

Confederation and taxation

Historian P.B. Waite, the authority on Confederation for a whole generation of Canadians, saw two Confederation debates rather than one. There was the maritime perspective, mentioned only glancingly by him here, which was interested in taxation; and then there was the debate in the Canadas, which was more concerned with difficulties around nationality (xli). As a consequence, Waite wrote concern for taxes out of the Canadian Confederation debates. But that's misleading. Maritimers argued about taxes more than did Canadians (mention of "taxes" or "taxation" occurs once every 4 pages in the Nova Scotia debates and once every 12 pages in the Canadian debates), but that's only to say that Canada had many more speakers who ranged over other questions. Some of the most important speakers addressed taxes at no small length, especially A.T. Galt and Christopher Dunkin from Lower Canada and George Brown from Upper Canada.

Brown put his cards on the table in the extracts printed in Waite's edition of the debates. "Had we continued the present Legislative union, we must have continued with it the unjust system of taxation for local purposes that now exists—and the sectional bickering would have gone on as before" (49). That is to say: the bickering does not follow nationality; it follows unjust sectional taxation. That was not an aside: Brown made the point repeatedly. The two great accomplishments of the proposed Confederation plan, he argued, were to remedy unjust representation (granting "rep. by pop.") and unjust taxation: "But, MR. SPEAKER, the second feature of this scheme as a remedial measure is, that it removes, to a large extent, the injustice of which Upper Canada has complained in financial matters. We in Upper Canada have complained that though we paid into the public treasury more than three-fourths of the whole revenue, we had less control over the system of taxation and the

BY ELSBETH HEAMAN

Elsbeth Heaman teaches history at McGill University. She is completing a book about taxes and tax revolts in Canada from 1867 to 1917.

George Brown did not just want "rep. by pop."; he wanted something more like "rep. by prop.," or representation and influence according to property.

expenditure of the public moneys than the people of Lower Canada." Under the new scheme, by contrast, "the taxpayers of the country, wherever they reside, will have their just share of influence over revenue and expenditure. (Hear, hear.)" (41).

CONFEDERATION: A TAX REFORM

Brown and Galt together were the architects of the fiscal deal done at Quebec in 1864, and they described it similarly. Confederation was a tax reform because it made local expenses largely, though not exclusively, reliant on local (provincial and/or municipal) taxation. Federal governments would provide a top-up for provincial revenues, but their ability to transfer revenue from one jurisdiction to another would, Brown predicted, be severely limited. The top-ups and subsidies were necessary because only Upper Canada/Ontario had extensive direct taxation, exacted by local authorities, to build infrastructure and run schools. Quebec spent far less locally on schooling—there, the Catholic Church provided cheap schools run by priests and nuns

and agitated against much direct provincial involvement in education, while the province subsidized transport infrastructure. The maritime provinces also relied heavily on provincial spending for both education and infrastructure. Thus, George Brown remarked, though he had strongly advocated "defraying the whole of the local expenditures of the local governments by means of direct taxation," the thing was impossible. "Our friends in Lower Canada, I am afraid, have a constitutional disinclination to direct taxation. ... The objection, moreover, was not confined to Lower Canada—all the Lower Provinces stood in exactly the same position. They have not a municipal system such as we have, discharging many of the functions of government; but their General Government performs all the duties which in Upper Canada devolve upon our municipal councils, as well as upon Parliament" (42). Because those local governments would now lose their customs duties, the federal government must provide subsidies. But the subsidies were strictly limited to 80 cents a head, "in full settlement of all future demands upon the General Government for local purposes,"¹ and the sum would decline as populations grew. Brown admitted a short-term compromise to his tax project, expecting in the long term that people outside Upper Canada would gradually be educated up to Upper Canadian standards of direct taxation.

REPRESENTATION BY PROPERTY

George Brown did not just want "rep. by pop."; he wanted something more like "rep. by prop.," or representation and influence according to property. Once responsible government had given the colonial population control over policy, the great question of the day became how to balance the interests of the propertied against those of the scantily propertied or unpropertied. Tinkering with franchises was one mechanism; writing

Poverty has a claim that the Fathers of Confederation would never have granted it, but the seeds of that claim were laid in the fiscal arrangements of 1864.

caps on fiscal transfers directly into the new constitution was another. These debates squarely pitted the rich and the poor against one another, but in Canada, those socio-economic confrontations were always interlaced with the language of competing identities or “races.” Upper Canadians bought more imported goods than did Lower Canadians but customs revenue was disproportionately spent in Lower Canada. George Brown resented the transfer of Upper Canadian wealth to Lower Canadian pockets.

From the late 1850s, he kept up a string of tirades against that transfer in the *Globe* that made the United Province of Canada increasingly ungovernable. In the plan for Confederation, Brown sought to rein in those transfers. The maritime provinces threatened his fiscal austerity project because they clamoured for transfers from the beginning, but he was confident that they would be assimilated to Upper Canadian fiscal prudence over the long term. If Maritimers were like Lower Canadians in lacking infrastructure, they were like Upper Canadians in being substantial consumers, so they could confidently be expected to contribute to federal coffers by means of customs duties. Any subsidy would effectively be paid out of their own pockets, rather than as a transfer from Upper Canada. They too, in short, had an interest in federal austerity.

The member for Drummond-Arthabaska, Christopher Dunkin, was unpersuaded. Waite gives us the beginnings of a long speech on taxation (“But I have to turn now, MR. SPEAKER, to another branch of my comparison—the financial” (90-91)) but not the substance of it. Where Brown and Galt saw powerful restraints on local spending, Dunkin saw weak ones that let provinces demand subsidies instead of taxing directly: “The need of the neediest is made the measure of the aid given to all. The most embarrassed is to have enough for its purposes, and the rest are to receive, if not exactly in the same ratio, at least so nearly up to the mark as that they shall

all be satisfied; while, on the other hand, the debts of all the provinces are to be, for all practical ends, raised to the full level of the most indebted.”² Provincial politicians would campaign on their success in getting higher federal subventions and the system would encourage not cheap government but excess and debt.

PRINCIPLES OF TRANSFER

Dunkin proved prescient. As prime minister, John A. Macdonald found one justification after another for fiscal transfers, beginning with Joseph Howe’s demand for “better terms” for Nova Scotia. Every province had its own more or less expansive claims. In 1871, for example, New Brunswick pointed out that the federal government had paid for the lighthouses that the colony had built, but not for the *furniture* (“materials and stores”) in those lighthouses. Upper Canadian politicians and press spluttered with rage to see their tax reform go so badly awry and protested bitterly but fruitlessly. Macdonald and Cartier were, one suspects, somewhat less surprised to find federal powers of patronage largely enhanced.

The fiscal battles continued. But they continued, in part, because many found the austere liberal arguments behind the movement for Confederation increasingly repellent over time. Dunkin’s critical observation—that “[t]he need of the neediest is made the measure of the aid given to all”—fit with orthodox laissez-faire arguments to delegitimize the claims of the economically needy. Brown, Galt, and Dunkin resented transferring money from the rich to the poor, and they foresaw the inevitable consequence that rich and influential communities would demand comparable transfers (Macdonald had responded to Brown’s tirades by voting money toward

municipal debts in Upper Canada to justify his spending in Lower Canada). Principles of transfer have become political truths for 21st-century Canadians. Poverty has a claim that the Fathers of Confederation would never have granted it, but the seeds of that claim were laid in the fiscal arrangements of 1864.

CONFEDERATION: A QUANTITATIVE QUESTION

Reading taxes more explicitly into the Canadian Confederation debates has an important payoff. It shows that Canadians and Maritimers had more in common than the classic historiography suggests. The binary that contrasts Nova Scotia’s very material concerns with Canadian principled debates has always done a disservice to both communities. For both communities, Confederation was both an either/or question *and* a “how much” question. How much would this or that colony benefit from or lose by Confederation? That was a quantitative question, based on fiscal calculations, rather than a qualitative constitutional question. That was a point British economist Stanley Jevons was making about economic questions more generally in the 1860s: “There can be but two classes of science—those which are *simply logical*, and *those which, besides being logical, are also mathematical*. If there be any science which determines merely whether a thing be or not be—whether an event will happen, or will not happen—it must be a purely logical science; but if the thing may be greater or less, or the event may happen sooner or later, nearer or farther, then quantitative notions enter, and the science must be mathematical in nature, by whatever name we call it.”³ I do not suggest that the Fathers of Confederation read Jevons

Confederation and taxation, page 18

Canadian Confederation and democracy

DEMOCRATIC DISDAIN

In over a thousand pages of the original Confederation debates very little was said about democracy, and what did appear was almost entirely negative.¹ In 1865 politicians across the spectrum were united in their disdain for anything claiming to be “democratic,” with only a few Rouges in Canada East prepared to offer it some grudging and highly qualified consideration. What does emerge from the scant references to democracy in the debates is that the politicians themselves in this period did not have a clear idea just what democracy was or would amount to in concrete terms. For some, democracy was what the United States had, and in their view it had led to chaos, “mob rule,” and civil war. For others the concern was that democracy would put the uneducated and the poor in charge, resulting in larceny (i.e., a redistribution of wealth) and disorder. Still others spoke of democracy as if it were just one element in a larger governing system rather than the defining char-

BY DENNIS PILON

Dennis Pilon is an associate professor in the Department of Political Science at York University.

John A. Macdonald offered some of the clearest insight on democracy and why it was anathema to the Fathers of Confederation: it was seen as a threat to those with property.

acteristic of political rule. Thus speakers would refer to the “democratic element” of the British constitution that provided

electors with representation, even if such representation could not be said to have had decisive influence on what governments did. Perhaps not surprisingly, John A. Macdonald offered some of the clearest insight on democracy and why it was anathema to the Fathers of Confederation: it was seen as a threat to those with property.

The discussion was entirely in tune with the anti-democratic ethos of the era. While the Canadian British colonies had voting, a fairly broad franchise at various times and places, and government executives accountable to elected assemblies, this was not seen by colonial politicians as “democracy.” Democracy, as C.B. Macpherson once noted, would be “rule by the people or government in accordance with the will of the bulk of the people” and this was seen as a “bad thing, fatal to individual freedom and to all the graces of civilized living ... [a] position taken by pretty nearly all the men of intelligence.”² To forestall such

Confederation and democracy, page 19

Confederation and taxation continued from page 17


precociously; rather, I suggest that Jevons accurately described prevalent modes of economic reasoning of the day. The fiscal architects of Confederation took precisely that sort of quantitative approach when they reasoned about how the deal would work in practice. Confederation was and remains, to no small degree, a mathematical science.

But in Canada, the work of turning that quantitative question into a qualitative one went ahead more flamboyantly and effectively than in the maritime provinces. That was the task of the chief advocates of Confederation: John A. Macdonald, George-Étienne Cartier, Thomas D’Arcy McGee, and George Brown himself. They laboured to make Confederation not a careful calculus but a take-it-or-leave-it, once-in-a-lifetime deal that was simultaneously a great, patriotic

“yes” to the principle of coexistence, shared patriotism, and nationhood; not Jevons but perhaps something more like Molly Bloom’s great reaffirmation of conjugal union at the end of *Ulysses*: “yes and his heart was going like mad and yes I said yes I will Yes.”

TAXING THE STRONG

That primordial Canadian “Yes” still rings in our ears. It is important that some Canadians not pride themselves on being higher-minded than other Canadians. However, it is also important not to reduce politics to tax politics. Speaking historically, it may be precisely because Canadians have preferred to insist that higher principles were at stake, that Canadians have not seen such crippling debates around taxation as the United States. It was, perhaps, Macdonald’s

great insight that few things are cheaper than a bit of federal money. Although, where Macdonald only troubled to buy off the strong interests, neglecting the weak, his successors learned, very gradually, that they must tax the strong to provide for the weak. 

NOTES

1. The Quebec Resolutions, Resolution 64 (October 1864), online: <https://www.collectionscanada.gc.ca/confederation/023001-7104-e.html> (accessed April 27, 2016).
2. *Parliamentary Debates on the Subject of the Confederation of the British North American Provinces* (Quebec: Hunter, Rose, 1865), 517-18.
3. W. Stanley Jevons, *The Theory of Political Economy* (London: Macmillan, 1871), 8.