

Give and Take
The Citizen-Taxpayer
and the Rise of Canadian
Democracy

Shirley Tillotson

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Talking Tax

Income taxes require a high level of taxpayer morale and cooperation if they are to be collected cheaply or adequately.

– Henry Simons, American economist¹

Over the years, there has been scarcely any relationship between government and people which has been more sensitive than taxation, and, indeed, which has caused more civil bloodshed. If you people [Americans] had not been so supersensitive to a tax on tea, I would not now be speaking to you from a foreign land.

– Kenneth LeM. Carter, Canadian accountant²

BIRDS DO IT. BEES DO IT. Even chimpanzees do it. They all “pay taxes.”³ Everywhere I look there are stories of non-humans stumping up a share of their favourite foodstuff (or some other valuable commodity) for use by their group. What these reports usually fail to say, though, is whether there is a bailiff chimp ready to seize property or a chimp leader making a pitch for tax compliance. In these “Just So” stories, no one points out how hard chimp governments have to work to raise revenue or how often chimps debate what is “fair” taxation.

We Canadians scarcely know more about our tax history than we know about the tax practices of chimps in the wild. In a 1959 interview, the dean of Canadian economic and political history, Donald Creighton, blithely

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affirmed in his Red Tory way that Canadians were cheerful collectivists, historically happy to carry a heavy tax burden for the sake of their independent national life.⁴ In 2006, the Fraser Institute's Mark Milke called on Canadians to throw off their "serfdom": in describing our tax history, he chose the Chinese head tax (hardly a typical one) to illustrate his view that taxation is oppressive.⁵ Neither Creighton nor Milke provided an accurate picture of our tax history. But such simplistic stories still circulate because Canadian historians have provided commentators with little else to work with. Our research-based scholarly tax history, especially for the period that I cover in this book, the first fifty-five years of the federal income tax, is a remarkably small body of literature. Canadian historians working on this period have sometimes written about tax as part of their work on federalism and regionalism.⁶ But for tax history as such we have only a few works by economists, tax law scholars, sociologists, and political scientists.⁷ Whatever the good qualities of that literature, and there are many, it treats taxpayers (if they are discussed at all) as abstractions.

I want to put real human beings into our tax history and, in the process, show how dramatic, engaging, and sometimes amusing this history can be. Why should taxation not be interesting? Taxation is about how we take on the problems of collective life, figuring them out in light of our times and concocting solutions to them, sometimes ad hoc and foolish, occasionally far-sighted and even brilliant. Tax history need not be a dense and abstract account of technical adjustments and electoral calculations. It involves police raids and trials, impassioned orations, and cunning tax dodges. Taxation is not simply something done by the powerful to the weak: although taxes have sometimes been collected at gun point, even in Canada, and some sort of force always backs the tax collector's demands, governments in modern Canada know that levying a productive tax, with modest collection costs, requires negotiation. The tax laws themselves are negotiated, of course, but even those of us who never get close to the legislative process still make decisions about taxpaying. If a tax can be evaded or avoided, then anyone who pays it has decided to pay it, more or less deliberately. We might notice arriving at that decision when we fill in an honest income tax return. But we also decide, usually out of prudence, to pay less obviously self-assessed taxes, such as a sales tax or customs tariff. For example, smugglers, participants in cash transactions, and purchasers of dubious second-hand goods have decided not to pay certain taxes. Our taxpaying or -dodging decisions become routine. But there are turning points, moments of change, when

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the normal give and take is unsettled. And that is where we find our history as taxpayers.

At those moments, governments and their tax collectors have worked hard to persuade Canadians to pay their taxes. They haven't always succeeded. As in any other area of law, compliance with tax laws is sometimes motivated by fearful prudence, and weak enforcement means less compliance. But compliance has also been motivated by honour, respect for order, commitment to community values, or just herd mentality. Canada's tax policy makers and revenue agents have thought about taxpayer psychology, and in seeking compliance they have invoked not only cowardice and carefulness but also other motivations. I explore the history of that engagement between tax collectors and taxpayers. Which blend of persuasion and policing worked or failed? How did the political resources of governments and citizens change over the turbulent times between 1917 and 1971? Did negotiations on taxpaying play out differently in, say, Vancouver and Saint John? To answer such questions, I investigate the social and cultural contexts that shaped Canadians as taxpayers and the political culture that Canadian politicians and administrators share with the public.

This history is not primarily about economic policy or high politics or legislative drafting, though each appears in glimpses and as background. Tax history as I write it is a conversation rather than a monologue enunciated by ministers of finance. And it's a conversation in which the participants – ministers and deputy ministers as well as taxpayers and protesters – are human beings with emotions, ideas, and identities and not just “interests” narrowly, abstractly, and ahistorically defined. Self-interest is always foundational to human choice, but of historical interest are changes in how we understand both “self” and “interest.” Our tax history is less predictable than left-wing or right-wing ideology would suggest when taxpayers are included in the story. Their ideas about what it is to be free, to be honourable, to participate in politics, and to be secure help to build both a particular tax system and a political culture. That culture is historical, and it is both broadly human and specifically Canadian.

By learning more about our tax history from this angle, we can also learn more about the history of democracy in this country. It's a more recent history than you might think. In 1917, when this book's story begins, Canada was still something of a British colony – in fiscal terms as much as in many other ways. By themselves, the limits set by Westminster on our freedom of fiscal choice meant that we were not quite self-governing, and those limits

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were at least as important as the better-known fact that Canada did not make its own foreign policy. If democracy consists of institutions and cultural norms that allow all to participate in deciding matters that matter, then not being fully our own decision makers about tax and war meant that Canadians during the First World War were not yet enjoying the full measure of democratic public life. Even in areas where we did have more national autonomy, politics was far from completely democratic: most Canadian residents could not vote in national elections, and the provincial and municipal franchises were a hodgepodge of exclusions and privileges. By the standard of “no taxation without representation,” there was still a long way to go in 1917. Over the course of the next six decades, the right to vote lost its links to sex, race, and property ownership. By 1971, Canada had become more genuinely democratic. “Voters” and “taxpayers” were not yet exactly the same set of people, but the overlap was almost complete. In addition, political action (never limited simply to voting) had expanded well beyond the vote. Canadians had created hundreds of interest groups and other types of broadly political movements, multiplying the mechanisms of democratic action in the process. And by 1971 our national sovereignty, though incomplete in economic terms and still internally contested by Quebec *indépendantistes*, was strongly asserted. Over the decades between 1917 and 1971, there were two crucial points, one during the 1940s and the other during the 1960s, when taxation issues added momentum to the overall trend of democratization. Tax was good for democracy.

A Strangely Entertaining Social History of Taxation

One might imagine that studying tax would be all about poring over tedious policy documents, statistical reports, and statutes. And I have done a lot of that. But in order to make this book a study of conversations, negotiations, and politics of all kinds, low as well as high, I have made a point of looking for sources in which I could see humans doing a variety of things with words, not only presenting expert opinions or making laws. I sought out sources that would allow me to hear the voices from below as well as those from above. This goal led me to approach the records of the Department of Finance and the Department of National Revenue in a particular way. In these records and in the papers of prime ministers, finance ministers, opposition leaders, and tax officials, both local and national, I found and used many policy studies and reports. But what I

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especially looked for – and found – were letters. There is a treasure trove of letters in these files, from all sorts of Canadians, about tax and debt and related topics. These letters explain, they advise, they implore, and they protest. They provide a remarkably revealing window into a wide variety of subjects – from family budgets to views on the Constitution. The letters also include frank discussions among political allies. Equally fascinating are the exchanges between civil servants and politicians, professors, journalists, and businesspeople (from the president of Dominion Steel to the local druggist and many in between).

These letters are a gold mine for social history. Their accounts of daily life and descriptions of power are fascinating. But they also present some problems as evidence. First, were these letters written by odd or otherwise exceptional people? In general, no. There was not one file for serious letters from important people and another for ignorable letters from nobodies. Letters from high-status men and women, political friends, and confidential advisers appear in many of the filing systems next to letters from the general public.⁸ As the researcher flips through files, letters from former prime ministers and university presidents appear unpredictably before or after letters from poor widows and labour union secretaries. This is true of all the different archival collections, but it is especially noticeable in the Second World War finance ministry's correspondence files on tax questions, organized by last name of the writer. It is also true in the "Budget Proposals from the Public," covering 1956–68. It is possible that similar files covering earlier years once existed but were thrown out, as operational records often are. We know that the correspondence in these proposals from the public was organized as a normal part of the budget process, in ways that I will describe in more detail in Chapter 10. Although a few letter writers in every period are identified as obsessive or unreasonable by comments in the files, the vast majority of writers speak in recognizably ordinary voices, though not always cool-tempered ones. The Department of Finance's tax specialist between 1934 and 1958, A. Kenneth (Ken) Eaton, emphasized in 1966 the value placed on such letters: "Let no sceptic suggest that along the route there [was] any channelling off of outside requests [for tax changes] into a waste paper basket. That just [did] not happen."⁹ Writing a letter to the minister of finance or the prime minister was not the behaviour of green-ink-wielding weirdos, though by the 1960s one sees more correspondents themselves worrying that they might be read as "crank[s]."¹⁰

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Second, do these letters matter as evidence of policy impact? Reading these files as a social and cultural historian, I wasn't looking only for letters that I knew to be from influential people. Nor did it matter particularly to me whether the letters had been read by ministers or only by their staff members. I read the letters simply as evidence of various attitudes toward tax and democracy in the world where politicians and policy makers lived and acted. Juxtaposing the contents of these letters with the statements of politicians in Parliament, with letters to editors and editorials, with magazine features, with opinion polls, and with records of social organizations makes the letters a thread in the tapestry of public opinion that I have tried to weave. Often they confirm what the more public documents say but in more vivid personal voices. Before public opinion polling began in the 1940s, these letters provided policy makers with a way of knowing what voters thought and felt. Many of the letters are the archival equivalent of conversations on the politicians' summer picnic circuit, though perhaps, because more private, these letters are less polite and more personally revealing. Some of the letters are more like conversations in the Mount Royal Club or in the lobby of the Chateau Laurier, the voices of politicians' peers offering reading suggestions, conveying serious political intelligence, making known their financial power. Letters from both ordinary and elite Canadians offer colour and detail to the picture of tax culture. More than the preprocessed responses to pollsters' questions, they tell us about the thoughts behind the views, the connections between tax ideas and other frameworks of meaning. To understand how political life connects to daily life, how experiences of taxation and democratization were connected, these letters, in all their variety, are invaluable, and often surprising.¹¹

In addition to politicians' and officials' papers, and citizens' letters in them, I used other types of archives to deal with specific themes. To investigate tax evasion, for example, beyond allegations in letters, I examined the previously unstudied (and well-hidden) tax case dockets of the Exchequer Court of Canada in the interwar years. I also sampled municipal police court registers in Vancouver, Halifax, Charlevoix County (Quebec), and various Ontario communities, and I sought out newspaper coverage related to particular court cases. This was by no means a method aimed at high-level tax jurisprudence, of which Canada, in any case, has only a small amount before 1949. It was rather a means to get a sense of how big a part prudence played in tax compliance. Who would have had reason to think that evasion was risky? How much did tax collectors rely on citizens' willingness to

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comply and how much on fear of effective enforcement? To understand the work of persuasion involved in tax legitimation and resistance, I read budget speeches, the opposition's responses, and other discussions of taxation in the records of the House of Commons debates. Comparing these sources to the letters in the politicians' files, the parliamentarians appear in a good light, representing many, though not all, of Canadians' widely held views. The public relations publications of the Department of National Revenue, as well as advertisements by the government, also give the terms in which Finance and Revenue officials believed that tax could be made understandable and acceptable.

I also made an effort to get closer to local sources (both municipal and provincial) and particular communities to avoid treating "Canada" as a homogeneous thing. There was relevant historical work on many of these areas and communities, but there is much more to do, even in the areas that I examined. The records of the Department of Indian Affairs contain letters from "Indians" – members of Indigenous nations – as well as reports from Indian agents and correspondence among officials. These sources come from many parts of Canada. I explored the records of premiers and Departments of Finance in British Columbia, Ontario, and Quebec and municipal records in Toronto, Vancouver, Halifax, and Saint John. I benefited from the ever-expanding databases of digitized newspapers to follow tax talk in the prairie provinces, Montreal, Prince Edward Island, small-town Ontario, and, predominantly, the *Toronto Globe*, the *Toronto Daily Star*, and their successor papers. But I also consulted microfilms for other papers on particular stories. And, of course, I drew on other historians' work. My goal was at least to hint at Canada's regional diversity of tax cultures, without denying the political weight that urban central Canada has carried since the 1920s.

The period that I cover is set by the creation of the national income tax in 1917 and its reform in the 1971 budget, but I don't discuss the federal income tax alone. I also tell stories about customs collection and episodes in provincial and municipal tax history. The more local taxes have been extremely important in Canadians' experience of taxation. The more local the tax, it seems, the more open and flexible the negotiation of payment. Being a national taxpayer was quite a different experience than being a local one, especially after 1942. Across these jurisdictional levels, the identity of the taxpayer sometimes matched, but more often it didn't. A host of attitudes toward privacy, honour, authority, and community was involved

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in making and remaking the local, provincial, and national systems of assessment and collection. The federal income tax did not simply land in 1917 like a space ship on an empty field. It was bolted to an existing Rube Goldberg machine of a fiscal federation in which, at every level, decades of expedience, political competition, and economic change had created a messy, and specifically Canadian, tax culture. The history of that tax culture before 1917 has been written by my colleague and collaborator Elsbeth Heaman. In that history, municipal taxation plays a central part and helps to explain the origins of the federal income tax. But even though that local level recedes gradually in political importance over the period that I discuss, its legal and cultural legacy continues well into the 1950s, over the life span of the late Victorians.

To understand the cultural context of tax policy, I have drawn on sources that reveal the beliefs and practices of daily life. In doing so, I have not just followed a fashion in policy studies, though indeed many policy scholars now integrate ideas about emotion and narrative into their analyses of policy change.¹² In 1953, the executive director of the Canadian tax practitioners' professional organization, the Canadian Tax Foundation, pointed to the importance of such an approach in an essay on taxable capacity: he wrote that how effectively a given kind of tax can be collected depends not only on its rate, high or low, but also on deeply cultural aspects such as "the attitudes and motives of taxpayers[,] which extend far beyond direct reactions to the tax itself."¹³ Tax collectors inevitably keep such matters in mind as they deal with taxpayers. For that reason alone, the history of taxation requires social and cultural history.

To think about how tax history is part of a social change as broad as twentieth-century democratization requires that we put taxes into a cultural context. That context is part of what historian Martin Daunton has called the "relations of extraction": the political processes that shape who pays, how much, and by which methods and the administrative processes that invoke as "the regular taxpayer" specific classes and types of people.¹⁴ The relations of extraction can include party politics, statute law, and the institutions of government, but they also include sociological assumptions, ideas about property rights, community norms, standards of reliable economic knowledge, and a whole host of other cultural aspects. I cast a wide net here, including geography, time period, type of tax, and aspects of politics. But I do not pretend to have written the comprehensive and complete book of Canadian tax history in the mid-twentieth century. I hope to

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have left interesting gaps for others to explore. Nor have I written a book of policy history. Instead, I explore the cultural vocabularies on which governors and governed, tax collectors and taxpayers, both draw. Not all popular perspectives influenced the inside world of lawmaking. But politicians and tax administrators sought and often found common ground with taxpayers as they harvested votes and collected taxes. Emphasizing tax legitimation over economics and the view from outside rather than inside policy making, I have tried to sketch the big picture of how things fiscal helped to make modern Canada's democratic culture. Our practice of democracy is still imperfect, but it was better in 1971 than in 1917, in part because more Canadians had become federal income tax payers.

Getting beyond Tax Clichés

The standard narrative in twentieth-century Anglo-American tax history centres on debates about income taxation.¹⁵ The story has been somewhat modified in recent years, and some elements cannot easily be stated in the ideologically neutral terms that I would prefer, but I will attempt to sketch it without gestures to either the right or the left. Its main claim is that taxing income was the result of war emergencies (nineteenth-century ones in the United States and Britain, twentieth-century ones in these countries and in Canada). Income tax later developed into a means for managing the economy and financing the welfare state. In the process, the story goes, income taxation changed its nature. In its earlier forms, the tax on income reached only the wealthy, because those with lower incomes were exempt, and rates were constant (what we now call a “flat tax,” what was then called a “proportionate” rather than a “progressive” one). It was a simple tax. Over time, it became more complex. Different kinds of income (e.g., from wages or investments) were taxed at different rates (“differentiation”). Lower incomes began to be taxed (the move from “class tax” to “mass tax”) during the Second World War. Higher incomes were taxed at progressively higher rates (a “graduated” rate structure) or subjected to surtaxes, making income tax “progressive” in the technical sense as well as the political sense. Partly through differentiation and partly through exemption of some kinds of income or exemption of income earned by some kinds of people or activities, income tax law became more complex. In Canada, more than elsewhere, historical narratives about income taxation emphasize that, during the 1950s and 1960s, widespread agreement on the value of social

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security and the viability of macroeconomic management helped to keep tax questions out of the partisan fray. Taxpaying was widely understood to be part of a fair bargain between responsible citizen and responsive state.¹⁶ Only in the early 1980s did intense opposition to taxation begin to move tax-cutting promises into the centre of party politics.¹⁷

Much in that narrative is correct: certainly, the movement of income taxation from the margin to the centre of taxation is the headline story of the mid-twentieth century. But as with all choices about headlines, emphasis on a particular theme can be distorting. All twentieth-century tax history becomes the hazy background of a story about the modern income tax. Progressive (in the political sense) historians tell their variant of the story in triumphalist terms, seeing the creation of a modern income tax (in the 1940s in Canada and the United States) as essential to the development of a successful welfare state. Conservative thinkers see this as a story of mob democracy, the creation of a discriminatory tax regime driven by populist governments' opportunistic use of antipathy toward the "rich."¹⁸ Neither pays much attention to the whole tax story. Both miss the history of sales taxes, poll taxes, land taxes, customs duties, excise taxes, resource rents, and estate or inheritance taxes. They also miss the larger public finance story, including lotteries, and especially the relationship between taxation and public credit (the ability to borrow). Without a better sense of these other sources of public revenue, it is impossible to appreciate the politics and broader social meanings of the history of income taxation. Although I, too, have left out some important taxes – succession duties, resource rents, and (largely) corporate income taxes – I have added enough of this broader fiscal context, I hope, to show how income tax borrowed from and changed in relation to other revenue sources. To focus only on the modern income tax shines a bright beam on some questions but makes it hard to see, in the shadows, the surrounding terrain of tax culture.

Bringing that larger terrain to light makes the tax bargains of the twentieth century look less like an unambiguous victory for the welfare state. From my point of view, the story is a sadder one in which people who feared change and saw their self-interest in narrow terms held back the development of an effective income tax in the 1920s and a well-funded national welfare state in the 1950s and 1960s. Tax resistance, especially resistance to income tax, was one tool of opposition to better social security. And it was not only the rich and their allies or narrowly provincialist governments that mounted that opposition. Elements of the voting public

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more generally took positions about tax driven by fears about smaller amounts of money and more personal losses of autonomy. The enormous crises and conflicts of the twentieth century repeatedly revealed, at increasing levels of specificity, that evocations of community and common interest (often rhetorical tools of party politics) are either naively blinkered or troubled by legitimate (though often unheard) challenges. I have tried to amplify some of these challenges, not to stir up hatreds and resentments, and not because I think that these voices should necessarily have carried the day, but to highlight that tax compliance was and always is made amid conflict. Canadians were neither uniquely quiescent nor supremely consensual. The conflicts over fair taxation that erupted in the late 1960s and continued through the 1970s and 1980s were old struggles in new contexts. In producing a tax history that gives a past to these conflicts, and to others since them, I do not mean to say that Canada has failed to develop a democratic politics. Quite the contrary. It is to say that taxation has been central to the history of our common life, including our political history, and, as in all complex matters of justice, knowing that history helps us to let go of ideological simplicities and to approach present problems realistically. If we want Canadians to act out of a strong commitment to community, then we need to think about how to build that commitment. It doesn't occur, fully developed, in nature.

The evidence that I present tells us that Canadian tax culture is more like that of the United States, in having a history of conflict over taxes, than Canadian popular culture (and some history and sociology) would have us think. But I also want to challenge a concept of national culture that emphasizes broadly shared ideas and values.¹⁹ Canada has such strong regional cultures, deeply grounded in different constitutional histories, that free-floating ideas don't root equally well in every part of the country. To see Canadian specificity in a less homogenizing way than through a national culture lens, I used a quasi-anthropological conception of tax culture in designing the research. In that conception, culture is not only about ideas, even though ideas are important. Culture is also found in the practices of tax paying and revenue raising. Culture lies in ways of doing things, formed by interactions among human beings who themselves live within certain kinds of institutions – parliaments and courts, shopping malls and rooming houses, reserves and suburbs – that school the imagination, making some kinds of taxation normal and others unthinkable. For example, in some of the cash-poor districts of Canada's prairie west, the roads that

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everyone needed were still being built and maintained with statute labour in the 1920s; in urban Ontario, long after that way of maintaining roads had passed, paying a poll tax (sometimes called a statute labour tax) was a vestigial reminder that being a citizen meant contributing something for collective purposes.²⁰ Tax culture in Canada is a conversation among regions, and, though becoming payers of national income taxes generated some shared national vocabulary, even the income tax began as an aspect of regional politics. And when differences between Canada and the United States emerged on the national scale, and they did, their origins included regional cultures and politics.

The differences among political communities within a nation are as important in shaping tax history as are the differences among nations. Conflicts between neighbouring colonies were among the problems of public finance that prompted the formation of Canada (and many other federal states). The British North American colonies that joined Confederation in the mid-nineteenth century, and those that joined it later, all hoped to benefit from the improvement in public credit that belonging to a bigger country (with more natural resources and a coordinated tariff policy) would provide. But as all students of such federations know, federal nations are economically regionalized and fiscally complex. Canada's Constitution Act recognizes this fact, in section 36(2), by guaranteeing that all parts of the country will enjoy "reasonably comparable levels of public services at reasonably comparable levels of taxation." How we arrived at that arrangement is a well-known story, but the relative role of tax expertise and political pressure in making those judgments is less well known. The story's tax aspects provide an excellent window into not only the intellectual history of economics but also the political cultures that shaped fiscal federalism.

Beyond the practices of elite accommodation, the regional and provincial variations in tax culture include popular constitutionalisms, an element of public opinion that politicians address. Here I draw on the work of constitutional scholars such as Jeremy Webber and Roderick Macdonald.²¹ They point out that the meaning of the Constitution Act does not lie in the text but comes from a continuing and stable set of concerns, a political tradition or "constitutive conversation" whose main themes endure, even while related themes evolve over time. Ordinary Canadians might never have been able to recite verbatim sections 91 through 93 of the British North America Act, nor might they ever have cared much about which level of government delivered the public services that they wanted. But in

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the broader sense of what “provincial rights” and “regional disparity” mean, or more recently what the significance of “genuine consultation” and “multiculturalism” might be, my research suggests that constitutional questions were bound up, in tax talk, with emotions, identities, and the concerns of daily life.

To be more specific: views on rum running or land taxes or the proper level of personal exemptions in the income tax were not positions on “the role of the state” or “the division of powers” in the abstract. People who talked about such tax questions were talking about the standing of one political community’s norms, their own, in relation to those of another. Ponder this bit of public finance rhetoric from one William Rand of Canning, Nova Scotia, in 1931: “For sixty years Nova Scotia has been bled to build railways and canals for Canada, then bled again to maintain them so that the Canadian may have them free of tolls, while a wharf on the coast of Nova Scotia can be used only by paying [a] toll to Canada.” That’s why, he thundered, “that to call a Nova Scotian a Canadian provokes only a bitter anger or actual resentment.”²² Surprised by Rand’s rhetoric? You probably haven’t lived in Nova Scotia for any length of time. One political community’s touchstone terms are not those of another; that’s part of what defines a political community. Tax culture historically has done some of the work of constituting those diverse political communities within Canada.

Beyond what it tells us about political cultures, a history of tax culture can draw our attention to some key terms in tax debates, some with continuing relevance, others that tell us how much our world has changed. For example, opponents of progressive taxation of income charge that this method expresses a morally unattractive envy, and its supporters charge the flat-taxers with unethically allowing super-consumption in a world where many are deeply in need. In this conflict, there is at play the profoundly cultural question of which kinds or levels of consumption are basic and which kinds constitute luxury. Many kinds of taxation have taken aim at “extravagant” spending, and tax resistance has often consisted of disputing the idea of luxury embedded in such taxation. Studying the letters that Canadians wrote to their leaders about the strains imposed by taxation makes it possible to see historical changes in the meanings of luxury: for example, the change from a time when owning a car was an extraordinary luxury to one when a car became nearly a necessity whose sacrifice, in order to pay a tax bill, came close to being an intolerable hardship. Discussion of consumption taxes and poll taxes and their role in family budgets reveals how

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Canadians weighed the return on taxpaying compared with other expenditures. When was paying for household servants considered a basic necessity, recognized in the income tax law, and when and why did that end? How was saving factored into the list of basic necessities, both in personal life and as public policy? All of these questions relate to a more fundamental change in culture. How has common sense about what is “economic” behaviour changed over time? When did tax talk begin to invoke a larger system, “the economy”? When did it come to seem that a state is justified in setting tax policy in ways that control these arguably personal practices of thrift and indulgence in order to manage that system?

Often bound up in definitions of subsistence and appropriate spending are notions among taxpayers of whom they are obliged to support. Mostly, these notions are linked to family relationships, another central category of culture. Personal income tax laws incorporate many and varied ideas about appropriate family relationships. Dependent children are usually recognized as requiring expenditures that belong within subsistence. But how long children can be considered dependent is culturally and historically contingent. The nature of dependency entailed by various kinds of physical and mental disability is another area where family relations, medical science, and labour market considerations intersect in the tax code. Equally cultural is the question of whether all support relations that seem to be required morally can also be regarded as legally recognized dependencies. What about a taxpayer who provides for the abandoned wife of the taxpayer’s deadbeat son? Wives (more often in the past than today) appear as a cost against a married man’s income, but single women (and especially single mothers) have often pointed out that wives provide valuable services that might be described as non-market income, so that having a spouse is a form of income and not an expense. Exactly which relationship a wife has to her husband’s income is a matter both of culture and of tax law. All of these and many more debates about family and tax make this aspect of culture a particularly rich history to explore. And for Canadians it is one of the more striking dimensions of our income tax history that our tax law treats families differently than American tax law treats families in the United States.

Finally, norms of democratic participation are a cultural phenomenon central to this book. In 1921, suffragist Ella Murray asserted that, “until women understand taxation, they are not in a position to undertake public life.”²³ Which things should an adult man know about politics and public

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life? Have they always been the same? Have they changed over time for adult women? Do they vary by class or racialized identity? In the process of democratization that I trace, changes in tax practices produced changes in the norms of political engagement and even in the norms of business competence. The tax system helped to define the kind of person you needed to appear to be in order to be a respectable citizen. Different levels of government addressed people as taxpayers in ways that changed over time. In the 1950s, some towns were still trying to charge a head tax on anyone coming “from away” to work in the town. Such poll taxes spoke to an older view of citizenship as having a narrow basis in residency. More commonly, by the 1950s, the national identity embedded in paying income tax dominated in defining the link between tax and citizenship.

Ordinary knowledge, political community, family relationships, thrift, and extravagance – these are the kind of tax culture topics that I explore. They are interesting for what they add to our understanding of economic culture and political culture. In addition, tax culture topics illuminate how taxation, and especially the modern income tax, shaped what the national state in Canada is and does and what is democratic or not in all that. In the end, I hope that you’ll see quasi-voluntary taxpaying as a means of building democracy, engaging people in necessary political conversations. Historians of economic development note that resource-funded states tend not to develop vigorous democratic institutions. In the Anglo-American tradition, these institutions – parliaments, congresses – had their historical origins in tax bargaining.²⁴ In mid-twentieth-century Canada, developments in taxation brought Canadians into political activism, and in that sense taxation built democracy. This general process had its own Canadian history, and we will be better citizen-taxpayers if we understand it at the grassroots and not just in the legislature.

Tax and the Development of Mass Democracy

The argument I make in this book puts a lot of weight on a hyphen, the one that connects “citizen” and “taxpayer.” Setting up these two as opposites, one socially minded, the other selfish, is a convention of contemporary debate.²⁵ But the story that I found in my research suggests that the two ideas are not simply opposites. Talking about taxes draws people into public life. In the nineteenth century, as historian Elsbeth Heaman shows in *Tax, Order, and Good Government*, taxation was arranged to protect

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property.²⁶ To speak as a citizen was usually to speak as a property owner, someone who had a “stake in the country.” During the period I examine, however, late-nineteenth-century challenges to that narrow notion of citizenship bore fruit. Different kinds of people insisted that the taxes they paid entitled them to a more weighty political voice. Self-interest always played a part in those claims. But the more varied the range of interests expressed in tax talk, the more tax questions have forced us to think about how interests intersect. In the tax administration of the interwar years, a lot was hidden from public view, and that secrecy limited the quality of citizen engagement possible on tax questions. But the new tax publics of the ’50s and ’60s brought to light serious questions of how tax fairness and a just social order might be created and combined. In the sometimes fierce conflicts of those decades, taxpayers became citizen-taxpayers engaged in tough conversations about how to define and pay for our collective life. The work of democracy lies in such conversations.