

The Terrific Engine

Income Taxation and the Modernization of the Canadian Political Imaginary

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Introduction: A Political History of Possibility

“NDP Making Huge Gains as Canada Tilts Leftward,” a *National Post* headline pronounced in the spring of 2012. Citing a poll showing that people “think Canada suffers from an income gap, where the rich are getting too rich and the poor are getting too poor,” the article said that this concern explained the rising popularity of the New Democratic Party (NDP).¹ The article didn’t explain what it meant to tilt leftward or elaborate the connection between income inequality and the electoral fortunes of the NDP. Neither was there an explanation of how electing the NDP would narrow the income gap, though voters’ sense that it would was the crux of the article’s logic. The editors didn’t explain the connections among concerns about income inequality, a leftward tilt, and the fortunes of a political party because they didn’t need to. They presumed correctly that readers would know how the terms related to each other. Even though the NDP had never won a federal election, readers shared with the editors and author an *imaginary*, a mental image or map of political reality, that allowed them to imagine political conditions that would increase the possibility of its formation, and they could even imagine what such a government might do – all because they knew what it meant to tilt leftward.

It wasn’t mentioned in the article, but progressive income taxation is crucial to the political imaginary that made its claims intelligible. A progressive income tax taxes higher incomes at higher rates, making the rich less rich; the revenue from such a tax can be used to fund social programs and public services, making the poor less poor. The poll respondents who

believed that “the rich are getting too rich and the poor are getting too poor” tilted leftward, supporting the NDP as the party most likely to increase taxation on the rich and increase funding for social programs and public services that benefit the poor. Supporters of the ruling Conservative Party leaned rightward, voting in the expectation that the government the party formed would tax and spend only minimally, easing the burden on high income earners who shouldered the greatest weight under the progressive tax and encouraging those with lower incomes to secure income by their own initiatives. Voters support the party that reflects their vision of social relations and of how income taxation should be used to improve those relations. Although we seldom think of it, progressive income taxation is at the heart of how we make sense of politics and how we schematize the complex interrelationships of citizens and the state; it also explains our easy and unremarkable fluency with the political imaginary that maps our political sympathies on a left–right spectrum.

We share this imaginary because we are moderns, heirs to the modernization of politics in the early twentieth century, and we rely on its categories to make sense of our world. The idea that democratic citizenship entails choices among clearly different ways of organizing the economy makes sense to us, even if we never experience party politics quite that way. Parties appeal to our intellect and to our understanding of the shared rights and responsibilities of citizenship, and we use our intelligence and our critical awareness of the world and of the party system to choose among commensurable yet different party programs. Parties that propose a more egalitarian economic arrangement, in which income is pooled through taxation and spent on vast projects to benefit the disadvantaged or the general population, are placed on the left of the spectrum, whereas parties that propose to use taxation only to fund the bare minimum of state projects, thus easing the burden on individual income earners, are placed on the right; those that seek to balance both approaches are placed in the centre. We struggle to understand or even conceive of other political imaginaries in which the differences among parties are about something other than the possible redistributive uses of the treasury and are therefore not amenable to alignment on a left–right spectrum. The core differences among the parties are how income is arranged, and the range of possibilities for different arrangements of public wealth, which we map on a spectrum, from left to right – an arrangement that strikes us as appropriate and clear to the extent that we are moderns.

This modern political imaginary is a language of politics, in a sense, and it arose rhetorically, out of the ways that people talked about and

described politics in the early twentieth century. It was the rhetoric through which people expressed the possibilities that income tax offered, rather than the tax itself, that was the engine of political change. Fiscally, income taxation was a powerful instrument of redistribution in the middle of the twentieth century in Canada, funding programs that transformed the overall living standards, and particularly the education and health, of poor and working-class people. It was the fiscal power of taxation, its ability to support generous social programs politically necessary after the First World War, that Stephen Leacock was thinking of when he wrote, in *The Unsolved Riddle of Social Justice*, about “the terrific engine of taxation already fashioned in the war.”² But its rhetorical effects were even more dramatic. People saw in income taxation the answer to a range of difficulties that haunted politics in the early twentieth century, many of which were themselves rhetorical. The rhetoric through which they articulated their understanding of taxation and the party system set in motion a revolution in political language, overturning an old way of understanding the differences among parties and introducing a new, more modern schema of political differences that underlined the role of the independent intellect in guiding political sympathies. The rhetoric through which people understood and explained income taxation and its overwhelming possibilities to one another was “the terrific engine” of a realignment of Canadian electoral politics along a left–right axis.

This book argues that progressive income taxation and the modern political imaginary were adopted in Canada not just at the same time but also as part of the same process: a vast campaign to modernize politics to make it more meaningful to more people. 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 how politics was imagined and discussed. 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 of an election. It became normal to distinguish among party platforms that sought to unleash its power and those that sought to contain it. As parties outlined how they would use income taxation, the left–right spectrum, not applied to Canadian political parties before the 1920s, was increasingly adopted to make sense of the new field. *The Terrific Engine* is a history

of those possibilities and of the ways that people found to make sense of them.

CANADA'S FISCAL REVOLUTION: INCOME TAXATION
AND DEMOCRATIC POLITICS

Income taxation has not enjoyed much attention from historians until recently. The study of taxation in Canada essentially began and ended with the work of J. Harvey Perry, a civil servant who published the definitive two-volume *Taxes, Tariffs, and Subsidies* in the 1950s.³ Despite its centrality to questions of national development, state formation, political parties, and the social welfare state, income taxation has tended to play only a marginal role even in historical scholarship devoted to these themes. The implementation of universal income taxation over a few decades in the early twentieth century, which one scholar has called a “fiscal revolution,”⁴ was touched on in places, most often in journal articles neither written nor read by historians. The scholarly literature on Canadian politics in the early twentieth century more broadly, however, is vast. The election of 1911, the First World War, the Great Depression, and the Second World War, key moments in this political narrative, 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 emerging out of the 1960s and have become comparatively dormant since then. Political history is currently undergoing a revival and a much-needed methodological reorientation. As part of the revival of political history, a scholarship on taxation in Canada has developed almost overnight.⁵

The political and social crisis that saw the emergence of the modern political imaginary was a defining moment for what Donald Wright has called the “post-1918 generation” of professional scholarly researchers.⁶ It is well represented in their work on Canadian politics. Much of the early canon of political history in Canada, in fact, grew out of the democratic struggles of the early twentieth century that are the focus of this book. 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,” drew on similar analysis in the *Grain Growers’ Guide* and found their way into articles in the *Canadian Forum* before being published in academic articles and, eventually, *In Search of Canadian Liberalism*.⁷ 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 that Creighton contributed to the Royal Commission on Dominion-Provincial Relations.⁸ The work of historians such as Creighton and Underhill was criticized after the 1960s for representing only a narrow swath of political reality and implicitly siding with elite conceptions of politics; however, at the time that they were writing, the nature of political parties and the role of the dominion government in creating a national economy were vital questions for popular politics. This book is informed by the understanding that questions of political difference and its effect on democracy were important in the 1930s and remain important. Like those of Creighton and Underhill, this is a history that both interprets the political world and seeks to change it. That it harks back to that older scholarship, in both style and subject matter, is intentional and unapologetic.

The scholarship that is the most direct precursor of this book is the intellectual history of politics that emerged during the long winter of political history in the 1980s and 1990s. Books such as Doug Owram'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.⁹ This work underlined the importance of ideas in how politics changed, drawing particular attention to the rapid transformation in ideas of what the liberal state could and should do in the years leading up to 1945. Although it has been valuable in framing key questions of my book, the intellectual history of politics exhibited some characteristics that I have tried to overcome. For one, it displayed a conception of the role of intellectuals in government that tended to idolize liberal intellectuals, presenting their rise to power and influence in the interwar period in whiggish terms. It also presented ideas and intellectuals as necessarily linked, as if workers and farmers had no ideas and ideas were always identifiable concepts imported into government from academia. This book differs from the intellectual history of politics tradition first by examining rhetoric rather than ideas; second, and relatedly, by looking at how various speakers – journalists, politicians, farmers, workers, as well as university-trained intellectuals and authors – reshaped politics through their use of rhetoric; and third by placing these uses of rhetoric in political struggle rather than on an abstract plane. I study how politics changed in the first half of the twentieth century, not just by looking at the formal intellectuals and their ideas, but also

by looking at society more broadly and the people's enlightenment that swept through it.

The past 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.¹⁰ 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 methodological limitations from sustained critical reflection, the result of which was an ossification of traditional habits in studying and teaching 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 a relic or an intellectual backwater, and it is now explicitly promoted as a newly vibrant field of study.¹¹ 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 nonliberal practices and aims were either absorbed or suppressed by society and the state.¹² The essay served broadly as a rallying cry for scholars wanting to repoliticize and reinvigorate political history. In addition, though McKay's work was explicitly intended as a "concept of reconnaissance," not as a theory, it has been adopted by scholars as a frame of reference, and it is often cited as the interpretive basis of major research projects.¹³ My book is not informed interpretively by "The Liberal Order Framework"; as a study of formal politics informed by social and cultural history's leftism and attention to language, it is a contribution to a wider interpretive 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, not only prolific in producing her own scholarship but also a leader in spearheading the development of a tax field in Canadian historiography more broadly. Traditional political history, for all of its focus on politicians and governments, paid little attention to taxation. What there is of tax history before the past decade is either intellectual history of politics, as in Ooram and Ferguson (in which tax is peripheral), or highly technical and institutional histories of statutes and practices, as in Perry, W. Irwin Gillespie's *Tax, Borrow, and Spend*, or Robert Bryce's *Maturing in Hard Times*.¹⁴ Recent tax scholarship by Tillotson, Elsbeth Heaman, Andrew Smith, and others

has been strongly differentiated from this institutional approach by placing taxation in broader political, social, and cultural contexts, examining it as a site of social struggle and as a screen for projecting anxieties and desires.¹⁵ This renewal of interest in taxation is partly a reflection of the phenomenon of new political history and partly a reflection of a more interdisciplinary renewal of interest in taxation, as can be seen in what some scholars call the new fiscal sociology.¹⁶ Like the Canadian historians studying taxation, these scholars are reviving the field by seeing taxation as a central fact of political life.¹⁷ *The Terrific Engine* is a part of this emerging national and global scholarship that explores fundamental questions of democracy and modern politics.

A “BREAK WITH THE PAST”: POLITICAL MODERNISM AND THE LEFT–RIGHT SPECTRUM

The use of “left” and “right” as political terms comes from the French Revolution, the “break with the past” from which scholars conventionally date the birth of the modern.¹⁸ The terminology, with its abstract clarity and fierce opposition, inevitably calls to mind the charisma and confidence of nineteenth-century French enlightenment and citizenship, of the people and the nation awakening from the sleep of deception to craft a new people’s state that embodied the hope of human progress. Despite its universal pretensions, however, the left–right spectrum was adopted differently at different times in different places. English-speaking countries were late to take it up, possibly because English parliamentary tradition already provided another bifurcation – some variation of liberal and conservative – more appropriate to the narrow ideological range of electoral contests in Britain, the United States, and the British dominions, where two parties spoke for overlapping sections of the ruling class.¹⁹ When these countries did adapt the left–right spectrum to their purposes, it was to map political cultures that had been shaken by war and depression, by class conflict and renegotiated (New Deal or Keynesian) liberalism, when the core themes of the French Revolution – enlightenment and citizenship – had been translated into English political terminology.

Use of the terminology in politics has prosaic origins. After the *ancien régime* was violently overturned in 1789, the people’s representatives arranged themselves in the National Assembly, literally left to right, on the basis of the ferocity of their opposition to traditional authority: those on the left believed in a strictly egalitarian republic, whereas those

on the right believed that deference to the aristocracy and the church was a public good. The terms “left” and “right” entered English by way of Thomas Carlyle’s two-volume *The French Revolution*, which described how, in the heat of debate, “like does begin to assemble itself with like,” and, by the seating habits of impassioned speakers, the “rudiments of Parties” began to emerge.²⁰ Insulting jibes stuck, and the link between physical position and ideological position was quickly fixed in language. Carlyle described “a Right Side (*Côté Droit*), a Left Side (*Côté Gauche*); sitting on M. le President’s right hand, or on his left: the *Côté Droit* conservative; the *Côté Gauche* destructive.”²¹ In this original nineteenth-century usage, the words *left* and *right* were generally nouns: *the left* and *the right*, recognizable groups of people who operated together for shared ends. However, as the terminology spread through Europe, particularly after 1848, when liberals, socialists, communists, and anarchists began proliferating on the continent, threatening the stability of old, aristocratic Europe, the terms became more adjectival, signalling a quality shared by differing things.²² By the start of the twentieth century, the period in which this book begins, it was possible to refer to not just the left or the right but also to left and right as general directions or inclinations. A profusion of nouns in the years following gave us, according to the *Oxford English Dictionary*, *leftism* (1920), *right-wingers* (1920), *leftists* (1924), and *rightism* (1934) – truly abstract terms for truly modern political differences.

Modernizing politics necessarily entails what Carlyle called the “Death-Birth of a World!” or, to use a more familiar term from political economy, “creative destruction.”²³ The literal violence of the French Revolution is only the most obvious example of a common theme: the establishment of political modernism, like all modernism, is revolutionary in the widest sense, a conscious drive to remake 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 past,” an awareness of radical novelty.²⁴ Although, as Harvey says, a true 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 it has been used to express varying political projects. It is concerned with “unblocking energies and releasing flows” by a process of creative destruction.²⁵ Just as the French Revolution would have been nothing without the “destructive wrath of Sansculottism,” the ignorant violence of people without sympathy for

the status quo, so too the destructive overthrow of old loyalties, however symbolic, is an inescapable ingredient of political modernism.²⁶

The political modernism that established the link between income taxation and the left–right spectrum was also first negative and destructive: its Sansculottism was rhetorical, with farmer and labour newspapers lobbying powerful words at the old difference between Liberal and Conservative, weakening the old affective bonds of party loyalty. This assertion of independence is what McKay calls the “people’s enlightenment”: a self-conscious sense of growing intellectual and political independence among workers, farmers, and other political groups in the early twentieth century. Building upon a perceived explosion of knowledge and independent inquiry in the eighteenth and nineteenth centuries, speakers saw socialism and other political ideas as a democratic extension of the enlightenment ethos. Immanuel Kant’s enlightenment dictum “Dare to Know!” became tied in the twentieth century, McKay argues, to the development of political and intellectual independence among previously unrepresented and marginalized groups.²⁷ This was linked to a belief that political thought was, or should be, common property, “the possession of all,” and should serve social ends.²⁸ Political activism in the period, McKay argues, was about “unlocking the ‘immense power’ of knowledge” to create “a genuine people’s enlightenment.”²⁹ A wide range of speakers believed that a mass political awakening was both needed and happening in early-twentieth-century Canadian politics and described it in similar terms. Beyond initiating an unprecedentedly blunt conversation about exploitation and taxation before and during the First World War, the destructive phase of the people’s enlightenment insisted on the necessity of political and intellectual independence, castigating the old party loyalties as not only ossified and reactionary but also fundamentally false and foolish – and dangerously antisocial.

A period of confusion followed the effective destruction of the Liberal-Conservative imaginary after 1917, during which a new imaginary, premised on the unprecedented possibility of a powerful dominion income tax, began to emerge in new controversies. What replaced the old loyalties of party sentiment was a more abstract relationship between citizens and the state, encapsulated by what Tillotson has called the “citizenship of contribution”: a major transformation in the “moral and symbolic meaning of taxation” in the early to mid-twentieth century.³⁰ In place of the moral obligations of the rich, a new possibility emerged in which everyone contributed in relation to her or his income to fund government expenditures on redistributive social programs and free public services. As

a new vista of political citizenship, the working class was being offered, “as an image of their place in a system of collective care,” via universal income taxation, a new citizenship “whose responsibility consists in paying part of the price for the services they use.”³¹ The citizenship of contribution refers to the novelty – the modernity – of the idea of using universal taxation to fund social programs, harnessing the power of taxation as a link among citizens and its overwhelming impact on the rhetoric and imagination of Canadian politics in the 1940s.

The political imaginary that links the left–right spectrum to concerns about income inequality is both historical and modern: it arises out of a particular set of contingencies, but it does so in the explicit hope of effecting a break with the past, a revolutionary shift from an old way of thinking to a new and clearer modern horizon. It is the product of a mass rhetorical project of political modernism, of which McKay’s people’s enlightenment and Tillotson’s citizenship of contribution are both species.³² At first destructive and wrathful, political modernism’s break with the past overthrows the rhetorical basis of the two-party system and, in a process of creative destruction, creates a fertile abyss from which new energies explode. A second, positive stage of political modernism sees these energies coalesce around the novel possibility of income taxation as a powerful instrument of economic equalization and the establishment of a new, more modern, and abstract organization of difference: left and right. McKay’s and Tillotson’s core concepts together tell the story of how the universal ideals of political modernism – enlightenment and citizenship – became linked in Canadian party politics with the possible uses of income taxation.

“SEEING THINGS THEIR WAY”: RHETORIC AND THE MODERN POLITICAL IMAGINARY

The modernization of taxation in Canada in the early twentieth century was a revolution in language in two senses: its outcome, the modern political imaginary, was a radical change in the way that political reality was expressed and represented, and it was a change effected through language or, more precisely, rhetoric. The introduction of a dominion income tax, the income war tax, in 1917, and its broadening into a mass tax 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 as

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. To tell the story of the introduction of income taxation in Canada without highlighting its rhetorical implications would be to miss most of what makes the change politically important.

The focus on rhetoric rather than ideas is key to the book's methodological and political ambitions. I focus on the rhetoric through which people made sense of political differences and its connection to changes in the forms of taxation at the dominion level. In part, this connection happened 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. Underlining the *uses* of ideas rather than ideas themselves is implicitly a much more democratic approach to the period's political transformations than the one taken by the intellectual history of politics. That a great number of people who were not professional intellectuals were not only talking about the role of taxation in obscuring and clarifying political differences but also talking about it knowingly reinforces the *political* importance of that methodological stance. The emergence of the modern political imaginary was, in a sense, a democratic story.

My original aim in researching the effect of income taxation on language was simply to trace the change in language, what I assumed would be a largely unremarked increasing use of the terms "left" and "right," and explain its development in relation to changes in fiscal arrangements of the state. My starting assumptions were that the terms used in texts would slowly change and that these changes would be reflected in asides, in parts of writings to which authors had devoted little attention. The sources, however, immediately told another story. In certain situations, speakers were clear and self-conscious about the language that they were using and often commented openly on either a change in terminology or the need for such a change. This discovery changed the nature of the project: rather than simply a history of people using words, it became a history of people using words to talk about 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 a passive surrender to progress but a kind of mass intellectual project.

The question of how people used language pointed to the study of rhetoric, which Quentin Skinner defines as language used in political struggle.³³

He 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, Skinner says, is “the only history of ideas to be written.”³⁴ Words and ideas matter, that is, only when they are spoken, and they are spoken only when it is important politically that they be spoken. This approach arises out of philosopher Ludwig Wittgenstein’s dictum that “words are also deeds”: that is, there should not be too sharp a distinction among saying, thinking, and doing.³⁵ In Skinner’s own field of political philosophy, this becomes an insistence on “seeing things their way,”³⁶ 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.”³⁷ 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.³⁸

Skinner’s insistence that words matter politically and therefore are part of social struggle is the key to how rhetoric is used in this book. The centrality of political modernism in the analytical framing of the book, for example, arose out of the sources. In heralding the possibilities of a federal income tax, the word that people most often used to describe its salutary effects was *modern*. Income tax was modern because it was clear; it was modern because it was destructive; it was modern because it was scientific; it was modern, most often, because it was novel and unprecedented. Critiques of the party system in the early twentieth century invariably characterized it as old, inefficient, or 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 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.³⁹

The left–right spectrum that emerged over the period examined here is characterized as a new “imaginary,” a term widely used in political and social theory, though often without much rigour. 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 analytical procedure.⁴⁰ But the imaginary, despite its appeal as a blank slate, does mean something. The imaginary is an abstract representation of a field of action, the conditional “world” in which other

actions can be intelligibly taken and understood and 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. For political theorists, the imaginary is a perspective or lens through which abstract phenomena are viewed and given meaning. The imaginary is the fundamental site of social struggle and invention because it is what allows possibilities to be formulated before they coalesce into demands. The French Revolution, for instance, began as a new “egalitarian imaginary” that posited the fundamental equality of people and that, for the first time, allowed a total evaluation of previously unexamined social hierarchies. The core of the revolution, Ernesto Laclau and Chantal Mouffe argue, was this novel perspective, and the vista that it opened up pointed to a new concept of political legitimacy.⁴¹ Beyond being a perspective, though, the imaginary is also a set of possibilities. Political philosopher Charles Taylor defines the imaginary as a “‘repertory’ of collective actions at the disposal of a given group of society.”⁴² He also underlines the visual-spatial aspect of the imaginary, saying that it constitutes “an implicit map of social space.”⁴³ The imaginary is a repertoire of expressions that coalesces into a recognizable and definable spatial representation of a given reality.

My focus on rhetoric and the imaginary undeniably arises out of the linguistic turn in historical scholarship, which interprets the sources of the past in terms of their meaning-making power. But my concern with rhetoric and difference is not simply an outsider’s perspective on the past, the result of an overactive methodological imagination enlisting the past against its will in an anachronistic deconstruction. People in the past cared deeply about the rhetoric of political differences, decried its poverty in their time, and pushed, as part of a project of democratic and fiscal reform, for a new delineation of possibilities. This book is a product of modern scholarship and reflects its methodological and theoretical force, but it is also a book about what people in the past had to say about politics and political differences. The language that we use to make sense of politics is in large part their language, and it is as much the product of critical thought and well-honed rhetoric as it is of current scholarship. If they thought that political differences were important for them to think about, then we should as well.

STRUCTURE AND NARRATIVE

The narrative material that follows is organized around four discrete political scenes, in two parts of two chapters each, in which the rhetoric of

fiscal politics and political differences is a key concern. Each scene combines 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. Spread out over four decades, the scenes demonstrate a long-standing interest in addressing rhetorical questions as fiscal problems and vice versa. They encapsulate the transformation in the political imaginary that characterized the period. The scenes centre first, in [Part 1](#), on the destruction of the two-party system inherited from the nineteenth century and then, in [Part 2](#), on the establishment of a new, more abstract, and more impersonal system of differences characterized by use of the terms “left” and “right.” They are, in a sense, two pairs in which a problem is articulated from society and the state responds to it. Although I touch on what happens between these scenes, they do not follow one another directly. Rather, they are pivotal moments in which an awareness of the rhetoric of political differences attached itself to a critique of dominion fiscal politics.

The rhetorical inventions 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 contexts for the political struggles, these opening sections offer inventories of the references on which speakers in the period drew. Although these sections are the most directly concerned with political economy, they do not present material bases that determine 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 then build upon speakers’ reflections on political differences, on the power of a phrase or slogan, and on the power of a more equitable or powerful tax measure. In each chapter, the core question is the speakers’ collective anxiety or excitement over the rhetorical resonances of fiscal questions.

The account begins, in [Chapter 1](#), with the controversy over the tariff, and the Laurier government’s intention to lower it 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 twentieth century, the tariff, a tax on imported goods, was the chief fiscal instrument of the dominion. Although in a 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, 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, practised 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 from 1896 to 1911 was characterized by forcefully stated differences between parties that governed in essentially the same way. Critiques of the inadequacies of the tariff as a 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 primarily on the tariff itself and secondarily on the party system as an instrument to get 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 in 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 further alienated farmers from the party system.

Alienation from the party system was furthered by the political and fiscal controversies of the First World War, the focus of [Chapter 2](#). 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 in lives, weighing so heavily on the working class, and with military conscription on the table, labour leaders pushed for the "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 sops 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 meaningful divisions 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 one in Winnipeg, and people ran provincially and federally as farmer and labour candidates. In Alberta and Ontario, they formed the governments, 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 3](#). 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 farmers, workers, and intellectuals shifted into high gear. In the Maritimes, for instance, progressive reformers pushing for public expenditures on public works ran up against the limits of provincial fiscal models, which had to tax a predominantly low-income population, given that so much business leadership had relocated to Toronto and Montreal; they used the Liberal and Conservative Parties interchangeably to advance their progressive ends, employing the two parties' lack of clear differences 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 – which had not been on the agenda previously. 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 Cooperative Commonwealth Federation (CCF) and various progressive splinter groups of Conservatives, made for a crowded and chaotic electoral field. Combined with the emergence of the possibility of using the federal income tax to effect large-scale income equalization, this led to increasing use of left and right to try to keep track of and agree, often unsuccessfully, on what was occurring. The Royal Commission on Dominion-Provincial Relations, called to address once and for all how the federal government should use its taxing power to stabilize the federation, recommended in its final report 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, the difference in taxation of high, moderate, and low incomes.

The political realities involved in implementing the commission's idea of a powerful single dominion income tax are the focus of [Chapter 4](#). 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, Minister of Finance J.L. Ilsley 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 mould Canadian society after the war. The CCF, the Liberals, and the renamed Progressive Conservatives jostled for spots on the left–right spectrum, and, even as all parties insisted on never repeating the catastrophe of the 1930s, commentators proclaimed more confidently than ever that those on the left sought to avoid an economic crisis by using the power of the state to create an egalitarian society while those on the right sought to do so 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. After the 1940s, the connection between dominion taxation and dominion political differences was seldom noted. The 1945 *White Paper on Employment and Income*, widely acknowledged as marking a new, more central role for the dominion treasury in stimulating growth, also marked the evaporation of the imaginative, modernizing role of income taxation in the period leading up to the Ilsley reforms.⁴⁴ Income taxation as a common 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 a “terrific engine” worthy of comment; income taxation stopped producing possibilities and became a largely silent burden.

Over a little more than thirty years, a 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 programs, started to dominate, by the end of the Second World War solidifying into a recognizable way of seeing political reality, a political imaginary in which voters chose among 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 work from beginning to end; it was a shared project across years and regions and, in some cases, deep political divides. It was a mass modernist push to make a more meaningful and democratic politics. To us, its outcome might be obvious, hackneyed, or even frustrating, but to its architects, the taxpayer-funded social state and the left–right spectrum were a radical and important liberation.

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