

Saying no to the conjurers' trick of tax cuts

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Alex Himelfarb has had an impressive career in public service. A former professor, author and diplomat, he is probably best known for his service as clerk of the Privy Council for Jean Chretien, Paul Martin, and, briefly, Stephen Harper.

His most recent accomplishment is "Tax is Not a Four Letter Word", a collection of essays by various authors including the CCPA's Trish Hennessy, Jim Stanford and Hugh Mackenzie. Alex co-edited the book with his son Jordan, Opinion Editor for the Toronto Star.

The CCPA Ontario's Jennifer Story recently interviewed Alex about the book, and his desire to get Canadians thinking differently about taxes.

The sub-head of the book is "A different Take on Taxes in Canada"... different from what?

Different from the predominant negative view of taxes as simply a burden from which we must be relieved. For decades now that's precisely how our leaders have talked about taxes. Our tax conversation has become profoundly distorted. What's missing in this conversation is what we get for the taxes we pay.

We are more than just consumers and taxpayers. We are citizens with responsibilities for one another; we undertake to do some things together, things that we could never do alone or that we can do much better collectively. Taxes are the way we pay for those things. They're the price of living in Canada and the opportunities that provides. Indeed, those opportunities exist because of the sacrifices and taxes of previous generations to build the Canada we inherited.

It's become a political truism that politicians would have to be nuts to talk about taxes unless they're promising more cuts. But that fear of taxes is limiting, dangerous. We need to shift the conversation, to recognize that the public services and goods we value have to be paid for and that tax cuts are not free. We cannot have

Swedish levels of service and American levels of taxation.

We demand of our leaders to explain how they are going to pay for new services but, equally, we need to demand that they explain the COSTS of their promised tax cuts – to our quality of life, to our democracy, to our economy. Would we be so pleased with the next tax cuts if we knew they came with worsening traffic congestion, increased risks to food safety, longer wait times for health care, less help for the jobless and needy, rising inequality and environmental degradation?

We seem only to talk about what government costs and not about what it gives. Too much is at stake to let our identities as "consumers" and "taxpayers" supplant our citizenship and commitment to the common good.

You already knew more than your average citizen about taxes and the public good. What, if anything, were you surprised to learn during the editing of this book?

We worked with people who have much greater tax expertise. We learned a lot about the technical aspects, new kinds of taxes. But the biggest thing we learned is how profoundly this anti-tax conversation now dominates.

Of course, a minority will never be convinced, and we will always have legitimate disputes about the right amount and mix of taxes. But the majority does value what their taxes buy. Nonetheless, they worry about how government spends, inevitably circling back to the problem of waste. Why would I want to pay taxes when so much is wasted?

Let's be clear, I have never known a political leader who promoted more waste, less efficiency. Politicians are always reluctant to raise taxes and they all want to get as much bang for their revenue as possible. Some governments

are better at this than others, but over the past few decades, all governments have sought to get the best results at the lowest costs.

Yet perceptions of wasteful spending persist. In part, concern about government waste is a proxy for differences in values. What we call waste is often spending we don't much like (say, the arts from the right, or military spending from the left). That's the stuff of elections as we try to choose a government that reflects our priorities.

But here's the thing: we can't pick and choose a personalized, made-to-order government profile in the way we personalize our latest mobile device. We cannot unbundle government the way we are proposing to unbundle cable ser-

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vices. No political party, no government will be a perfect reflection of our personal preferences. In a pluralistic society, sometimes we pay for things we don't like. For a democracy to work we must get beyond our personal desires, engage on what the country needs now and for the future, sometimes even set aside our private desires for a larger purpose. There will always be some spending we just can't fathom, but much of that isn't waste, simply disagreement on what the country needs and on the role of government. Sometimes we are part of the minority. Those tensions are built into any democracy. It will always be so.

Yes, waste, pure and simple, happens. All of us have shaken our heads at some example of inexplicable spending. All governments do, and ought to, work at reducing waste and increasing efficiency. But no organization, public, private or in-between, is or ever will be perfectly efficient, nor does the evidence support that private is necessarily more efficient than public. We are talking about imperfect systems made up of

perfectly imperfect people. Those desperate to prove government is useless will always find some example.

While it is certainly the job of leaders to ensure that waste is minimized, our fixation on gov-

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ernment waste is vastly exaggerated, and undermines even the minimal amounts of trust we need to find collective solutions to problems we can't address on our own.

Former Parliamentary Budget Officer Kevin Page reminded us regularly that any promises that tax cuts would be paid for by reducing waste are bogus – the numbers never add up. The screaming headlines about waste mislead us. Studies in the U.S., even before the major downsizing of the '90s, found big numbers but which added up to a very small percentage of spending. Same here in Canada. The vast majority of tax dollars are spent on things the majority of us care about: infrastructure, environment, health and safety, health care, education, social assistance, child development. The gravy just isn't there. Tax cuts inevitably affect public services.

The evil twin of tax cuts is austerity, ongoing and seemingly endless.

In Canada, austerity has been implemented in the slowest of motion and so the consequences are less visible than, say, in parts of Europe. But they are real nonetheless, felt first by women and youth, and the most vulnerable. Austerity, it seems, makes us meaner.

Next in line are the politically easy targets – civil service, teachers, unions. It seems that bashing bureaucrats is always good politics whatever the consequences.

But of course in the end we all pay the price in rising inequality and the erosion of essential institutions, infrastructure and the environment.

This erosion happens so slowly it's hard to attribute to the tax cuts. Government just slowly gets worse. Ironically this is used to justify further tax cuts. Witness recent proposals to eliminate EI because it now serves so few people so badly. The Post Office. What next? When we lose trust we can't solve problems together. We look at gridlock and instead of saying, 'let's build transit solutions', we conclude, 'government doesn't work'.

Extreme inequality further undermines trust – those at the very top become increasingly effective at convincing us of the dangers of taxes – after all they don't need many of the public services the rest depend on – and those at the bottom won't want to pay if they think the game is rigged. Extreme inequality erodes our ability to come to a common view, to build a shared sense of the common good.

Perhaps the most enduring consequence of austerity is that it stunts the political imagination. Previous generations could imagine universal

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public health care, public pensions, the National Child Benefit. But now our first response to the dreamers is 'ya, but how would we ever pay for it?' This breeds a kind of fatalism, decline – growing doubt that we could make things better together, that we could ever hope to solve the big problems, inequality or climate change.

If I track the last fifteen years, all the tax cuts, federal taxes as percentage of GDP are four points lower, each point worth about \$20 billion. Imagine what we could do with that, or even a portion.

The two cents of GST that the Conservative government cut in its first couple of years cost about \$14 billion per year, slightly more than the surplus they inherited. Think about how

much more resilient we would have been without those cuts when the recession hit, how

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much more we could have helped those hardest hit, without so much added debt and without turning to austerity as though it were inevitable.

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You are fundamentally an optimist ... what evidence do you see to be optimistic about the future as it relates to taxes?

To some degree, optimism is a matter of disposition. But it's also a philosophical choice. If we have a choice between hope and despair, why would we choose despair? If we believe nothing is possible, then we don't act. When we think nothing is possible, well, nothing's possible.

But in practical terms, I see some signs – perhaps I want to see them – that people are ready to turn a corner. Municipal leaders in Vancouver, Edmonton, Calgary, Halifax – just to cite a few – seem ready to discuss more ambitious visions for their cities and grapple with the revenue tools they'll need. Maybe it's easier to build trust locally.

Bill de Blasio, the Mayor-elect in New York City, won on four priorities: addressing inequality, taxing the rich, raising the incomes of

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the lowest public sector earners, and limiting police powers.

Various jurisdictions are raising the minimum wage. When the State of Missouri's Republican

legislature recently passed a tax cut, the Democratic governor vetoed it, and he seems to be winning the debate.

We simply can't keep squeezing and let inequality go unchecked. We will turn this around. The question is how much pain will we endure before we do that.

You said at the Toronto book launch that not all the authors would agree about some things. What are those areas of tension you found and how were they resolved?

Who gets taxed, what's the best mix – all debatable. But they agree 100% that we have a distorted conversation and that's doing damage. They agree we need to transform how we govern and tax reform must be an essential part of that transformation. And they agree that there's no free lunch; we all must pay our fair share.

Are there any approaches to taxation that you think enjoy cross-partisan support?

Yes, that there are no free lunches. We will all have to pay our way. We will have to be smart in how we tax and, to be fair, progressive. By progressive I mean three things: those who benefit most should pay the greatest share; those who do most damage to the commons should pay most for its repair; and when we have broad-based and seemingly regressive tax measures, as we will, we should mitigate the harm to those least able to pay.

Imagine you're sitting in Stephen Harper's chair. What do you think the number one agenda item should be to improve our tax system for the common good?

I wouldn't necessarily lead with taxes. But I wouldn't avoid the discussion. There's no way to get to where we need to go without considering taxes. The number one agenda item for

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me would be to address poverty and inequality. We can't achieve the trust necessary to move forward together without tackling inequality. We won't find the collective will to tackle climate change if we don't tackle inequality.

Here in Toronto, the tale of two cities, the rich and poor, that is the problem. The resilience of our cities demands that we address this.

The focus on waste, the gravy train, bloated bureaucracies, this is a conjurer's trick. Focusing on those 'problems' ensures we don't focus on the real problems. Don't look there, look over here. Don't look at that, look at this.

We need leaders to say no to these conjurers' tricks, to focus on building the cities, the provinces, the country we need. It is time to change the conversation. We don't need to choose decline. We will get the future we are willing to pay for.