,” *Industrial Banner* 26, no. 9 (December 15, 1916), p. 4.

An eloquent and forceful expression of the idea of a ‘break with the past,’ the passage celebrates the growing independence and awareness of workers as an expression of a modern consciousness, and even acknowledges the forces in the old elite-dominated political parties that have pushed for a rejection of partisanship.

The threat of conscription also inspired threats of extra-parliamentary forms of independent political action: general strikes. As Myer Siemiatycki has argued, the idea of a general strike against the Canadian economy began in the munitions factories of Toronto and Hamilton in 1916.<sup>58</sup> With the rise of the conscription issue, Trades and Labour Congress locals began passing resolutions for a general strike in the event of the introduction of conscription, and pushing the national executive to adopt a similar stance on a Dominion-wide basis.<sup>59</sup> Although these efforts were unsuccessful, TLC President James Watters reflected this link in his comments to the *New York Times* on 4 July 1917. Asked how labour would respond to the Military Service Act, Watters said they would

demonstrate their loyalty and patriotism on the day man-power is conscripted by seeing that the work of their brains and every ounce of their physical energy is utilized for the support of the men at the front and in defense of the nation, to provide ample remuneration and adequate pensions for the men in khaki and a full measure of protection to the dependents of such men, and to relieve the nation from the burden of debt, which the productive work of labour alone can meet – even if a general strike is necessary to bring it about.<sup>60</sup>

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<sup>58</sup> “Thus the war-induced epidemic of general strikes, which one prominent unionist dubbed ‘Winnipegitis,’ found its earliest germination in Toronto.” Siemiatycki, “Munitions and Labour Militancy,” p. 141.

<sup>59</sup> Canada, *Labour Gazette* (Ottawa: King’s Printer, 1917), 847-849.

<sup>60</sup> James Watters, quoted in *New York Times*, July 4, 1917, p. 4.

Here Watters uses the rhetoric of ‘conscription of wealth’ to make the general strike, the ultimate expression of the power of workers independent of the state, into a patriotic gesture. Whether this exact move would have resonated very far, whether or not it would have found a sympathetic audience or not, it undoubtedly would have registered with the Dominion cabinet, and may have influenced the introduction of the Income War Tax.

The Income War Tax itself, in fact, was welcomed, even by Members of Parliament who were critical of its weakness, as a necessary instrument in modernizing politics. In this case, rather than severing old political affiliations, modernity was cast as a clarifier, eliminating confusion and allowing taxpayers and citizens to make informed and intelligent political choices. Clarity and intelligibility were the necessary conditions for a healthy political culture, and for justice in government. The links between income taxation, modernity and clarity were not new in the war context, but the introduction of the Income War Tax – justified by the special exigencies of the war, and inspired by the unique conditions of class conflict produced by the war – served as an invitation to make the connections explicit.

This appeal to modernity, and to the potential of income taxation in bringing directness, legibility, and clarity to Canadian politics, can be seen in the contributions of F. B. Carvell, another Liberal MP who became, after the 1917 election, a member of the Unionist government, to the debate. When the bill to create the Income War Tax got to the Senate, Senators broke with convention (under which the Upper House passes all money bills passed by the Commons without revisions) and amended it, allowing

investigations into tax evasion to be held in camera, out of view of the general public. White expressed concern about the move, but was primarily concerned with avoiding a confrontation over the issue. Carvell rose on September 15, 1917 to denounce the Senate amendments, and did so by linking income taxation with modernity and clarity. Income taxation, he said, “produces a condition of affairs by which, after the war is over, we can discuss questions of trade, commerce, and tariff much more intelligently than we have been able to discuss them.” Carvell’s interest in more intelligent discussions of the tariff may be an oblique reference to the Liberals’ defeat in 1911, and the role of nationalist rhetoric in framing question of taxation. Carvell also noted that “the financial condition of Canada has so changed during the last three years [since the war started] as to revolutionize our whole method of taxation.” He continued, “We have to get down to direct taxation, and to adopt a system so efficient, straight and above board that every man will know whether or not his neighbour is paying his fair share of taxation.”<sup>61</sup> Here Carvell links modernity and direct taxation in the need for political clarity, for visibility and transparency. Carvell’s enthusiasm for income taxation, and his linking it with modernity, echoes a comment Michael Clark made on August 17, that “The war ... has been a great fiscal schoolmaster, as well as a great schoolmaster along other lines.” Clark also congratulated White that “he has learned from the course of the war the necessity of putting on some direct taxation.”<sup>62</sup> Like the necessity of independent political action for the *Banner*, the necessity of direct taxation is represented by these Liberal members as the lesson of the war, the awakening that the war forces upon a sleep-walking polity.

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<sup>61</sup> Canada, *House of Commons Debates* (15 Sept. 1917), 5885.

<sup>62</sup> Canada, *House of Commons Debates* (17 Aug. 1917), 4640.

Ironically, though, the rhetoric of conscription of wealth owed much of its appeal, and its reproducibility, to its ambiguity. It enfolded different conceptions of the relationship between taxation and conscription, and speakers often made little attempt to clarify what they meant by it. No one who used the phrase could be sure what listeners understood it to mean; it could suggest very different things to different audiences simultaneously. Although this undermined its link with clarification, it was to some extent inherent in its reproduction. Whether this productive ambiguity was a problem was a matter of debate. The *Ottawa Journal*, a Conservative paper, for example, ran an editorial on 24 August 1917 that decried the proliferation of the “catch phrase ‘the conscription of wealth,’” describing it as “the cheap clap-trap one expects only from the loose minded.” The Liberal *Citizen* replied the next day with an editorial noting with satisfaction that “Nothing quite so grates upon the administration press as the term ‘conscription of wealth.’”<sup>63</sup> It was easy to criticize the vagueness of ‘conscription of wealth,’ but equally easy to accuse anyone who did so of having ulterior motives.

A similar exchange occurred in the *Industrial Banner*. The paper published a letter by Harriet D. Prenter on 8 June 1917, which asked whether the Toronto District Labour Council should “hold a few meetings at once in the Labor Temple for the purpose of explaining what is actually meant by ‘conscription of wealth?’” The letter noted, “It is only as we understand, that we think and act fairly, and to most people conscription of wealth is merely a phrase, whereas a little explanation will prove to any reasonable mind that it is quite a way to nationalize the material resources of our country as it is to

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<sup>63</sup> The *Ottawa Journal* editorial was re-printed in the *Ottawa Citizen*, August 25, 1917, p. 12.

nationalize the lives of our men, and that in no other way can there be any real ‘equality of sacrifice’ between the rich man and the workers.”<sup>64</sup> For Prenter, clearly, ‘conscription of wealth’ was more than a phrase: it articulated a clear basis for determining whether the war effort was being carried fairly by everyone. Her call for extrapolating on its meaning reflected the enlightenment principle that things should be discussed intelligently and clearly. But it was the phrase’s ambiguity – its status as *just a phrase* – that made it ubiquitous, and therefore powerful. The letter elicited no reply, but an editorial on July 13, after pointing out that the phrase ‘wealth conscription’ was becoming increasingly widespread and that “even old-line political organizations are passing resolutions that are getting dangerously close to the line,” dismissed the charge of ambiguity, reveling instead in the idea's growing appeal. “It’s coming all right,” the editorial concluded confidently, “and when it gets here everybody will know just exactly what the term means.”<sup>65</sup> Just as easy as it was to point accusing fingers at anyone who complained of the phrase’s vagueness, it was also easy to resort to teleological bluster when someone called for some elucidation.

The rhetoric of conscription of wealth, which conflated a number of different critiques of war-generated wealth and called for a ‘break with the past’ as the necessary response to the inequities of war finance and the muddied, corrupted and ossified political culture that sustained it, can be read as an expression of a project to modernize politics that crossed class lines. The conscription of wealth, the threat of political action outside

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<sup>64</sup> Harriet D. Prenter, “Should Define the Meaning of Wealth Conscription,” *Industrial Banner* 26, no. 33 (June 8, 1917), p. 4.

<sup>65</sup> Editorial, “Conscription of Wealth,” *Industrial Banner* 26, no. 38 (July 13, 1917), p. 4.

Parliament, and the advent of Dominion income taxation were linked to a clarification of politics, an awakening from thoughtless tradition that reinforced inequalities and blocked citizens and taxpayers from seeing politics clearly. Liberal politicians, Conservative pamphleteers and labour journalists agreed on the need to modernize politics and saw fiscal reform, and the immense potential of income taxation in particular, as a necessary instrument in that work.

### **3.6 Income Taxation as a Permanent Possibility**

The war that was at its grimmest, with no discernable end in sight, in 1917, ended with an armistice in 1918 and a peace treaty the following year. The passions of the earlier period cooled, and the desperate need for bodies to send to the front evaporated, but a deeply felt set of resentments continued to bubble up as soldiers returned to bleak prospects.

Passions stirred by the debates over conscription and taxation left a bitter taste, and made a quick return to the pre-war politics of inflated but empty partisanship impossible, even for those who might have desired it. The 'break with the past' envisioned by farmers in 1911 had come about, not entirely or solely through a people's enlightenment but through a collaboration between increased engagement and awareness of common people and the horrifying cost of waging a war, and the response to those factors by a government and opposition eager to make Parliament relevant to its radical critics. The result had been an income tax that targeted the wealthy and a political culture that was significantly shaken up and transformed.

The political modernism that overturned the Dominion's party politics and fiscal conventions in 1917 bore more fruit as the war ground to a halt, with new differences taking the place of old differences. The Union government, the alliance of Conservatives and pro-conscription Liberals arising in part out of the 'conscription of wealth' debates, held power in Ottawa until 1921, three years after the basis for its existence had ended. Also in Dominion politics, the Progressive Party, arising of the farmers' movement against the tariff and re-energized by the conscription issue, was founded in 1920 and became an important player in Dominion politics (usually supporting the Liberals) after 1921; farmer candidates were particularly successful in the west, where Progressive or United Farmer governments were formed in Alberta and Manitoba. In Ontario, the "strike at the ballot box" predicted by the *Industrial Banner* came in 1919, when United Farmer and Independent Labour members formed the provincial government. Although the Liberal and Conservative parties returned to their original names by the mid-1920s, and Ontario soon reverted to a two-party system, the two-party basis of Dominion political culture was forever altered. The Liberals, Conservatives, farmers and labour together had brought an end to the old 19<sup>th</sup>-century divisions. As the Liberal journalist J. W. Dafoe wrote later, the war "brought to a definite close what might be called the era of the Great Parties."<sup>66</sup> The political modernism that took hold after the war – "the efforts at the realignment of parties, the attempt to newly appraise political views, and to redefine political relationships" – all this was "testimony to the dissolving, penetrating power of the impulses of 1917."<sup>67</sup>

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<sup>66</sup> Dafoe cited in English, *The Decline of Politics*, p. 222.

<sup>67</sup> Ibid.

In their place, of course, new divisions deepened. High prices and the return of pre-war depression combined with the return of soldiers and the intransigence of employers and the state in the face of the demands of labour to create a violent storm of industrial upheaval. Strikes and other political action erupted across the country; the most famous and shocking in its intensity was at Winnipeg in the spring of 1919, but every province in every region saw a major increase in union activity in the period.<sup>68</sup> The Union Government responded fiercely to the workers' revolt, labeling its leaders Bolsheviks (the new catch-all term for political dissidents imported from the Russian Revolution) and deporting anyone they could identify as a foreign influence.<sup>69</sup> As the country "raced towards the abyss," in Leacock's phrase cited above, one bright spot for critics who wanted the liberal state to be the site of meaningful political debates, rather than the boot heel of capitalist repression, was the Income War Tax, which O. D. Skelton affirmed "has now become an important and doubtless permanent feature of our fiscal system."<sup>70</sup>

Although the tax was still a minuscule part of the overall tax system, estimated to have brought in 1% of the revenue used for the war, it loomed large in the aspirations people had for it, in the possibilities it suggested.<sup>71</sup> The idea that the income tax would be permanent, and that the rates and base of the Income War Tax would slowly evolve to where it represented the major source of revenue, and therefore the major source of political division over social spending, was implicit in some of the critiques of the tax

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<sup>68</sup> Gregory S. Kealey, *Workers and Canadian History* (Montreal: McGill-Queen's University Press, 1995), pp. 289-319.

<sup>69</sup> Heron and Siemiatycki, "The Great War," p. 35.

<sup>70</sup> O. D. Skelton, *Canadian Federal Finance II* (Kingston: The Jackson Press, 1918), p. 2.

<sup>71</sup> J. Harvey Perry, *Taxes, Tariffs and Subsidies: A History of Canadian Fiscal Development* (Toronto: University of Toronto Press, 1955), pp. 163-164.

upon its introduction in 1917. These became more explicit in the years that followed. For instance, F. B. Carvell, a Liberal critic of the weakness of the Income War Tax who joined the Union Government, told the Commons in early 1919 that

I am a firm believer in the Income Tax; in fact I am one of those who believe that the scope of this tax should be very largely extended. I believe the scope of the tax should be extended upward and downward so that it might take in practically every man and woman who earns an income in this country. ... I know of nothing that will conduce to better government, and the more honest administration of public affairs, than the fact that common people realize they are paying a tax straight into the coffers of the Government.<sup>72</sup>

Echoing his 1917 cautions about the importance of taxation being open and honest, and therefore the inappropriateness of in camera appeals, Carvell was repeating a common equation between income taxation and knowledge leading to good government.

A similar sentiment in favour of a direct tax was voiced by prairie editor C. W. Peterson in the redundantly titled *Wake Up, Canada!* (1919). With one thought on the tariff and another on the new taxes, Peterson said that

A direct tax involves positive knowledge on the part of each taxpayer of the exact amount of his contribution. ... An indirect tax shrouds the whole transaction in mystery. No one knows what he pays. ... The system is, consequently, unsound and unscientific and should be avoided as far as possible.<sup>73</sup>

Peterson offered that “the income, being the fairest basis of taxation, should assuredly be made the corner-stone of our taxation rather than merely incidental to the scheme.”<sup>74</sup>

Beyond correcting for and eventually replacing a worse tax, the Income War Tax

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<sup>72</sup> F. B. Carvell, *House of Commons Debates*, February 26, 1919, p. 49.

<sup>73</sup> C. W. Peterson, *Wake Up, Canada! Reflections on Vital National Issues* (Toronto: Macmillan, 1919), p. 280.

<sup>74</sup> *Ibid.*, p. 281.

suggested another possibility that the tariff had negated: using taxes to redress economic inequalities. Peterson predicted that Dominion income tax would allow the fiscal function of the state to

graduate from the narrow field of exacting more or less nominal tribute upon the earnings of the citizen for defraying the cost of public services, into the much wider and more important sphere of becoming an effective instrument in promoting a more even distribution of wealth amongst all the citizens of a nation.<sup>75</sup>

An income tax was a good instrument, Peterson said, and could be used by a progressive government to insure free enterprise from destructive extremes of inequality – which would prove a boon to socialists – by calmly and rationally adjusting the levels of taxation.

... if the Government of Canada does its job intelligently, the scheme of taxation will be so adjusted, that net earnings on private capital will never be what they were in the past, and thus the levelling process will presently remove the more glaring inequalities that now furnish the favourite text of socialist propaganda.<sup>76</sup>

Stephen Leacock, coming from a similar perspective of enlightened (and therefore, in the context of the late First World War, anguished) conservatism, wrote that “The period of five years of war has shown [the problem of inequality] to us in a clearer light than fifty years of peace.”<sup>77</sup>

The clear light through which the war had shown inequality to those at the top and the bottom was, to a large extent, the discontent over taxation as embodied in the phrase ‘conscription of wealth,’ and the sheer weight of the cost of the war distributed through

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<sup>75</sup> Ibid, p. 282.

<sup>76</sup> Ibid, p. 283.

<sup>77</sup> Leacock, *The Unsolved Riddle*, p. 30.

the ungainly and unfair system of the tariff. Presaging what would become a common rhetorical theme in the next war, Leacock commented that, in a war, “national finance seems turned into a delirium. Billions are voted where once a few poor millions were thought extravagant.”<sup>78</sup> Skelton made much the same point but more concretely and learnedly, noting that the Dominion in the post-war period “must raise in a single year a sum greater than the total expenditure of the Dominion ... during the whole generation from 1867 to 1900.”<sup>79</sup> From the post-war perspective, however, with cities erupting in class war, it was clear to Leacock that “The financial burden of the war ... will prove to be a lesson in the finance of peace. The new burden has come to stay.” Reiterating the concern that unfettered capitalism, with its extremes of wealth and poverty, was unfair and therefore unstable in the modern world, Leacock underlined the importance of easing inequalities to modern liberal statecraft: “No modern state can hope to survive unless it meets the kind of social claims on the part of the unemployed, the destitute and the children,” and this task necessitates that it “continues to use the terrific engine of taxation already fashioned in the last war.” Taxes on incomes, that can be intelligently adjusted to redress changes in the pattern of inequality, would become central to the liberal state “to an extent never dreamed of before.”<sup>80</sup>

Looking ahead from the political wreckage of the end of the First World War, Leacock, Skelton, Peterson and Pardee all predicted an increased centrality and importance to income taxation. Income taxation was important because, unlike the tariff,

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<sup>78</sup> Leacock, *The Unsolved Riddle*, pp. 10-11.

<sup>79</sup> Skelton, *Canadian Federal Finance II*, p. 1.

<sup>80</sup> Leacock, *The Unsolved Riddle*, p. 140-141.

it was clear and easily understood, and allowed for intelligent awareness and informed democratic debate. Beyond its legibility, income taxation was efficient and progressive, meaning that it was, in theory, capable of influencing the distribution of income and of financing public spending projects; the war, the debates around ‘conscription of wealth,’ and the worker’s revolt all having driven home the relevance of inequality to political stability, income taxation’s capabilities, it was predicted, would become increasingly important in shaping Dominion political culture.

### **3.7 Conclusion**

The break with the past in Dominion fiscal practice that political modernists had been seeking came in 1916 and 1917, when the Commons voted for the first time to use direct taxation. The move was unorthodox, reversing a tradition that direct taxation was left to the provinces while the Dominion relied on the tariff, and the immense borrowing power it supported, to fund the federal government. It was not the cost of the war that directly triggered the shift into the new form of taxation, but the spectre of a popular revolt against the way the burden of the war was apportioned, and the need to forge a parliamentary coalition to enforce conscription, that led the government to reluctantly and half-heartedly introduce a direct tax. With the threat of massive labour revolt on its hands, the Dominion responded with as little as it felt it could. While the weakness of the tax on income elicited a vociferous opposition attack, the fact that a tax on incomes existed at all on the Dominion level was an exciting and inspiring development, suggesting the possibility of new and more meaningful politics. The memory of the

Dominion election of 1911, when the obscurities of the tariff were wrapped in nationalist rhetoric that was sold to the voters as the issue at hand, played a part in the government critics' satisfaction at the introduction of the new taxes. The Income War Tax was weak, still quite tiny next to the tariff at the end of the war, but the possibilities it held for clarifying politics and even, at a bit of an imaginary stretch, for blunting the struggle between socialism and capitalism by equalizing incomes, made it undeniably exciting. And excitement, as the Speaker cautioned Senator Choquette, is political.

The 'conscription of wealth' rhetoric that marked the introduction of the first Dominion income tax had been instrumental in working out the intricacies of an unprecedented coalition between Liberals and Conservatives, while illustrating the growing gap between both parties and increasingly active and informed political groups outside the two-party system. However mild it might have seemed at the time in the context of the labour revolt and the background of the war, however meek it would seem as the enormous burden of expectation was loaded onto it through the inter-war fiscal crises, the Income War Tax was radical and important at the time as a 'break with the past,' a first concrete act in the destruction of the political and economic system of the tariff and an invitation to think of what came next. Debates about income taxation's role in affecting the distribution of wealth were crucial to undermining the two-party system by the end of the First World War, leaving in its place a kind of void that was rapidly filling with fantasies of what income taxation might do if it were made more powerful.

## **4., The Dominion Power of Taxation and Third Parties in the 1920s and 1930s**

### **4.1 The Most Highly Developed Modern Instrument of Taxation**

Norman McLeod Rogers rose in the House of Commons in early 1939 to deliver one of his many blasts of wit at the opposition's expense. The clever Liberal Minister of Labour was a favourite of his own party and of the general community of intellectuals engaged in government work to which he belonged, but was a source of continual annoyance to Conservatives.<sup>1</sup> Speaking as part of the debate on the Speech from the Throne, Rogers kidded R. J. Manion, the leader of the opposition, about his success in re-absorbing H. H. Stevens, a renegade ex-Conservative who had fled the party in 1934 to found the Reconstruction party, back into the front ranks of the Conservative Party. "We," Rogers noted, meaning either the government or Parliament or the country as a whole, "have yet to learn what the terms of the reconciliation have been" – whether, that is, "the Reconstruction party is to be conserved or the Conservative Party reconstructed." And then, in an extravagant display of wit, Rogers noted that Stevens, in returning to the front row, had "moved, at least in the physical sense, from the extreme left to the extreme right of the Conservative Party benches." What did this mean, Rogers asked, for the principles

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<sup>1</sup> When Rogers died in an airplane crash in June 1940, the political economist and civil servant W. A. Mackintosh wrote warmly of his colleague, saying "people instinctively trusted" Rogers and "believed unhesitatingly in the soundness of his standards and the rightness of his motives." See "Obituary: Norman McLeod Rogers, 1894-1940," *Canadian Journal of Economics and Political Science* Volume 6 #3 (August 1940), pp. 476-478, p. 476. A few weeks before his death, however, Rogers was described by Conservative Party leader R. J. Manion to the *Windsor Star* as an "irresponsible little falsifier" and an "unscrupulous man." See J. L. Granatstein *The Politics of Survival: The Conservative Party of Canada, 1939-1945* (Toronto: University of Toronto Press, 1967), p. 45.

of either the Conservative party or the Reconstruction party, which voters had been asked in 1935 to see as competing parties?<sup>2</sup> Although Rogers was better connected and better educated, and had more at stake in the confusion than most Canadians, he was not alone in wondering how to make sense of bewildering changes in political life, and in using the left-right spectrum as his instrument of clarification.

The two decades between the end of the First World War and the start of the Second were marked by catastrophic depressions in various regions of the country, by great innovations in party politics, and by a prolonged constitutional crisis over the fiscal powers of the Dominion state. Although this complex was popularly identified with the 1930s, it developed first in the Maritimes in the 1920s, shifting to the west when economic conditions worsened there in the decade that followed. At the peak of the depression in 1934, 30% of the work force was unemployed and an unsustainable 2 million people were dependent on public relief.<sup>3</sup> In the course of trying to understand and resolve the prolonged crisis, as this Chapter will show, politicians and intellectuals struggled with new ways of conceptualizing political difference. New possibilities suggested by the introduction of a Dominion income tax in 1917 created political cleavages that were no longer containable in the old 19<sup>th</sup> century categories of Liberal

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<sup>2</sup> Debates of the House of Commons, 1939, pp. 217-218.

<sup>3</sup> Lara Campbell, *Respectable Citizens: Gender, Family and Unemployment in Ontario's Great Depression* (Toronto: University of Toronto Press, 2009), p. 3. Campbell notes that the historiography on the depression is "fragmented and incomplete." (7) However, this does not apply to the intellectual history of politics, in which the 1930s looms large. The development of a social democratic intellectual movement, the vicissitudes of the doctrine of state intervention, and the establishment of a federal bureaucracy, all of which inform this chapter, have been examined in Michiel Horn's *The League for Social Reconstruction: The Intellectual Origins of the Democratic Left in Canada, 1930-1942* (Toronto: University of Toronto Press, 1980), Doug Owsram's *The Government Generation: Canadian Intellectuals and the State 1900-1945* (Toronto: University of Toronto Press, 1986), and J. L. Granatstein's *The Ottawa Men: The Civil Service Mandarins, 1935-1957* (Toronto: Oxford University Press, 1982) respectively.

and Conservative. A more distanced relation to the old party labels, one that declined to take the opposition between Liberal and Conservative platforms seriously, became increasingly commonplace. The rapid proliferation of third parties and the insistent demands for constitutional modernization underscored the need for a new political imaginary, but also made finding agreement on one more difficult. The Commission on Dominion-Provincial Relations (The Rowell-Sirois Commission), called in 1937 to try to resolve the crisis of Confederation caused by the Depression, tried to make sense of a political scene that was in the midst of unprecedented innovation and change.<sup>4</sup>

When the Commission reported in 1939, its recommendations centred on making the federal government a much more powerful and active force in Confederation. Most relevant to the argument it was the recommendation that the federal government have sole control over the taxation of income. Why? Because, the report claimed, “The personal income tax is the most highly developed modern instrument of taxation:” it was the most equitable, the most efficient, the most transparent, the most precise tool for raising revenue; and, as it was drawn from “surplus income” and was internally self-

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<sup>4</sup> The scholarly literature on Rowell-Sirois is extensive, reflecting its importance in the development of the post-war federal state, and its attraction to political scientists and historians as a subject. Of the older studies, the two most important for this chapter have been Perry’s account of the tax questions addressed by the commission, and O’ram’s on the wider culture of intellectual engagement with constitutional questions as part of a culture of reform. See Perry, *Taxes, Tariffs and Subsidies* (Toronto: University of Toronto Press, ), pp. 307-324 and O’ram *The Government Generation* (Toronto: University of Toronto Press, 1986), pp. 221-253. Of the more recent studies, T. Stephen Henderson’s emphasis on the role of Nova Scotia’s Commission (The Jones Commission) in laying the groundwork for Rowell-Sirois is most similar to this chapter’s, and is cited throughout. See Henderson “A New Federal Vision: Nova Scotia and the Rowell-Sirois Report, 1938-48,” in *Framing Canadian Federalism: Essays in Honour of John T. Saywell*, Edited by Dimitry Anastakis and P. E. Bryden (Toronto: University of Toronto Press, 2009), pp. 51-74. Matt James’s argument that advocates of left materialist agendas strategically had to focus on improving conditions of possibility resonates with this chapter’s, but ultimately the focus is different. See James, *Misrecognized Materialists: Social Movements in Canadian Politics* (Vancouver: UBC Press, 2006), pp. 13-26.

adjusting, the tax least likely to be burdensome to taxpayers and to the economy as a whole. The problem was that “the income tax (made up as it is in many provinces of a Dominion tax plus a provincial tax) has failed to fill a role in Canada commensurate with its abilities.”<sup>5</sup> As a remedy, the report suggested that “the income tax should be used in accordance with modern practice, as an equalizer and chief instrument of adjustment in the whole tax system.” In order to be an effective instrument, income taxation had to be spared from the federal division of jurisdiction, and made into a single unitary power. “The rate and the appropriate curve of progressivity necessary to reform and control the tax structure,” the report claimed, “can only be achieved if this equalizing instrument of taxation is under one authority. That authority can only be the Dominion.”<sup>6</sup>

In underlining the potential power of income tax as an equalizer, however, the Report emphasized that equity was a political concept. Income taxation, through the curve of its progressivity,<sup>7</sup> could be made to reflect a range of competing conceptions of ideal equity between regions and citizens. Equity was understood, that is, not as a fixed ideal but as a contested terrain. Income tax simply provided a clearer and more legible illustration of those differences, provided it was both unitary and powerful. Writing at a time when new political parties and new languages to represent political differences were

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<sup>5</sup> *Report of the Royal Commission on Dominion-Provincial Relations*, Volume II, p. 111

<sup>6</sup> *Ibid*, p. 112

<sup>7</sup> The curve of progressivity is a mathematical image of the relative burdens of taxation under a progressive income tax, in which higher incomes are taxed at a higher rate and lower ones at a lower rate. Although it is invoked by sources cited in this Chapter (particularly the Rowell-Sirois report) in visual terms, no image of it appears in any of the documents. Very generally, it can be described as a graph with a horizontal  $x$  axis representing income, a vertical  $y$  axis representing the rate of taxation, and a curved line extending from the lower left to the upper right. At the lower left, the income ( $x$ ) is low and the tax rate ( $y$ ) is also low; at the top right, the income ( $x$ ) is high, and the tax rate ( $y$ ) is also high. The more the line is curved down, the less progressive it is; the more the line is curved upwards, the more progressive it is.

complicating the political field, the Commissioners seemed to suggest that a powerful Dominion income tax would not only solve the fiscal problems of Confederation, but would serve as a modernizer and clarifier of political differences.

In this Chapter, the Commission's rhetoric of Dominion income taxation will be placed in the context of the crisis of Confederation that gave rise to it, and of a wider political and rhetorical context in which the grounds of political disagreement were changing as new forms of authority emerged onto the political stage. Arising out of the political upheavals of the previous two decades, the Commission was a staged encounter between regional protest movements and the Dominion state, with university-educated intellectuals serving as increasingly powerful mediators. The rise to power of the intellectual civil servants in this period of political upheaval has been told in different ways, with varying degrees of intellectual autonomy granted, by J. L. Granatstein, Barry Ferguson and Doug Owram.<sup>8</sup> Here the emphasis is on innovations arising out of political struggle, particularly the Maritime Rights movement, providing the entry point for intellectuals like Norman McLeod Rogers, rather than the other way around. Political modernism, the rejection of party and the advocacy of an unprecedented role for the

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<sup>8</sup> Granatstein, in *The Ottawa Men: The Civil Service Mandarins, 1935-1957* (Toronto: Oxford University Press, 1982), is the most narrowly biographical, portraying a small group of like-minded men rising unproblematically to power. Owram's cast of characters in *The Government Generation: Canadian Intellectuals and the State 1900-1945* (Toronto: University of Toronto Press, 1986) is larger, the narrative arc is longer, and the wider social forces that gave rise to a governmental culture that was hungry for expertise are exhaustively painted in. Ferguson's *Remaking Liberalism: The Intellectual Legacy of Adam Shortt, O. D. Skelton, W. C. Clark, and W. A. Mackintosh, 1890-1925* (Montreal and Kingston: McGill-Queen's University Press, 1993) is a hybrid of the two approaches, focusing on a small number of linked scholar-bureaucrats but providing a wider context for them. Granatstein's work reflects the insistent ossification of interpretive approaches in political history during the ascendancy of social and cultural history. The intellectual history of politics that Owram and Ferguson represent tends to reify ideas and intellectuals, but is more easily brought into conversation with other approaches and is therefore more valuable. For more discussion of these questions see the Introduction (1.3) above.

Dominion treasury in shaping the distribution of income, came from the margins to the centre, and brought its rhetoric with it to the Dominion cabinet and the Royal Commission. The Dominion power of taxation, which had been the inspiration for much of the political unrest in the regions and provinces in the late 1920s and early 1930s, was cast as the solution to the problem of Confederation. A new politics, revolving around what Shirley Tillotson calls a citizenship of contribution, would emerge from a powerful Dominion income tax capable of being adjusted to the appropriate curve of progressivity.<sup>9</sup>

## **4.2 The Constitution and Taxation in the 1930s**

Political debate in 1930s was strongly focused on the question of the constitution. The Great Depression was an overwhelming failure of capitalism, and undermined the relevance of traditional party politics, which had been concerned with the question of which party should be trusted to direct the development of a capitalist economy. “There is a great body of public opinion that is disgusted with the two older parties,” H. H. Stevens said in 1935 on the occasion of his leaving the Conservative Party to found the Reconstruction Party.<sup>10</sup> Though Stevens was over-stating the contempt with which Canadians regarded major parties (which continued to hold power federally through the 1930s) it is true that the detachment with which organized farmers and labour had viewed the partisan appeals of Liberalism and Conservatism in 1911 and 1917 became more

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<sup>9</sup> See the Introduction for a discussion of citizenship of contribution as it is used here.

<sup>10</sup> Cited in Larry Glassford, *Reaction and Reform: The Politics of the Conservative Party under R. B. Bennett 1927-1938* (Toronto: University of Toronto Press, 1992), pp. 137-138.

widespread in the 1930s. New parties with more distinct and less liberal programs emerged, some of them as break-away factions of the Conservative party, and some from social movements outside parliamentary politics. Socialism in particular was rising in popularity and prominence in response to the crisis of capitalism. But as Matt James has argued, even advocates of social welfare and labour reform were focused primarily on improving the conditions of possibility of reform in the 1930s. The weakness of the state as a redistributive agent before the 1930s meant that the left “had to dwell on considerations that were essentially preliminary to the economic advocacy that was the top priority for working-class organizations during the Depression.”<sup>11</sup> While their ultimate goal was to create legislation, “Proponents of welfare state solutions had to grapple with a range of obstacles” to the development of a powerful taxing and spending authority, and clearing these obstacles became the key concern of political actors in the period.<sup>12</sup> Modernism was a necessary step in improving conditions of possibility for the development of any kind of politics based on income redistribution. The campaign involved many actors – provincial and regional protest movements, intellectuals working in government – whose interests overlapped. The campaign culminated in the Rowell-Sirois proposal for a more precise and powerful federal tax.

The belief that the Dominion power of taxation needed to be strengthened substantially to correct for the inconsistencies of capitalist development across Canada was a commonplace by the end of the 1930s. The constitution, which had been

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<sup>11</sup> Matt James, *Misrecognized Materialists: Social Movements in Canadian Constitutional Politics* (Vancouver: University of British Columbia Press, 2006), p. 22.

<sup>12</sup> *Ibid.*, p. 23.

interpreted in such a way as to actively deny the possibility of using either provincial or Dominion powers to redistribute income, became the target of a modernist campaign, one which aimed to clear the ground for a new relationship between the provinces and their citizens using the power of taxation. While the west had led the push against the tariff and called for a direct tax to replace it in 1910, in the aftermath of the war it was the eastern end of the country that pushed for a more active role for the federal treasury, a demand that eventually focused on an expansion of the federal direct taxation introduced in 1917. The idea of using Dominion revenue to fund social spending arose out of catastrophic economic conditions in the Maritimes in the 1920s, was the basis of innovations in party politics in the region, and was clarified and legitimized by the intellectual work of Norman McLeod Rogers, who served first as an expert political economist to the provincial government of Nova Scotia and later as a Dominion cabinet minister. By the 1930s, the catastrophic collapse of the old political order spread to the west, prompting the Dominion to launch an investigation of its fiscal relations with the provinces, an investigation dubbed the Rowell-Sirois Commission.

The fiscal powers of the Dominion and provinces of Canada were laid out in the British North America (BNA) Act, a piece of legislation passed by the British Parliament in 1867 that became Canada's constitution. The BNA Act permitted the Dominion to levy any tax, but restricted the provinces to direct taxation; in practice, however (as we saw in Chapter 2), the Dominion had relied overwhelmingly on the tariff as a source of revenue, and had left direct taxation to the provinces until 1916 when it introduced the Excess Profits Tax, followed by the Income War Tax the following year. The centrality of the

tariff to the Dominion's finances combined with the nationalist meanings invested in its rate structure, especially in the 1870s when the National Policy became the core Conservative position, made it a key point of division between Liberal and Conservative electoral appeals (as we saw in Chapter 2). In keeping with its division of the taxing powers, the BNA Act also gave a specific list of powers to the provinces, while granting all other powers in addition to the ones actually listed in the Act, to the Dominion.

This original conception of the respective taxing and spending roles of the Dominion and provinces was altered significantly over the first half-century of Confederation by the Judicial Committee of the Privy Council (JCPC), the British court that served as Canada's highest court of appeal. While the BNA Act gave the Dominion the power to levy any tax, as well as a sweeping and comprehensive scope of possible action, the JCPC in a series of decisions limited the powers of the Dominion but left its taxing power absolute; the JCPC defined the direct taxation powers allocated to the provinces under the BNA Act very narrowly, and extended considerably the provinces' responsibilities. This arrangement left the Dominion government with lots of potential revenue, but little to do with it, and the provinces (and municipalities operating under their auspices) with lots of responsibilities and very little revenue. The situation was addressed semi-satisfactorily before 1914 because the Dominion government relied primarily on the indirect tax of the tariff, and left direct taxation to the provinces. The Dominion government's expansion into direct taxation in 1916-1917 with the Business Profits Tax and the Income War Tax and the emergence shortly thereafter of demands for

more generous social welfare programs, created what many political commentators called a constitutional ‘deadlock.’

The JCPC’s interpretation of the BNA Act was a particular bone of contention for political economists, historians and other intellectuals in the 1930s, and has remained so ever since. J. R. Mallory’s old argument that the JCPC’s interpretation was an intentional re-casting of the respective powers is interesting.<sup>13</sup> Proponents of federal economic intervention have bemoaned the JCPC’s weakening of the Dominion power. But Mallory points out that, in the late 19<sup>th</sup> century, “The champions of Dominion power were mainly concerned in upholding a power which was not being exercised.”<sup>14</sup> The granting of revenue-generated powers to one government and the ability to act to another was an attempt to prevent the development of a social welfare state. It was a result of “steady litigious pressure” from business trying to “exploit the federal division of legislative power” to prevent government intervention.<sup>15</sup> Judges supported this endeavour, effectively adapting the BNA Act to the plaintiffs’ anti-tax agenda. “In Canada there is no bill of rights to protect the citizen from the tax-collector,” Mallory says, “But the British North America Act has done almost as well.”<sup>16</sup> Rather than an error or a misunderstanding of the function of federalism, that is, the JCPC’s interpretation of the BNA Act was a concerted barrier to the development of taxing and spending in Canada.

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<sup>13</sup> J. R. Mallory, *Social Credit and the Federal Power in Canada* (University of Toronto Press, 1954). This book, like Perry’s, is somewhere between a primary and a secondary source, given his proximity to the issue temporally.

<sup>14</sup> J. R. Mallory, *Social Credit*, p. 35.

<sup>15</sup> Mallory, *Social Credit*, p. 37.

<sup>16</sup> Mallory, *Social Credit*, p. 34.

The constitutional obstacles that proponents of social welfare policies encountered in the 1930s, therefore, were intentional, not accidental.

The constitutional ‘deadlock’ engineered by the JCPC only became an explicit political problem because of the sudden increased demand for government action in the 1920s and 1930s. The primary inspiration for the establishment of the Commission on Dominion-Provincial Relations was discontent among the provinces, particularly the Maritime provinces, over the political economy of Confederation, as the old tariff-fueled national policy was awkwardly and half-heartedly modernized in and after the Great War. The adoption of an income tax by the Dominion did little to change the actual economics involved in federalism, but it did a lot to change what was seen as possible. It exacerbated some of the practical problems of Confederation, but it also pointed a way forward from some of them, particularly in the Maritimes where the idea of a new role for the Dominion treasury originated.

The Maritime Rights movement of the early 1920s, when the provincial governments of Nova Scotia, New Brunswick and Prince Edward Island pressed Ottawa for better terms and for a modern, reformed fiscal federalism, was an expression of profound discontent and alienation from Confederation in the region caused by changes in the Canadian economy. The turn to hydro-electricity in Ontario and Quebec as the fuel of the manufacturing economy meant a diminished market for coal, the region’s premier export to central Canada. At the same time, the Dominion government removed the subsidy on the Intercolonial rail line, making shipping coal and manufactured goods west

prohibitively expensive. These factors made the recession of the early 1920s the Maritimes' Great Depression, a more catastrophic economic meltdown than the 1930s would be in the region. Provincial governments began demanding emergency funds from the Dominion government and, more fundamentally, a revision of federalism that would see Ottawa use its extensive and potentially lucrative taxing powers to transfer funds on an on-going basis to needy provinces – a concept that was quickly shortened, like 'conscription of wealth,' into a controversial slogan: 'fiscal need.'

The introduction of the Income War Tax was key to transforming the regular demand for subsidy into a more modern demand for an automatic transfer of tax revenue from the Dominion to the provinces. It was the discrepancy between rising Dominion revenue from new taxes that had been brought in during the First World War, and rising provincial expenditure, that caused dysfunction and resentment. But, as E. R. Forbes has made clear in his classic study of the Maritime Rights movement, the regional campaign for a more active and egalitarian federalism was itself an outgrowth of movements for progressive reform. A coalition of professionals, businessmen, organized labour and intellectuals began calling for more active state involvement in various spheres of civic and provincial life. As Forbes notes, "All these progressive proposals placed strong pressure upon provincial governments to inaugurate or expand programmes for which revenue was not available."<sup>17</sup> The reform demands, that is, exposed the weak fiscal capacity of the Maritime provinces; the weak fiscal capacity of the provinces in turn "led progressive elements ... into a ... campaign for Maritime unity, one object of which was

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<sup>17</sup> Ernest R. Forbes, "The Origins of the Maritime Rights Movement," *Challenging the Regional Stereotype: Essays on the 20<sup>th</sup> Century Maritimes*, Fredericton: Acadiensis Press, 1989, p. 112.

to wrest from the federal government a ‘fair’ share of Dominion revenues.”<sup>18</sup> In order to have good government and full citizenship available to all in the Maritimes, reformers argued, the Maritime provinces needed a guarantee of increased tax revenue – which would have to come from outside the region. To create even the possibility of government spending required a new role for the Dominion treasury.

Through strategic campaigns in key ridings in the 1926 election, Maritime issues were made important to William Lyon Mackenzie King’s Liberals, who set up a commission, under the leadership of Andrew Rae Duncan, to examine the case. The Duncan Commission recommended an immediate emergency transfer of funds, which Ottawa did, dulling the immediate threat of lost seats. But the more fundamental and controversial question – whether Ottawa should provide on-going support to the Maritime provinces to meet their “state of grave necessity,” as the report termed it – was left to a later investigation. In the end that later investigation had to wait eight more years, and most likely would not have happened at all if the provincial government of Nova Scotia had not called a commission of its own.

The province’s Royal Commission of Economic Enquiry, chaired by J. H. Jones, was called in 1933 and reported in 1934. As Stephen Henderson has argued, the Jones Commission “foreshadowed” the Rowell-Sirois commission in important ways. It gathered “the latest in constitutional and liberal thinking in Canada” and, in considering the constitutional and fiscal crisis of the period, it “reached many of the same conclusions

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<sup>18</sup> Ibid.

as Rowell-Sirois.”<sup>19</sup> It relied extensively on the contributions of two noted political economists: Harold Adams Innis and Norman McLeod Rogers. Innis was the noted founder of the staples theory of Canadian history, and, despite his contribution to the Jones commission, a vocal critic of intellectuals’ involvement in politics. Rogers on the other hand had served as assistant to William Lyon Mackenzie King in the 1920s, and was comfortable both in academia and partisan politics. Rogers’s brief on fiscal Confederation and Nova Scotia’s place in it was the centrepiece of the Jones Commission in terms of its reputation and influence. As the intellectual star of the reform-minded intellectuals, Rogers was invited to present a shorter version of his brief in the pages of *Canadian Forum*, which he did in a series of articles in the fall of 1934.

In explaining the challenges of public finance in Nova Scotia, Rogers argued that the National Policy, by creating a single national economy, had had the effect of concentrating wealth and industrial development in one part of the country. These effects seriously undermined the ability of most provinces to raise money through direct taxation, as the British North America Act dictated, because of the low incomes of the residents of those provinces. “Differences in taxable capacity of the provinces may have existed in some measure at the time of Confederation,” Rogers acknowledged, insisting that

It is undeniable that such differences have been greatly accentuated as a result of fiscal policies in operation since the adoption of the National Policy in 1879. Largely as a result of these policies the industrial life of the Dominion has been

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<sup>19</sup> Stephen Henderson, “A New Federal Vision: Nova Scotia and the Rowell-Sirois Report, 1938-1948,” in *Framing Canadian Federalism: Essays in Honour of John T. Saywell*, ed. Dimitry Anastakis and P. E. Bryden (Toronto: University of Toronto Press, 2009), pp. 51, 54.

concentrated more and more in the central provinces of Ontario and Quebec.<sup>20</sup>

The tariff made Ontario and Quebec wealthy but, more importantly, it made the other provinces less so. The development of a strong manufacturing economy in central Canada “has been accompanied in considerable degree by a corresponding decline in the wealth and income of the other provinces in the Dominion.” Rogers argued that “tariff incidence” had to be key to considering the overall fairness of Dominion-provincial fiscal relations.<sup>21</sup> The passage of the Income War Tax, though it was not intended to have any effect on Dominion-provincial relations, was a lucky break for those who wanted to find a way out of the fiscal malaise of the Canadian constitution in the 1920s. The income tax, Rogers argued,

enables the Dominion to act as a redistributing agency through which some portion of the profits accruing through the protective tariff can be utilized either for direct subsidies to the provinces which have suffered most through the effects of the tariff or for the maintenance of common standards of social services throughout the entire Dominion.<sup>22</sup>

On the strength of Rogers’s brief, the commission recommended that the shelved portions of the ten-year-old commission on Maritime Rights be re-examined.

Provincial governments across the country, not just in the Maritimes, were facing bankruptcy while the Dominion government held all the taxing power, when a second Royal Commission was established in 1935 to clarify the applicability of ‘fiscal need’ in federal-provincial relations. The man chosen to chair the commission was Thomas White,

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<sup>20</sup> Rogers, “A Crisis in Federal Finance,” *Canadian Forum*, Volume 15 #170 (November 1934), p. 54.

<sup>21</sup> *Ibid.*

<sup>22</sup> Rogers, “One Path to Reform,” *Canadian Forum*, Volume 15 # 171 (December 1934), p. 98.

the retired former Minister of Finance who had grudgingly introduced the Income War Tax in 1917. White and his commission spent most of the year looking into the issue, receiving submissions from the provinces, and disagreeing. In his majority report, White acknowledged that the Maritime provinces had serious fiscal problems: high rates of taxation that yielded very little revenue (because incomes were low) and a lack of basic administrative infrastructure – caused, largely, by low tax revenues.<sup>23</sup> The old economic hardships of the early 1920s and the then-current economic hardships of the early 1930s made this bad situation even worse. White recommended that Ottawa send a further subsidy, arguing that this kind of emergency response was the way the relationship had worked historically and should continue to work. In recommending a new subsidy, White explicitly rejected the idea that ‘fiscal need’ could be the basis of an on-going and automatic transfer of funds from the Dominion to the Maritime provinces.

White argued that establishing a formal mechanism in which the Dominion would fund provincial expenditures would be irresponsible and even unconstitutional, as it would give the Dominion Parliament direct responsibility over the provinces’ finances. At the same time, it would allow provinces to spend beyond their means, in the knowledge that their ‘need’ would be met by the Dominion. One Parliament would be responsible for financing a legislative program approved under the authority of another Parliament. The province’s legislative program would be dictated by the Dominion’s finances, or the Dominion’s finances by the province’s legislative program. Either way, the basic principles of responsible government and parliamentary supremacy would be

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<sup>23</sup> *Report of the Royal Commission on Financial Arrangements Between the Dominion and the Maritime Provinces* (Ottawa, King’s Printer, 1935), p. 9.

jeopardized. “Responsibility must go hand in hand with authority,” White concluded. “Power to spend must entail responsibility for expenditures.”<sup>24</sup> The concept of ‘need,’ White argued, was too vague to be workable politically, constitutionally and administratively, and would, if made a practice of political economy, seriously undermine parliamentary federalism and responsible government.

The centrality of the Income War Tax to the controversy over fiscal federalism was made clear by commissioner John A. Mathieson, who disagreed forcefully with White’s dismissal of ‘fiscal need,’ and whose dissenting opinion was included in the commission report. Mathieson noted that

The fields of taxation surrendered by the provinces to the Dominion have proved prolific sources of revenue, far in excess of what the ‘fathers of Confederation’ could have anticipated or even dreamed ...<sup>25</sup>

Similar statements appear quite commonly through the 1920s and 1930s, drawing attention to the increasing inappropriateness of the original division of federal powers. But more powerful than the actual revenues accruing to Ottawa based on its powers of taxation was the *potential* revenue. And here, especially, the Income War Tax was important: a weak tax, it was really more of an idea of what might be, of the role the Dominion could play, if its latent powers were made significantly more manifest, than a material fact. The idea of the Income War Tax inspired equal parts concern and excitement, and was an inspiration to more than just the advocates of Maritime Rights.

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<sup>24</sup> *Report of the Royal Commission on Financial Arrangements Between the Dominion and the Maritime Provinces* (Ottawa, King’s Printer, 1935), p. 6.

<sup>25</sup> *Financial Arrangements*, p. 23

The pressures on the Maritime provinces to provide municipal services comparable to those available in other provinces was fueling demands for the Dominion government to leave direct taxation once again to the provinces, but the pressure from western provinces to lower or abolish the protective tariff was pushing exactly the opposite course. Some sort of tax agreement between the provinces and the Dominion was clearly necessary, but the Duncan and White Commissions, which had examined the Maritime case, had shied away from recommending comprehensive and systematic changes to the constitutional and fiscal arrangements between the governments. The Dominion-provincial conference of 1927 had ended with a call for a Commission of Inquiry to look at the problem nationally, a call which was repeated regularly by individual provinces and at any gathering of one or more province over the eight years that followed.

The Maritime Rights controversy over ‘fiscal need’ introduced the novel idea that the Dominion should use the Income War Tax to re-distribute taxing capacity from province to province. By the time Rogers and Mathieson were articulating this idea, the depression was in full force across the country, and the belief that the BNA Act – as interpreted by the JCPC – was a political problem was widespread. The rejected idea of ‘fiscal need’ was part of the intellectual context the commissioners absorbed in addressing what the solution to the depression was. Nova Scotia Premier Angus L. Macdonald, addressing the commission in 1937, suggested that “Ottawa could serve as the distributing agent for the wealth of other provinces,” distributing taxable capacity “on

a more equitable basis.”<sup>26</sup> Although the Maritimes were seen throughout the period as a reactionary backwater, in fact the region made the most direct contribution to what would be the key recommendation of the commission.

For many political commentators, the British North America Act in the 1930s was “an outworn instrument” that needed to be modernized to admit the political possibilities that had moved onto the political landscape since the passing of the Income War Tax in 1917.<sup>27</sup> This was especially notable in 1937, when the JCPC rejected the parts of the Bennett New Deal that the Liberals had sent for reference upon being elected. The *Canadian Forum* opined that the ruling amounted to “a reactionary and stupid ... amendment to the Constitution,” and complained that “everything is unconstitutional that does not fit into the social and economic preconceptions of a few senior judges.”<sup>28</sup> The desire to do something about the failure of capitalism pushed more and more people into the realization that the first step was to eliminate the barrier to action, the JCPC’s limitations on the development of tax and spend policies.

The fiscal crisis of Confederation began in the Maritimes, and eventually spread out to other provinces with weaker taxing capacity. In the intervening years, however, fiscal discontent had spread down to the municipalities, which were becoming overwhelmed by the burden of providing relief for their local indigent populations. Their

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<sup>26</sup> Cited in Henderson, “A New Federal Vision,” p. 56.

<sup>27</sup> J. Alex Aikin, “Rewriting the National Constitution,” *Canadian Forum* 15, no. 174 (March 1935), p. 207

<sup>28</sup> Editorial, *Canadian Forum* 16, no. 187 (August 1936), p. 5; Editorial, *Canadian Forum* 16, no. 194 (March 1937), p. 6.

desperation pushed municipalities to look beyond the provinces to the Dominion for a comprehensive solution to their problems. A motion calling for a commission to investigate the competing tax powers of the various levels of government was passed at the November 1935 meeting of the Union of Canadian Municipalities.<sup>29</sup> In September, the President wrote to the Dominion cabinet to stress that “the increased financial burdens that have been imposed upon municipalities by legislation without any corresponding widening of the sources from which Municipalities are empowered to raise revenues has created an impossible situation which in numerous instances can only end in confusion and disaster.”<sup>30</sup> Referring to the common complaint that the courts had assigned the ability to raise funds to one government and the responsibility to provide services to another, the Union recommended that “a Commission be established in which the Dominion, Provincial and Municipal Government shall be represented with a view to the enactment of new legislation to define the respective spheres of taxation of the different taxing bodies and to provide an equitable and stabilized basis for the distribution of the responsibilities of social and national services and the collection and allocation of revenues towards their costs.”<sup>31</sup> The fiscal crises of the provinces and the municipalities were a key inspiration for the adoption of the Commission.

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<sup>29</sup> Norman McLeod Rogers fonds, Queen’s University Archives, Box 1, file 67 (Relief, General, Volume 1), “Major Resolutions Adopted at the North Bay Convention, September 3-6, 1935,” pg. 2.

<sup>30</sup> Norman McLeod Rogers fonds, Queen’s University Archives, Box 1, file 67 (Relief, General, Volume 1), letter from the President of the Union of Canadian Municipalities to Mackenzie King and members of the Cabinet of the Dominion of Canada, November 27, 1935, p. 1.

<sup>31</sup> Norman McLeod Rogers fonds, Queen’s University Archives, Box 1, file 67 (Relief, General, Volume 1), letter from the President of the Union of Canadian Municipalities to Mackenzie King and members of the Cabinet of the Dominion of Canada, November 27, 1935, p. 1.

Internally, the Dominion government itself also wanted a Commission to examine its arrangements with the provinces, to sort out the questions raised by the Duncan and White commissions as to the long-term structural strains in the various governments' budgets. Intellectuals drawn into Dominion service from university political economy departments played key roles in pushing for and shaping the commission. Norman McLeod Rogers, fresh from his success as author of the Jones Commission brief on Nova Scotia's place in Confederation, was elected to the House of Commons as a Liberal in 1935 and appointed Minister of Labour. Rogers became the Dominion's principal recipient of correspondence from municipalities and other organizations complaining about the administration of relief and calling for a commission to examine its financing – much of it citing his own analysis back to him.

The other main internal source of pressure for a Commission was the Bank of Canada, a newly established institution of the Dominion government, and its staff of university-trained political economists. J. J. Deutsch and Alex Skelton were hired by the Bank in 1936 and immediately set to work investigating the finances of Manitoba, and then Saskatchewan and Alberta. Their reports were released internally one by one through the winter and spring of 1937 and then published in book form. J. L. Granatstein says that these reports allowed Graham Towers, the President of the Bank of Canada, to pressure Mackenzie King successfully to call the Commission.<sup>32</sup> Undoubtedly, though,

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<sup>32</sup> J. L. Granatstein, *The Ottawa Men: The Civil Service Mandarins, 1935-1957* (Toronto: Oxford University Press, 1982), pp. 60-61.

the agitation for a renewed fiscal Confederation began outside the civil service, and was effectively expressed inside it afterwards.

The belief that the Dominion power of taxation needed to be strengthened substantially to correct for the inconsistencies of capitalist development across Canada was a commonplace by the end of the 1930s. The constitution, which had been interpreted in such a way as to actively deny the possibility of using either provincial or Dominion powers to redistribute income, became the target of a modernist campaign, one which aimed to remove the barriers to a new relationship between the provinces and their citizens using the power of taxation. While the west had led the push against the tariff and called for a direct tax to replace it in 1910, in the aftermath of the war it was the eastern end of the country that pushed for a more active role for the federal treasury, a demand that eventually focused on an expansion of the federal direct taxation introduced in 1917. The idea of using Dominion revenue to fund social spending arose out of catastrophic economic conditions in the Maritimes in the 1920s, was the basis of innovations in party politics in the region, and was clarified and legitimized by the intellectual work of Norman McLeod Rogers, who served first as an expert political economist to the provincial government of Nova Scotia and later as a Dominion cabinet minister. By the 1930s, the catastrophic collapse of capitalism and of faith in the old political order spread to the west, prompting the Dominion to launch an investigation of its fiscal relations with the provinces, an investigation dubbed the Rowell-Sirois Commission.

### 4.3 The Ambiguities of Political Difference in the 1930s

With a wide expansion in political possibilities, and a wild proliferation of third parties, political differences were undergoing a chaotic and revolutionary transformation. The belief, originally confined to a self-conscious vanguard, that “the distinctions between Tories and Grits are nothing more than those between the ins and outs” was becoming a kind of common sense in the 1930s.<sup>33</sup> New parties emerged throughout the period between 1919 and 1939, but the main period of innovation was in 1934-35, when the Social Credit Party, the Co-operative Commonwealth Federation, and the Reconstruction Party all emerged. The Liberals and Conservatives had to define themselves in a new political landscape in which their old appeals meant little. The National Policy of tariff- and railway-fueled development was breaking down as a basis of shared assumptions; political differences were increasingly deep and intransigent, and increasingly tied to competing visions of what the state should do to correct for the economic crisis. The language of left-right differences was increasingly referred to as a way to clarify differences, though it in practice could do little to order a very mixed field.

The Liberal and Conservative parties were in an awkward position as politics began to radicalize around questions of fiscal power and public responsibility for welfare in the context of the depression. The Liberals under Mackenzie King did their best to

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<sup>33</sup> Editorial, *Canadian Forum* 16, no. 192 (January 1937), p. 6. This phrase and variations on it were used regularly in the *Forum* in this period.

avoid appearing to take a position, while attacking the Conservatives for either exposing or obfuscating their true nature as an ideological, right-wing party. Under Bennett the Conservatives actively sought to elude banishment on the right extreme by launching the New Deal, a set of Dominion social reforms that were, not surprisingly, declared unconstitutional by the JCPC. In opposition again, the Conservatives under Manion went the other direction, painting the Liberals and every other party as communists. The *Canadian Forum* editorialized that the electorate was to be “provided with one simple, false election issue by the Conservative Party. The Canadian people, it appears, must choose between Mr. Manion and Communism. There are no half-way houses.” The editorial described Conservatism as “a residue of reactionary left-overs” that would “absorb its truculent left wing with modest concessions of social legislation.”<sup>34</sup> It is notable that a party of reactionary left-overs could have a left wing: the fact that the language of left and right applied even within the Conservative Party meant that the terms had been completely unmoored from their original context. Also, the fact that its left-wing would demand any social legislation indicates the label might have been a simplification.

The prospect of presenting a clear choice to the electorate between socialism and capitalism was a great dream to socialist intellectuals in the 1930s, and one that inspired a lot of writing aimed at teasing out the differences and similarities between the various parties that were not the Liberals or Conservatives that popped up and claimed the mantle of political modernism in the period. The true dream for social democrats, of course, was

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<sup>34</sup> Editorial, “Falsifying Election Issues,” *Canadian Forum* 19, no. 223 (August 1939), p. 140.

that King would frame the election as being against the C.C.F. rather than the Conservatives. “If the Liberal party proved unwise enough to accept the gauntlet of socialism thrown down by the C.C.F. and thereby made capitalism versus socialism the election issue,” Graham Spry noted giddily, “the election would have a supreme educational value and the results would have an enduring significance” – adding that such a contest would be forever deferred by “Mr. King’s facility for erecting the unimportant into the significant.”<sup>35</sup> Many authors, though, blamed the divided field of alternatives to the old parties for splitting up the modernist vote. A 1936 editorial noted sourly that

a million voters broke away from the old parties and marked their ballots for candidates opposed in various ways to the present system; can these million voters be organized in a single political movement that will present a greater challenge to the old parties than the competing groups presented?<sup>36</sup>

An answer was provided in the following issue by David Lewis, the C.C.F.’s organization man, who pronounced that “A fusion of the C.C.F., Communists, Social Crediters, Reconstructionists, Left Liberals . . . would, under present Canadian conditions, create confusion, compromise the socialist objective and the C.C.F. as a party, and might even, by way of reaction, call forth a strengthening of the right forces.”<sup>37</sup> The fusion of left groups, and the electoral threat they would pose as a unified block, raised the obvious threat of a unified block of Conservatives and Liberals, which would be all the stronger at the polls. (It is interesting to note that the same concerns arose on the right in the early 1940s, as the next chapter will show.)

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<sup>35</sup> Graham Spry, “Politics,” *Canadian Forum* 15, no. 177 (August 1935), p. 324.

<sup>36</sup> Editorial, *Canadian Forum* 16, no. 183 (April 1936), p. 4.

<sup>37</sup> David Lewis, “The C.C.F. Convention,” *Canadian Forum* 16, no. 188 (September 1936), p. 7.

How to define the new parties, and how to determine whether they were ultimately on-side with or at odds with the CCF and socialism, was a common and recurring source of debate in the magazine. An editorial in August 1939 defined “Progressive candidates” as “all those opposed to the two old parties” and argued that such parties “should not stand in each other’s way.”<sup>38</sup> The assertion that opposition to the old parties itself was progressive suggests that progressive still carried its old definition as non-partisan, or at least not subject to the party machines. The editorial clarified that any non-competition proposals would depend upon “a clear and definite minimum program which the various progressive parties can accept and for the sake of which they agree to bury their differences until those measures are achieved.”<sup>39</sup> What that minimum program would be, the editorial did not say.

A number of letters appeared in response to the editorial on non-competition between progressive parties. One said: “I agree that the C.C.F. leaders are correct in refusing anything like a ‘popular front’ with” other new parties, “for with the present confusion of policies in this country it is necessary to have one party which will insistently keep the issue of socialism before the electorate. But it is also necessary to avoid splitting the progressive vote whenever possible if more than a handful of leftists are to be elected.”<sup>40</sup> It is unclear in this letter whether progressive, leftist and socialist are being used as synonyms, or whether one or more of the terms is considered a subset of

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<sup>38</sup> Editorial, “Red Herridge or Red Herring?” *Canadian Forum* 19, no. 223 (August 1939) p. 139.

<sup>39</sup> Ibid.

<sup>40</sup> G. McLure, “The C.C.F. and Mr. Herridge,” *Canadian Forum* 19, no. 224 (September 1939), p. 192.

the other. Whether Social Credit or the Reconstruction Party, a faction of the Conservative Party under H. H. Stevens that contested the 1935 election, were progressive, they were certainly not socialist. Graham Spry noted in a 1935 article that the platforms of the Reconstruction Party and C.C.F. were “very similar in language though fundamentally different in policy.”<sup>41</sup> In this instance, the language of left-right did little to clarify a political reality which was inescapably messy.

A number of authors underlined the point that fiscal policy, correctly interpreted, served as a better line of division than party platforms, which tended to be vague and self-inflating. How a government taxes and spends, and how it affects the division of wealth and income, seemed like a good way to define political programs, if it could be made legible to the public. Frank Underhill, in his critical review of Bennett’s New Deal proposals, claimed that “the acid test of a capitalist government’s sincerity in desiring to distribute more evenly the benefits of the capitalist system is its taxation policy.” Somewhat pleased with the generalities of the proposed changes, Underhill was suspicious of the lack of specifics, saying “the fiscal system of the Bennett government so far has been devoted to passing the burden of taxation from the rich to those of smaller incomes.”<sup>42</sup> A few years later, Eugene Forsey, a CCF advisor and perennial candidate, concluded his regular review of the national economy in the summer of 1939 by saying that

it is ... clear that the Dominion government need not be anything like as hard up as it is, or anything like as niggardly in social

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<sup>41</sup> Graham Spry, “Politics,” p. 324.

<sup>42</sup> Frank Underhill, “A Socialist Analysis [of the New Deal]” *Canadian Forum* 15, no. 173 (February 1935), p. 168.

service expenditures. Clearest of all is the fact that no Liberal or Conservative government is going to apply any of these measures. An intelligent electorate should be able to draw the moral.<sup>43</sup>

The clear line, for CCF intellectuals, was between those who wanted to use the power of the state to fund social programs, and those who did not. J.L. Isley, neither a socialist nor a social scientist, offered in 1940 the thought that politics had changed dramatically in a few years:

I am not very old, but in my lifetime I have noticed a great change in public opinion in Canada as to what creates cleavages. ... The divisions that arise in the Dominion of Canada to-day are economic divisions, not racial and religious divisions; they are due to trouble between various classes of society, between various occupations and various industries, and such trouble is economic.<sup>44</sup>

The party system might not have been a clear reflection of such cleavages, but for a partisan Liberal and minister of the crown to draw attention to them in public, they must have been fairly unremarkable.

The party system in the 1930s reflected a growing disenchantment with the old parties and their policies, but a lack of coherence in the development of new, modern parties with competing and incommensurable programs. It is a historian's cliché to say that such a situation, viewed in retrospect, was too much in flux to submit to much generalizing. However, an editorial in the *Forum* said the same thing – “the situation is very fluid” – adding that “Historians a generation hence will demonstrate in the society of our day there was going on an inevitable evolution towards some goal of which by that

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<sup>43</sup> Eugene Forsey “The Taxpayers’ Money,” *Canadian Forum* 19, no. 222 ( July 1939), p. 107.

<sup>44</sup> *Dominion-Provincial Conference, Tuesday, January 14, 1941 and Wednesday, January 15, 1941* (Ottawa: King’s Printer, 1941), p. 73.

time they have become conscious.”<sup>45</sup> What it is possible to generalize about, on the left at least, is that the frustration with the intricacies of the ever-changing party system was matched by an equivalent sense of possibility, a feeling that the time had come, or was coming soon, for a new kind of citizenship. “Is it not time,” Dorothy G. Steeves asked, “that we visualized the possibility of a Dominion-wide social insurance scheme on a contributory basis, where feasible, but extending equal benefits to those who were not privileged to pay their share?” Steeves was commenting on the Report of the Rowell-Sirois Commission, but her remarks show her to be expanding on the formal recommendations towards something more expansive. “Now is the time to prepare our social machinery,” she insisted, claiming that “Social security in the future will be the real unifying factor of Canada and the basis of a new Canadian culture.”<sup>46</sup>

#### **4.4 The Imaginary Power of Dominion Taxation**

Having now conceptualized the political and constitutional background for the Commission and demonstrated the emerging ubiquity of new terminology with which people tried (often failed) to make coherent sense of a shifting landscape of political differences, it is possible to examine the actual conclusions of the *Report of the Royal Commission on Dominion-Provincial Relations* to suggest why it recommended a powerful centralization of taxation in the Dominion. While the image of the Report as simply an expression of a general centralizing ethos has been correctly identified as a

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<sup>45</sup> Editorial, “The C.C.F.’s Opportunity,” *Canadian Forum* 17, no. 199 (August 1937), p. 155. The editorial continues, “But historians are only snobs who attach themselves to the successful and call them the bearers of destiny.”

<sup>46</sup> Dorothy Steeves, “A British Columbia View,” *Canadian Forum* 20, no. 238 (November 1940), p. 239.

misrepresentation, the fact remains that in terms of taxing power, the Report unequivocally demands and celebrates a single, unitary income tax at the Dominion level.

The Commission's recommendations, however without precedent they might have appeared, were wrapped in the authority of historical interpretation. Donald Creighton, who wrote the historical study of Confederation, cites the views of A. T. Galt and John A. Macdonald as arguments against the JCPC's interpretation of the BNA Act. Galt's reference to "the power of taxation" – "as if speaking of an undivided power," in Creighton's evocative and telling phrase – having been "confined to the General Legislature" is proof that the Dominion was intended to have, at least in principle, all the taxing power in the country. What is more, the BNA Act "gave the Dominion unlimited powers of taxation" because the "magnitude of the burdens, actual and prospective, which were being transferred to the Dominion, called for commensurate fiscal resources and powers."<sup>47</sup> The exhilaration of Dominion power was a common trait among those connected to the Commission. Alex Skelton's copy of the *British North America Act and Amendments 1867-1927* has a lone enthusiastic pencil mark next to section 92, 10, c, which reads: "Such Works as, although wholly situate within the Province, are before or after their Execution declared by the Parliament of Canada to be for the general Advantage of Canada or for the Advantage of Two or more of the Provinces."<sup>48</sup> Clearly the prospect of increasing Ottawa's power was exciting as both the belated fulfillment of a derailed history and for its own sake.

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<sup>47</sup> *Report*, Vol. 1, pp. 42-43.

<sup>48</sup> *British North America Act and Amendments 1867-1927*, (Ottawa: J. O. Patenaude, 1935). The pencil mark appears on page 19 in Skelton's copy, which was found in D. A. (Alex) Skelton fonds, Queen's University Archives, Box 1.

The imaginative power of the Dominion that Creighton, Skelton and others demonstrate is linked in the Report to the imaginary power of income taxation itself, producing an electrifying unification of power. Throughout the Report, the Dominion tax is referred to as the “great equalizer,” in an echo of Leacock's description of it as a terrific engine, and as an instrument, or a mechanism. These descriptions suggest that income taxation is more powerful, that it is modern, and that is a precise tool for achieving some purpose. Like the contributions of scholars and experts to government, and of statistics to the analysis of economic policy, it is also increasingly identified as scientific. It is, above all, effective, but only works if it is one single instrument, whose action is legible and coherent.

Certainly there were other motives, on both what would have been increasingly called the right and what would have been increasingly called the left, for centralizing income taxation. Business groups had been sending messages to Rogers repeatedly asking for a reprieve from the “irksome multiplicity of returns and tax forms” by having what one group insistently called “ONE INCOME TAX,” preferably at the provincial level but if necessary at the Dominion level. Socialists also believed, meanwhile, inspired by Fabian example, that there should be a single income tax. While the League for Social Reconstruction, the intellectual wing of the CCF, was not enthusiastic about taxes, noting that “in a fully socialized economy ... Taxes will disappear,” it still spoke of income

taxation in *Social Planning for Canada* as if it was only a Dominion measure.<sup>49</sup> Clearly these requests from groups at different places on the political spectrum arose out of different desires and concerns. The fact that they all wanted a single income tax at the federal level helps explain why the Rowell-Sirois Commission reached the conclusions it did, and also, perhaps, suggests that there was something beyond party and position that motivated their demands.

The appeal of income taxation was that it was modern and scientific, and could help rationalize not only the tax system but the system of political differences. It was powerful and necessary and, if it were centralized in the Dominion, could be the instrument that would fix the conceptual problems dogging Canadian politics. This was undoubtedly a major inspiration for the Report's core recommendations. The report pointed out that

As consumption taxes make up nearly 60 per cent of total government revenues (which in turn, it will be remembered, equal some 30 per cent of the national income), and as various forms of business tax make up another 30 per cent, only 10 per cent of total government revenues are in forms to which any scientific principles of progressivity can be applied in order to redress the regressivity inherent in the heavy Canadian consumption taxes.<sup>50</sup>

This passage is interesting for a number of reasons. The Rowell-Sirois report accepted regressive consumption taxes (including the protective tariff) as a central feature of the Canadian tax system. But it is income tax that is associated directly with modernity and science: only income tax can offer “scientific principles of progressivity.” Progressivity is

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<sup>49</sup> The League for Social Reconstruction, *Social Planning for Canada* (Toronto: Thomas Nelson and Sons, 1935) p. 327, pp. 338-344.

<sup>50</sup> *Report*, Vol. 1, p. 214.

understood as a corrective, something you add to existing tax systems to offset or “redress” the perverse effects of existing taxes. More than that, though, the passage is lamenting that so little of the Dominion’s taxing power is capable of being used with precision for political ends of any kind.

In actual fact, however, the *Report* declared, because of the combination of Dominion and provincial income taxes, progressivity in Canada, far from being scientific, “has been carried to a fantastic extreme.” The poor are overtaxed by consumption taxes, but the rich are overtaxed by income taxes, while the middle class is undertaxed. “It is primarily by adjustment of the income tax curve of progressivity,” the report argued, “that this trough in the curve of progressivity in the tax system as a whole can be removed, and the extreme impositions at each end of the curve modified.”<sup>51</sup>

The report was not suggesting that there was an ideal rate of progressivity; it was claiming that it was possible to administer the income tax, to use its power of progressivity, to elicit political effects. It is in that sense that the rate of progressivity may be scientific, but is not absolute. It can clearly reflect different political beliefs, different and competing conceptualizations of what social justice between classes might look like – what the commission calls “social philosophy” or political differences. As the *Report* said: “Equity as between income classes is basically a matter of social philosophy, and it must be left to the political crystallization of the prevalent philosophy to determine, for

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<sup>51</sup> Ibid.

example, whether taxation should be progressive, and if so, at what rate.”<sup>52</sup> The progressivity of an income tax will reflect the political outlook of the government in power: income taxation is, ideally at least, a clear measure of the political position of the party in power.

The Dominion-provincial division of powers, however, made it difficult for any social philosophy to be reflected in scientific principles of progressivity. In direct response to its own suggestion about the prevalent social philosophy determining progressivity, the commission notes: “But in this connection it is important to note the obstacles to the use of the income tax as an instrument of either social philosophy or efficient social practice which are presented by the existing division of tax powers and the joint occupation of the field by the Dominion, provincial, and even municipal governments.” Although income taxation should reflect, through its application of scientific principles of progressivity, the dominant conception of social justice, in actual fact “the joint occupation of the field makes it mechanically impossible to develop an income tax which will, in itself, apply to different income groups in what is currently considered an equitable manner, and which can be adjusted to the desired degree of progressivity of the tax system as a whole.”<sup>53</sup> This was one of the arguments for assigning income taxation exclusively to the Dominion: only with a single taxing authority could the income taxation be politically legible.

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<sup>52</sup> *Report*, Vol. 1, p. 214.

<sup>53</sup> *Report*, Vol. 1, p. 214.

The report does not directly address the question of differences between parties, and the desirability of bringing clarity to a chaotic field of electoral options. The authors may have had those concerns less immediately on their minds than the contributors to the *Canadian Forum* and other partisan intellectuals, for whom the drawing of clear lines between parties and separating friend from foe was their first priority. But the fact that the report makes a point of bemoaning the effect of divided jurisdiction on the legibility of the governing party's social philosophy suggests the question of the interrelationship between parties and taxation was on the commission's institutional mind. The desirability of clarity, of a mechanism that can accurately reflect the governing philosophy through its curve of progressivity, is one of the arguments it presents for a single tax power, the Dominion income tax. Read alongside the agonized hair-splitting of intellectuals trying to use the left-right spectrum to make sense of a confused party system, this preoccupation suggests a fragment of a shared mood, a shared enthusiasm for a new and clearer politics, freed by the operation of the "great equalizer" from the confusion and dissimulation of the past.

## **4.5 Conclusion**

The Commission on Dominion-Provincial Relations, which was established to remedy the on-going fiscal crises of provinces and municipalities in the 1920s and 30s, proposed a centralization of the power of taxation in Canada. Income taxation was cast as the solution to the fiscal problems of Confederation, as the "great equalizer" – just as it had been cast as "the terrific engine" in the period immediately following the Great War. The

commission offered a strengthened Dominion income tax as the solution to the constitutional stalemate produced by the JCPC. The Dominion treasury could therefore undo some of the damage the tariff had done to provincial equality by financing more equitable government services across the country. On a practical level, then, the recommendations were the outcome of a protracted social struggle articulated around ‘fiscal need,’ and the long series of investigations of the fiscal politics of federalism they inspired. The recommendations pointed the way to a resolution of the immediate problem of paying for the support of indigents within the framework of the British North America Act.

On a more imaginative level, the Rowell-Sirois recommendations seem also to reflect a more widespread desire for a new language of politics. Building on the movements against the tariff and for a steeply graduated Dominion income tax, the movement of Maritime reformers for a radical solution to the fiscal inequalities between provinces extended the modernist project of renewing politics by displacing the tariff from the centre of the Canadian political imaginary and substituting income inequality. The concept of ‘fiscal need,’ though officially dismissed as a principle of public finance, connected with the earlier critiques of Dominion finance and – as the economic catastrophe of the Maritimes in the 1920s became universalized in the 1930s – forcefully underscored the need for a new fiscal order. The old fiscal system, tethered to 19<sup>th</sup>-century principles of public expenditure by the rigidity of the JCPC’s constitutional interpretation and the tariff’s weakness, was seen clearly. The parties that had defined their electoral appeals largely on the basis of the tariff looked less relevant, and had to

adapt their appeals as new parties entered an increasingly crowded and motley electoral field. At a time in which political differences were becoming more confusing and intellectuals were demanding greater clarity in political terminology, the report suggests income taxation may also have held promise as an instrument for increasing the legibility of competing political programs, provided it was powerful and unitary.

The Rowell-Sirois report was released just as the Depression came to an end amid the expansion of production for the European war that had begun in September 1939. The immediate crisis of unsustainable municipal and provincial relief payments was over, and another set of pressing imperatives pushed the concerns of the depression off the agenda. But the memory of the crisis persisted, strengthening the resolve of federal officials to implement some Rowell-Sirois-inspired solution to the former crisis. In addition, the requirements of the war for unprecedented spending by the Dominion government, and the patriotic willingness to contribute to winning the war – not to mention the increased capacity to pay caused by an improved economic climate – created more salutary conditions for the federal government to become the taxing and spending behemoth, the “great equalizer” envisioned by the report. Rather than the formal and organized coming to terms envisioned by Rowell-Sirois, however, the new order emerged, thanks to resistance from some provinces, through an aggressive and unilateral assertion of taxing authority by the federal government. A few years after the report was released, that is, the federal taxing power loomed large over the country’s political culture, and the parties were struggling to use their enthusiasm for using income taxation’s redistributive power to claim a promising place in a new and more abstract imaginary of political differences.

## 5. The Citizenship of Contribution and Left-Right in the 1940s

### 5.1 A Modern Measure?

Ministers of finance are not generally celebrated for their linguistic self-consciousness, though speaking is clearly part of their job. Rudolf Goldscheid's oft-cited line that "the budget is the skeleton of the state stripped of all misleading ideologies" is true, but in practice budgets are never presented without carefully tailored rhetorical clothing.<sup>1</sup>

Finance ministers have to be careful with words; their public pronouncements are crafted to convey authority, caution, responsibility and, at appropriate times, worry. Successful expression of these qualities depends on a convincing use of language politicians rarely allude to directly. So when James Lorimer Ilesley rose in the House of Commons to begin his budget speech on June 23, 1942, his preliminary declaration was remarkable. He said:

Last year I referred to the financial requirements of 1941-42, which were difficult to define clearly, as "staggering." Confronted now with much larger requirements, set out as the simplest sums in arithmetic, I must perforce drop all adjectives and try to state, as clearly as one who isn't a prophet may state, what they mean in

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<sup>1</sup> Cited in Joseph Schumpeter, "The Crisis of the Tax State," in *The Economics and Sociology of Capitalism* Edited by Richard Swedberg (Princeton, New Jersey: Princeton University Press, 1991), p. 100. The line, which first appeared in Goldscheid's 1917 book *Staatssozialismus oder Staatskapitalismus (State Socialism or State Capitalism)*, referred to the budget itself, the numerical revenues and expenditures, not the written or spoken document. Schumpeter and Goldscheid were Austrian social scientists in the early 20<sup>th</sup> century who sought to move public finance to the centre of the analysis of the culture and society and modernity. Schumpeter wrote that "The spirit of a people, its cultural level, its social structure, the deeds its policy may prepare – all this and more is written in its fiscal history, stripped of all phrases." ("Crisis," p. 101) Interest in Schumpeter in particular has been rising, as evidenced by the return of the term 'fiscal sociology' in the title of a recent collection of essays on taxation, *The New Fiscal Sociology: Taxation in Comparative and Historical Perspective*, edited by Isaac William Martin, Ajay K. Mehrotra, and Monica Prasad (Cambridge, UK: Cambridge University Press, 2009).

terms of the future.<sup>2</sup>

Ilsley's remarks reflect his sense of his place at the centre of a daunting political project. The scale of public finance in the early 1940s was overwhelming. The categories and language through which the Minister of Finance had made sense of previous budget provisions no longer accommodated the numbers necessary to cover the Dominion's anticipated expenses. In drawing attention to the limitations of his speech, the minister was marking the novelty upon which public finance was entering.

A big part of what made public finance so modern was the centrality of income taxation to the Dominion budget, which spread an unprecedented burden of public spending among an unprecedented number of individual taxpayers, creating a situation of radical novelty. The sense of novelty Ilsley was marking was an element of what Shirley Tillotson has called the citizenship of contribution: a novel arrangement in which everyone paid income tax.<sup>3</sup> The Income War Tax, since its introduction in 1917, had only taxed high incomes. Income taxation had only affected most people as an idea, not an experience. It had been very powerful in the rhetoric it produced by suggesting a set of political possibilities. Critics decried it as a weak creature, and found it wanting. Even Ilsley, when he was Minister of National Revenue in 1938, said that the Income War Tax had "considerable merit as a modern and progressive measure," but that the "distribution of wealth" arising from the effects of the tax was "far from satisfactory in Canada."

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<sup>2</sup> Canada, *House of Commons Debates* (23 June 1942), 3577 (J. L. Ilsley). The work of parliamentary rhetoric in establishing authority, and the scholarly study of that work, is discussed in Chapter 3. Here the focus will be on Ilsley's role in marking – and making sense of – the radical novelty of universal income taxation.

<sup>3</sup> The citizenship of contribution is change in the "moral and symbolic meaning of taxation" whereby all citizens contribute through taxation to funding programs that benefit everyone. Tillotson, "A New Taxpayer," pp. 162-164. See Chapter 1 for a discussion of this term and its use in this thesis.

Indeed the tax system as a whole was a mess, owing to the constitutional division of taxation and spending powers, but the Rowell-Sirois Commission then in progress would soon, Ilsley promised, be sorting that out.<sup>4</sup> Ilsley, like critics of the government, was weighing the Dominion's income tax down with ideals and expectations; like them, he was also talking about it, re-circulating rhetoric about the possible effects of income taxation that had been around since 1910. All the way through its first two decades, the tax's weakness made it an object of controversy and concern, and arguably made it more important and powerful rhetorically than a more fiscally powerful and ubiquitous income tax would have been.

Ilsley's budget speech marked the moment, which will be the subject of this chapter, when income taxation changed from being a powerful possibility to being a powerful immediate idea – something that had to be made urgently comprehensible. The aftermath of the Rowell-Sirois commission report and the first few years of the Second World War represent a turning point in the career of the Income War Tax, what Bob Russell has called a “fiscal revolution,” in which Ilsley, appointed Minister of Finance in 1940 with a mandate to enact the commission's fiscal recommendations, set out to make Dominion taxation powerful and universal.<sup>5</sup> This process was a struggle, and – at least in

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<sup>4</sup> *Canada's Progress and Stability* – by James L. Ilsley, Minister of National Revenue, Dominion of Canada – Delivered at the Thirty-second Annual Convention of the Association of Life Insurance Presidents at New York, December 1 1938, Norman McLeod Rogers fonds, Box 3, File 38, page 3.

<sup>5</sup> Russell, “The Politics of Labour-Force Production: Funding Canada's Social Wage, 1917-1946,” *Studies in Political Economy* 13 (Spring 1984), 43-73, 67. Russell places the revisions to the Dominion income tax in the early 1940s in the context of a discussion of the Marxist idea of reproduction of the labour force, arguing that “the partial socialization of wage income” effected by the Ilsley revisions to the Income War Tax and the “vastly extended general revenues of the [Dominion] state” they produced “made possible social-wage entitlements such the family allowance scheme.” (66) Although Russell's theoretical concerns are different, the outline of events are roughly the model for this chapter in particular, and to some extent

the terms imagined in the commission report – failed: the some provinces refused to give up their share of income tax yields, and held fast against a change to the constitution that would have empowered the Dominion government to equalize incomes across the provinces. This outcome has been widely represented as tragic by historians who were disappointed by Ontario’s role in “falsifying the expectations of the mid-1930s.”<sup>6</sup> In the end, the Dominion government had to act alone, acting as if the provinces had acquiesced, and forcing a retreat that was formalized into a surrender with a series of tax rental agreements between the various provinces and the Dominion.

This Chapter will demonstrate that the awkward resolution to the fiscal crises of the 1930s was accompanied by increasingly sophisticated use of left and right as a way to talk about political differences. Speakers in the previous decade more often than not framed their placement of parties on a left-right axis as a question, partly because of sheer complexity of an unsettled party system; by the early 1940s the positioning of parties and attitudes was becoming more uniform and confident. Coming out of the Depression, and with the need for total and universal commitment to the war effort, Canadian politics was characterized by a wide consensus that something had to be done to address income

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for the dissertation as a whole. I am indebted to James Struthers for directing me to the Russell article years ago when I first expressed interest in the origins of Dominion income taxation.

<sup>6</sup> Christopher Armstrong, *The Politics of Federalism: Ontario's Relations with the Federal Government 1867-1942* (Toronto: University of Toronto Press, 1981), p. 198. Armstrong is concerned, in the final chapters of *The Politics of Federalism*, with the political details of Ontario’s intransigence vis-à-vis the efforts to reform the Dominion-provincial relationship in the 1940s, which are discussed in passing in this chapter. Armstrong’s account, underlining as it does Ontario’s destructive role and the opportunities it negated, is more irredeemably tragic than similar accounts by O’wram, Granatstein, Creighton and Perry, all of which underline the increasing Dominion power in the period rather than Ontario’s intransigence. None of these authors examine the period in terms of the political rhetoric used, and only Granatstein’s *The Politics of Survival: The Conservative Party of Canada, 1939-1945* (Toronto: University of Toronto Press, 1967) pays consistent attention to party differences.

inequality, and differences over exactly what that something might be. These differences were most often framed as a choice between saving capitalism and Confederation by changing them substantially, as the Rowell-Sirois Commission suggested doing, or rejecting them outright and starting something entirely new. The increasingly powerful Co-operative Commonwealth Federation (CCF) was, as the parliamentary party most identified with the latter option, confident in the knowledge that the world was headed in its direction in the early 1940s. The ruling Liberals tended to define themselves as moderate reformers, neither seeking to overturn entirely nor defend utterly the status quo, but in fact the governing party was generally resistant to the implementation of social programs that would entail permanent heavy spending commitments, and therefore taxation.<sup>7</sup> The Liberals' position, combined with the popularity of the CCF, created an identity crisis for the Conservatives, who could either campaign to the right of the Liberals as pure reactionaries or stake out an uncertain and unprecedented middle ground – in both cases risking splitting the anti-CCF vote and thereby abetting a socialist victory – or simply retire the party honorably. What this meant for the party's political fortunes has been explored at length in J. L. Granatstein's *The Politics of Survival*.<sup>8</sup> But the party's identity crisis, which mobilized an immense amount of intellectual and political energy,

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<sup>7</sup> For the federal Liberals' wartime social policy positions, see James Struthers "Unequal Citizenship: The Residualist Legacy in the Canadian Welfare State," in *Mackenzie King: Citizenship and Community* Edited by John English, Kenneth McLaughlin, and P. Whitney Lackenbauer. Toronto: Robin Bass Studio, 2002, pp. 169-185. Struthers argues that Ottawa's development of welfare state measures under King's leadership was limited and cautious (175), and that concerns about excessive tax burdens were key in these considerations. (174)

<sup>8</sup> Granatstein's *The Politics of Survival* offers a straight-forward narrative of the party's difficulties, underlining the awkward policy shifts during the Manion-Meighen-Bracken era, but ties these difficulties to the popularity of the CCF and social welfare policies, rather than to the novelty of universal income taxation and the left-right spectrum. In this chapter, the focus is on the increasing ubiquity of left-right language as a medium for representing political possibilities and differences, rather than the difficulties of the Conservative party *per se*.

in a few short years produced conferences, declarations, a name change, and a complex leadership arrangement. The extensive intellectual activity that went into positioning the Conservative party in Canadian politics left a large documentary record in the pages of *Saturday Night*, the leading Conservative publication of the period, which will be examined in this Chapter.

In 1941 and 1942 the Income War Tax, which had begun as a purely political tax on high incomes in 1917, and whose power had been the object of a series of imaginative fantasies, became a tax paid by almost everyone, and therefore very powerful. Inspired by the logic of Keynesianism and pressured by the exigencies of the war, the Dominion spent more and borrowed more than it ever had; inspired by the visions of Rowell-Sirois and the exigencies of the war, the Dominion taxed more people more steeply than it ever had. People who had been immune from the effects of income tax, who had called for a progressive income tax as a way to punish the rich, now discovered that there was a bottom end to the “curve of progressivity,” and that they were on it. The treasury struggled to make sense of numbers that were without precedent, and taxation rates that, in Donald Creighton’s words “would have been terrifying even if imaginable only a few years before.”<sup>9</sup> The experience of the citizenship of contribution was novel for taxpayers and for the political system as a whole. It affected politics in new ways as the government

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<sup>9</sup> Donald Creighton *The Forked Road: Canada 1939-1957* (Toronto: McClelland and Stewart, 1976), p. 52. The fact that J. Harvey Perry also underlines the challenge universal taxation posed to the political imagination suggests Ilesley’s reforms were an important generational experience that was quickly forgotten and has not interested scholars since. For the purposes of this study, Creighton’s and Perry’s accounts offer an interesting case of ambiguity between primary documents and historiography, given that they were written sometime after the fact by people who were deeply invested in the events described. Neither Creighton nor Perry links the awe-inspiring effect of the universalization of income taxation with the increasing ubiquity of the left-right spectrum, which is the key argument of this chapter.

and opposition parties tried to define their identities in its shadow. By the end of the war, a new imaginary of universal citizenship materialized by the taxpayer-funded social state had taken hold, and with it, the language of left and right.

## **5.2 Making the Weak Tax Very Strong**

In the aftermath of the release of the Rowell-Sirois Commission report and the opening months of the Second World War, the Dominion government used its taxing powers to become the indisputably dominant player in the country's internal economy, eclipsing the expanded role the provinces had taken since the 1890s. The strengthening of the federal income tax was a predictable outcome of a number of simultaneous political factors that had developed over the course of the previous three decades. The demand of western farmers for some form of tariff relief necessitated a shift of the tax base from indirect to direct taxation, something the farmers had explicitly acknowledged in their declaration at Ottawa in 1910. Starting in the 1920s, Maritimers began pushing for a more formalized system of federal-provincial aid, to be financed by a more aggressive federal program of taxation. When the Dominion relied exclusively on the tariff for its revenue, the Maritime demand for increased federal taxation would have been incommensurable with the Western one for tariff relief; the advent of federal income taxation in 1917 opened a new avenue to the resolution of both demands. This solution only really became clear, however, when the Depression of the 1930s exposed the fiscal weakness of provinces and municipalities, who were responsible for poor relief, and necessitated federal aid for western as well as Maritime provinces.

The Rowell-Sirois Commission report had clarified what had been on many people's minds for a long time, providing a blueprint for the solution to all of Confederation's fiscal crises that hinged on the expansion of the federal government's taxing power. The resistance of three provinces to the implementation of the report, however, meant that the rational solution worked out by the Commission was scuttled. Instead, a less ambitious and less final resolution was hammered out through the sheer force of the federal government's political will, emboldened by the requirements of war finance – a resolution that laid the groundwork for a post-war era in which the implementation of schemes of social reform existed as a possibility. Specific policies regularly encountered resistance in the name of provincial rights and the rights of private property, and so the possibility never materialized as proponents of social reform intended or expected. But the transformation in federal powers of taxation in the period was staggering, even if the lack of a political will to use that power disappointed many.

Although the memory of the 1930s undoubtedly lay behind the growth in federal taxation, the war was the greater immediate factor in pushing and justifying the agenda. Expenditures for war mobilization expanded rapidly in the first three years of the war, requiring the full use of all possible sources of financing, including taxation. The federal government was keen to frame its imposition of unprecedented burdens on taxpayers as a war requirement, as in a 1943 Department of National Revenue advertisement that said that "Income tax dollars are not ordinary dollars ... they are Victory dollars ... necessary

dollars to help win the war.”<sup>10</sup> The tax burdens were justified by the state as the necessary corollary to necessary spending for war. But the financial requirements of the war were also being seen through new economic eyes conditioned by new ideas. Along with the memory of the 1930s, the ideas of public finance that arose out the 1930s allowed the particular strategy and precluded other strategies for paying for the war. A new economic orthodoxy, identified in particular with the ideas of John Maynard Keynes, gave greater legitimacy to massive spending as a stimulant to an underperforming economy, downplaying the risks of inflation treasurers had traditionally cited as a reason for keeping budgets tightly balanced. These new ideas of how to finance state expenditures gave the intellectual underpinnings for the way the federal government paid for the war, as Kenneth Norrie and Doug Owsram have pointed out. “Whereas in World War I the government had hoped to run ‘business as usual,’” they say, “no such illusions existed in World War II.”<sup>11</sup> Rather than restraining spending, the government opted to finance its spending on a pay-as-you-go basis. The vastly expanded taxation this required had salutary effects not only in limiting the federal government’s reliance on credit (although the government did borrow unprecedented amounts in the war), but also on curtailing spending and thereby controlling inflation. While the war provided the immediate rationale and the political justification for massive increases in public spending, that is, the memory of the 1930s and the new economic perspectives that arose from that

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<sup>10</sup> *Saturday Night* 58, no. 49 (June 12 1943), p. 15 (ellipsis in original).

<sup>11</sup> Norrie and Owsram, *A History of the Canadian Economy* (Toronto: Harcourt Brace Jovanovich, 1991), p. 519. Owsram also notes in *The Government Generation* that “in the First War the government had attempted to run the war without disrupting the traditional approach to finance,” and cites the mandarin John J. Deutsch’s judgment that in the earlier war “The government thought that heavy direct taxation would be a deterrent to expansion and private enterprise which it had done so much to promote,” whereas the Second World War could only be won by “detailed planning, a high degree of centralized direction of economic forces, and effective coordination.” (296) Owsram’s overall argument in *The Government Generation* is that the war years marked a significant change in the federal government’s approach to governing.

preceding period determined the federal government's decision to increase tax levels so dramatically.

The proposals in the Rowell-Sirois Commission Report calling for a massive expansion of the taxing role of the federal government therefore found fertile soil in the political context of the first years of the war. With so much spending required solely by the federal government for defense purposes that were clearly assigned to Ottawa under the British North America Act, it was much more difficult for the provinces to complain that the federal government was invading a sphere of taxation that rightfully belonged to the provinces than it was when the expanded federal tax revenues were intended to pay for social programs that the JCPC had interpreted as belonging exclusively to the provinces. As in the First World War, increased taxation was linked with loyalty and commitment to the prosecution of the war, the difference being that the federal government in this case was moving towards increased taxation for other reasons than its political resonance during wartime, and therefore was less half-hearted in its imposition of tax burden and its invasion of provincial tax territory. Resistance to the imposition of the increased federal taxation, while it was literally effective in scuttling an amendment to the BNA Act as envisioned by the Rowell-Sirois report, was weak when it came to resisting the direct invasion of federal taxing power in part because of wide popular acceptance of the need for war finance, as well as the fairness of a tax based on income.

Another important factor in explaining the political climate in which the Rowell-Sirois report's recommendations were acted on was the fear of socialism, and practical

concern on the part of political elites that widespread dissatisfaction with capitalism arising out of the memory of the 1930s would sweep the CCF to power. It was widely recognized that a more powerful federal income tax would be used to finance transfer payments to help poor provinces fund equalizing social programs, as well as federal programs to insulate people from income insecurity. These measures had been rejected earlier as dangerously socialist, in that they undermined both the incentive to hard work by individual citizens and the pressure to restrain public spending on the part of legislators. Realistically, however, most defenders of free enterprise in the 1940s believed that some reforms were necessary for capitalism to survive another economic slump or even another election. They were willing to accept what they regarded as a little socialism to prevent a lot, and a strengthened federal power of taxation was therefore somewhat grudgingly accepted as the price of maintaining a stable system of free enterprise.

The financial and administrative requirements of the war, the fear of socialism if capitalism was unreformed, and the memory of the 1930s therefore combined to create a context in which the expansion of federal power as envisioned in the report of the Rowell-Sirois Commission was difficult to resist. Some provincial governments did resist the implementation of the report, however, and successfully scuttled the amendment of the British North America Act that would have codified a new Dominion-provincial relationship and nullified the JCPC's interpretive stranglehold on the development of tax-and-spend regimes under the BNA Act. As with the scuttling of the Commission in its hearing stages, the charge was led by Ontario, with support from Alberta and British

Columbia. At the Dominion-provincial conference on the Rowell-Sirois recommendations in January 1941, where Ilesley offered the provincial representatives the chance to discuss the terms under which the Dominion would begin taxing incomes, Ontario premier Mitchell Hepburn and his western allies Duff Patullo of British Columbia and William Aberhart of Alberta, after a few minutes' discussion, walked out to signify their refusal of the terms of debate. Although Dominion-provincial unanimity was required to amend the BNA Act, Ontario's intransigence was especially problematic due its lucrative tax base, and was central to the entire question of whether tax revenues would be federal or provincial.

Ontario's intransigence denied the Dominion and the champions of Dominion power the concrete and unassailable victory they had envisioned: a revised and modernized BNA Act. However, it did not mark the end of the Dominion's ambitions for dominance of income taxation. Instead of working with the provinces to come to an agreement about a changed relationship, federal authorities decided to move unilaterally, effectively invading territory they had asked the provinces to surrender willingly. Shortly after Hepburn nixed the operationalization of the Rowell-Sirois scheme, Ilesley, in his budget speech of May 1941, declared the Dominion's intention to act alone, in defiance of the provinces' opposition, to become the sole taxing power. Unconsciously echoing Creighton's historical contribution to the Rowell-Sirois Commission Report, which claimed that the architects of Confederation spoke of taxation "as if speaking of an undivided power," Ilesley constructed the 1941 budget around the premise that the

Dominion would impose income taxation on persons and corporations as “if the provinces were not in those fields.”<sup>12</sup>

Rather than extracting a constitutional amendment that would recognize a superior right to tax on behalf of the Dominion, Ilsley and his officials simply made the latent but considerable powers in the original British North America Act manifest, presenting the provinces with a unilateral *fait accompli*. Having failed to secure an invitation to take over income taxation for the country as a whole, the Dominion invited itself to take up much the same role envisioned by the Rowell-Sirois Commission Report, using its superior capacity, its constitutional supremacy, the requirements of the war economy, and the memory of the 1930s to overcome all conceivable opposition. Although a generation of reform-minded intellectuals bitterly regretted the provinces’ role in scuttling the revision of the BNA Act to reflect a division of powers more amenable to the development of tax-and-spend policies, in fact the Dominion’s unilateral invasion of unceded provincial tax territory had much the same practical effect in terms of reversing the de-centralization of fiscal power the JCPC had effected in the 1890s.

Resigned to the Dominion’s dominance of the income tax field, the provinces one-by-one signed agreements officially ceding their right to tax incomes to the dominion for the duration of the war – some more willingly than others. These tax-sharing agreements traded other forms of revenue or spending for the surrendered fiscal capacity, and in many cases were much like what the provinces had desired, openly, since the

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<sup>12</sup> Ilsley budget speech April 29, 1941 cited in Perry, *Taxes, Tariffs and Subsidies* Volume II, p. 537.

1920s or before. Pushed to new and unprecedented levels of spending by the exigencies of the war, the Dominion took on the central fiscal role that had been imagined for it, acting for the first time in the active, central role in which the generation of the 1930s had envisioned it. Although this role was formally only a wartime exception to the constitutional sparring that characterized Canadian Confederation, it was, like the introduction of the Income War Tax in the previous war, an exception that would become a rule – a rule upon which other possibilities were dangled.

Through the sheer force of its blunt constitutional fiscal supremacy, the dominion government in the early 1940s effectively unilaterally imposed much the same scheme as had been proposed by the Rowell-Sirois Commission. The report, as the culmination of the intellectual and political work arising out of the fiscal and constitutional crisis of the 1920s and 1930s, had called on the Dominion to become the single taxing authority through mutual agreement on a revised constitution, the widely shared goal of reformers interested in a Dominion-provincial scheme that admitted more redistributive potential than the tariff-fed pre-1914 Dominion did. The right of the Dominion to levy any tax it wanted, enshrined in the British North America Act but traditionally declined, and embodied apologetically and disappointingly in the Income War Tax, was the key to the resolution of the post-Rowell-Sirois impasse. Ironically, after the British North America Act and the Income War Tax had been declared poor instruments in desperate need of modernization repeatedly in the last decade, it was these weak, ungainly, outworn instruments that the Dominion used to unilaterally overcome and nullify the provinces' resistance to federal intrusion.

### **5.3 Universal Income Taxation and the Citizenship of Contribution**

The sudden expansion of the Dominion's taxing power in the early 1940s resolved many of the constitutional and fiscal crises of the previous decades, but it created new conceptual problems. The vast increase in the rates and base of the Income War Tax created a sense of radical novelty in Canadian politics. As with the 1914-1918 war, the political, economic and social requirements of military mobilization necessitated a 'break with the past,' accelerating an already existing modernization of politics by tying it to the unquestioned necessity of national defense and victory. Both wars followed immediately after a period of economic depression and political quagmire, and both led to political and fiscal innovations that were welcomed as long-term solutions to structural problems. The difference was that, while in the former the government was half-hearted in its fiscal reforms and more dedicated to political modernization, in the latter the government was resistant to any reforms other than fiscal ones. Both wars led to major changes in Dominion tax, but in the 1939-1945 war the sense of novelty was concentrated more in taxation. This was in part because, whereas the pre-1914 critique of tariff politics was identified with certain sections of the public, the pre-1939 critique of the constitution was widespread, and had been absorbed and articulated by the federal government in the Rowell-Sirois report; whereas the economic hardship caused by the tariff and the pre-1914 depression and the subsequent rise in the cost of living affected mostly farmers and workers, the crisis of Confederation in the 1930s put the entire existing political economy of Canada at risk. The sense that something had to be done was widely shared; how much

of a change was needed, and whether the change was ultimately to overturn capitalism or prevent its overturning, was up for debate. The need for a ‘break with the past’ was all but unanimously accepted.

The scale of taxation was the principal focus of the sense of novelty in the early 1940s. By the time the Second World War began, federal income taxation had existed for more than twenty years and was no longer novel. What was novel was making the tax universal, adjusting its curve of progressivity so that middle-income earners also paid. This reflected the recommendations of the Rowell-Sirois report, which had noted that the tariff unfairly taxed the poor while the Income War Tax unfairly taxed the rich. The idea of income taxation as a universal obligation, however, was a bit of a conceptual vacuum. The budgets of the early 1940s, by universalizing income tax, necessitated a new understanding of what the tax was intended to do. Having entered into political life on the wings of the slogan ‘conscription of wealth,’ the Income War Tax had to be adjusted as an idea when it became something to which everyone was subject in relation to their ability to pay. The enormity of the scale of taxation, and the lack of a rhetoric through which to make sense of that scale, created a sense of radical novelty that overwhelmed the existing political categories and ideas through which the federal government had understood its role. The sense of novelty receded as the tax became legible rhetorically, as its meaning filled up in the years that followed immediately after.

This sense of a new political horizon, which Tillotson calls the citizenship of contribution, is reflected clearly in Ilsley’s budget speech of June 23 1942. “It is a most

difficult task,” he told the House of Commons, “to deal with sums of the magnitude involved here.”<sup>13</sup> In that budget, as in the preceding two budgets, the Dominion was taxing more people at a higher rate than ever before, and spending and borrowing more than in any previous year. Ilsley called it a “sobering experience” to design a tax regime “affecting such large fractions of the incomes of our people.”<sup>14</sup> In an article on tax increases a year earlier, *Saturday Night* had opined that “Business men and private citizens read the figures and blinked.”<sup>15</sup> The sense of shock at the levels of taxation involved in the Dominion budgets of the early 1940s clearly reflects a lack of a conceptual apparatus for making sense of an income tax to which almost everyone gave a substantial portion of their income. It was new and unfamiliar and had to be actively understood.

A large part of the shock of the budgets of the early 1940s was the contrast with the 1930s, when the economic depression combined with the more moderate levels of taxation had kept Dominion revenues low. The recovery (much of it, as in 1915-16, fueled by war production) combined with the sharper rates and broader base to create what Ilsley called a “greatly increased” revenue. As he said in the 1942 budget speech, “Our present estimate is that they will total \$1,481 million, an increase over the previous year of \$609 million, or approximately 70 per cent. This is some \$34 million higher than I forecast in presenting the budget last year, and is nearly three times the Dominion's pre-

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<sup>13</sup> J. I. Ilsley, House of Commons, June 23 1942, p. 3578

<sup>14</sup> Ilsley, p. 3578

<sup>15</sup> P. M. Richards, “The Taxes Make Us Blink,” *Saturday Night* 56, no. 34 (May 3 1941), p. 27.

war revenue.”<sup>16</sup> The other key transformation was the shift from the tariff as the primary source of revenue to direct taxes – a contributing factor in the massive increases the

Dominion easily effected. As Ilsley said,

Total tax revenues are now estimated at \$1,360,915,000 as compared with \$778 million in the preceding fiscal year. In contrast with previous years, direct taxes on income and profits made the largest contribution to the total. The graduated tax on personal incomes, the 18 per cent corporation tax and the special tax on dividends and interest produced \$404 million, more than 80 percent in excess of last year's yield.<sup>17</sup>

A sudden increase in tax rates, and therefore in revenue, was only possible because it was accomplished with an income tax, rather than the tariff, which was inflexible and ungainly.

The key factor in the changes to the Income War Tax in the early 1940s was the extension of the burden of taxing into moderate incomes. Previously the income tax had been, and had been understood as, a tax on high income earners. Following the logic of the Rowell-Sirois Commission report, which underlined the importance of filling in “the trough of progressivity” (the low rate of taxation payable by middle income earners), the revisions of 1941 and 1942 made a different class of income earners subject to the income tax.<sup>18</sup> This not only added to the administrative burden of collecting the tax, it also meant the enshrinement of what Tillotson calls the citizenship of contribution. That this task was a political challenge was certainly the position of *Saturday Night* magazine, which pointed out in early 1941 that “To popularize direct taxation with one million

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<sup>16</sup> Ilsley, 3575

<sup>17</sup> Ilsley, p. 3575

<sup>18</sup> Russell, Bob. “The Politics of Labour-Force Reproduction: Funding Canada’s Social Wage, 1917-1946.” *Studies in Political Economy* 13 (Spring 1984).

people who have never before consciously paid a direct tax to the government, is the stupendous task before the Dominion Department of National Revenue.”<sup>19</sup> What was new and strange about income taxation was that it was universal, that almost everyone paid it. It was Ilsley’s job to make sense of it and, in the meantime, to register empathy with taxpayers by flagging his own vertiginous sense of its modernity.

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<sup>19</sup> W. A. McKague, “Muddling Through Our New Tax Structure” *Saturday Night* 56, no. 23 (February 15, 1941), p. 30.

Beyond his budget speeches, IIsley addressed the practical challenge of how to make sense of income taxation directly, speaking to groups of taxpayers in the aftermath of the tax changes to explain and defend the reforms. Speaking in 1942 to a meeting of the Trades and Labour Council, for example, IIsley reminded his audience that “We all agree it is the fairest tax and the best tax. It is the best way of taxing on the basis of ability to pay.” IIsley specifically addressed the resentment he imagined unionized workers would feel at being made to pay income tax on low incomes. He reminded them carefully that an income tax “is preeminently the type of tax that labour has supported in the past, and which all those devoted to democratic ideals have upheld.” Celebrating its modernity, IIsley called income taxation the “foundation stone of social progress.” Echoing critiques of the tariff and celebrations of the Income War Tax when it was introduced, IIsley said that “we know too well that we are paying it – it is not hidden in the price of something we buy.” This meant, though, that it was “not a painless tax.” Specifically addressing possible resentment of having to pay taxes on low incomes, he said that

The result is that as we have increased it, and extended it down into the lower brackets, which we had to do in order to get any large revenue out of it, we have all discovered that this very good medicine tastes pretty bad when we have to take it ourselves.<sup>20</sup>

Although his speech was ostensibly a response to anti-tax sentiment, its core message was that the income tax was, and should be, powerful. The fairest tax, the one that is the most visible and therefore most democratic, IIsley is saying, should be powerful. Having emphasized the fairness and importance of the tax, he claimed to take great pride in the

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<sup>20</sup> J. L. IIsley, *Sharing the Cost of War, An Address before the Trades and Labour Congress of Canada, Quebec City* (Ottawa: National Liberal Federation, Ottawa, 1942), pp. 9-10.

fact that his government had “gradually built up the income tax in Canada to be a powerful instrument.”<sup>21</sup> The eagerness of the minister to underline the strength of the tax, and to explicitly align his government with increasing the strength of a tax, underscores the popularity of income taxation in the period.

In his budget speech, meanwhile, Ilsley had specifically demurred from any class-based ‘conscription of wealth’-type associations with the tax. The Income War Tax was originally a tax on high incomes, not on the incomes of all earners; Ilsley’s reforms extended the tax down, so it would have been an odd opportunity for invoking the distribution of wealth. Nevertheless, Ilsley claimed that he was asked to consider the possibility of imposing a ceiling on incomes, a point beyond which earnings would be taxed at a rate of 100%. In response to this idea – which only he raised in the debate – Ilsley replied that

There may be some political allurements in the principle of establishing by legislation an absolute limit on personal incomes, instead of adhering to the principles of progressive taxation even though at very high rates. I can only say that there have been too many difficult and far-reaching decisions to be made in framing this budget for me to give any consideration to its political adornment.<sup>22</sup>

The insistence that the budget was simply about trying to make sense of vast sums of money needed for vast and unavoidable endeavours, not to perform a kind of radical gesture as in 1917, was clear enough.

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<sup>21</sup> Ilsley, *Sharing the Cost of War*, p. 9.

<sup>22</sup> Ilsley, House of Commons, p. 3584.

Ilsley's remarks reflect a desire to present a new understanding of the Income War Tax, to make sense of its new gargantuan form in the light of current politics, and remove it from its previous associations. In contrast to the original passage of the Income War Tax, when opposition members tore into the government for the pallor of its approximation of the principle of 'conscription of wealth,' the Ilsley reforms were not an occasion for fiery statements about punishing the rich. Neither was the revised income tax, strong enough on its own to fund the pre-1914 Dominion budget many times over, greeted as a sure avenue to the abolishment of the tariff. The Dominion income tax was no longer an *idea*, no longer a repository of possible versions of itself. It was simply a tax. Now its modernity lay in the fact that it was so large and powerful, so universal. In his attempts to make that experience and idea normal, Ilsley was helping his audience understand the radical novelty in which they were living. As the tax increases became normal and the post-war world came into view, the question of what to do with the immense fiscal power that the provinces and the people had entrusted in the Dominion became central. The answer invariably referenced the cataclysmic memory of the 1930s, but it took a range of forms – a range speakers made sense of by mapping them on a spectrum from left to right.

#### **5.4 Political Parties and the Citizenship of Contribution**

The vertiginous prospect of universal income taxation that Ilsley had to meet as Finance Minister also confronted the political parties as they sought to define their appeals and their differences from one another. The immensity of the budget, the debt, the tax base

and the national revenue signalled a new era with new possibilities, one the parties had to evaluate as a station on the road to their own version of modern politics. There was a general consensus that the new tax regime had saved Confederation from the nightmare of the Depression in the 1930s, but the dream of the future was an object of division. The Co-operative Commonwealth Federation (CCF) in its pamphlets and speeches emphasized the need for greater equality of income and social status. It underscored that a truly equal society would operate on generally co-operative principles, rather than competition; ultimately, that is, the CCF wanted to replace capitalism with an entirely different economic system. In the short term, though, the CCF consistently called for greater and more progressive taxation to equalize income, even if the call was half-hearted in relation to their calls for a complete social and economic transformation. The CCF's popularity was tied to its willingness to use radical methods to establish social security, in contrast to the Liberals and Conservatives who had done little to alleviate the economic catastrophe of the 1930s while it was occurring. Even though it was not in power nor even the official opposition, the CCF was the party that seemed most clearly to be aligned with enthusiasm to transform capitalism through economic planning, and therefore the most connected to the popularity of the new tax regimes.

This was the opposite of the situation of the Conservatives, for whom the new tax arrangements created some discomfort and crisis. The increasing currency of the language of left and right made political analysis easier, but was awkward for Conservatives, who were acutely aware in the 1940s that being positioned on the right was a recipe for political oblivion. The possibility of using the state to effect some

equalization of incomes was very popular, so the left side of the spectrum was the implicitly favoured and sought-after position. The troubling prospect of becoming a superfluous fringe party to the right of the Liberals or a superfluous replica of the Liberals haunted Conservatives in the early 1940s. The problem and attempted solutions produced a lot of linguistic self-consciousness by conservative intellectuals, especially in *Saturday Night*. Out of this work came a new set of policies and ideals that reflect an attempt to bridge the divide between safeguarding capitalism and transforming it. The Progressive Conservative Party, which emerged alongside the new tax possibilities, embodied this attempt by reform-minded party intellectuals who sensed that it was time to adapt. Because of pressure from donors who were primarily interested in opposing the establishment of a permanent tax-and-spend regime after the war, the party was less eager to define itself in terms of its position on equality and taxation, and turned instead to a party identity that was purely modernist, and obfuscated as much as possible its differences from the other parties.

The need for clarity in political language was noted repeatedly in *Saturday Night* during the early 1940s. A letter from late 1943, which the editors titled “Words and Meanings,” pointed out that “Democracy, to function at all as a form of government, requires a citizenry capable of carrying on at least intelligible discussion.” This meant that there had to be generally agreed upon meanings and understandings of the terms involved. “When two people mean different things by the same word and are each determined to stick to their own definition of it,” the writer asked, “what hope is there for

intelligent discussion?”<sup>23</sup> At the same time, the editors were keen to not get too attached to static identities or labels, positive or negative. In an editorial in 1940 entitled “Names are Not Important,” B. K. Sandwell, the editor of *Saturday Night*, argued that fear of socialism should not serve as the basis for resisting important or necessary reforms.<sup>24</sup> This meant that one had to be both clear and subtle in one’s use of political terms. Intelligent stewardship of political language was a key responsibility of politicians, according to Sandwell. In another editorial the same year, he wrote that “... one of the most important functions of Parliament in relation to the people [is] ... formulating and clarifying the issues upon which the people are to choose between different groups of politicians who are asking for their support.”<sup>25</sup> This was crucial to the meaningful function of democracy in a parliamentary system. As Sandwell argued in 1942:

For the successful functioning of a parliamentary democracy it is essential that there should be an alternative political group ready to take over the government when the occupying political group ceases to command the support of the electorate. It is also important that the electors should know who that alternative political group is and what it stands for; since otherwise they are merely voting to throw the old group out and without any knowledge of what they are going to put in.<sup>26</sup>

For democracy to be meaningful, voters had to be able to choose between party banners that clearly differed from one another on the issues that mattered most to them.

The Conservative *Saturday Night* was particularly concerned about the Conservative party’s lack of political clarity. The party was disadvantaged in the early

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<sup>23</sup> Dudley A. Bristow, “Words and Meanings,” *Saturday Night* 59, no. 16 (December 25, 1943), p. 3.

<sup>24</sup> B. K. Sandwell, “Names Are Not Important,” *Saturday Night* 56, no. 13(December 7, 1940), p. 25.

<sup>25</sup> B. K. Sandwell, “Parliament’s Function,” *Saturday Night* 55, no. 15 (February 10, 1940), p. 3.

<sup>26</sup> B. K. Sandwell “The Conservative Problem,” *Saturday Night* 57, no. 38 (May 30 1942), p. 1.

1940s by being identified most clearly with the problems of the 1930s, and with the laissez-faire ideology that prevented government action to aid the unemployed. But it was also beset by an identity crisis, an uncertainty about where it fit. To be an effective party of a modern party system, Conservatives would have to distinguish themselves intelligibly from both the Liberals and the CCF, who were much better defined. “The make-up and tendencies of the C.C.F.,” the 1942 editorial claimed, “are fairly clear to the electors today: it is a socialist party with certain reservations in respect to the ‘family farm.’ The make-up and tendencies of the Conservative party are both thoroughly obscure, and it is highly desirable that they should cease to be obscure as soon as possible.”<sup>27</sup> The desirability of finding a role and a position that reflected the modern political situation was reflected in a number of calls for new political cleavages in the early 1940s. With the release of the Rowell-Sirois Report, for instance, and its calls for reforming the constitution to centralize taxing power in the Dominion, Sandwell noted that the recommendations might serve as a useful new measure for differences between the Conservatives and Liberals:

It would probably do no harm if the two major parties should be definitely differentiated from one another by their concept of the proper direction in which the constitution should trend. This would provide a much more permanent, vital and intelligible line of cleavage than the outworn differences about high and low tariffs, which has been becoming less significant with each succeeding year.<sup>28</sup>

This comment was made in passing, and contradicted somewhat the warm praise the Conservative magazine had for the report’s recommendations. However, it reflected a consistent desire to see the Conservative party define itself in modern ways and, more

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<sup>27</sup> Editorial, “Conservative Problem,” *Saturday Night* 57, no. 38 (May 30, 1942), p. 1.

<sup>28</sup> Editorial, *Saturday Night* 55, no. 22 (March 30, 1940), p. 3.

generally, to see a more modern and meaningful system of party differences adhered to in politics.

Positioning the party and reviving its fortunes were high ideals, made more difficult by the whole political culture. As discussions of how to make the party relevant continued through the early 1940s, commentators increasingly underscored the problem of the language of political differences. As one article in 1942 noted, “Neither the ‘Liberal’ nor the ‘Conservative’ party, as we have it today, fits the classical definition of Liberalism and Conservatism.” The parties did not represent what they once meant, or were believed to mean. It wasn’t just that the Conservatives were unclear; it was that the system of differences was unclear. “It is impossible to imagine anything more essentially ‘Tory’ than Canada’s present Liberal party” the writer argued, claiming that “that the waning of the Conservative party was due not so much to predominating left-wing sentiment in the Dominion as to the usurpation of Toryism’s historic place by the Liberals.”<sup>29</sup> If, as the writer noted, the differences between the parties was no longer meaningful – if the Liberals were in fact tory – on what basis did people vote? According to some authors, the force of memory, of what the party had once stood for rather than its current position, dictated party allegiance. “Emotional appeals divide us by resurrecting the past,” argued Armour Mackay in 1943.<sup>30</sup> Party sentiment was not about disagreement on issues, but a sense of shared belonging that no longer had any real social fact behind it. The time when “Canadians could be divided into two political groups, Liberals and

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<sup>29</sup> Henry Bayne Macdonald, “The Conservative Revival,” *Saturday Night* 57, no. 23 (February 14, 1942), p. 20.

<sup>30</sup> Armour Mackay, “Winnipeg Result Gives Us Time to Think,” *Saturday Night* 59, no. 20 (January 9, 1943), p. 14.

Conservatives,” was also a time “when you knew, or if you didn’t know you could soon find out the political creed of all your neighbours” and “when every substantial citizen of the village, town or city was known to be either a Liberal or Conservative. And you could drive up and down the rural concessions and point to this farmer and that and tell to what party he owed his allegiance.”<sup>31</sup> That the issues at stake had changed, and that these labels were no longer meaningful to people in the immediate way in which they had been a generation before, was often repeated. The meaning attached to the established political parties was becoming obscure, and differences that seemed crucial were losing force. Many commentators and correspondents would have agreed that the “Freedom to choose between a Liberal or a Conservative has become a joke.”<sup>32</sup> For proponents of the Conservative party, the challenge was to make their party meaningful in the modern political imaginary, to invest it with a new purpose by giving it a specific role and purpose.

In trying to define exactly what the purpose of the Conservative party would be in the modern political culture, *Saturday Night* contributors showed a growing comfort and familiarity with the left-right spectrum as a way of arraying political positions. The popularity of the CCF, and its effect on party system as a whole, was a common theme in comments on the future of Canadian politics, and on how parties would compete for popular support and power. Contributors to the magazine generally believed that “Canada seems to be dividing itself into two main groups, both of whom want abundant living,

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<sup>31</sup> A. C. Forrest, “Political Agnosticism Big Factor in C.C.F. Rise,” *Saturday Night*, 59, no. 4 (October 2, 1943), p. 8.

<sup>32</sup> J. E. DeWolf, “Too Narrow Freedom,” *Saturday Night* 57, no. 48 (August 8 1942), p. 2.

wider enjoyment of the fruits of democracy for all its citizens,” but that “one group hopes to bring about the better order through regulated capitalism, the other plumps for socialism.”<sup>33</sup> Given this reality, “the proper task of the Conservative party,” as J. L. Granatstein argued, “was to concentrate on scuppering the C.C.F.”<sup>34</sup> Whether this task was better accomplished by being strong or being weak – or disappearing altogether – was the question. All options were apparently on the table. An editorial from 1942 asked “those ... who wish to maintain the private enterprise system” to consider “whether they can do this best by sinking their party identity in that of an anti-Socialist party combining elements from all the existing non-Socialist parties, or by continuing an independent existence as a middle-of-the-road party prepared to support moderate measures and to veto extreme measures whether they come from the Left or from the Right.” The editorial expressed concern that the first option, an anti-socialist coalition of Liberal and Conservative, would be read as reactionary and potentially play into the hands of the CCF. “On the other hand,” it concluded, “if Socialism is the real issue there seems little use in a division of parties which takes no cognizance of it.”<sup>35</sup> Sandwell and the majority of *Saturday Night* contributors favoured another solution, however. As early as 1940, the editor was arguing that “the proper position for the Conservative party to take is one well to the left of Liberalism.”<sup>36</sup> A few weeks later, another contributor claimed that “There is no room for the Conservative party to the right of the King government.” The Liberals’ investment in social security and commitment to preventing a return of the economic

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<sup>33</sup> Corolyn Cox, “Bialystok-McGill-Oxford-Ottawa,” *Saturday Night* 58, no. 30 (April 3, 1943), p. 2.

<sup>34</sup> J. L. Granatstein. *The Politics of Survival: The Conservative Party, 1939-1945* (University of Toronto Press, 1967), p. 150.

<sup>35</sup> Editorial, “Winnipeg and Socialism,” *Saturday Night* 58, no. 11 (November 21, 1942), p. 8.

<sup>36</sup> B. K. Sandwell, “The Conservative Party,” *Saturday Night* 55, no. 23 (April 6, 1940), p. 3.

catastrophe of the 1930s was so minimal, he argued, that positioning the party between the Liberals and the CCF was the more viable solution. “Where can the Conservative party go, then,” he asked, “but to the left of the Liberal party?”<sup>37</sup>

The fear of a two-party system in which one party favoured socialism and another capitalism was a major motivating force in trying to dream up a purpose for the Conservative party in the new political situation. Again, this concern was expressed in left-right terms, and reflected a growing familiarity with that way of describing political differences. J. M. Macdonnell, a Conservative strategist who was keen on reforming the party, was particularly vocal in his concern about “a two-party cleavage in Canada in which the two parties would be strongly Right and strongly Left respectively,” in which case “the party system would be unable to function” in its normal parliamentary fashion.<sup>38</sup> In 1942, Macdonnell asked *Saturday Night* readers, “Is it conceivable that every few years we do something equivalent to changing our whole economic system?” He argued that

a union of the two old parties, leaving two parties, a party of the Right, the result of a fusion between Liberals and Conservatives, and a party of the left, the C.C.F. ... would create a situation where the wide gulf between the philosophies of the two parties thus formed would ... make the party system unworkable and, worse still, would produce an economic civil war.<sup>39</sup>

In a private letter to another Conservative, Macdonnell elaborated on this theme, saying that

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<sup>37</sup> L. L. L. Golden, “Conservative Party – Which Way?” *Saturday Night* 55, no. 25 (April 20, 1940), p. 10.

<sup>38</sup> Editorial, “Party or Rebellion,” *Saturday Night* 57, no. 44 (July 11 1942), p. 3.

<sup>39</sup> J. W. Macdonnell, “Can We Return to Freedom?” *Saturday Night* 57, no. 44 (July 11 1942), p. 7.

If we disappear ... we then open the way to a lamentable situation. The C.C.F. will become the Opposition. They will attract the Leftist elements. All others, and particularly all reactionaries, will congregate in the other Party and we shall have a class war ... If one is an out and out socialist, the other an out and out individualist, a general election means in effect a revolution.<sup>40</sup>

Using the language of left and right, Macdonnell was arguing for the continuation of the Conservative party as a bulwark against an overly stratified party system that would mean the end of parliamentary democracy. Editorials in *Saturday Night* essentially endorsed this view, lending support to the importance of maintaining two strong national parties opposed to the CCF. But if the Conservative party was to play a role reversing the trend towards socialism, it had to offer something that suggested change to voters, or its continued existence would perilously draw support from the Liberals and bring the CCF to power.

Concerns like those expressed in *Saturday Night* about the prospects of a two-party system dominated by the CCF were the primary motivating factor in the modernization of the Conservative party in 1942. In the course of a few months, after veering sharply to the right under the *de facto* leadership of Arthur Meighen, the party adopted an unofficial platform that reflected the desires of Conservatives to position themselves “to left of the Liberals,” changed the name of the party, and absorbed a new leader from outside the party. All of these efforts were evaluated and discussed in *Saturday Night* in the language of left and right, with implicit or explicit reference to an agenda of social programs designed to moderate income inequality. The party’s

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<sup>40</sup> Macdonnell letter to Hanson, March 24, 1942, cited in Granatstein, *The Politics of Survival*, p. 126.

modernization was demonstrably a response to a new political imaginary that defined political differences along a left-right axis – an imaginary that arose in response to the threat and promise of income taxation.

The modernization began with a policy conference held at Port Hope in September of 1942. A self-selected group of Conservative party members who favoured moving the party towards a policy of support for the welfare state met and drafted a set of policy statements. Since none of the attendees were party leaders, the Port Hope policies were unofficial, and quickly became a subject of debate in the party. *Saturday Night* greeted the Port Hope development as an important and promising step in repositioning the party. Showing a fluent familiarity with the left-right spectrum, the editor exulted in the knowledge that “It will not, after Port Hope, be possible for the Conservative party to attempt to insinuate itself to the Right of the Liberals.” The clear purpose of the party after Port Hope, he argued, “is to seek public approval as a party somewhat further Left than the Liberals but not so disturbingly Left as the C.C.F.”<sup>41</sup>

The next stage in the transformation of the Conservative party was a convention held at Winnipeg in November, at which the general direction of the party implicit in the Port Hope declaration was given official force. At the centre of activity in Winnipeg was John Bracken, a long-time premier of Manitoba who had ruled the province throughout the 1930s, despite the economic and constitutional crisis that occasioned the defeat of every other provincial premier. A long-time member of the Progressive party, Bracken

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<sup>41</sup> Granatstein, *The Politics of Survival*, 134.

owed his political survival to his fondness for and deftness at parliamentary coalitions, and was widely respected as an intelligent non-partisan political reformer. Bracken was pursued by the Conservative party leadership leading up to Winnipeg and ultimately agreed to stand as leadership candidate provided the party change its name to Progressive Conservative, a label he could more comfortably and convincingly champion. In one day, therefore, the party was renamed and absorbed a new leader who was previously identified with a very different political outlook.

There was a lot of excitement about Bracken himself. He was described by one contributor as “a national solvent” who would clean up Dominion politics and get it working again.<sup>42</sup> The name change brought mixed responses, often from a single commentator. Stephen Leacock claimed in advertising copy he wrote and signed endorsing Ontario Conservative leader George Drew that adopting Progressive Conservative as the party label amounted to “recognizing a thing in name after it has long existed as a fact.”<sup>43</sup> A few months before, though, Leacock had spoofed the name with a humorous tale of a party meeting in which the members were trying to find a name that “would mean progressive and yet mean conservative” but “couldn’t get it.” The group had tried “both the name Forward Party and the name Backward Party, and ... the name Backwards-and-Forwards Party.” Eventually someone suggested “the title *The Non-Party Party*” and everyone jubilantly agreed.<sup>44</sup> Given Bracken’s background in the Progressive

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<sup>42</sup> Armour Mackay, “Winnipeg Result Gives Us Time to Think,” *Saturday Night* 58, no. 20 (January 9, 1943), p. 14.

<sup>43</sup> Stephen Leacock, “George Drew and Conservatism,” *Saturday Night* 58, no. 55 (July 24, 1943), p. 11.

<sup>44</sup> Stephen Leacock, “Optimism for Wartime: Good News! A New Party!” *Saturday Night* 58, no. 28 (March 20, 1943), p. 16.

party, a grouping that defined itself to a large extent by its refusal to behave like a political party, and whose meaning was generally applied to mean non-partisan, this was an apt punchline.

Installed as the new leader of the renamed party, Bracken began the difficult process of defining what it meant. This was a delicate matter, since it involved reconciling nearly antithetical strains and traditions, and yet being intelligible to voters. The party had been defined in recent years in part by the fierceness of its commitment to free enterprise; while the Bracken leadership, building on the Port Hope conference and Bennett's New Deal, hoped to get beyond this association, it could not sever these bonds entirely, partly because the personnel and structure of the party had not changed and partly because there had been considerable popular support for the Conservative party in previous elections that might shift to the Liberals if the new party became too adventurous in embracing alternatives to traditional liberal capitalism. In re-framing the party's position in the aftermath of the name change, Bracken had to be progressive without being too un-conservative, had to steer the party out of the right wilderness without landing on the left.

Bracken finessed his party's position on the left-right spectrum, in large part, by invoking modernism, casting his party as the one that would renew free enterprise by clearing away the past. Rejecting both the traditionalist and reactionary position of the established right, that is, Bracken hoped to replace the CCF as the party of the future by associating free enterprise with modernity. In a speech in 1944, he said, "We are out to

make the Progressive Conservative Party the party that will sever the bonds which tied us to scarcity in the past and release the forces that will give us abundance in the future.”<sup>45</sup>

Implicitly addressing the contention, arising out of the 1930s, that capitalism was exploitative and dehumanizing, Bracken said that “We must save the driving force of our system, but the system must be made to yield full results in human welfare.”<sup>46</sup> Echoing Ilsley’s 1942 budget speech, Bracken claimed for his new party the role of modernists, freeing the economy from the constraints of the past, opening the way to the unimaginable future. The party, he said

is the answer of those who would set our present economic system free from the ignorance and limitations of the past, change it from the restrictive economy we have known, and turn it into an expanding economy which will make possible the production and distribution of material, goods and services on a scale never before considered possible by man.<sup>47</sup>

In invoking his vision of the party as the embodiment of modernity, he seldom if ever pointed to any specific policies that would express this position. Indeed, Bracken’s position was precarious from the start, because his party would never support any substantial deviation from its traditional positions; his role was almost immediately reduced to being a palatable figurehead for what was, in the context of the public values of the 1940s, an unpalatable party.<sup>48</sup> His public statements are interesting and relevant not as reflections of actual policies, but as windows into the political rhetoric of the 1940s. For example, when, in the same speech in 1944, Bracken asked rhetorically whether

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<sup>45</sup> John Bracken, *The Party – Its Future* (Ottawa: Progressive Conservative Association of Canada, 1944), p. 4.

<sup>46</sup> Bracken, *The Party*, p. 1.

<sup>47</sup> Bracken, *The Party*, pp. 5-6

<sup>48</sup> Granatstein, *The Politics of Survival*, p. 63.

voters would be convinced of the party's legitimate shift away from a previous reactionary stance, he answered that

We will convince people of this truth when we convince them that we believe in the right of the people to the full use of the greater production of goods and services that we can now produce from our natural resources; and when we can convince them that we believe in the right of the people to a more equitable distribution of that production on the basis of more fair rewards for work done and service given.<sup>49</sup>

Bracken was trying to convince people to vote against a party that was campaigning on transforming the Canadian economy substantially to make it operate on principles of public service rather than greed. In responding, Bracken offered a vision of a more equitable society in which everyone had a right to share in the fruits of a modernized economy. This, as vague and apologetic as it was, was what passed for a right-wing position in the context of the 1940s.

In contrast to the focus on modernity and the attempt to downplay right-wingism in the Progressive Conservative position, the Cooperative Commonwealth Federation was more blunt in the 1940s about its place on the left-right spectrum. Like the PCs, the CCF was struggling with identity issues, having entered the decade with a confusing division in the leadership over the question of Canada's participation in the war. But the CCF enjoyed the comparative advantage that their program of a planned economy under democratic rule was broadly felt to be the blueprint for the future, even by people who were unsympathetic to it. This consensus gave the party confidence in stating its position openly. The memory of the 1930s again played a part in that the CCF was seen as the

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<sup>49</sup> Bracken, *The Party*, p. 3.

party most likely to effect a clean break with the past of unregulated and insecure capitalism, a promise the Liberals and PCs could only offer half-convincingly. At the same time, residual fear of socialism required that the party be careful with its rhetoric and package its socialism as reasonable rather than extreme. Although the party ultimately proposed nationalizing industry and instituting a planned economy, income taxation, with its easy promise of equalization of wealth without revolution, was key to the way the CCF defined its immediate agenda.

This crucial role for income taxation in the party's immediate, but not ultimate, policy goals was expressed in a number of ways. Most directly, in the CCF's 1943 policy handbook, *Make This Your Canada*, David Lewis and Frank Scott proposed that "All incomes above three thousand should continue to be taxed at the present rate and to this should be added the recommendation of a ceiling on income" – the 100% tax rate declined by Ilsley as too political.<sup>50</sup> Slightly less directly, the 1944 pamphlet *What is Democratic Socialism?* said that, under a CCF government, social services "designed to provide equality of opportunity for all citizens" would, in the immediate future, be paid by "heavy taxation on high incomes and inheritances." However, this would only be during "the period of transition from a capitalist society," following which "the revenue for social security will come from socialized industry."<sup>51</sup> Clearly, the CCF was not interested in being merely a taxing-and-spending government, though that would be the acknowledged first step. Party leader M. J. Coldwell, echoing these sentiments in *Left*

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<sup>50</sup> David Lewis and Frank Scott, *Make This Your Canada: A Review of CCF Policy and History* (Toronto: Co-operative Commonwealth Federation, 1943), p. 181.

<sup>51</sup> Carlyle King, *What is Democratic Socialism?* (Ottawa: CCF National Office, 1943), p. 21.

*Turn, Canada* (1945), called on the citizenship of contribution: the Dominion was taxing heavily already to pay for the war, he said:

Since the war began and up to and including 1944, we have appropriated seventeen and one-half billion dollars in our various wartime budgets. This is nearly two-thirds of the value of everything we included in all the wealth of all the people of Canada in the year 1927.<sup>52</sup>

The awesome fiscal capacity this demonstrated was important, Coldwell pointed out, for the possibilities it suggested for avoiding a return to 1930s social conditions through public spending on social programs. However, Coldwell cautioned, invoking the memory of the 1930s, no substantial change had been made to the Canadian economy other than the massive increase in tax revenue. Unless public spending was applied thoughtfully to remedying social problems likely to undermine the economy after the war, there was no certainty that the bad old days would not recur. As Coldwell said, “If the present system continues, with the present lack of planning for the future welfare of the country and its people, Canada will again face unemployment, deflation, and financial and economic depression.”<sup>53</sup> High Dominion taxation was only a preliminary step, one that opened up the possibility of funding comprehensive social services, but not in itself a solution to the social crisis of capitalism.

Underlying the CCF endorsement of the high taxation introduced at the Dominion level to pay for the war was the ‘billions for peace’ argument: that, in the words of Coldwell, “a nation which can spend billions for war must spend millions for peace, to

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<sup>52</sup> M. J. Coldwell. *Left Turn, Canada* (Toronto: Duell, Sloan and Pearce, 1945), p. 144.

<sup>53</sup> Coldwell, *Left Turn, Canada*, pp. 145-146.

improve the spiritual, cultural, as well as the economic condition of the people.”<sup>54</sup>

Invoking the memory of the 1930s, commentators from various political positions drew attention to the double standard that applied to spending for military necessity versus social necessity, and inferred that popular opinion would not stand for a return to pre-war parsimony from the federal government. In his speech defending universal taxation to the Trades and Labour Congress, for example, Ilsley proclaimed the importance of devoting the equivalent social investment to social security after the war as was being devoted to the war:

We must conceive and carry out social insurance with the same boldness and thoroughness with which we have raised the income tax for war purposes. We must have the same courage and faith in financing useful peacetime development as we have had to apply in financing the war. We must retain the confidence that we have gained in the war, and shake off forever the frustration which fell upon us in the 1930s.<sup>55</sup>

There was nothing in Ilsley’s speech to suggest what precisely the government would do with its peace billions, nor even any particular priority for social spending, but the general concept that wartime taxation levels would be applied long-term to preventing another economic catastrophe like the 1930s is clear. Similarly, Sandwell noted in *Saturday Night* at the start of the upward slope of wartime taxation that

The most widespread source of bewilderment among ordinary Canadians today is, I am confident, the fact that a nation which could not, five years ago, raise the necessary money to put a few thousand unemployed citizens to work on producing things which would add to the health, comfort and happiness of the whole population, is now able without difficulty to raise vastly greater sums to put a few thousand citizens to work fighting Germany and provide them with very expensive implements of destruction

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<sup>54</sup> Coldwell, *Left-Turn Canada*, p. 188.

<sup>55</sup> Ilsley, *Sharing the Cost of War*, p. 2.

with which to diminish the health, comfort and presumably also happiness of Germany.<sup>56</sup>

The Conservatives of *Saturday Night* shared with the Liberal finance minister and the socialists of the CCF the belief that something was wrong with a society that refused to tax in order to spend on social welfare. Sandwell was more doubtful that people would have accepted 1940s level of taxation in the 1930s, but was equally insistent that times had irrevocably changed. When Leonard Marsh, a social scientist and civil servant with ties to the CCF's brain trust League for Social Reconstruction and the Liberal mandarin, released a report calling for major federal investments in social security in 1943, another *Saturday Night* contributor wrote that taxpayers already exposed to high levels of taxation would have no difficulty with the cost of the programs. He wrote:

With the country acclimated to budgetary expenditures of around four billions for war purposes, little popular objection is anticipated for an expenditure of a quarter of that amount for peacetime protection of the people from economic insecurity as proposed by Dr. Marsh in his rough outline of a social security program. With Parliament appropriating around fifty per cent of the national income to defence from external enemies, resistance to the outlay of a quarter of the sum for provision against internal want is not likely to be very strong.<sup>57</sup>

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<sup>56</sup> Sandwell, "War Gets Things Done," *Saturday Night* 56, no. 28 (March 22, 1941), p. 14.

<sup>57</sup> G. C. Whitaker, "No Security Legislation This Winter," *Saturday Night* 58, no. 29 (March 27, 1943), p. 9.

Clearly, a wide consensus existed, and extended across political differences, that income taxation was about financing social spending. This link between taxing and spending was the basis for new left-right political differences that people were using with increasing sophistication and confidence.

That the CCF's policies best reflected the overall public mood was expressed most often, by party sympathizers and critics, with reference to the left-right spectrum. While there were references to socialism, and to a drift towards socialism, in general what was noted was a more amorphous predilection for which the notion of a spectrum was a more useful instrument. The title of Coldwell's 1945 book, for instance, *Left Turn, Canada*, implied a general swinging of the public mind, as a descriptive but more importantly a prescriptive utterance. An article in *Saturday Night* from 1944 similarly was titled "Is the Commonwealth Swinging to the Left?"<sup>58</sup> Another author a year earlier linked the C.C.F.'s popularity to "political agnosticism," arguing that the apparent radicalism of the public imagination was more accurately an invitation on the part of an open-minded electorate to be wooed by a party's promises. "Politically," he said, "Canadians may be divided into radicals, reactionaries and political agnostics, and the party or political leader who can catch the imagination and win the support of that last group should be able to determine Canada's future political policy." Though he rejected the thesis of a leftward drift, the author still saw modern political difference as more fluid, and more based on specific appeals, than previous party differences, which were fixed and social. And even this dissent was phrased ultimately as the emergence of a

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<sup>58</sup> Stanley McConnell, "Is the Commonwealth Swinging to the Left?" *Saturday Night* 59, no. 48 (August 5 1944), p. 26.

spectrum: “Today a more exact division would be: those on the right, the reactionaries; those on the left, the radicals; and those in between, the fence-sitters. And how the fence-sitters have multiplied!”<sup>59</sup> Political difference was increasingly understood as being arrayed on a left-right spectrum, and people were aware of the novelty of such an understanding.

The sense that high levels of taxation were to be permanent and that the governing Liberals had to take some steps to undermine the CCF’s strong position as the party that would decisively woo the electorate with its ambitious visions of planned economies led to intense anticipation of government action in the mid-1940s. The release of the Marsh report calling for federal investment in social programs in March of 1943 increased this anticipation, though no action immediately followed.<sup>60</sup> More than a year later, G. C. Whitaker wrote in *Saturday Night* that “Canadians at large are decreasingly trustful of the old parties, if not to the old order itself, [and] large numbers of them all over the country are looking towards the end of the war for pie in the sky.” Whitaker cited a poll in which four out of five respondents said they wanted a different kind of society after the war. Prime Minister King, he said, can “read the writing on the wall and must even now be drafting an answer to it.”<sup>61</sup> Finally in the summer of 1944, the government introduced legislation to create a federal family allowance, to be paid on a per-child basis directly from the Dominion treasury to mothers; although there was some grumbling from

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<sup>59</sup> A. C. Forrest, “Political Agnosticism Big Factor in C.C.F. Rise,” *Saturday Night* 59, no. 4 (October 2, 1943), p. 8.

<sup>60</sup> Owram, *The Government Generation*, p. 291.

<sup>61</sup> G. C. Whitaker, “What New Strategy Will King Adopt to Meet the CCF?,” *Saturday Night* 59, no. 42 (June 24, 1944), p. 8.

Bracken and other Progressive Conservatives, the legislation quickly passed unanimously in the House of Commons. The most expensive thing ever undertaken by the Dominion other than the Second World War itself, the Family Allowances Act was the first universal social program, and the first to be funded by universal income taxation.<sup>62</sup>

Family allowances, for better or worse, filled the gap in terms of what unprecedented levels of taxation were for, and what they could do. Although Marsh and other proponents of social reform were lukewarm on family allowances,<sup>63</sup> they clearly reflected the general spirit of the age in providing “a ‘floor’ of minimum provision, ... providing a firm foundation on which to build an equitable structure.”<sup>64</sup> They also represented the Liberal party’s bid for displacing the CCF as the party of post-war social development and, in the words of a *Saturday Night* editorial, took the party “far to the moderate left, not too far from the moderate right.”<sup>65</sup> Coupled with the income tax expansion earlier in the 1940s, family allowances for the first time created a permanent, peacetime justification for high taxation, and allowed people to make sense of the modernity of universal taxation by tying it to an equally vertiginous spending project – the essence of the citizenship of contribution.

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<sup>62</sup> Raymond B. Blake, *From Right to Needs: A History of Family Allowances, 1929-92* (Vancouver: University of British Columbia Press, 2009), pp. 98, 104. Family allowances, Blake argues, “exceeded any previous peacetime administrative organization in both size and scope.” (125)

<sup>63</sup> Owram, *The Government Generation*, p. 311. Owram argues that the introduction of family allowances reflected the victory of macro-economic planning over social welfare priorities in reconstruction. (pp. 310-315)

<sup>64</sup> Anne Fromer, “Social Security for Canada,” *Saturday Night* 58, no. 28 (March 20, 1943), p. 6.

<sup>65</sup> Granatstein, *The Politics of Survival*, 165.

Family allowances, then, clarified what universal income taxation was for, by providing an example of the kinds of spending Dominion revenue from universal taxation could fund. Beyond their political resonance, the federal taxing and spending innovations were also discussed by *Saturday Night* in terms of their cost to individual taxpayers and also, more abstractly, to capitalism itself. The cartoons on the financial page, in particular, often demonstrated a more worried and less enthusiastic attitude towards extravagances of taxing and spending. One cartoon from March 1943 (the same issue in which Marsh's recommendations were announced) showed a beaming John Q. Public embracing an apparent gift of social security from a Government dressed as Santa Claus, who ominously holds a bill, which will be presented next, in his other hand. (Figure 9)

The message of the cartoon was that social security was tied inextricably to increased taxation. This message was repeated later when family allowances were introduced. When family allowances were first discussed in *Saturday Night* in 1941, the author stated flatly that "The first question that will be asked about family allowances is what they would cost."<sup>66</sup> By the time they were introduced three years later, of course, the high levels of taxation necessary for the war had transformed people's expectations of what costs could be borne. Still, a cartoon depicting a nervous and rattled taxpayer watching as a stork drops yet another burden in his baby carriage (Figure 10) made the point that

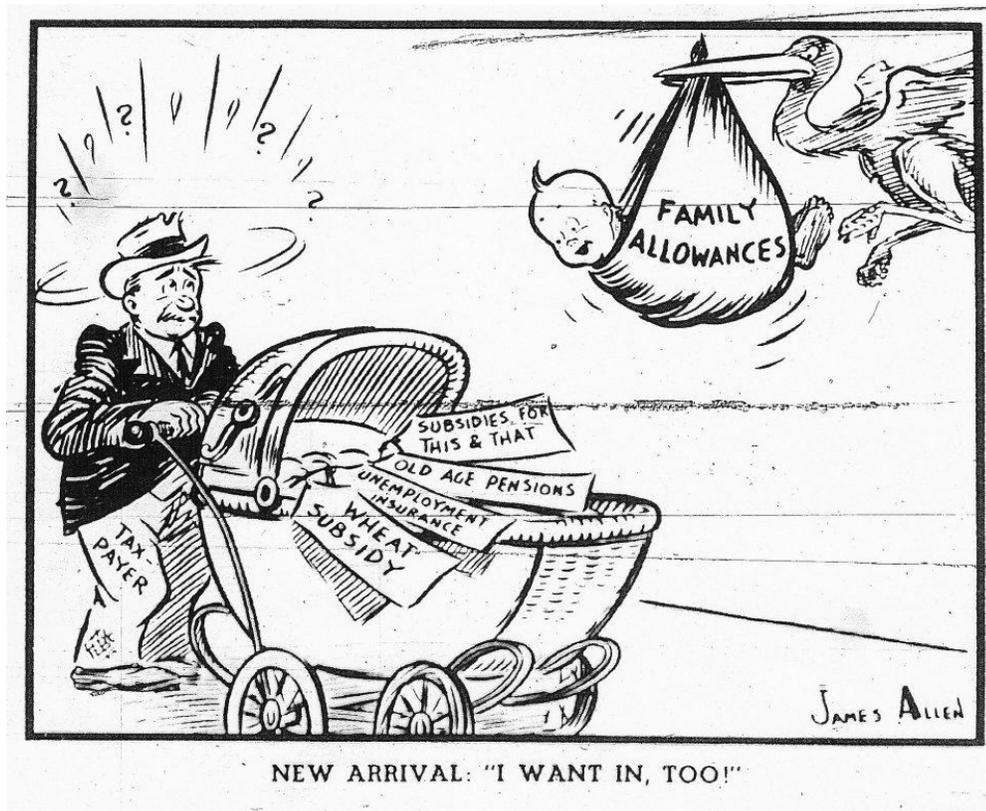
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<sup>66</sup> Henry Somerville, "The World Movement for Family Allowances," *Saturday Night* 56, no. 40 (June 14, 1941), p. 15.



**Figure 9: The Cost of Social Programs I**

“A Bill to be Paid,” a cartoon by James Allen from the financial section of *Saturday Night* shows a man joyously receiving what appears to be a wonderful gift, when in fact he is about to be presented with a sobering bill. The images suggested that John Q. Public was easily impressed by government generosity, and paid little attention to what was behind it: taxes. The financial page of *Saturday Night* regularly ran articles, editorials and cartoons that were critical or dismissive of public support for tax-funded welfare state proposals. Source: *Saturday Night* 58, no. 29 (March 27, 1943), p. 37.



**Figure 10: The Cost of Social Programs II**

“A New Arrival,” a cartoon by James Allen from the financial page of *Saturday Night* show an anxious man watching Family Allowances being added to his burden. The taxpayer is dressed in a three-piece suit, indicating wealth, but his clothing has become quite worn out, suggesting he has hit hard times. He is also represented as very clearly old and male, perhaps to underscore the ridiculousness of his having to care for babies. In contrast to John Q. Public in Figure 9, this taxpayer does not appear to have any sympathy for social spending, which he feels only as a burden. The financial section, where Allen’s cartoons appeared, expressed a much more cautious and nervous position on the emergence of a tax-funded welfare state than the political pages edited by B. K. Sandwell. Source: *Saturday Night* 59, no. 6 (October 16, 1943), p. 45

social programs were expensive, and meant hardship for the taxpayer. Even in presenting a cautious view of taxing and spending innovations, these representations drove home the message that taxation was for social spending, separating it from the cost of the war.

At the end of 1945, the government introduced a *White Paper on Employment and Income*. Released by the Minister of Reconstruction, C. D. Howe, it signaled the government’s intention to amend but not reverse the political economy of war when

hostilities ended. Tax rates would be lowered from their punishing wartime levels to encourage investment, but the government would continue to use its tax power to direct economic activity and, crucially, prevent catastrophic 1930s-style levels of unemployment. The *White Paper*, coming after Ilesley's marking of the novelty of high taxes, gave universal income taxation a legible and permanent purpose. The role of income taxation, for a government committed to a rhetoric of cautious reform, was to moderate unhealthy and dangerous extremes in the economy.

As J. Harvey Perry and others have noted, the *White Paper* signalled a fundamental shift from finance to economics in treasury questions: a tax measure was used as much to influence economic behaviour and effect a social policy outcome as to raise money. This shift, rather than being simply a wartime tendency, continued into the post-war period. After the war, when the need for government spending was less acute and more open to debate, and when popular support for high levels of taxation was less immediately forthcoming, budgets got smaller. But they never returned to their pre-1930s size, nor any size that could be funded by anything other than a graduated income tax.<sup>67</sup> Just as important was the shift to taxation of personal income as the core of the tax system. Personal income taxation became the form of taxation most felt by Canadians, other than those with very low incomes, who are exempt even from universal income tax. It remains the form of taxation upon which our implicit understanding of the political spectrum rests. Paying income tax is at the centre of our practice of modern citizenship, and was put there in the early 1940s.

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<sup>67</sup> Perry, *Taxes, Tariffs, and Subsidies*, pp. 384-385.

Over the decades that followed, Perry's judgment has become a historiographical truism. The *White Paper* is widely seen as the announcement of a changed perspective on the role of the federal government, and of the effects of its taxation, in the wider economy and society. Rather than simply paying for costs necessary to the bare functioning of the state apparatus, taxation becomes a central instrument in a new social practice of interventionist government policy. Where taxation was previously thought of as a financial necessity, with the *White Paper* it became an instrument of economic management. The government will adjust its levels of taxation to effect changes in the economy and, in particular, to manage the levels of unemployment. Although scholars are divided on the extent to which the *White Paper* committed the government to a policy of full employment or even reflected a truly Keynesian commitment to using the state to manage the economy, the more general argument that the government had announced a permanent change in the way it understood the effects of its tax measures is widely accepted.<sup>68</sup> As Perry says, this changed role arose out of the experiments in war finance and planning for post-war reconstruction, but was undeniably a legitimization of the more active role envisioned for the federal government in managing the economy through a centralized income tax envisioned in the report of the Rowell-Sirois Commission.<sup>69</sup> It reflected a new vision for the role of the state's fiscal capacity: interventionist, not apologetic; economic, not just financial.

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<sup>68</sup> Owram, for one, argues that the *White Paper* showed the extent to which "the expert had triumphed in Ottawa" and demonstrated that "the state was committed to a set of policies and expenditures unprecedented in Canadian history." (317)

<sup>69</sup> Perry, *Taxes, Tariffs, and Subsidies*, p. 382.

What Perry did not say is that characterizing the Dominion income tax as a rudder for the national economy amounted to a demotion from the ways it had been seen previously. For the three decades leading up to the *White Paper*, a Dominion income tax had been understood in various ways as a fundamentally political instrument, not a narrowly fiscal one. Critics of the rhetorical effects of tariff understood bitterly the centrality of taxation to electoral politics, and longed for a clearer tax as the basis of a clearer system of differences. The report of the Rowell-Sirois Commission, as we saw in Chapter 3, proposed a Dominion income tax of the kind that the Income War Tax became in the early 1940s. One advantage, the Commission pointed out, was that it could serve as a more transparent expression of the policy intentions of the governing party. Rather than being an important instrument with which the federal government could rationalize investment and stimulate growth, for most of its history the Income War Tax was seen as an instrument that could rationalize our political thought and stimulate our sense of the politically possible – a political instrument rather than simply an economic one. Throughout the early decades of the twentieth century, income taxation was cast as the solution to the inequities of the tariff system, and also the engine of a new, modern, clearer system of political differences. If in the post-war era Perry and others could remark, awed and impressed, at the role to which the *White Paper* had assigned the taxing authority, this was because income taxation had become so central, and the political modernization it was expected to effect so clearly underway, that that greater and more abstract role was no longer worthy of comment.

## 5.5 Conclusion

In the first few years of the 1940s, the Dominion fiscal capacity expanded dramatically. Inspired by the report of the Rowell-Sirois Commission, which had envisioned a single, legible and coherent taxing authority as the solution to the constitutional and fiscal crisis of the 1930s, and made necessary by the intransigence of some provinces in opposing a plan that would see the Dominion tax their citizens to pay for social services in other provinces, the Dominion's unilateral occupation of the entire income tax field was a revolution in public finance. By massively expanding the population of those taxed and the sheer amount of revenue coming in to the Dominion, it opened new vistas of political possibility that had to be made sense of, in the short term by the cost of the war, and in the longer term by a range of partisan visions of the role of a newly powerful federal taxing power in crafting a post-war society.

The modernist 'break with the past' of universal income taxation and previously unimagined federal spending power had to be made intelligible by the various parties vying to be given control over the immense power represented by the Dominion fiscal state. For the democratic socialists of the CCF, the most direct inheritors of the tradition of political modernism that had been pushing for a powerful direct tax since 1910, the immediate plan was simple: use the taxing power to effect an equalization of incomes by spending on social programs. The governing Liberals demonstrated how this approach worked with the introduction of the Family Allowances in 1944, but otherwise cautiously

controlled the extent to which taxation undermined free enterprise. The Progressive Conservatives struggled with their position on the spectrum of possibilities, and sought as much to obfuscate as to clarify what they would do post-1945 if elected. More importantly, all parties, and all political actors, increasingly used the left-right terminology as a shorthand for their relationship to the citizenship of contribution.

By the mid-1940s, when the *White Paper on Employment and Income* was released, no one invested income taxation with very much imaginative heft. In a sense, the tax became irrelevant intellectually, as an object of political fantasies, once it was established as a blunt and overpowering fact of life. Once it was powerful as a tax, that is, it quickly lost its power as a possibility. Income taxation swiftly reverted to its contemporary status as a dull and shadowy burden, and the expectations it had been invested with either became redundant or were absorbed in the partisan melee – the left-right spectrum of modern political differences. The first half of the 1940s, when income taxation became a universal obligation and the parties struggled to make sense of it and their intentions with regard to its possibilities, is the end of the period of active modernization of politics and the beginning of what we recognize as modern politics itself.

## Conclusion

A modern political imaginary, a new way of representing political difference, emerged in the first decades of the twentieth century. Where previously people had identified themselves as Liberals or Conservatives, on the basis of their attitude towards British nationalism, after 1945 they were more likely to position themselves and their political attitudes along a spectrum, left to right, on the basis of the extent to which they wanted the state to intervene in the distribution of income. The Dominion two-party system, tied to the nationalist appeals of the protective tariff, had been replaced by a multi-party system in which various possibilities for using the treasury to affect the distribution of income were presented to the electorate. Income taxation did not exactly replace the tariff – it was a small part of the Dominion’s total revenue, which relied overwhelmingly on the tariff, when it was introduced in 1917 – but the possibilities it suggested slowly displaced the tariff as the primary basis of political differences in Dominion politics. By the time income tax became a universal and defining fact of political life, and the potential basis for large-scale social programs, the left-right spectrum was the most common method of imagining the field of political difference.

This new imaginary arose to some extent from conscious rhetorical invention that sought to expose the limitations of the tariff-defined two-party system inherited from the 19<sup>th</sup> century. At first the critique took the form of a people’s enlightenment that set out to energize or else eliminate the party system. Organized farmers and organized industrial

workers entered into electoral politics forcefully in the 1910s, first as critics of the parties hoping to influence the Liberals in particular to take up a position against the tariff, and later as founders of third parties. These groups forcefully undermined the nationalist imagery of the tariff by characterizing it as exploitative and regressive, changing the politics of taxation, and re-framing politics as being between the old political parties on the one hand and the people broadly on the other. By 1921, by the time farmer- and labour-identified third parties held seats in the Dominion House of Commons and power in some provinces, the old party labels had been significantly displaced as meaningful poles of political difference – a victory for those who saw them as corrupt, misleading, and hopelessly anachronistic.

In place of the old party labels, people began to use other language by the 1920s and 1930s, at first cautiously and uncertainly and with explicit reference to the novelty of third parties, but with growing confidence. Reformers, faced with unprecedented problems of economic dislocation and fiscal collapse, had inequality on the brain when thinking of what a new, more transparent system of difference could be anchored to: a new citizenship of contribution that provided an abstract and universal burden of fiscal responsibility that could be used to fund redistributive social programs. By the 1940s, when the Rowell-Sirois commission report served as inspiration for a radical increase in the Income War Tax, left and right were being used fluently by speakers to make sense of a crowded field of possibilities.

The development of income taxation at the Dominion level in Canada, then, far from simply being a technical tale of forms and figures, is in some sense a story about democracy, a social, cultural, and intellectual history of how people set out to transform political rhetoric by shifting the burden of public finance onto what they believed was a more supple and intelligible – to say nothing of fairer – form of tax. Accounts of the transformation of Dominion politics in the 1930s and 1940s like Doug Owsram’s underscore the role of intellectuals in changing how government worked in the period leading up to 1945. An account of fiscal politics as democratization, conversely, underscores the role of other, less elite actors in shaping modern politics. University-trained experts in political science certainly played key roles in parties and in the government, particularly in the period of the Rowell-Sirois Commission and after. But by looking beyond these actors, by tracing the emergence of a new way of doing politics back to the destruction of the old tariff-defined party system, we find more and different voices, and we gain a new perspective on how the conditions of possibility for the post-war welfare state were established.

This points to what Martin, Mehrotra and Prasad mean when they suggest that fiscal history can “rewrite conventional accounts of modernity” by drawing attention to the conditions under which the possibility of political struggles over the welfare state emerged.<sup>1</sup> The historiography of the post-war welfare state generally “ignores the

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<sup>1</sup> Isaac William Martin, Ajay Mehrotra, and Monica Prasad, “The Thunder of History: The Origins and Development of the New Fiscal Sociology,” in Isaac William Martin, Ajay Mehrotra, and Monica Prasad (eds.), *The New Fiscal Sociology: Taxation in Comparative and Historical Perspective* (Cambridge, UK: Cambridge University Press, 2009), p. 2. The work of the New Fiscal Sociology and its relationship to this dissertation is discussed in the Introduction (section 1.4).

revenue side of the budget.”<sup>2</sup> Scholars fall prey to the popular perception that, because taxes are technical and oppressive, their history will be lifeless and dull. For people who paid harshly exploitative taxes that provided minimal fiscal capacity, taxes were not dull but an important and exciting part of their political lives. Their resistance to the tariff, the rhetoric they loosed on it, was the necessary condition for the later development of a powerful Dominion state that could contemplate projects like the Family Allowances. To turn back further to taxes as the condition of possibility of a given political difference is to gain a new perspective on politics itself. To examine what Tillotson calls the “moral and symbolic meaning of taxation” changes the very notion of what political history is, who it is about, and why we write it.

New political history is more than a return to political topics once deemed unfashionable; it is the incorporation of the intellectual projects of social and cultural history into the political. Social history and cultural history emerged as the dominant areas of inquiry after the 1960s because it was important to interrogate how society and culture were structured, how power worked through them. Looking at common practices and assumed norms, social and cultural historians trace their development to show the struggles that led to that outcome. Social and cultural history asks, how did ‘this’ – the world of meanings and equivalences that surrounds us – become normal and, by being normal, also invisible. Political history, during the ascendancy of social and cultural history, largely cut itself off from these kinds of inquiries; rather than interrogating norms, it more often reproduced them, taking current political logic as natural, speaking

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<sup>2</sup> Martin et al, “The Thunder of History,” p. 26.

its language and accepting its representations of difference. New political history, inspired by social and cultural history, asks how did we get here? How did this political world become normal?

To do this with income taxation is to resist a powerful imperative in our society to see taxation as a difficult and dull topic, and a meaningless burden. An expanded Dominion income tax was broadly supported in the early 20<sup>th</sup> century not only because it was necessary for the war but also because it was a better tax, a more efficient and democratic tax, than what they had known before. Many people actively chose to be taxpayers; they were highly engaged in debates about taxation, and were informed through those debates as to what made a tax good or bad. The expansion of the taxing capacity of the Dominion, upon which the later development of the welfare state was contingent, was itself contingent on their engagement and the intelligent and often bitter attention people gave to discussions of fiscal politics. Their consent to be taxed, that is, their willingness to be contributing citizens, arose out of their intellectual engagement, their enlightenment.

If we find it difficult to imagine farmers and workers and intellectuals together engaging in a mass movement about taxes, it perhaps should be taken as an invitation to be concerned about the status of political engagement in our time. Discussions of taxes do not engage readers, in part because they are framed as being highly technical, and in part because other things crowd them out as exciting and important questions of our

time.<sup>3</sup> The interesting politics of our times tend to concern struggles over the status of women's bodies, over the legacies of colonialism and slavery in the Americas, and over the United States' global use of military force. Our disinterest in taxation surrenders the consideration of the relative burdens and benefits of our fiscal system to those who can devote all their time to the endeavour, or who can afford to pay others to do so for them. Our tax system, which weighs lightly on high income earners and heavily on low to middle income earners, is the product of our collective boredom with fiscal politics.

This thesis shows that tax doesn't make itself interesting; people make tax interesting. It is up to us to make it interesting, to engage with its possibilities, and make it into an intelligible terrain on which we can struggle for the world we want. It is up to us to make it interesting for each other, by using rhetoric to open up new possibilities and, like the farmers and workers in 1911 and 1917, expose the absurdities and injustices that are written into the tax system and the wider system that supports and legitimizes it. If this dissertation can make even a tiny contribution to the renewal of a people's enlightenment by sketching out a renewed citizenship of contribution, it will have done some justice to the material.

Having underlined the historiographical contribution of this dissertation, it is important to note the issues and problems, of which I am aware. Some of these represented clear difficulties from the start and proved impossible to overcome, while

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<sup>3</sup> I have addressed this problem directly, and provided a historical example of an interesting attempt to overcome it, in "Broadening the Political Constituency of Tax Reform: The Visual Rhetoric of *Canadian Taxation, 1979-1981*." *Journal of Canadian Studies* 46, no. 1 (Winter 2012): 193-212.

others emerged through the course of research, writing, and editing. Among these, problems that could be solved easily were attended to, but others linger. They will be discussed here before touching on the wider political import of the dissertation, on which the thesis will conclude.

The first issue to note is the question of intention: how much did the people whose words are cited in this study actively intervene in the rhetorical process narrated here? The Introduction discussed how the discovery of evidence, in the documents, that people were consciously using rhetoric for its effects, and clearly aware of the use of rhetoric more generally, changed the project. However, that awareness did not extend to a realization of the entire transformation described in this thesis. Contemporaries were conscious of some aspects, but not necessarily conscious of all, of what this thesis is about. Is this, therefore, primarily the story of an active project, or a story of a passive terminological shift? If they were told that they were part of a process that replaced tariff-linked partisan identities with an income tax-linked spectrum, would they be surprised, confused, offended, or would they agree? It is an important question because intention changes the story from one that is primarily about the scholar's attention to what is happening in the sources to one that is primarily about people in the past thinking and talking about language; there is a big difference between telling the story of a (forgotten) mass democratic project and retracing the story of an unnoticed fact. There was undeniably an active intention to use certain words for particular effects, and an explicit concern about the danger of unclear and dishonest language in terms of creating salutary conditions for their political aims, but no single speaker articulated any more than a small

stretch of the long terminological change (though Ilsley's retrospective comment at the end of Chapter 4 came close). People were, quite understandably, absorbed in their current issues, and tended to reflect on problems of rhetoric in the present; once a particular problem was no longer relevant, it no longer preoccupied speakers, who therefore didn't connect their concerns with a larger arc of others before and after doing the same. Some sort of balance is needed, therefore, in getting across something that was to some extent conscious and to some extent unnoticed by contemporaries.

A related question is the status of the people's enlightenment in the last two chapters. Both the 1911 election and the debates on the Income War Tax are instances of social pressures from outside the political elite being expressed in political rhetoric that influences decision-making. The *Grain Growers' Guide* and the *Industrial Banner* are movement publications, speaking for identifiable groups and seeking to advance the interests and positions of those groups. To portray the critique of the tariff and the party system in those chapters as a democratic movement is easy and correct. The situation becomes more complicated in the final two chapters. Do the self-identified intellectuals who edited and wrote in the *Canadian Forum* constitute a social group like farmers and workers? Is their attempt to parse the various third-party, progressive, socialist, and left alternatives popping up in the course of the 1930s an extension of the democratic begun in 1910 – or is it better understood as a response to it? The Progressive Conservatives and the writers of *Saturday Night* who struggle to position themselves strategically on the left-right spectrum in the final chapter are clearly reactive. And yet, they are also re-

making the party system, defining it more precisely, abstracting general principles out of what they see as old and dangerously fuzzy ideas.

The term political modernism is useful in making the point that the rhetorical moves of destroying the old and building the new are similar, despite their differing political ambitions. But the question of whether the dominant players in politics, like the Dominion finance minister, can really be party to a movement of democratization, lurks under the dissertation. The fact that the Liberals as a party are largely ignored in the last two chapters is perhaps symptomatic of this uncertainty. Did they modernize, or was it just the other parties, the struggling parties, that changed politics? The dissertation is not meant to be exhaustive, so silence on Liberal intra-party politics is excusable, but it does point to a certain difficulty in drawing clear boundaries around who was acting, who was reacting, who was the subject and who the object, and so on. This leads to an awkward inconsistency between Chapters 2-3 and Chapters 4-5; it is awkward because it is not clear whether it is warranted or not – that is, whether the last two chapters are about something quite different or something somewhat the same.

The decision to highlight the active nature of the process, particularly here in the Conclusion, rather than the passive or accidental aspects of it, is largely political. Given that the evidence is suggestive of both an accidental and an active process, a certain amount of active decision is required of the author to define it as more one way than another. If the choices available are to err in characterizing an active process as a passive one or err in characterizing a passive process as an active one, choosing the latter error is

an easy decision, even if it is not adhered to consistently and is not always supported by the evidence. Making it a story about democracy, rather than about people simply adapting their language to a new environment, is an active though incomplete solution to the question of intention, and leads to a certain amount of inconsistency in the presentation of the material.

In tracing the modernization of political difference in the 1930s and 1940s to a people's enlightenment earlier in the century, the thesis raises the question of where the people's enlightenment came from. How did farmers and workers develop an informed and organized and rhetorically nuanced shared understanding of Canadian fiscal politics? There are preliminary indications that there were educational campaigns that preceded the political campaigns for fiscal reform in 1911 and 1917. For example, Porritt refers in *The Revolt in Canada* to "Popular political education, such as the Liberal leaders were continuously engaged in from 1879 to 1896," which ended with the Liberals' embrace of the tariff. Porritt does not provide any further details, but if the party held educational events for members on tariff questions, that might help to explain why such informed discussion of the tariff showed up in *The Grain Growers' Guide* in 1910.<sup>4</sup> James Naylor, in his history of labour politics in wartime Ontario, refers to the Labor Education Association of Ontario, which was founded by Joseph Marks, who also started the *Industrial Banner*. Though it seems to have done more advocacy than education, the LEAO is perhaps another hint to follow.<sup>5</sup> These very minor references suggest that

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<sup>4</sup> Edward Porritt, *The Revolt in Canada Against the New Feudalism* (London: Cassell, 1911), p. 25.

<sup>5</sup> James Naylor, *The New Democracy: Challenging the Social Order in Ontario 1914-25* (Toronto: University of Toronto Press, 1991), p. 79.

studying where and how workers and farmers learned about Canadian politics might be fruitful for understanding 20<sup>th</sup> century democracy. The main focus of this type of work so far, as in Darren Ferry's *Uniting in Measure of Common Good*, which examines farmer and worker associations in 19<sup>th</sup>-century Ontario, has been their role in producing liberal identities.<sup>6</sup> To instead look at similar institutions in terms of their role in sowing the seeds for democratic movements might be promising.<sup>7</sup>

Another sort of inconsistency is in the evidentiary richness and relevance of the various chapters, two of which (Chapters 2 and 5) are clearly stronger than the others. Chapter 3 in particular is small, despite covering the entire two-decade period of the 1920s and 1930s (upon which large historiographies exist), and has no images. This inconsistency arises from the approach, arrived at somewhat late in the research process, to make a key newspaper or magazine of the period the central source on the language of political differences. The *Grain Growers' Guide* and *Saturday Night*, though they were brought in to the study late, are much richer and more relevant sources than the *Industrial Banner* and the *Canadian Forum* for examining the rhetoric of political difference. The problem of sources ultimately goes back to the proposal stage of the project, at which point the author had a very vague sense of what sources would be illuminating. (Professor Hillmer brought this weakness to my attention at the time, and suggested that it might make the project difficult to complete.) At that point, the dissertation was going to have six chapters (not including the Introduction); the evidential strength of Chapters 2

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<sup>6</sup> Darren Ferry, *Uniting in Measures of Common Good: The Construction of Liberal Identities in Central Canada* (Montreal and Kingston: McGill-Queen's University Press, 2008).

<sup>7</sup> David Banoub and I have discussed collaborating on a project on popular political education at the end of the 19<sup>th</sup> century.

and 5 allowed the switch to a four-chapter thesis, but also made Chapters 3 and 4 look weak in comparison.

One underdeveloped aspect of the analysis is the question of memory, which is touched on only superficially. The relationships between the chapters hinges on memory, in that the arguments for income taxation and the development of third parties during the war (Chapter 3) are in a sense a reaction to the debacle of the election of 1911 (Chapter 2) and the party programs outlined in the 1940s (Chapter 5) explicitly refer to the traumatic memory of the economic catastrophe of the 1930s (Chapter 4). People's memories of these things are clearly invoked, but I do not analyze them.<sup>8</sup> Again, the importance of the idea emerged too late in the project to be developed fully, but will be something to work on as the dissertation takes on other forms.

Another interesting question that was flagged by others early on is the limited amount of numerical information, particularly in Chapters 2, 3, and 4. This situation arose out of historiographical ambition. It was important early on to make the point that taxation was not simply about numbers, but about meanings and struggles over meanings, and that tax scholarship that focused on numbers failed to evoke that political struggle. This is still true, and the dissertation benefits from a fresh perspective that focuses entirely on taxes in terms of their meaning and force, and not in terms of their material

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<sup>8</sup> Although the scholarship on memory is extensive, the author is not well-read in it, and not aware of any example of such immediate political events being the memorial basis for political reform. As Kerwin Lee Klein has noted in "On the Emergence of Memory in Historical Discourse" (*Representations* 69 (Winter 2000), p. 136), memory scholarship is often drawn to the poetic resonance of memories and memorial objects that are lost. This does not apply to the relationship between 1911 and 1917, or the 1930s and the 1940s.

reality. However, part of the cultural experience of taxation is the numbers involved. The dissertation suffers from the absence of that aspect of taxes, as the prose struggles awkwardly with non-numerate expression of numerate qualities: taxes are too high or too low, taxes are regressive or progressive, taxes are more or less. It was an interesting experiment to write a history of taxation at a time of major transformation in public finance without numbers, but it perhaps lends a kind of dream-like quality to the material that detracts from its urgency.

Another aspect of the analysis that arguably detracts from the analysis, especially early on, is the characterization of political differences in the pre-1911 period. Historians of 19<sup>th</sup>-century political culture could very easily argue that what is presented as the post-Confederation political world is a caricature – one absorbed from the *Grain Growers' Guide* and other sources that had a lot at stake in portraying the tariff-defined party system as absurd and silly. This presentation arises out of an urge to do justice to the *Guide's* role in kick-starting political modernism, and a desire to represent what (they believed) they were up against. The differences between Liberal and Conservative were probably quite meaningful in some places, whether in the form of tariff distinctions or other (possibly local) points of contention, so the portrayal of those differences as essentially misleading needs to be tempered. This is another instance in which the prose and the analysis are directed at least in part by political sympathy. Upon reflection, however, those sections could have been less polemical, presenting a more nuanced picture of 19<sup>th</sup>-century politics from its own perspective and letting the *Guide* material do its own work in debunking that perspective.

This decision arose out of a belief that the way we define political differences matters, and that the push to modernize them was an important political development that should be celebrated, a claim upon which the remainder of this Conclusion will elaborate. Like other histories, this one reflects intellectual aims that are political as well as scholarly. Its findings are not only interesting but also important politically. Scholars of working-class history, feminist history, and the welfare state have been guided and driven by social pressures and desires outside of academia, and their investments have enriched historical scholarship in ways we often take for granted. To apply the same polemical energy to a conceptual shift as to a social movement might seem strange, even though a lot of intellectual energy has gone into fighting over which words should be used to define groups and objects. Studying the history of political differences, telling this story in particular about their development, is a political project. It is an attempt at intervening in the play of forces defining the politics of taxation and social inequality in Canada. How we imagine political differences is at the heart of our experience and practice of democracy. As this dissertation has demonstrated, it mattered greatly to people in the past how we define competing political claims. It should matter to us as well.

This dissertation is rooted in an activist commitment to the strengthening of the left in Canada, though its contribution is critical. To use Judith Butler's terminology, it offers an "immanent critique," a critique from within: a taking-issue-with in a "critical genealogy" intended to strengthen the fight for political power in "the historical present"

made more supple by engaging with its precariousness.<sup>9</sup> This means that it is a critique primarily directed at the movement itself. In this case, as with Butler's feminist work on gender, the object of critique is a reductionist, identity-fixated strain in the movement. The antidote, as offered in this dissertation, is two-fold: first, a demonstration of the precariousness and contingency of the category 'left'; and second, a demonstration of the specific context in which the term became common. Both of these related moves are intended to both loosen and clarify the left's use of the term 'left' and its understanding of itself and its political project.

The relational difference offered by left and right, particularly as framed around questions of inequality, is an important corrective to identity-based ways of understanding political difference. As such, the project was particularly important when it suggested itself in the mid-2000s, at the time of George W. Bush's re-election as President of the United States. In the commentary on that election, pundits repeatedly reinforced the idea that the country's widening political divisions were social rather than intellectual. Blue state Americans, those who voted Democrat, lived on the coasts and in big cities, were secular and worldly. Red state Americans, who voted Republican, lived inland, in rural areas, were religious and nationalist. Since the 1960s, when issues of the family and personal morality became the object of organized political protest, party politics in the US had been defined by cultural wars.<sup>10</sup> The culture wars schema was

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<sup>9</sup> Judith Butler, *Gender Trouble: Feminism and the Subversion of Identity* (London: Routledge, 1990), p. 5.

<sup>10</sup> The relationship between 'culture wars' and party politics in the United States is widely discussed. Timothy Brennan, *Wars of Position: The Cultural Politics of Left and Right* (New York: Columbia University Press, 2007) is a good theoretical discussion of the 'culture wars' in the United States that underlines the withdrawal of educated professionals from politics in the 1970s as a contributing factor;

highly gendered and, along with the income gap between males and females, has led to a persistent “gender gap” in party support in the US.<sup>11</sup> The red-state-blue-state dichotomy was a radicalization of the culture wars schema, but was all the more pernicious because it turned politics into demography: certain kinds of people in certain kinds of areas reflected certain kinds of politics. It negated the possibility that people might independently arrive at a political position, or that their basis for distinguishing between contending parties might be a question.

The culture wars mentality of political difference is constantly reproduced, and Ian McKay in fact makes a similar move in *Rebels, Reds and Radicals*, the introductory volume in his history of the left in Canada. McKay defines the left as those who have committed to “living otherwise.”<sup>12</sup> What he meant, of course, was that leftists dissent from liberal ideas of personal property. But the term he uses did not actually mean that, and betrayed a tendency to interpret leftism as a lifestyle rather than a political orientation. “Living otherwise” applies far more to nudists than it does to communists and socialists, who were defined more by their unorthodox thoughts than by their lives. Lots of leftists were and are socially conventional, and lots of right-wingers are subcultural. Beyond this lies the issue that those who ‘live otherwise’ are definitionally a

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Robert O. Self, *All in the Family: The Realignment of American Democracy Since the 1960s* (New York: Hill and Wang, 2012) argues that party differences in the US have been determined more than anything else by disagreements over the ideal family since the 1960s, when a cross-party consensus on supported male heads of households prevailed.

<sup>11</sup> See “The Gender Gap: Three Decades Old, as Wide as Ever,” Pew Research Center, March 9, 2012. <http://www.people-press.org/2012/03/29/the-gender-gap-three-decades-old-as-wide-as-ever>

<sup>12</sup> Ian McKay, *Rebels, Reds, and Radicals: Rethinking Canada’s Left History* (Toronto: Between the Lines, 2005), pp. 3-4. McKay is a bit vague on the origin of the terminology, identifying it as “a slogan used by one Quebec radical group in the 1970.” (p. 4) In introducing the term, McKay also offers the phrase “reasoning otherwise” (which he identifies as belonging to William Irvine) as an alternative, but uses “living otherwise” throughout the book.

minority. If the idea is to wrest political power from liberalism, the left has to go beyond 'living otherwise.' Characterizing the left as those 'living otherwise' is misleading in identifying the left entirely with deviance and the counter-culture, and also downplays the fact that people think, that they can change their minds. In his next book, McKay used the term "reasoning otherwise," perhaps in recognition of the previous term's limitations.

Compared to the period when this dissertation started, the culture wars mentality is less prevalent now. The election of Barack Obama was premised on overcoming Red State/Blue State rhetoric, and opened the way to new forms of opposition, between Tea Party activists on the right and Occupy Wall Street on the left, both of which forcefully brought attention back to taxes and social inequality, and away from identity issues. In Canada, the emergence of the New Democratic Party as the official opposition in the federal House of Commons and the relegation of the Liberals to third place for the first time signals, even if it is only temporarily, that economic issues are resonating more strongly than identity-based ones. The Conservative government's explicit decision to not open up abortion and gay rights, which have largely been determined by the Supreme Court's interpretation of the Charter of Rights and Freedoms, also underlines this shift away from values to economics on the federal scene. More and more, the left is understood in economic terms, not as a mixed set of social beliefs. But by underlining cleavages between left and right as polar opposites, these new conceptualizations of difference risk falling into the same trap of seeing left and right as identities rather than relations.

Beyond its help in avoiding self-defeating errors, a history of the left-right underlines the importance of using the terms with precision and subtlety. If left and right are used as identity markers for certain kinds of people with very general beliefs, they become as troublesome as Liberal and Conservative were a century ago. The specific advantages of having an abstract field of political difference are lost. That is why this dissertation argues not only for the value of left and right but for a specific, contingent understanding of left and right, as markers for positions on income inequality. The modern political imaginary whose history this dissertation traces is ‘better’ than what came before only in the sense that it provides a map that is simple and schematic, one that allows for creativity within frame of clarity; it is only ‘better’ if it is used that way: as a representation of differences that are relational and not identities.

Historically, left and right began to make sense as a way to understand political difference in Canada because of new possibilities for government activity opened up by the idea of income taxation. But this change did not determine or de-limit political differences themselves, which were and are as complex as ever. Actual political differences, which are multiple and often surprising, are only suggested schematically by their mapping left to right. In fact, adapting to the political spectrum was chaotic and alienating for parties, politicians, and intellectuals, and caused deep dissatisfaction. The key, following Judith Butler, is to be aware of differentiations, rather than seeing differences as identities. Relations of difference are the basis of any oppositional politics, but they should not become a trap. As Butler says, “the political task is not to refuse representational politics [but] to formulate within this constituted frame a critique of the

categories of identity.”<sup>13</sup> Formulating a critique involves doing politics, always with an ear to the resonances and silences in a particular use of a term of political differentiation. As Butler says elsewhere, “To deconstruct the terms means . . . to continue to use them, to repeat them, to repeat them subversively, and to displace them from the contexts in which they have been deployed as instruments of oppressive power.”<sup>14</sup> By invoking the left in a particular way, a more supple and open, and yet clearer, terminology takes hold. A clearer representation of the differences between competing social visions provides a clearer and more strategically advantageous opportunity for, as Wendy Brown terms it, the left’s “rhetorical battle for a better life.”<sup>15</sup> A better way of understanding political difference, a better political imaginary, means a better rhetorical ground for arguing for a more equal society.

This dissertation makes clear that the increased use of left-right differentiation was a significant liberation. It was the product of an explicit and implicit project to clarify the language of political differences, and entailed significant political and intellectual labour. It was, to use McKay’s terminology, a people’s enlightenment, a democratic semantic revolution, even if some of its champions were patrician or even reactionary. It was one of the great modern projects and, by making possible the development of a welfare state, created the possibility of other great modern projects. It was a liberation from the stultifying and limiting representations of political discourses that had kept

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<sup>13</sup> Butler, *Gender Trouble*, p. 5.

<sup>14</sup> Judith Butler, “Contingent Foundations: Feminism and the Question of ‘Postmodernism,’” in Judith Butler and Joan W. Scott (eds.), *Feminists Theorize the Political* (London: Routledge, 1992), p. 17.

<sup>15</sup> Wendy Brown, “Interview with Wendy Brown,” in Joel Schalit (ed.), *The Anti-Capitalist Reader: Imagining a Geography of Opposition* (New York: Akashic Books, 2002), p. 216.

effective decision-making in the hands of a narrow elite in the 19<sup>th</sup> century, despite a formally generous white male suffrage. To do anything less than stake a position in such a narrative would be a disservice to the material.

This should be a familiar stance but it is not – which says something about the state of the art of political history. Histories of gender, class, race and sexuality all presume that they write in the public interest, speak to interested communities and overtly take the side of aggrieved peoples. Environmental history and histories of state formation do the same. But there is a convention in historical research on electoral politics to not take sides. Implicitly, much political history takes a side between society and the state, between the elites and the masses, or between experts and public opinion. But to be a real scholar in political history is to weigh all the claims of various actors with identically detached cynicism. This is done here in the sense of party, and in terms of the claims of left and right to participate in honest democratic debate, but not in terms of one schematization of difference over another. This dissertation openly sides with a political imaginary in which parties vie over how to use income taxation as an instrument to equalize wealth because it is an important element in the democratization of the fiscal power of the state, and therefore of modern democracy.

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