NOTEBOOK / CARNET

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FROM THE SHOP FLOOR TO THE RED CARPET, N/C welcomes commentaries on any issue related to labour and the working class. Submissions should be about 1000 words in length and sent to: Andrew Parnaby and Todd McCallum, Notebook/Carnet, Labour/Le Travail, FM2005, Memorial University of Newfoundland, St. John's, NF, A1C 5S7; e-mail: <parnabya@hotmail.com>; <tlm8@qlink.queensu.ca>

Taxation and Citizenship

Neil Brooks

TAX LAW IS SHOT through with politics. Throughout history it has been the immediate cause of countless revolutions. For the last 50 years, no other public policy issue has been so consistently at the centre of ideological conflict over the *proper role, size, and functions of the modern welfare state. In the last few years* — in this era of post-deficit politics — the debate over the "need" for tax cuts has become the defining issue of Canadian politics.

Modern political parties really define themselves by their stance on tax issues. This should not be surprising since tax laws are the most visible policy instrument that modern governments use to position themselves along the two fundamental axes upon which political ideologies have traditionally been arrayed: 1) an axis in which political ideologies are ordered from those concerned primarily with individualism to those concerned primarily with collectivism; 2) an axis upon which across a dozen states in the late 1970s. The crusade went national as Ronald Reagan made tax cuts the centrepiece of his successful drive for the presidency. The tax revolt quickly spread to other countries. Initially, the state proved surprisingly resilient to attack. One obvious explanation is that citizens in most countries valued the social equality, community cohesion, economic security, and other more tangible benefits that their taxes purchased. Taxes continued to increase in all but three industrialized countries throughout the 1980s: in the average OECD country total tax revenue as a percentage of GDP increased by over three per cent during this decade. Nevertheless, the sustained attacks on taxes as instruments of government policy slowly started having an effect. The level of taxes as a percentage of GDP stabilized in the first half of the 1990s and in many countries declined. In the latter half of the 1990s, not only have higher taxes, and therefore new government programs, been ruled politically off the agenda in most countries, but also existing spending programs are being dismantled or retrenched in order to finance lower taxes.

A bewildering array of arguments have been employed to justify tax reductions. Many of these arguments are economic in character. The supply-side arguments about the debilitating effects of taxation on the desire to work and save are still in vogue, although the exaggerated claims made about the effect of tax reductions on economic growth and government revenues in the early 1980s have been considerably toned down. The widespread concern over the lack of job creation in many countries over the past decade has lead tax-cutters to add the adverse effect of taxes on employment to their arsenal of arguments. Then, as a supposed knock-down argument, it is commonly alleged that the forces of globalization have placed a definitive cap on higher taxes. New production technologies, electronic commerce, the information revolution, and the dismantling of protectionist barriers have greatly increased the mobility of financial and investment capital and high-skilled labour. These resources can now rapidly seek their highest after-tax rate of return anywhere on the globe. Economic arguments of this kind have undoubtedly softened up the electorate for tax reductions, however, they appear to have had less force than their proponents anticipated. Perhaps they have not carried much political weight since they have found little support in the mainstream economic literature and are contradicted by most people's experience and common sense.

Consequently, in the most recent round of tax-bashing, the arguments have shifted from those that are factually based to conceptual and normative arguments. Despite the essential functions that taxes play in a democratic society, they have been reconceptualized in a way that makes them appear as illegitimate and inherently undesirable. They are frequently characterized as "impositions" over which taxpayers have no control, "burdens" from which they derive no benefit, and as purchasing "luxuries" that in these difficult economic times are no longer affordable. Normatively, taxes are implied to enslave taxpayers until they have worked

26.7 per cent to 36.9 per cent of GDP. The development of the welfare state was premised on a theory of citizenship. As members in a common enterprise, all citizens were recognized as having civil, political, and social rights that would ensure them full membership in the life of the society. Citizenship necessarily also implied responsibilities and moral obligations. Citizens, acting through governments, were seen as having a responsibility to provide a decent level of services such as healthcare, education, and welfare for everyone, regardless of ability to pay. In addition to providing for strangers, paying for these services of government also insured that taxpayers themselves would receive adequate public services when they needed them. Further, the collective provision of services was recognition of the fact that humans are intrinsically social beings, completely dependent upon one another to realize their full human potential.

Although there was obviously some disagreement about the ways in which state power should be exercised, Keynesian liberals rallied strong support around the development of the welfare state until the mid-1970s. Then, following the oil shocks, as productivity growth declined, inflation accelerated, and unemployment rates remained high, this consensus about the role of government, and therefore taxes, quickly became unglued. Political debate shifted dramatically from social policies and their efficacy in achieving economic security and equality to the increasing size of the public sector and its harmful effect on economic efficiency. The precise causes of the backlash against the development of the welfare state remain contentious; there is, however, little doubt that by the early 1970s business interests had become concerned about the threat of a strong, active state to their power and privileges, and that in response they quite deliberately orchestrated and channeled the ensuing disenchantment with the welfare state and consequent high taxes.

The intense ideological assault that was launched on the welfare state by business interests, right-wing economists, and neo-conservative governments around this time continues unabated. All fronts of the welfare state have come under attack. Government programs are alleged to be futile, to result in often perverse effects, and to jeopardize widely held interests and values. Democratic decision-making itself is asserted to be rife with pathologies due to incompetent and self-interested bureaucrats, greedy politicians, and the influence of powerful special interest groups. All instruments of government policy are denigrated including state-owned enterprises, government provision, monetary policy, regulation, spending programs, credit controls, trade and foreign investment policy, and moral suasion. However, the most sustained campaign has been waged against taxes. The point of this campaign was first to reduce the progressivity of the tax system in order to disable it as a policy instrument that could be used to redistribute income and wealth and then to introduce tax cuts in order to *de*fund the welfare state.

In the United States the attack on taxes was pioneered by businessman Howard Jarvis and embodied in the anti-tax movements that started in California and spread exercised through democratically elected public institutions to a small number of rich and powerful people where it is exercised through private markets.

When conservative governments introduce dramatic tax cuts, even though they are opposed by the majority of citizens, government spokespersons are fond of saying that if individual taxpayers do not want the tax reductions they can give their money to a charity, a church, or some other group that they wish to support. But such a suggestion misconceives the problem of collective action. No one person, or even no large group of persons, can solve the social problems facing Canada and its provinces. By attempting to characterize taxes as impositions, burdens, unaffordable, restrictions on freedom and choice, and an interference with private property, business interests and others who exercise power through "private" markets have attempted to persuade individuals to give up on one another as citizens and go it alone as consumers. This may work for the rich, but it will greatly reduce the quality of life for the average family. In the longer run it will tear the social fabric. Taxes are one of the most important ways that, as a community of citizens engaged in a common project, individuals discharge their mutual responsibilities to one another, to the benefit of everyone.

No. 1 Mine: Racism Revisited

Roger Stonebanks

A GOOD IDEA — to remember the dead — has refocused attention on racism in British Columbia in the 19th and 20th centuries. Number One Mine on the edge of downtown Nanaimo was the city's major employer from 1883 to 1938, the miners, in some years as many as 1,400, having emptied it of 18 million tons of coal. As times changed, the memory of the old mine, and its contribution to the life of this Vancouver Island city, faded. But in 1999, the past was rekindled. A sturdily-built sign and plaque marking the mine's site and commemorating the deaths of the men who died in the 1887 mine disaster was built at the corner of Esplanade and Milton Street.[1]

In the weeks and months that followed the monument's unveiling, visitors suggested to Nanaimo City Hall that the names of the dead miners be added to the sign. Research undertaken by the Nanaimo Community Archives led to a revision

[1]Roger Stonebanks, "No. 1 Mine Remembered," *Labour/Le Travail*, 45 (Spring 2000), 358-60.

enough months in the year to finance their annual tax liabilities, to restrict their personal choices, and to constitute an unjustified interference with their private property. Moreover, reducing taxes will allow the deserving to be rewarded, revitalize civic society, foster fairness for families, and renew the nation. The prevailing anti-tax rhetoric suggests that lowering taxes is not only a cost-free thing to do, but also the moral and liberating thing to do.

In the ongoing battle to shape public opinion about the obligations of citizenship, those who oppose taxes have been able to gain control over public discussions by very cleverly misconceptualizing taxes and by making moralistic assertions about taxes that, while sounding plausible, rest upon highly contentious moral judgments. By the use of such rhetoric, to an astonishing degree, the tax-cutters have been able to impose their vocabulary on the public discussion of tax issues. All words and phrases assume a set of understandings or shared meanings, of course. Thus when people adopt a particular vocabulary to discuss a public policy issue they often unconsciously find themselves unable to imagine or at least easily discuss alternatives.

This tax-cutting agenda is profoundly wrong. In the long run it will increase social inequality, result in national economies being less productive, result in civil societies being less flourishing, and it will ultimately lead to social disintegration and a loss of a sense of connectedness between people. None of the pressing social and economic problems facing most industrialized countries, such as the burgeoning number of people living in poverty, the increasing inequality in the distribution of market income and wealth, stagnating family incomes, reduced rates of productivity growth, or fragmented labour markets, will be solved by persons acting individually through markets, families, or the voluntary sector. They will only be solved by citizens acting collectively through democratically controlled institutions. What is ultimately at stake over the issue of whether more or less taxes should be collected, and thus whether people should rely more or less on public ordering processes in the pursuit of their aspirations, is the question of who will exercise power in society.

Reducing the role of government and increasing the emphasis on private markets necessarily involves making those who exercise power in the private sector more powerful, and those who benefit from the distribution of market forces richer. There is no question that taxes and government transfers leave working people more secure, healthier, better educated, and more protected against business threats; therefore, more able to win their fair share of national income in the long run. That is to say, taxes and government expenditures not only change the way that national income is distributed in the short-run, but also they change the relative balance of power between workers and business interests in the long run, in a way that reduces at least slightly the economic power that business has over workers. Consequently, as taxes are reduced, power is shifted from the majority of citizens where it is

The rekindled interest in the past has surfaced in two other places. The coal mining exhibit at Nanaimo District Museum was extensively updated and reopened on 24 February 2001 and an interpretive plaque detailing the history of the Chinese community and the four Chinatowns in Nanaimo was erected a little later at the China Steps on Victoria Crescent.

WHITE CANADA FOREVER

LOOKING AHEAD.

What it may come to if the Oriental Invasion is not stopped.

Source: Vancouver *Daily Province*, 6 March 1908.