# Table of Contents

List of Figures, Tables and Charts ..... xi
Preface and Acknowledgments ..... xv

Chapter 1: Introduction ..... 1
   Aim and Scope of Study ..... 1
   Research Strategy ..... 3
   A Preview of the Taxing, Borrowing and Spending Story, 1867-1990 ..... 5

Chapter 2: A Positive Model of Revenue Structure ..... 14
   The Need for a Theory of Revenue Structure ..... 14
   The Political Process and Revenue Structure ..... 17
   Factors Influencing Political Costs ..... 20
   Political Equilibrium and the Structure of Revenues ..... 32
   Tax Reform and Revenue Structure Changes ..... 37
      The Causes of Tax Reform ..... 37
      The Strategies of Tax Reform ..... 42
   Political Equilibrium and the Hettich-Winer Model ..... 46
   Conclusions ..... 47

Chapter 3: Attracting People and Building the Union: Dominion Revenue Policy, 1867-1917 ..... 48
   Introduction ..... 48
   Luring Immigrants and Colonies ..... 50
      To Borrow or to Tax: That is the Question ..... 50
      Tax Individual Incomes? Never! ..... 56
      With an Eye on the United States Tax on Tea ..... 60
   Avoiding Smugglers and Con Men ..... 61
   The Joy of Taxing Sin! ..... 62
   Robin Hood as a Baby ..... 64
   Financing Dominion Spending, 1867-1917 ..... 66
   Conclusions: Tax Lightly, Borrow Cheaply and Spend ..... 71
Chapter 4: An Overview of Dominion Revenue Policy, 1918–1990

Introduction 75
Robin Hood Grows Up 79

On Introducing the Income Tax 79
On Expanding the Income Tax 80
On Reforming the Income and Sales Taxes 81

Modest Themes 83
To Borrow or to Tax: Still an Important Question 83
Joint Occupancy of the Marriage Bed 89
Still Casting an Eye South 92
Tax Collectors Experiment; Taxpayers Avoid 96

Minor Melodies 99
Conclusions: Tax, Borrow and Spend 103

Chapter 5: Expansion of the Revenue Family:
The Fecund Years, 1915–1923 109

Introduction 109
The Fecund Years: A Preview 109
The 1915–1917 War Budgets 110

Abandoning a Policy of 50 Years: Birth of an Income Tax 113
The 1918–1919 War Budgets 117

A Quick Easy Delivery: Birth of a General Sales Tax 118
Conclusions: Healthy Tax Births 121

Chapter 6: Financing War 125

Introduction 125
The Borrowing Strategy 127
In Search of the Taxing Strategy 132
Tax Choices During Wartime 134
Conclusions: Borrow, Tax and Spend 141

Chapter 7: Financing Post-War Debt Reduction 145

Introduction 145
In Search of the Taxing Strategy 150
Tax Choices During the Post-War Periods 153
The Demand for Debt Reduction 153
The Demand for Tax Reduction 154
The Reduction in Government Spending 155