

Canada's dangerously distorted tax conversation ^[1]

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EXCERPTS:

We don't like paying taxes. This is not big news: we do not much like paying any bills, and there's probably never been a time when we didn't grumble in particular about taxes. But somehow "tax" has gone from irritant to four-letter word, not to be uttered in public and certainly not to be discussed favourably in politics. It seems the Canadian political consensus is that you'd have to be nuts to talk about taxes unless you're talking about cuts.

As we argue in our new book, *Tax Is Not a Four-Letter Word*, the Canadian tax conversation has become dangerously distorted. Any reasonable discussion of taxes must take into account the highly valued public services they buy. But in Canada, and throughout much of the Anglosphere, these inextricably linked concepts - taxes and public services - have somehow become divorced. We now live in an environment in which the first question we ask of any policy idea is "How much will it cost?" whereas we never ask of tax cuts "What will we lose?" Canada's slow-motion austerity may blind us to the consequences, but they are no less real: a less resilient and generous country and a stunted political imagination.

It's not surprising then that even as federal taxes as a share of GDP keep hitting new lows, even after billions in cuts over the last couple of decades by all levels of government whatever their political stripe, more reductions are in store. Income splitting, for instance, would put money in the hands of middle-class families, many of whom feel stretched by decades of income stagnation. But a strong case has been made by experts that this tax cut would treat families inequitably, would create disincentives to work for some and would deprive federal and provincial governments of billions that could be used to better serve families and children - say, infrastructure or child care.

And yet there's no indication that any party will fight this or any other cut. Even New Democrat Leader Tom Mulcair recently signalled that the NDP were full members of the anti-tax brigade. He promised that if he were to become prime minister, he would definitely not raise personal taxes - "Period. Full stop." - though he admittedly left some room for various forms of corporate taxation.

The current conversation is a consequence of the neo-liberal economic policy that began to dominate American and British politics in the early 1980s, and emerged more slowly and subtly in Canada at around the same time. In this view, economic growth and individual freedom are best served by reducing government and its influence and letting the market do its work. Politically, tax cuts were treated as a free good - with little discussion of what public services would be lost and at what cost. We still get promises of tax cuts as though they will magically pay for themselves or will simply require greater efficiencies and less waste. Yet the numbers on waste never add up and the cuts inevitably lead to eroding public services, rising inequality, environmental deterioration and lost opportunity. There is no gravy train and no free lunch.

But changing the conversation is never easy. North Americans under 40 have never really known anything other than neo-liberal politics and governments that seem to be backing away, so many will understandably see small government and low taxes as the only option. Those of an older vintage are invested in the current model - many have done quite well by it. So it's not surprising that, despite the scale of our economic challenges, we keep going down the same path. Nor should it be surprising that many doubt that it can be otherwise. Our politics hasn't offered up a grand alternative.

One reason is fear of the political consequences. In 2008, then-Liberal leader Stéphane Dion took a risk by campaigning on a carbon tax. So great was his defeat that the leaders who followed quickly closed the door he had opened - and what might have been a prelude to a new conversation has become a cautionary tale. While there is some evidence that public attitudes toward taxes are not as negative as our politicians seem to think, we won't know for sure until more of our leaders pursue their convictions and persist through whatever blow-back follows.

And there have been encouraging, if not wholly satisfying, signs that cracks are beginning to appear in the anti-tax consensus both here and in the United States. President Barack Obama, urged on by billionaire Warren Buffett, proposed a tax hike on the super-rich; several provincial budgets offered modest, temporary, always apologetic tax hikes; Ontario Premier Kathleen Wynne acknowledged that the province will need to find new revenue sources to fix Toronto's transit mess.

Still, the state of that last debate suggests we're nowhere near ready to have the discussion we need about the country we want and whether we're willing to pay for it. The costs of decades of cuts are increasingly visible, felt first by women, the young and the most vulnerable, but ultimately by us all. There is no way out without a different conversation on taxes.

-reprinted from the Toronto Star

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