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## Talking Tax to Social Policy Historians

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Résumé de l'article

*Quand il est question des liens entre la fiscalité et la politique sociale, la croissance de l'État-providence financé par l'impôt sur le revenu est le point de départ évident. Mais dans Give and Take, Tillotson va bien au-delà de ce qui est manifeste. D'après elle, le régime fiscal a des « effets de bien-être » complexes. En regardant à travers la lentille fiscale, Tillotson nous offre des nouvelles perspectives sur les origines, les politiques et les conséquences des programmes d'aide sociale, ainsi que sur la négociation des droits et obligations de la citoyenneté sociale. Dans cet essai, je propose également que Give and Take nous oriente vers un ensemble de questions relativement inexplorées sur l'histoire de la politique sociale au Canada au XX<sup>e</sup> siècle, à savoir comment le système fiscal et surtout les dépenses fiscales ont été utilisés pour atteindre des objectifs de politique sociale.*

## Talking Tax to Social Policy Historians

LISA PASOLLI

### *Abstract*

*When it comes to the links between taxation and social policy, the growth of the welfare state, funded by income tax, is the obvious starting point. But in Give and Take, Tillotson goes far beyond the obvious. In her hands, the tax system has complex “welfare effects.” Looking through the tax lens, Tillotson gives us fresh perspectives on the origins, politics, and consequences of social welfare programs, as well as the negotiation of social citizenship rights and obligations. In this essay, I also suggest Give and Take points us towards a relatively unexplored set of questions about the history of social policy in twentieth-century Canada, namely how the tax system and especially tax expenditures have been used to achieve social policy objectives.*

### *Résumé*

*Quand il est question des liens entre la fiscalité et la politique sociale, la croissance de l'État-providence financé par l'impôt sur le revenu est le point de départ évident. Mais dans Give and Take, Tillotson va bien au-delà de ce qui est manifeste. D'après elle, le régime fiscal a des « effets de bien-être » complexes. En regardant à travers la lentille fiscale, Tillotson nous offre des nouvelles perspectives sur les origines, les politiques et les conséquences des programmes d'aide sociale, ainsi que sur la négociation des droits et obligations de la citoyenneté sociale. Dans cet essai, je propose également que Give and Take nous oriente vers un ensemble de questions relativement inexplorées sur l'histoire de la politique sociale au Canada au XX<sup>e</sup> siècle, à savoir comment le système fiscal et surtout les dépenses fiscales ont été utilisés pour atteindre des objectifs de politique sociale.*

I've been revising this essay between Zoom seminars and meetings, thinking about how best to foster student engagement through what will likely be several more months of remote teaching. So it's hard not to be nostalgic for the last time I was in the classroom with a group of students, especially since that last pre-pandemic gathering happened to be a seminar about Shirley Tillotson's *Give and Take*. I'm pretty sure, though, that my memories of this discussion aren't just wistfulness for a time when we could gather in person, listening to each

other's murmurs of agreement and the frantic page-shuffling that meant someone was about to read aloud an important passage. I still have notes tucked inside the book to remind me that *Give and Take* prompted debates around the uses of comparative histories, how we define and understand democracy, and for whom the state is "good," among many other issues. Had Tillotson been in the room with us, I'm sure she wouldn't have been surprised by the spirited conversations her book inspired. This sharp group of graduate students underlined the essence of her study, which is that the history of taxation leads us towards compelling questions of "how we take on the problems of collective life."<sup>19</sup>

It seems clear that the history of taxation is having a moment, part of the broader production of a "new political history."<sup>20</sup> Indeed, that was my motivation for assigning *Give and Take* to my grad seminar. Tillotson, of course, deserves much of the credit for this taxation trend, having built a substantial body of work that culminated in *Give and Take* and that continues to grow.<sup>21</sup> The importance of the tax trend, moreover, is not just what it adds to Canadian academic history, but in the commitment that tax historians demonstrate to "good tax talk" in interdisciplinary and public settings. Two historians who joined Tillotson at the leading edge of tax studies, E. A. Heaman and David Tough, point out in their recent collection *Who Pays for Canada?* that when it comes to building an informed and democratic citizenry, "tax knowledge is some of the hardest-won and most urgently needed knowledge out there."<sup>22</sup> Tillotson and this small but growing group of tax historians are doing their part to fill this urgent need.

A lot more could be said about *Give and Take's* importance in this broader public context, but in this essay I'm going to turn the focus back onto the history of Canada in the twentieth century. More specifically, I've been asked to reflect on what *Give and Take* offers the history of Canadian social policy. Understanding the growth of the welfare state, funded by revenue from income tax, is the obvious starting point. But Tillotson rarely sticks to the obvious, and in her hands, income taxation is far more than a revenue generator for social welfare programs. The tax system, we come to understand in *Give and Take*, has complex "welfare effects."<sup>23</sup> These effects are evident on multiple levels. On one hand, Tillotson invites us to look through a tax lens to reconsider the origins, evolution, and regulatory objectives of welfare programs from the perspective of the state. On the other (and more important) hand, this is primarily a social history of taxation. Thus

at the level of individuals, families, and society, *Give and Take* gives us a close look at people's contested tax bills and at ordinary citizens' claims to tax fairness, issues that were deeply implicated in well-being and social citizenship and therefore entwined with histories of social welfare policy and programs.

On the issue of welfare state origins, we can look, for example, to Tillotson's discussion of family allowances, part of her analysis of wartime tax reforms as "an intimate part of the history of the welfare state."<sup>24</sup> Historians debate the "interplay of several forces" that explain why certain programs were introduced in certain moments, including responses to industrialization, the need to maintain national cohesion, the imperatives of social regulation in terms of class and gender, the limits of federalism, and international trends, to name a few.<sup>25</sup> Indeed, Tillotson has been part of this historiography, most notably in her 2008 book *Contributing Citizens: Modern Charitable Fundraising and the Making of the Welfare State, 1920–1966*, which made the case for understanding welfare state development as enmeshed with charitable fundraising and cultures of taxation. *Give and Take* is even more explicit in showing the need for tax analysis to have a presence in these kinds of welfare state analyses, and not just in an additive sense. When it comes to family allowances, Tillotson demonstrates that a tax lens may actually reconstitute our understanding of how the several forces intersect. More specifically, some of the historiographical debate about family allowances centres on whether their origins can be explained by the federal government's desire for economic stabilization *or* by "humanitarian social security" concerns.<sup>26</sup> Tillotson rejects this binary and argues instead that those objectives were tied together by the tax reforms that accompanied the introduction of the allowances in 1945/46. Specifically, child tax exemptions were decreased for those who received a family allowance cheque and increased for those who did not. The federal government was "spending" on both types of families, but these new targeted payments meant that lower-income families were assured of receiving more benefit. This spending meant greater tax fairness, achieved social welfare goals, and had the additional effect of controlling inflation, itself a welfare measure because it protected low-income people from price increases and job cuts. Put simply, all these objectives — "personal income tax relief, inflation control, and social spending" — were not in conflict with each other. "The Liberals' tax program connected social security and stabilization policy," Tillotson explains, making them part of a whole.<sup>27</sup> Her take

on this particular origin story will no doubt spur historians to consider if and how a tax lens recalibrates our understanding of other programs' origins.

What's especially important about Tillotson's analysis of this tax/welfare nexus is that she highlights Prime Minister Mackenzie King and Finance Minister J. L. Ilsey's responsiveness to tax resisters, those lower-income Canadians who had been brought into the tax net for the first time with the introduction of the mass income tax in 1942. Of course, this attentiveness to the ordinary citizens who engaged in tax debates is the entire point of *Give and Take*, but in drawing attention to it I want to signal its resonance for historians of social welfare. Citizen-taxpayers, Tillotson shows, were consequential in shaping income taxation, and, especially in the 1950s and 1960s, "new tax publics" prompted serious questions "of how tax fairness and a just social order might be created and combined."<sup>28</sup> Digging through the letters written to officials in the Department of Finance and Department of National Revenue, Tillotson shows us people making claims to fairer tax bills on the basis of their individualism and independence, family duty, age and generational identity, home and/or business ownership, religion, and nationalism. What's more, "pocketbook motives" were not the only measure of tax fairness. Emotions mattered too: pride, envy, anger, generosity, and compassion, along with dollars and cents, also forged the give and take in a taxpayer's relationship to the state.<sup>29</sup> These letter-writers bring to mind, for example, the "respectable citizens" in Lara Campbell's work, who made claims for public welfare support during the Great Depression on the basis of their Britishness, adherence to gender norms, patriotism, party loyalty, and work ethic.<sup>30</sup> Tillotson's letter-writers were, of course, demanding reduced tax bills and not increased welfare services, but in those claims were the same meaning-making around social rights and obligations, what people felt the state owed them and on what basis. Here is yet another welfare effect of taxation: tax grievances were a way of working out the boundaries of social citizenship, that contested category so important to understanding the relationship between citizens and the welfare state.

Many historians of the welfare state are particularly interested in how the boundaries of social citizenship are shaped by assumptions about gender, class, and race, and here, too, *Give and Take* should be read into the social welfare historiography.<sup>31</sup> Tillotson's discussions of basic exemption amounts are especially important in this respect.

In determining the level of income that should be exempted from taxation (in recognition of the basic costs of subsistence), should the government consider relations of dependency, cultural norms, class status, or other factors? In her 2009 article “The Family as Tax Dodge,” Tillotson showed that the answers to that question were very much tied up in gender politics. Making the broader case that the politics of the tax system were tied directly to the political economy of the welfare state, in that article she argued specifically that basic exemptions (among other tax provisions) served to “discipline and direct” families into the male-breadwinner nuclear model.<sup>32</sup> *Give and Take* expands on this significant point, showing that basic exemption debates were imbued not only with the politics of gender but also of race (as in the 1920s, when a Liberal MP argued that higher child exemptions were a “matter of national survival and ‘racial’ improvement,” specifically for the survival of the French Canadian “race”<sup>33</sup>) and, especially, of class (organized labour, for example, had plenty to say about how breadwinners’ family exemptions could either reinforce or alleviate income inequality). Tax rules entwined with welfare programs to reinforce and reflect certain configurations of family life and social order.

As I’ve suggested, and as these examples demonstrate, *Give and Take* shows us the multiple levels of taxation’s welfare effects, providing us with insights from both the perspective of the state and of society. But what I hope I’m doing justice to is the way that Tillotson challenges these conventional ways of thinking about the welfare state. As Dimitry Anastakis also points out in his contribution to this roundtable, *Give and Take* is the best kind of new political history in the way that it brings ordinary citizens into big questions concerning the state, politics, and federalism (among other things). In *Give and Take* we learn about taxpayers and tax resisters (society), and we learn about tax collectors (the state), but the heart of Tillotson’s study is the flow of ideas between them, the shared vocabularies that develop, the conversations that were infused with self-interest, emotions, ideas, and identities, the “social and cultural contexts that shaped Canadians as taxpayers and the political culture that Canadian politicians and administrators share with the public.”<sup>34</sup> The willingness and ability to take us into these messy middle places where categories collapse is trademark Tillotson. This approach was evident, for example, in her 2009 *Contributing Citizens*, in which she used charitable fundraising to illustrate the “thick tissue of connections” between private and public welfare.<sup>35</sup> That study challenged the narrative that public welfare pro-

grams replaced private charitable services, instead showing that these sectors relied on each other and remain linked. In similarly fundamental ways, *Give and Take* challenges the categories we typically use to think about the history of welfare and social policy.

One of those categories, I think, is “spending.” The standard way of thinking about welfare spending is to look at government outlays on social programs. But one of *Give and Take*’s most important implications for histories of the welfare state is to consider tax spending, or the revenue that a government foregoes through tax exemptions. To do this, historians can take (as Tillotson often does) an interdisciplinary approach, drawing on the work of tax scholarship and especially the literature on tax expenditures. Tax expenditures is a collective term used to describe departures from the “benchmark” income tax system: the various deductions, credits, exemptions, and deferrals that allowed taxpayers to reduce the amount of tax they owed (and in some cases get a refund). Many tax expenditures had (and have) explicit welfare objectives. They incentivize saving for retirement, provide income support, offset the costs of health care, and support caregiving. Tax expenditures, put simply, are social policy. In *Give and Take*, we hear about several key tax expenditures, such as deductions and credits for medical expenses, childcare costs, workmen’s tools, businessmen’s expenses, and student tuition, among others. Tillotson walks us through some of the debates about these measures primarily to show taxpaying’s connections to poverty, and usually in a fairly (and understandably) brief manner. In the spirit of highlighting this book’s importance to social policy history, though, I want to pull on the threads they represent.

Take the 1957 debates on medical expense deductions. The question looming over these debates, as Tillotson points out, was whether a fair tax system should take into account people’s myriad personal circumstances — like medical needs — when calculating their final tax bills. But these were also debates about access to affordable health care, and about what kind of policy approaches would ensure high-quality health services to the greatest number of people. As Tillotson notes, citizens and politicians wondered whether it was better to “spend” money on individual tax deductions, to offer some kind of direct assistance to low-income families, or to spend “directly on public, accessible medical services.”<sup>36</sup> Behind these briefly sketched arguments lays a much more involved story of the relationship between direct (program) and indirect (tax-based) spending on



health care. What else could we learn about medicare if we considered it alongside relevant tax expenditures? And what about other welfare programs — how was their evolution and reform shaped by parallel tax measures? From Raymond Blake's work, for example, we know that the 1978 Child Tax Credit was part of the solution to the Liberals' dilemma surrounding how to preserve the universality of family allowances while targeting more benefits to low-income families.<sup>37</sup> What might we better understand about pensions or unemployment insurance, to name just two programs, if we consider those programs alongside relevant tax expenditures meant to encourage retirement savings, or support those outside of the paid labour force?

These are especially important questions because the distribution and allocation of benefits looked different when social policy was delivered through tax breaks rather than direct program funding. In other words, adding tax expenditures to the mix better equips us to ask the Tillotson questions: Was a particular policy fair? Fair for whom? Although tax expenditures have their defenders, the scholarly consensus is that unfairness abounds when the tax system is used to achieve social policy objectives.<sup>38</sup> Such was the case with working mothers and their childcare arrangements, for example. Disadvantaged in a tax system that privileged male-breadwinner families, *Give and Take* documents one of working mothers' ongoing claims to tax fairness: to be granted some tax relief for childcare costs. After decades of being told that paying for childcare was a "luxury expense" that the tax system "had no obligation to subsidize," beginning in 1971 working mothers were able to claim the Child Care Expense Deduction (CCED).<sup>39</sup> Since *Give and Take* ends right as this particular measure was introduced, Tillotson doesn't pursue its effects. If she had, though, we would have heard that the CCED was certainly not a straightforward remedy for gender discrimination in the tax system. Like all deductions, it functioned as an "upside down subsidy" by disproportionately benefiting higher income earners. Many working mothers, including those with incomes below the taxable threshold and those who relied on unlicensed and unreceipted care, saw no benefit at all. Moreover, the well-to-do mothers who benefited from the CCED funneled their tax benefits into the private childcare market, undermining support for the kind of publicly funded services that would have made childcare more affordable for low-income families. A tax-based approach to childcare policy, in the end, ended up doubly disadvantaging low-income women.<sup>40</sup>



There are many more of these kinds of friction spots in *Give and Take*, places where tax expenditures were implicated in social policy debates and the attendant questions of fairness. My point is that Tillotson has identified, for those of us interested in the intersection of tax and social policy, many moments (not to mention many archival sources) that are ripe for exploration. Adding taxes to our social policy history, and doing so through engagement with interdisciplinary tax scholarship, will lead to more nuanced readings of the politics of welfare, well-being, redistribution, and social citizenship.

Putting *Give and Take* into conversation with tax expenditure analysis leads to one final point, one that has to do with democracy. Like Dimitry Anastakis with his business lens and Brian Gettler with his settler colonial lens in this panel, I've been thinking through a social policy lens about Tillotson's main argument: that taxes were good for democracy. On the face of it, this might seem to sit a bit uneasily with the tax expenditure scholarship, which overwhelmingly argues that the tax system could (and still can) be engineered in ways that are profoundly undemocratic. Just consider the titles of some major studies of tax-expenditures-as-social-policy: *The Hidden Welfare System* (Canadian tax lawyer Neil Brooks's 1976 report for the National Council of Welfare), *The Hidden Welfare State*, *The Divided Welfare State*, *The Submerged State*, *Welfare for the Wealthy* (all relatively recent American scholarship).<sup>41</sup> Together, these studies argue that not only are tax expenditures "welfare for the rich," but they operate in murky channels, away from democratic oversight. Decisions about tax expenditures are made by tax and finance bureaucrats rather than those with social program expertise, and they tend to represent the influence of "entrenched interests," like insurance companies and those who can afford tax lawyers. Moreover, their "arcane mechanisms and technical terminology" are barriers to citizen engagement.<sup>42</sup>

But I'm not suggesting that these different conclusions about taxation and democracy clash. In fact, that we have such a thorough literature critiquing tax expenditures actually supports *Give and Take's* central argument. After all, tax expenditure analysis emerged in the late 1960s and 1970s as part of the growing corpus of tax expertise Tillotson identifies, one of the currents that was part of the democratization of tax talk in postwar Canada and the United States.<sup>43</sup> As more people, with different kinds of expertise and different life experiences, got involved in tax talk, the failings of the system became more apparent. It was only because of more democratic tax talk in those years, in

other words, that we came to understand that tax expenditures, and the tax system more broadly, were undemocratic.<sup>44</sup> That the tax system continues to be prone to unfair uses — especially in terms of the increasing use of tax expenditures — in turn reinforces the need for all of us to have the critical tools to be able to engage in democratic tax conversations.

Which brings us back to *Give and Take*. In the end, Tillotson's study makes its own best case for its importance. For citizens to be able to meaningfully take part in tax discussions, to be able to engage and critique and otherwise democratically participate in making a fair system of taxation, then surely the kind of nuanced historical context that *Give and Take* provides must be part of our toolbox. All readers of this book will come away better equipped to have good tax talk. And historians, especially, can look to *Give and Take* for a model about how to work an analysis of taxation in our understanding of the past, and to do so in ways that are attentive to questions of power and fairness. Whether it's business, or settler colonialism, or social policy, as we begin to interweave taxation in the histories we write, let's be sure to do so in the Tillotson model, taking seriously all of the financial and emotional complexities of self-interest, being creative in how we mine the archives for expressions of citizen engagement, considering who was part of the changing "tax publics" and in what historical contexts they could or could not exert their influence, and not limiting ourselves to conventional ways of organizing and thinking about the past.

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