

E. A. Heaman, *Tax, Order, and Good Government: A New Political History of Canada, 1867-1917*. Montréal, PQ, Kingston, ON: [McGill-Queen's University Press](#), 2017. xvi + 582pp., figures, tables, notes, index. Cloth; ISBN 9780773549623, Cdn \$39.95.

This John A. Macdonald-prize winning book is a thought-provoking history of taxation in Canada. The book is an exceptional comprehensive presentation of public opinion expressed over tax issues, and an important reference work for questions of public finance

As indicated in the book's title, Elsbeth Heaman claims to establish a "new political history of Canada." In the "old literature," politics was about the "fight over competing regions, nationalisms and racializations," with an emphasis on spending priorities. Social historians have ignored tax debates after Confederation with the consequence that "Poverty has been written out of national political history". (10-11) In Heaman's "new" political history, debates over taxing priorities preceded debates over spending priorities and poverty was a paramount concern: "Principles of economic justice were addressed as problems of revenue before they were addressed as problems of spending. The modern state emerged from debates about fair taxation" (5).

Heaman details the "conversations that Canadians had about taxation" giving "due weight to public opinion" to advance our understanding of "taxation as a place where political, social, economic and cultural history intersected." The book presents "what people actually said about wealth, poverty, and taxes, and it marvels to watch a country's collective thinking evolve over time This is the story of how the liberal federal state was remade as an administrative state with a new commitment to socio-economic fairness, amidst other kinds of pressures that pulled it in different directions." (13)

But the book has limitations. A major one is its omission of scholarship from economics, economic history and on the history of the Canadian economy. The author clearly states that the book is not an economic history of taxation and cites a small number of dated references to works that cover the economic history of taxation. Nevertheless, from my perspective as an economic historian, the book's neglect of the larger literature makes its history of taxation in Canada problematic.

The author's story builds on the written record of the voices of politicians, administrators, legislators, public advocates, labour movement leaders, newspaper editorialists, and intellectuals. The material presented is impressive and interesting to read, but begs the question of how closely these voices represented views of "the people." In this regard, published work has noted a lack of progress of progressive reforms involving the state in Canada. That literature raises the possibility that Heaman's documentary evidence captures elite voices, whose views of poverty in public policy, and of what "the people" wanted or needed, were more complex than the author's thesis allows.

Nobel Laureate Douglass North's work in institutional economics and the literature his work spawned would have been helpful for developing the understanding of what constitutions and

laws are meant to do – prevent a society from changing policies and rules in the future. Tying the hands of future voters and citizens can be bad as the author argues when it comes to addressing poverty and inequality but it can also be good if it promotes legal and institutional stability to encourage investment and economic growth. If you have a long term investment then does a government have a credible commitment to the investor to not tax their returns at a higher rate in the future?

The economics literature on the optimal size of the state interrogates the social welfare trade-offs between taxes and spending tailored to local preferences and needs, with the cost advantages from scale economies of larger centralized programs that operate with greater uniformity of taxation and spending. The best examples of those trade-offs are found in the rise of the welfare state expenditures for public pensions, unemployment insurance and public health insurance. The economics and economic history literatures also address the impacts of technological change in communications and transportation that drove concentration of industrial activity in urban areas – this too is missing from the book’s story. It is hard to believe that taxing priorities were exogenous to these trending influences that intensified the competition for capital among Canadian towns and cities after Confederation, as witnessed by the practice of municipal “bonusing” and other incentives. You cannot get much tax dollar yield from footloose factors of production; thus in practice, taxes are levied on less-mobile factors like land, commercial interests and labour, that are relatively more tied to the community.

Tax incidence is a complicated aspect of taxation and fairness evaluation that is not sufficiently considered in many chapters. For example, the discussion of tariffs and their possible reduction or removal with the 1911 Reciprocity Treaty is simplistic in its definition of stakeholder interests in protective tariffs. The author has missed some important arguments economists have made about the National Policy tariffs. A protective tariff is intended to encourage investment in local manufacturing and sales over imports. While it is true that protected businesses benefitted from higher profits, and consumers paid more for goods than if they had been imported tariff free, the tariff also resulted in higher wage jobs, or at least more jobs, with trickle down effects to local retailers and farmers producing for the larger, higher income urban markets. For manufacturers who imported their inputs like iron and steel, the impact of the tariff as a net protection is more complicated and undermines the simplistic sector-based delineation of who won and who lost with a tariff.

Regionally the role of the tariff is hard to interpret in terms of gains and losses for individuals. Western Canadian farmers did pay more for agricultural implements and consumer goods produced in central Canada, compared to importing tariff free from the United States. But, the impact of the tariffs on their incomes was capitalized into land values, meaning that so long as they purchased land after the tariff was introduced, they didn’t pay it over the long run since they would have faced a lower land price. For farmers who got their land through Dominion Land Policy for “free” then they were likely compensated for the negative impact of the tariff. If the theoretical gains from Free Trade in the west were real but they were not so much as coming from removing a burden but providing a windfall capital gain.

The literature on the 1854 Reciprocity Agreement, and John McCallum's "Unequal Beginnings" on pre-Confederation economic development and his subsequent "Modified-Staples-Thesis" that he applied to post-Confederation economic development adds credence to the "old political history" interpretation of the 1911 proposed Reciprocity Agreement. Namely, that politics was a fight over competing regions and nationalisms.

A frustration I have with the book is that to accept that tax debates reflected immutable principles that were the driving force shaping Canadian Society, I would need to believe that Canada was a largely static society in terms of who is rich, who is poor, who owns, who rents, who lives where, and what Church they attend. Scholarship has established that Canada had a highly mobile society in terms of moving geographically and gaining (or losing) income and wealth. High immigration with western settlement after 1896 fundamentally changed the geography, demography and the economy of the nation. In 1867, Canada was a rural, lower income, stagnant economy that was losing population to the United States. By 1917, Canada had growing cities, high value added industry, modern technologies, and a rapidly growing population in western Canada. Canadians were moving, and gaining materially. Societal needs and priorities would have been shifting as would the capacity to tax different incomes and assets.

In the end, the information and narratives in this book are novel, impressive and a strong contribution to political and social history – it is a book worthy of prizes. We learn a lot about the politics and views of Canada's educated elites when it comes to poverty, inequality and the role of the state in Canada. But as one of those who have worked on more pedestrian economic dimensions of these same issues, my disciplinary biases and sympathies lead me to side with the old political histories rooted in business and economic history. Heaman's book strikes me as a new variant of the "old national history," in its emphasis on a national story, and in its disinterest in testing the validity of her revisionist story about "public debate" and the priority of poverty in the national agenda.

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