
The Income Tax in an Uncertain World: Pillar, Symbol, and Instrument

Richard M. Bird*

PRÉCIS

L'une des rares certitudes que l'on peut avoir à propos de l'avenir du Canada est que la politique fiscale va évoluer au fil du temps, surtout peut-être sur le plan des impôts sur le revenu. L'évolution dépendra non seulement des changements dans la conjoncture économique et les préoccupations du parti au pouvoir, mais aussi de comment nous (« la population ») voyons les impôts comme symboles de ce que nous sommes et de ce que nous souhaitons — la nature de notre démocratie, dans quelle mesure nous souhaitons redistribuer le revenu, et à qui, ainsi que comment et dans quelle mesure nous voulons modifier les effets du marché. L'auteur esquisse le contexte plus vaste dans lequel on doit considérer la politique fiscale et suggère quelques conséquences possibles d'une réforme de l'impôt sur le revenu dans l'avenir.

ABSTRACT

One of the few certainties about Canada's future is that tax policy will change over time, especially, perhaps, with respect to income taxes. Exactly what changes are made will depend not only on changes in economic conditions and the concerns of the party in power but also on how we (“the people”) think of taxes as symbols of what we are and want to be—the nature of our democracy, the extent to which we want to redistribute, and to whom, and how and to what extent we want to alter market outcomes. The author sketches this broader setting in which tax policy needs to be considered and suggests a few possible implications for future income tax reform.

KEYWORDS: CANADA ■ TAX POLICY ■ INCOME TAXES ■ INCOME REDISTRIBUTION

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* Professor Emeritus, University of Toronto (e-mail: rbird@rotman.utoronto.ca).

INTRODUCTION

Now, more than ever, political, business and civic leaders must embrace the fact that ours is an age of rapid transformation, significant risk and sometimes bad outcomes.

Stephen Harper¹

Those concerned with tax policy are no more certain than anyone else about what the future holds. One thing they can be sure of, however, is that dealing with change, expected and unexpected, good and bad, will continue to be a problem in the years to come. In addressing change, it is important to remember that taxation—and the income tax in particular—is not simply an instrument that governments employ to achieve specific economic (or social) policy objectives; it is also an important political symbol and one of the fundamental pillars of the relationship between society and the state. Tax changes matter not only for the immediate political and economic reasons of which politicians and officials are usually well aware, but also because changes may have important symbolic as well as practical effects and because how we tax is fundamental to the very nature of the country. After a brief review, in the next section, of the nature of the uncertainty facing Canada over the next few decades, this paper offers a few reflections on why—given the key role of the income tax as a pillar and a symbol, as well as a policy instrument—would-be tax reformers should proceed with caution.

DEALING WITH UNCERTAINTY

There are things we know that we know. There are known unknowns. That is to say there are things that we know we don't know. But there are also unknown unknowns. These are things that we do not know we don't know.

Donald Rumsfeld, US Secretary of Defence²

Some people ridiculed Mr. Rumsfeld for these words, but he, like Mr. Harper, was quite right. The “known unknowns” include, for example, the “predictable surprises” arising from demographic shifts³ and the inevitable (though seldom precisely predictable) problems arising from volatile resource prices or from other economic factors, such as the following:

- People get older, often become ill, and cease working, which leads to rising pension and health costs, increased pressure on the tax system, and, usually, more tension between federal and provincial governments.

1 Stephen Harper, “Populism’s Rise Points to Real Problems in Our World. We Ignore It at Our Peril” *The Globe and Mail*, October 6, 2018 (www.theglobeandmail.com/opinion/article-worried-about-the-current-populist-upheaval-what-comes-next-will-be).

2 North Atlantic Treaty Organization, “Press Conference by US Secretary of Defence, Donald Rumsfeld,” *NATO Speeches*, June 6, 2002 (www.nato.int/docu/speech/2002/s020606g.htm).

3 David K. Foot and Daniel Stoffman, *Boom Bust and Echo 2000: Profiting from the Demographic Shift in the New Millennium* (Toronto: Macfarlane, Walter and Ross, 1998).

- People move, and they have tended increasingly to cluster in larger metropolitan areas, with the result that the gap increases between the fiscal needs of local governments and their tax revenues. This gap, again, raises both intergovernmental tensions and the pressure on taxes.
- Oil (and other resource) prices rise, fall, and perhaps rise again, leading to large and diverse fiscal impacts on different regions and (once again) the exacerbation of tensions related to both tax and governance.
- The housing boom slows or resumes, and the result in either case is popular unrest, tax tension, and pressure on intergovernmental relations.

Such “known unknowns” should not come as a surprise, although they often seem to do so, even to those who should know better. Still, on the whole, Canada’s fiscal institutions have managed over the last half century or so to accommodate both cyclical and demographic surprises moderately well. Consider the following, for example:

- The relatively strong automatic stabilizers built into the federal fiscal system—most of them introduced during the first flush of post-war Keynesianism—have on the whole served us well,⁴ although it remains to be seen whether our persistent failure to have sufficient “shovel-ready” public works on the shelf in times of need will be remedied to any extent by the recently launched Canada Infrastructure Bank.⁵
- Canada managed in the 1990s not only to dig itself out of a substantial fiscal hole, but also, almost simultaneously, to restructure the Canada Pension Plan (CPP) more sensibly than most similar plans in other countries⁶—although the 2017 decision to cancel a planned increase in the age of eligibility was clearly a step in the wrong direction.
- Although Canada has not done so well in managing the differential effects on different regions of changes in circumstances and policies, we have, on the whole, so far managed to juggle the tax, transfer, and spending components of our fiscal constitution with sufficient success to hold the country together.⁷

4 For a recent review, see Peter Dungan, Steve Murphy, and Thomas Wilson, *Fiscal Policies in Canada: A Twenty-Five Year Retrospective* (Toronto: University of Toronto, Rotman School of Management, Policy and Economic Analysis Program, August 2018) (available on request from Murphy@chass.utoronto.ca). Although payroll taxes are not further discussed here, it should perhaps be noted that this study finds that employment insurance (EI) is an especially important automatic stabilizer and that increases in payroll taxes (for example, for EI or CPP) should be avoided when the economy is weak.

5 Infrastructure Canada, “Canada Infrastructure Bank” (www.infrastructure.gc.ca/CIB-BIC/index-eng.html).

6 As noted recently in “The Canada Pension Plan Investment Board: Moose in the Market,” *The Economist*, January 19, 2019, at 74.

7 Richard M. Bird, “Equalization and Canada’s Fiscal Constitution: The Tie that Binds?” (2018) 66:4 *Canadian Tax Journal* 847–69. For an interesting perspective on this issue, see Jack M.

As yet, however, little has been done to accommodate at the local level either metropolitan expansion or the very different reality found in many less urbanized regions.

One reason we have not handled the national policy issues (identified in the last item on the list) as well as we have the essentially federal issues (identified in the first two items) is perhaps that, although we have moved a long way toward a more integrated federal-provincial tax system in recent years, our 19th-century constitution continues to make it hard to deal with 21st-century problems, especially with respect to resource policy and local governments. Nonetheless, on the whole, Canada seems to have done as well or better than most countries in coping with such “known unknowns.”

Unfortunately, no one has done well when it comes to dealing with less probable but possibly disastrous “unknown unknowns”—the “black swans,” as Taleb calls them.⁸ Are our political and fiscal institutions sufficiently robust to cope with large problems that call for an immediate and major policy response—for example, the unexpected erection of a wall on our southern border, or some other international crisis that disrupts the economy in a significant way and calls for a major policy response if life as most of us know it is to continue? Another big problem area is climate change: those who believe in evidence-based decision making should presumably, by now, be battering down the environmental hatches, moving to higher ground, and laying in supplies: What are we doing? Not much. That no one else seems to be doing much either is not very reassuring.

Gradual incrementalism—or “muddling through,” as Canada’s usual approach to policy problems might (not inappropriately) be characterized—has served us well for over a century. As I argue below, this approach may continue to serve us well, absent complete disaster, provided that it becomes less purely reactive and more purposeful.⁹ The normal response of human beings who are faced with crisis is to delay making changes until they really have to do so. When disaster finally arrives, most of us tend to rely on the “fast-thinking” instincts that we perhaps inherited from the days when we stayed alive by dodging the current predator. Instinct alone, however, is seldom enough when the problems that we face are large and complex. In that case, what is usually needed is what Kahneman calls “slow thinking”—the process of deliberation needed to reach a reasoned response that is sufficient to allow us

Mintz, “Two Different Conflicts in Federal Systems: An Application to Canada” (2019) 12:14 *SPP Research Papers* [University of Calgary, School of Public Policy] 1-25 (<http://dx.doi.org/10.11575/sppp.v12i0.56878>).

8 Nassim Nicholas Taleb, *The Black Swan: The Impact of the Highly Improbable* (New York: Random House, 2007).

9 Geoffrey Hale makes a similar point in a somewhat different context, in “Navigating Disruption: The Politics of Business Tax Reform as Two-Level Game,” paper presented at the conference on Re-Imagining Tax for the 21st Century: Inspired by the Scholarship of Tim Edgar, Osgoode Hall Law School, Toronto, February 8, 2019.

collectively to escape a deep hole from which no one can get out on his or her own.¹⁰ All too often, instead of thinking through problems in a reasoned, systematic way, many people choose an alternative approach, such as deferring to some authority that they find credible (a so-called strong leader, perhaps, or some ideology or creed), reverting to tribal loyalty and blaming everything on some easily identifiable group from outside the tribe, or simply relying on magical thinking.¹¹

We usually react only after catastrophe is upon us. The First World War led us to introduce the first national income and sales taxes.¹² The Second World War turned the income tax into the most important mass tax, and over the next 50 years of (mostly) increasing prosperity, Canada's federal and provincial taxes became much more integrated, and an extensive system of both interpersonal and federal-provincial transfers was developed. Few foresaw any of these changes much in advance. To reimagine how the future tax system may change in the years to come as we face a series of uncertain but almost certainly erratic—and possibly catastrophic—events is not easy.

Every tax expert likely has some concept of an ideal tax system (or at least of a system better than the existing one) ready to hand, and thus an obvious first response, when a tax expert is asked to think about the future tax system, is simply to suggest that we implement that ideal system. Alas, experience shows not only that many are reluctant to accept even the best ideas but also that, even if they do accept such ideas, things seldom work out as well as forecast. The desired product may be a better tax system, but what we actually get depends very much on the process through which policy decisions are made and implemented. How do we decide how to tax, how much to tax, and which level of government should tax? Should taxes be more centralized, or less? How should taxes in Canada relate to taxes elsewhere? What role should taxation play in redistribution? To what extent and in what ways should taxes be used to regulate and shape economic and political decisions? None of these questions are simple or easy. That said, perhaps the following examples may provide some hints about possible ways to improve the process—and perhaps even the product—of tax policy:

- First, with respect to the many difficult and important issues in international taxation to which so much attention has been paid in recent years, we should continue to follow closely what other countries are doing, to analyze why they are doing it, and to work out what, if anything, their way of doing things means for us, as well as what lessons, good and bad, we may learn from their

10 Daniel Kahneman, *Thinking, Fast and Slow* (New York: Farrar, Straus and Giroux, 2011).

11 For an articulate assault on all of these “non-enlightened” approaches, see Steven Pinker, *Enlightenment Now: The Case for Reason, Science, Humanism, and Progress* (New York: Viking, 2018).

12 Colin Campbell and Robert Raizenne, “The 1917 Income War Tax Act: Origins and Enactment,” in Jinyan Li, J. Scott Wilkie, and Larry F. Chapman, eds., *Income Tax at 100 Years* (Toronto: Canadian Tax Foundation, 2017), 2:2-96.

experiences. Canada is a relatively small frog in the international pond, and small frogs, if they are to act with sufficient speed and efficacy to survive, need to watch closely both the actions of the bigger players in the pond and the changes in the environment.¹³ Playing an active role in every relevant international forum is not a frivolous extravagance but an essential component of good tax policy in an interdependent world.

- Second, close attention must be paid to ensuring that both federal and provincial governments have sufficient freedom to differ from each other while continuing to maintain a largely integrated system in the context of the world at large. As mentioned above, Canada has not done too bad a job of this up to now.¹⁴ Both levels of government, however, could usefully spend more time talking to each other and thinking about these issues. For example, most provinces need to build up their tax policy capacity, and the federal government needs to pay more attention to the provincial perspective on tax issues. As with international issues, talking to the provinces is not a distraction from the real work of federal tax policy makers but an essential component of good policy formulation in Canada.
- Finally, from both a short- and a long-term perspective, it is important to consider tax policy and tax administration together. Digitization, for example, has potentially deep implications, for good or ill, with respect to the organization and effectiveness of tax administration, the effective taxation of different tax bases, the extent to which taxes are “personalized” and redistributive, and the relationships between citizens and the state.¹⁵

13 For further discussion, see Richard Bird, “Reforming International Taxation: Is the Process the Real Product?” (2016) 216:2 *Hacienda Pública Española/Review of Public Economics* 159-80; the analogy of the small frog comes from Peter J. Katzenstein, *Small States in World Markets: Industrial Policy in Europe* (Ithaca, NY: Cornell University Press, 1985).

14 For a comparative perspective, see Richard M. Bird, “Fiscal Decentralisation and Decentralising Tax Administration: Different Questions, Different Answers,” in Alice Valdesalici and Francesco Palermo, eds., *Comparing Fiscal Federalism*, Study in Territorial and Cultural Diversity Governance, vol. 10 (Leiden, The Netherlands: Brill, 2018), 190-219. For Canada, the income tax is discussed in Richard M. Bird and François Vaillancourt, “Changing with the Times: Success, Failure and Inertia in Canadian Federal Arrangements, 1945-2002,” in Jessica S. Wallack and T.N. Srinivasan, eds., *Federalism and Economic Reform: International Perspectives* (Cambridge, UK: Cambridge University Press, 2006), 189-248; and the sales tax is discussed in Richard M. Bird, “The GST/HST: Creating an Integrated Sales Tax in a Federal Country,” in Jack M. Mintz and Stephen R. Richardson, eds., *After Twenty Years: The Future of the Goods and Services Tax* (Toronto and Calgary: Canadian Tax Foundation and University of Calgary, School of Public Policy, 2014), 1-50.

15 For further discussion of the critical importance of administration, see Richard M. Bird and Eric M. Zolt, “Technology and Taxation in Developing Countries: From Hand to Mouse” (2008) 61:4 *National Tax Journal* 791-821 (<http://dx.doi.org/10.17310/ntj.2008.4S.02>); and Richard M. Bird, “Improving Tax Administration in Developing Countries” (2015) 1:1 *Journal of Tax Administration* 23-45.

TAXATION AS A PILLAR OF THE STATE

Taxes build states, but they can also be used to build society and, in particular, to help cement “embeddedness”: strong, supportive relations binding states and businesses, allowing them to negotiate and bargain over policies and strategies.

Deborah Brautigam¹⁶

Economics has made significant contributions to tax design.¹⁷ Good economics is an essential ingredient of good tax policy, but economics alone is not enough.¹⁸ Tax economists properly focus on the impact of tax changes on economic decisions; they do so both because that is their field of expertise and because it is what policy makers usually want and expect them to do. But taxes are more important than their economic effects. It is partly because taxation plays a critical role in enabling and sustaining the very political institutions through which it is implemented that efficiency is not the only criterion that must be used in appraising tax policy. To reimagine how to structure taxes in an uncertain future, one must cast the net more widely.

16 Deborah Brautigam, Odd-Helge Fjeldstad, and Mick Moore, eds., *Taxation and State-Building in Developing Countries: Capacity and Consent* (Cambridge, UK: Cambridge University Press, 2008), at 30.

17 As is shown by Robin Boadway, in *From Optimal Tax Theory to Tax Policy: Retrospective and Prospective Views* (Cambridge, MA: MIT Press, 2012), and as is illustrated at length by James A. Mirrlees, Stuart Adam, Tim Besley, Richard Blundell, Stephen Bond, Robert Chote, Malcolm Gammie, Paul Johnson, Gareth Myles, and James Poterba, in *Tax by Design: The Mirrlees Review* (Oxford: Oxford University Press, 2011).

18 The key role of economists with respect to taxation is, as Harberger once said, to bear the proud banner of efficiency, which is an objective that no one else in the tax game is usually pursuing. See Arnold C. Harberger, “Three Basic Postulates for Applied Welfare Economics: An Interpretive Essay” (1971) 9:3 *Journal of Economic Literature* 785-97. As this section and the next section of this paper suggest, however, other aspects of taxation are also important. The emphasis, in this section’s epigraph, on the extent to which a successful tax system requires business and governments to work together is not pursued further here; however, Durst’s recent study of multinational taxation in developing countries similarly stresses that the key issues can be resolved only if corporations and governments are willing to work together. See Michael C. Durst, *Taxing Multinational Business in Lower-Income Countries: Economics, Politics and Social Responsibility* (Brighton: UK: International Centre for Taxation and Development, Institute of Development Studies, 2019). As argued elsewhere, however, it is hard to imagine an effectively global tax policy in the near future in the absence of some kind of global state (and society) (Richard M. Bird, “Are Global Taxes Feasible?” (2018) 25:5 *International Tax and Public Finance* 1372-1400). Still, as Bird (supra note 13), and Richard Bird and Jack Mintz (“Sharing the Wealth: Article 82 of UNCLOS—The First Global Tax?” paper presented at the Conference on International Tax Cooperation: The Challenges and Opportunities of Multilateralism, Oxford University Centre for Business Taxation, Oxford, United Kingdom, December 10-11, 2018) suggest in different contexts, perhaps we may be beginning to move, to a limited extent, in this direction.

Aristotle once remarked that one can know a thing completely only when one knows its causes and first principles.¹⁹ Few seem likely to reach this high standard with respect to knowledge of anything; however, to think usefully about the future of tax, we must indeed know at least something of its past (that is, know something of why we have the system that we do) as well as what we want taxes to do and why. In recent years, many studies have considered the critical role that taxes have played in developing effective governance around the world.²⁰ Some authors have emphasized the power of taxation to destroy: Rabushka goes so far as to assert that “the origins of recorded history were inextricably linked to oppressive taxation” and that “civilization tends to self-destruct from excessive taxation.”²¹ Others have been more positive, stressing the extent to which taxes (taxes of the right kind, at the right time) have been essential to building rather than destroying countries. Steinmo has recently argued, for example, that modern democracies exist and thrive in large part because their citizens have (so far) proven to be largely willing to pay taxes.²² As he puts it, “Jean Baptiste Colbert once famously argued: ‘the art of taxation consists in so plucking the goose as to obtain the maximum amount of feathers with the smallest possible amount of hissing.’ In the most successful societies, the geese pluck themselves.”²³

Why have so many people been apparently willing to make the huge “leap of faith” required to give governments control over so much of the people’s income and wealth? Steinmo’s answer is that they have been willing to do so for essentially two reasons: first, people believe that they will get something in return, and, second, they think that the burden is shared fairly with their fellow citizens. These two tenets

19 As cited by Hanneke du Preez and Madeleine Stiglingh, “Confirming the Fundamental Principles of Taxation Using Qualitative Analysis” (2018) 16:1 *eJournal of Tax Research* 139-74.

20 On Canada, for example, we have recent, thorough historical studies by E.A. Heaman, *Tax, Order, and Good Government: A New Political History of Canada, 1867-1917* (Montreal and Kingston, ON: McGill-Queen’s University Press, 2017); and Shirley Tillotson, *Give and Take: The Citizen-Taxpayer and the Rise of Canadian Democracy* (Vancouver: UBC Press, 2017).

21 See Charles Adams, *For Good and Evil: The Impact of Taxes on the Course of Civilization*, 2d ed. (Landham, MD: Madison Books, 2001), at xiii and xiv. The Adams book is replete with examples—from ancient Egypt to the United States in the 1990s—of poor tax policies and their undesirable outcomes. In a later and impressively exhaustive study of taxation in colonial America, Rabushka concludes that the very existence of the United States is largely the result of bad taxes: “The American Revolution . . . was a tax revolt, first and foremost.” See Alvin Rabushka, *Taxation in Colonial America* (Princeton, NJ: Princeton University Press, 2008), at 868. These books overstate the case, but there is much to be learned from them.

22 Sven H. Steinmo, ed., *The Leap of Faith: The Fiscal Foundations of Successful Government in Europe and America* (Oxford, UK: Oxford University Press, 2018) (<http://dx.doi.org/10.1093/oso/9780198796817.001.0001>).

23 *Ibid.*, at 4.

are also central to what is sometimes called the “fiscal contract” between citizens and the state—the agreement that underlies democracy.²⁴

Building a strong and sustainable tax system is not a simple or short process. It requires the establishment of sufficient capacity to administer taxes in a way that most people consider fair, and it requires the delivery of public services that most people value and consider worth the price.²⁵ Many studies have explored whether and how developing countries might be able to emulate—and, ideally, to shorten and make less painful—this key component of state building.²⁶ Little success has been achieved to date: the building of state capacity and the development of the kinds of social norms that underlie Steinmo’s “leap of faith” are not the work of a few years or tasks that can be imposed or imported from outside. Creating and sustaining an effective and sustainable governance structure for the heterogeneous societies that are found within most national boundaries is far more difficult than designing an optimal tax system or simply emulating someone’s idea of “best practice”—an idea that, all too often, is based on experiences in very different places.²⁷

Taxes may be “the price we pay for civilization,”²⁸ but developing and maintaining the underlying fiscal contract between state and citizens is always and everywhere a work in progress. What do people understand by “fair” taxes? How do governments enforce such taxes effectively? What services do people value, and

24 See, on the matter of fiscal contracting, Jeffrey F. Timmons, “The Fiscal Contract: States, Taxes, and Public Services” (2005) 57:4 *World Politics* 530-67; and Richard M. Bird and Eric M. Zolt, “Taxation and Inequality in Canada and the United States” (2015) 52: 2 *Osgoode Hall Law Journal* 401-27. Many studies have found that both propositions are also important in explaining tax compliance: for a recent review, see James Alm, “What Motivates Tax Compliance?” (2019) 33:2 *Journal of Economic Surveys* 353-88 (<https://doi.org/10.1111/joes.12272>).

25 For example, see Niall Ferguson, *The Cash Nexus: Money and Power in the Modern World 1700-2000* (New York: Basic Books, 2001). On the United Kingdom, see John Brewer, *The Sinews of Power: War, Money and the English State, 1688-1783* (Cambridge, MA: Harvard University Press, 1990); and for a brief overview of the role of taxation in political and economic development, see Philip T. Hoffman, “What Do States Do? Politics and Economic History” (2015) 75:2 *Journal of Economic History* 303-32 (<https://doi.org/10.1017/S0022050715000637>).

26 For a good introduction to the subject, see Brautigam, Fjeldstad, and Moore, *supra* note 16. For two good country studies, see Marcelo Bergman, *Tax Evasion and Rule of Law in Latin America: The Political Culture of Cheating and Compliance in Argentina and Chile* (Philadelphia: University of Pennsylvania Press, 2009); and Wilson Prichard, *Taxation, Responsiveness and Accountability in Sub-Saharan Africa: The Dynamics of Tax Bargaining* (Cambridge, UK: Cambridge University Press, 2015).

27 Richard M. Bird, “Foreign Advice and Tax Policy in Developing Countries,” in Richard M. Bird and Jorge Martinez-Vazquez, eds., *Taxation and Development: The Weakest Link? Essays in Honor of Roy Bahl* (Cheltenham, UK: Edward Elgar, 2014), 103-44.

28 Inscription on Internal Revenue Service building in Washington, and US Supreme Court Justice Oliver Wendell Holmes’s famous remark. See *Campania General de Tabacos v. Collector*, 275 US 87, at 100 (1927).

how much are they willing to pay for them, especially when they do not themselves directly benefit from these services? Our only way of dealing with such complex and difficult questions is through cumbersome political processes, which are often encrusted with the remnants of past ages, respond (almost always) only slowly to changing conditions, and seldom work to the satisfaction of all citizens.

Viewed from a historical and worldwide perspective, Canada seems to be a “lucky country” (as Australia, too, has sometimes been characterized) that has had a relatively short and easy passage through these turbulent waters. Viewed from inside, however—although Canada has thus far been spared the recent political upheavals of some other high-income democracies, where citizens unhappy with their governments (and, often, with their tax systems) have taken to the streets and polls to express their discontent—many of our citizens seem (as they have always been)²⁹ to be rather unhappy. The ship of state, powered by a fairly robust tax system, continues to sail on into the uncharted waters of the future. But what if it hits one of the hidden reefs described above, or if citizen support falters?

Bergman and Steinmo have recently suggested three guidelines for maintaining a sustainable tax system in turbulent times:

1. Taxes must be seen to produce services—infrastructure, education, health, and security—that people at all levels perceive to be beneficial to the health of the society in which they live, if not to them personally.
2. Everyone, including the poorest (but, of course, especially the rich), must be seen to pay something, and the system must be perceived to be acceptably progressive. For most people, however, acceptability in this sense seems to require not the achievement of a particular standard in terms of the Gini coefficient, but the satisfaction of a more nebulous standard that Sheffrin calls “folk justice.”³⁰
3. What matters, finally, is not only who pays how much in tax but also how the system operates. As Adam Smith told us centuries ago, taxes should be as simple and certain as possible, and, as recent experience has underlined, they should also be visibly, fairly, and strictly enforced across borders as well as domestically, which implies that only taxes that can be properly enforced should be imposed.³¹

29 See the many taxpayer complaints over the years reported in Heaman, *supra* note 20, and in Tillotson, *supra* note 20.

30 Steven M. Sheffrin, *Tax Fairness and Folk Justice* (Cambridge, UK: Cambridge University Press, 2013), at x (<https://doi.org/10.1017/CBO9781139026918>), defines “folk justice” as how most people understand “tax fairness”—that is, “receiving benefits commensurate with the taxes one pays, being treated with basic respect by the law and the tax authorities, and respecting legitimate efforts to earn income.” He goes on to note, *ibid.*, that “the average person is not totally indifferent to inequality, but concerns for redistribution are moderated by the extent to which income and wealth are perceived to be earned through honest effort.”

31 Marcelo Bergman and Sven Steinmo, “Taxation and Consent: Implications for Developing Nations,” in *The Leap of Faith*, *supra* note 22, 273-92.

There is nothing new or startling in any of these propositions, although few commentators appear to have sufficiently stressed (1) the critical importance, in democracies, of good spending as the foundation of a good tax system;³² (2) the importance of perceived fairness in ensuring the acceptability of taxes; or (3) the central role of good tax administration not only in determining how taxes work but also in shaping how people perceive the tax system. Of course, even those who have chosen, perhaps wisely, not to venture into the murky waters of political economy recognize that taxes do not simply raise revenue. Taxes also redistribute income and wealth, and, by altering the incentives facing economic actors, they shape the rate and pattern of growth. Moreover, an acceptable and sustainable tax system is an essential foundation of democracy.

THE INCOME TAX AS A SYMBOL

A tax system is not simply a device for redistributing goods and services with the least social pain. It is also a system in which individuals express their values. Tax reforms that reflect these values are more likely to endure.

Steven Sheffrin³³

Not all taxes are equally important in creating and sustaining a viable state. In Canada, the most important tax has for many years been the income tax, in particular the personal income tax, the postwar rise of which has largely financed the marked expansion of social expenditure.³⁴ Because the income tax is an important and many-faceted instrument of public policy, it is not surprising that income tax reforms often give rise to heated and prolonged public discussions. This occurs for two quite different reasons, however. The first and most obvious reason is simply that income tax changes usually affect different groups in different ways, benefiting some and penalizing others. Those who lose—or think that they may lose—almost always protest loudly, and they are often heard. The second reason is that income tax reform, perhaps more than any other kind of reform, is seen by many to symbolize the political stance of the government in power.³⁵ Tax reforms are not simply instrumental.

32 A conspicuous and important exception is Richard A. Musgrave, “Combining and Separating Fiscal Choices: Wicksell’s Model at Its Centennial,” in *Public Finance in a Democratic Society*, vol. 3, *The Foundations of Taxation and Expenditure* (Cheltenham, UK: Edward Elgar, 2010), 81–103.

33 Sheffrin, *supra* note 30, at 255.

34 In Canada’s first 50 years, the important taxes, as Heaman, *supra* note 20, discusses, were customs duties and a few excise taxes, as well as local property taxes. For the next 50 years, the big story, as Tillotson, *supra* note 20, shows, was the introduction and expansion of the income tax. Despite the fuss occasioned by the introduction of the GST in the early 1990s (Bird, *supra* note 27), personal income taxation has remained the mainstay of Canadian public finances since the Second World War (Kevin Milligan, “Data on Government Revenue in Canada: Sources and Trends,” *Finances of the Nation* feature (2017) 65:3 *Canadian Tax Journal* 693–709.

35 For a good early overview of policies as symbols (though without reference to taxes), see Murray Edelman, *The Symbolic Uses of Politics* (Urbana, IL: University of Illinois Press, 1974).

They are also expressive and may carry meanings, intended or not, for particular segments of the public. For instance, some people may see the reduction of the top rate of the income tax as a sensible, even necessary measure to encourage investment, innovation, and growth, but others may see it as a signal that the government in power is catering to the rich and neglecting the rest of the population.

The relative importance of income taxation has often been seen as a good indicator of the political environment. The share of total taxes coming from income tax is a common proxy for the progressivity of taxes or of the fiscal system (or even of public policy as a whole). One classic history of public finance, for example, labelled the income tax “a mirror for democracy,”³⁶ noting that for the United States, this mirror (a moderately progressive tax, with major exceptions) appeared to be a relatively accurate reflection of the balance of popular sentiment, which, in the authors’ view, favoured the fair sharing of the tax burden in the form of moderately progressive rates, provided that many people, often those in the middle range of the income distribution, were relieved from some of the burden (for example, through concessions to homeowners). Such a tax, with all of its inherent complexities and contradictions, was, the authors argued, a necessary compromise for a responsible and responsive democracy, delicately balancing the state’s need for revenue with the fact that most people wanted to pay less.

People complain about the income tax all the time, but they accept it. Why? One important reason—reminiscent of Churchill’s famous remark about democracy being “the worst form of Government except for all those other forms”³⁷—is that the income tax law, in which each provision is almost always considered separately and debated, for the most part, by those most affected by it, may in the end be seen “as the refined product of public preferences tested and retested at the margin.”³⁸ Tax reformers whose major concern is to increase the effective progressivity of the income tax face a major obstacle: many of the provisions to which these reformers most object are valued not just by a few rich individuals but also by important segments of society. People may be happy to see tax increases on the few at the top of the income heap, but few of these people welcome increases in their own tax burden. Similarly, although the corporate income tax may no longer be a very effective backstop for the personal income tax in technical terms,³⁹ it will likely remain—so long as most people see it as taxing rich owners rather than workers or consumers—

36 Carolyn Webber and Aaron Wildavsky, *A History of Taxation and Expenditure in the Western World* (New York: Simon and Schuster, 1986), at 552.

37 See Richard M. Langworth, ed., *Churchill by Himself: Definitive Collections of Quotations* (New York: Public Affairs, 2008), at 574.

38 Webber and Wildavsky, supra note 36, at 552; on the context and meaning of Churchill’s remark, see Peter H. Lindert, “Voice and Growth: Was Churchill Right?” (2003) 63:2 *Journal of Economic History* 315-50 (<https://doi.org/10.1017/S0022050703001815>).

39 Robin Boadway, “Rationalizing the Canadian Income Tax System,” paper presented at Re-Imagining Tax for the 21st Century, supra note 9.

a necessary political backstop not just for the income tax but also for the tax system in general.

TAXATION AS AN INSTRUMENT OF POLICY

As Avi-Yonah has noted, the “three Rs” of the conventional approach to taxation—revenue, redistribution, and regulation—mesh surprisingly neatly with the three major taxes in most countries: the value-added tax (VAT) for revenue, the personal income tax (PIT) for redistribution, and the corporate income tax (CIT) for regulation.⁴⁰ This categorization could easily be expanded by, for instance, adding excises as regulatory taxes, payroll taxes as revenue taxes, and, more arguably, property taxes as redistributive taxes. Each tax could also be characterized in terms of how it relates to such presumably desirable social norms as certainty, simplicity, and linkage to benefits, with the weight assigned to different goals doubtless varying for different groups and at different times, as ideas, interests, and circumstances change.⁴¹

Regardless of decision makers’ intentions, however, policies often affect objectives other than the ones being targeted. For example, a reduction in corporate tax rates, even if well designed and likely to have a positive impact on investment and growth, may not be acceptable in the face of the importance that taxpayers may attach to this tax rate as a symbol that even the rich and powerful are being taxed.⁴² As Hirschman long ago emphasized, there are no such things as “side effects” (or collateral damage) when it comes to policy outcomes: there are only consequences, all of which need, ideally, to be taken into account before a decision is made.⁴³

Of course, one can no more think through every possible consequence when deciding tax policy than one can when deciding to cross the street: trying to do so would mean never reaching a decision or getting to the other side. The point, however, is that because taxation is always political, it is always important to recognize the potential for not only political but also economic consequences of particular decisions.⁴⁴ Given the importance that people attach to tax fairness, and given the

40 Reuven S. Avi-Yonah, “The Three Goals of Taxation” (2006) 60:1 *Tax Law Review* 1-28.

41 Of course, policy objectives may be achieved not only by taxes but also by other instruments such as direct expenditures, transfers, and regulation, as well as by such macroeconomic factors as exchange and interest rates. Although this topic is not discussed further here, for discussion of the relative merits of and connections between different governing instruments, see, for example, Michael J. Trebilcock, Douglas G. Hartle, J. Robert S. Prichard, and Donald N. Dewees, *The Choice of Governing Instrument*, a study prepared for the Economic Council of Canada (Ottawa: Supply and Services, 1982); and Stephen H. Linder and B. Guy Peters, “Instruments of Government: Perceptions and Contexts” (1989) 9:1 *Journal of Public Policy* 35-58 (<https://doi.org/10.1017/S0143814X00007960>).

42 Geoffrey Hale, *The Politics of Taxation in Canada* (Peterborough, ON: Broadview Press, 2002).

43 Albert O. Hirschman, *Development Projects Observed* (Washington DC: Brookings Institution, 1967).

44 Walter Hettich and Stanley L. Winer, *Democratic Choice and Taxation: A Theoretical and Empirical Analysis* (Cambridge, UK: Cambridge University Press, 1999) remains perhaps the best analytical introduction to this subject.

current interest of many in making taxation more equitable, an appropriate way to conclude this brief overview of the possible future role of the income tax is to consider how past developments suggest what Canadians think about redistribution through the fiscal system and, in particular, through the income tax.

Revenue needs are often the immediate drivers of government tax decisions.⁴⁵ For most people, however, the main tax question is simply: Who pays? Although it is usually technically difficult to be definitive about the distributive effect of any proposed tax change, people are invariably sensitive to what they perceive to be its distributional effects on themselves, and they seldom hesitate to make strong (and often unwarranted) assumptions about who pays. Some think that consumption taxes and user charges invariably and unfairly target the poor. Others think that increases in income taxes inevitably make everybody poorer by discouraging savings, investment, and growth. The evidence provides little support for either of these extreme views, but many who are prominent in the public discussion of fiscal matters often ignore the evidence, rely heavily on prior beliefs and (often atypical) examples to support their cases, and focus on the presumed impact of particular changes on this or that margin of interest to them. To overcome the clamour of the frequently self-interested and unfounded claims that often dominate public forums, those who propose tax changes need to provide consistent and comprehensible answers to the questions raised in such discussions. Advocates of tax reform should also, of course, try to shift the focus to the more relevant question of what impact the policies as a whole will have on social policy objectives. Both of these tasks are difficult, time-consuming, and often frustrating, and they require considerable and persistent efforts from those advocating tax reform.

The importance of distributional concerns has recently been underlined by the growing evidence of international tax avoidance and evasion and by the noticeable growth of inequality in many countries, including Canada. Many believe, with some reason, not only that many large multinational firms are not paying their “fair share” but also that the rich in general are getting off much too lightly. These concerns pose two problems for tax policy: How should cross-border transactions be taxed? How progressive should domestic taxes be? Tax experts everywhere have been working to find better answers to the first of these questions, although, as yet, they have had only limited success. Milligan and others have addressed the issue of progressivity, but the basic question is: What do people want their government to do with respect to redistributing income?⁴⁶

45 Matthew Lesch, for example, in “Playing with Fiscal Fire: The Politics of Consumption Tax Reform” (PhD dissertation, University of Toronto, Department of Political Science, 2018), interprets British Columbia’s brief and disastrous recent venture with the HST as essentially an ill-considered attempt to deal with a budget shortfall, with little advance planning and no real attempt to sell the public on the desirability of the change, in contrast to Ontario’s much better planned, better marketed, and, of course, successful move to the HST.

46 Kevin Milligan, “The Future of the Progressive Personal Income Tax: How High Can It Go?” paper presented at Re-Imagining Tax for the 21st Century, *supra* note 9. Redistributing wealth is

Canada, like most countries, redistributes mainly through expenditures, not taxes. It is thus not surprising that some people seem to think that the best way to deal with distributional issues is simply to increase taxes and spend them on good things such as education and health. In the postwar era, for example, the substantial increase in such spending clearly made the lives of many—notably the old—much better, so perhaps it is natural that many see more of the same as the best course. Unfortunately, considerable evidence suggests that simply pouring more money into existing programs seldom results in more and better public services.⁴⁷ Some money inevitably flows into the elaboration of ever more complex administrative structures or simply increases the incomes of service providers.

Even in the 1980s, it was difficult to see how the tax increases then facing the mythical average taxpayer were matched by any visible gain in the benefits received from public sector activities.⁴⁸ Nonetheless, in real (constant dollar) terms, for every dollar paid in 1985 individual income tax, taxpayers arguably received about \$1.15 in benefits through government expenditures on health and education. By the mid-1990s, however, this figure had fallen to \$1.06,⁴⁹ and by 2017, the (roughly) equivalent figure was only about \$0.98.⁵⁰ The first pillar underlying the “leap of faith” that is required (as discussed earlier) to maintain a sustainable tax system in a democracy—namely, the sense of linkage between what people pay (or believe they pay) and what they get (or believe they get)—has, it seems, become noticeably weaker in recent decades.

not discussed here, although, of course, it is closely related to the key issues with respect to taxing capital income that Boadway, *supra* note 39, and others have discussed in detail.

- 47 For a clear discussion of this point with respect to health care in Canada, see A.J. Culyer, *Health Care Expenditures in Canada: Myth and Reality; Past and Future*, Canadian Tax Paper no. 82 (Toronto: Canadian Tax Foundation, 1988). An international overview of the evidence may be found in Vito Tanzi and Ludger Schuknecht, *Public Spending in the 20th Century: A Global Perspective* (Cambridge, UK: Cambridge University Press, 2000).
- 48 Richard M. Bird, “Closing the Scissors, or The Real Public Sector Has Two Sides” (1982) 35:4 *National Tax Journal* 477-81.
- 49 Richard M. Bird, “Taxation and Social Policy,” in D.A. Albrecht, A.L. Bovenberg, and L.G.M. Stevens, eds., *Er Zal Gebeven Worden! Liber amicorum S. Cnossen* (Deventer: Kluwer BV, 2001), 43-54.
- 50 Owing to substantial changes in government accounting over time, the equivalence of the figures shown for different years is at best approximate. The (crude) basic methodology and the argument underlying this comparison, which is based in part on Kuznets (see Simon Kuznets, “Quantitative Aspects of the Economic Growth of Nations: VII. The Share and Structures of Consumption” (1962) 10:2, part 2 *Economic Development and Cultural Change* 1-92 (<https://doi.org/10.1086/449958>), is set out in Bird, *supra* note 48. The basic assumption is that “visible” tax burden may be approximated by per capita personal income taxes (measured in terms of the amount of real personal consumption that could be purchased by this amount), and that the offsetting “visible” benefits can be estimated by the real (per capita) value of government expenditure on health and education. When, as has usually been the case, the implicit price deflator of government final consumption increases more rapidly than the

The second pillar underlying that leap of faith is the belief that the taxes are imposed fairly, even if not every dollar collected is spent in ways that citizens can clearly perceive as benefiting them (either personally or as members of a desirable society). Unfortunately, this pillar, too, seems to have become weaker, in part because it is the rich—the group that has visibly gained the most from growth in recent decades—who have benefited most from the government’s increasingly public failure to capture cross-border transactions adequately within the tax net.

Many have suggested that an obvious way to overcome this problem and to shore up the foundations of fiscal civilization is simply to increase tax rates on higher-income people. Some progressivity—most visibly through personal income tax rates—does indeed seem to be an essential component of any tax system that is considered “fair” in a democratic country.⁵¹ Those who have more should clearly contribute more to financing government activities. Many people may also agree that a high-income country like Canada should provide at least a minimum level of support to those with incomes below a certain level, as well as a decent opportunity to access such public services as health and education. But neither of these objectives requires either a highly progressive income tax or a more vigorous targeting of public services to favour the less fortunate. The major redistributive spending programs that we have—pensions, health care, and employment insurance—are essentially intended more to insure the not-so-poor against foreseeable risks than to alleviate poverty as such. As incomes have risen, we as a society have in effect chosen to purchase more social insurance, in part to offset the marked loosening of family and community ties that have accompanied growth.⁵² Health care, education, employment, and retirement are all matters of direct and personal interest to almost

deflator for all final consumption, the perceived tradeoff worsens even if nominal taxes and expenditures are constant. The 2017 estimate is based on population data from Statistics Canada, table 17-10-0009-01 (formerly CANSIM table 051-0005), “Population Estimates, Quarterly”; on individual income tax data from Statistics Canada, table 10-10-0147-01 (formerly CANSIM table 385-0042), “Canadian Government Finance Statistics (CGFS), Statement of Operations and Balance Sheet for Consolidated Governments (x 1,000,000)”; on government expenditure data from Statistics Canada, table 36-10-10127-01 (formerly CANSIM table 380-0088, “General Governments Final Consumption Expenditure, Canada, Quarterly (x 1,000,000)”; and on implicit price indexes for final consumption (to deflate income taxes) and final government consumption (to deflate health and education expenditures) from Statistics Canada, table 36-10-0223-01 (formerly CANSIM table 384-0039), “Implicit Price Indexes, Gross Domestic Product, Provincial and Territorial.”

51 Richard M. Bird and Eric M. Zolt “Fiscal Contracting in Latin America” (2015) 67 *World Development* 323-35 (<https://doi.org/10.1016/j.worlddev.2014.10.011>).

52 This is an argument made clearly by, for example, John Burbidge, *Social Security in Canada: An Economic Appraisal*, Canadian Tax Paper no. 79 (Toronto: Canadian Tax Foundation, 1987). The weak link between tax progressivity and fiscal redistribution in most countries is explored in depth in works such as Junko Kato, *Regressive Taxation and the Welfare State: Path Dependence and Policy Diffusion* (Cambridge, UK: Cambridge University Press, 2003); and Peter H. Lindert, *Growing Public: Social Spending and Economic Growth Since the Eighteenth Century*, vol. I, *The Story* (Cambridge UK: Cambridge University Press, 2004).

everyone, and some public underpinning of these programs is probably desired by all except (perhaps) the richest. Everyone fears becoming ill, losing a job, lacking adequate qualifications for employment, and having to look after the elderly (including themselves). It is not surprising that redistribution—from the well to the sick, from the employed to the unemployed, and from workers to retirees—dominates social spending and hence accounts for most of the tax burden. These major social outlays are easily understood by and justified to taxpayers as insurance from which they and their immediate families may potentially benefit.

For much the same reason, targeting subsidies more explicitly to the poorest, as many have urged, may sometimes weaken rather than strengthen public support for redistribution. For a public policy to come into being and survive, it must be supported by a sufficiently broad coalition, and it is far from clear that substantially increased redistribution from the middle strata of taxpayers to the poor has sufficient support to be sustainable over time. Canada, for example, has been much more reluctant than most European countries to introduce any kind of a two-tier health-care system. One rationale for this reluctance may be the belief, by some, that allowing better-off consumers (and more providers) to opt out of a single-tier system may lead not only to a decline in service quality but also to a weakening of the support for the public health system that now exists among the majority of Canadians. Indeed, in the worst case, permitting (let alone requiring) the better-off to opt out of the public system may weaken the social contract holding the country together.⁵³

Tax changes are often driven largely by spending decisions, and spending decisions in recent decades have been driven largely by social policy. But social policy includes both social insurance and social assistance (welfare), and many people view these two very differently. The dominant goal of social spending (and hence tax increases) in Canada has been to provide public services that most people consider worthwhile—health, education, and support for the elderly. To maintain broad popular support, most such policies are not narrowly targeted to the poor, and, indeed, additional subsidization for some private outlays for related purposes is often provided through the tax system. In contrast, social assistance intended to directly benefit the poorest and most needy appears to be viewed by many not as something directly related to them but, in effect, as conscience-salving “public charity.”

53 An even more worrying development, though not one further discussed here, is the striking movement in recent years of many better-off families out of the public education system, especially in major metropolitan areas. This trend may not only reduce support for public education—and for the taxes that support it—but also lower the quality of this education by removing some of the more articulate parents from the mix. It may also lead to an undesirable growth in class division: those who have not mixed as children with people much different from themselves may as adults know—or even care—little about how the “other half” lives. (For recent empirical support of this proposition—though in a very different context (India)—see Gautam Rao, “Familiarity Does Not Breed Contempt: Generosity, Discrimination, and Diversity in Delhi Schools” (2019) 109:3 *American Economic Review* 774-809 (<https://doi.org/10.1257/aer.20180044>). This is not the way to build a sustainable democracy.

Whether one finds this perception morally acceptable or not, such policies seem generally to be most strongly supported when, like the Elizabethan Poor Law of 1601, they are considered to be both narrowly targeted to the “deserving poor” and strictly enforced to exclude others.⁵⁴

Most people seem to support increased progressivity when it means additional taxation of the rich, provided that these people are not persuaded—correctly or not—that one result of such taxation may be reduced employment opportunities or reduced income growth. But few are eager to increase progressivity in the middle-income range, especially if they think that the additional revenues will flow to people with whom they do not easily identify. Tax policy is difficult, but social policy is more difficult, and the interaction between the two needs to be taken more explicitly into account in formulating policy, because the most critical problem is usually how to sell tax changes to a seldom sympathetic audience. Redistribution may be what taxes are, in a sense, all about. But redistribution, like taxation itself, is a many-faceted and complex subject with important economic, political, and social dimensions, all of which need to be factored—somehow—into good tax policy.

WHAT DOES ALL OF THIS MEAN FOR THE FUTURE OF THE INCOME TAX?

Much of the current discussion of tax policy is focused on the international dimension. The “big boys” have long set the rules in international taxation, and they are likely to continue to do so.⁵⁵ Perhaps the best strategy, from a Canadian perspective, is simply to watch closely what is going on and to build up the agility and skill needed to respond quickly and flexibly enough to survive in the changing and uncertain international environment.

Ultimately, Canada is the master of its own tax fate. Unless some “unknown unknown” forces a drastic change in the level of government activity, changes in taxation seem more likely to affect the mix of taxes than the level of taxation. From a purely economic perspective, a good case can be made for securing more revenue from property and consumption taxes than from income tax. However, no one seems keen on increasing property taxes, and, given the history of the goods and services tax/harmonized sales tax (GST/HST), it seems unlikely that much more revenue will be obtained from this source in the absence of a major fiscal crisis. One

54 As Reuben Hasson, “Tax Evasion and Social Security Abuse—Some Tentative Observations” (1980) 2:2 *Canadian Taxation: A Journal of Tax Policy* 96-108, noted long ago, Canada has often taken quicker and stronger action to deal with abuses of social spending programs than it has to deal even with “abusive” tax evasion. One reason, perhaps, is that it is easier to generate public support for actions against people known to have “stolen” public funds than it is to generate support for penalties against the more indirect theft by people (with whom voters can often identify) who hide income from the taxman. Another reason may be simply that few recipients of social assistance can hire lawyers and accountants to argue their case.

55 Richard M. Bird, “A View from the North” (1995) 49:4 *Tax Law Review* 745-57.

possible move would be to reduce the visible blow by emulating the rest of the world and moving away from separate quotation of the GST. Although this step would make governments even less accountable than they now are,⁵⁶ it might be a price worth paying in political terms if it made it possible to sustain our binding social policies. Other desirable reforms could of course be made in other taxes—excises, payroll taxes, and property taxes, for example—but the main tax story in Canada is likely to continue to be the personal income tax.⁵⁷

This tax is not only the most important tax but also the most salient when people think of taxation. This “mirror of democracy” provides, albeit “through a glass, darkly,” an interesting way to view the relationship between the state and the society that it is supposed to represent.⁵⁸ Recent concern about increases in inequality and about other, related developments has already led to some mild increases in personal income tax rates, and tax changes in the near future seem likely to continue to focus on this tax. Is making the personal income tax more explicitly progressive the best or most acceptable way to share the burden of financing government fairly? What about taxing capital income more heavily (and more evenly) or, perhaps, even (re-)imposing some form of wealth tax? Tightening tax enforcement? All the preceding, and more?

Is raising the top rate the best way to go? From a symbolical perspective, some may think so, even though the highest effective marginal rates often have an impact on those near the bottom of the rate scale, owing to the imperfect and differentiated way in which personal taxes and transfers are integrated. Giving more attention to cleaning up this mess at the bottom may provide a higher payoff, in terms of both efficiency and distribution, than simply increasing rates at the top, although this approach has little political appeal. Moreover, improving the linkages between the tax and transfer systems would require a degree of coordination and cooperation between federal and provincial governments that would be difficult to achieve. Still, this is the sort of issue on which we need to spend more time and effort, even if doing

56 Richard M. Bird, “Policy Forum: Visibility and Accountability—Is Tax-Inclusive Pricing a Good Thing?” (2010) 58:1 *Canadian Tax Journal* 63-76.

57 Possible reforms to the corporate income tax are discussed in Richard M. Bird and Thomas A. Wilson, “The Corporate Income Tax in Canada: Does Its Past Foretell Its Future?” in Bev Dahlby, ed., *Reforming the Corporate Tax in a Changing World* (Toronto: Canadian Tax Foundation, 2018), 1-43; for possible reforms to the GST, see Mintz and Richardson, supra note 14; and for possible reforms to the property tax, see Enid Slack and Richard M. Bird, *How To Reform the Property Tax: Lessons from Around the World*, University of Toronto, Munk School of Global Affairs, IMFG Papers on Municipal Finance and Governance no. 21 (Toronto: Institute on Municipal Finance and Governance, 2015).

58 The cited phrase comes from Webber and Wildavsky (supra note 36, at 526), who interpret the extent to which a country relied on visible income taxes as a symbol of the strength of the country’s egalitarianism and commitment to social justice. The previous section of this paper argues, in effect, that the second of these characteristics is more important in Canada than the first characteristic. But, as the second quotation above (from the King James Bible) suggests, this “mirror” can at best provide only a faint and perhaps distorted glimpse of reality.

so requires us to revisit the basic problem of how best to accommodate differing political realities within a relatively coherent national policy so that we can cope more adequately with the changing world. For this and many other reasons, those charged with income tax reform will no doubt continue for many decades to live in interesting times.