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Introduction
Taxation and Social Policy

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The principal purpose of this themed section is to make a case for the incorporation of taxation into mainstream social policy activity by presenting a rationale for inclusion and offering a flavour of some of the social policy related research currently going on in taxation. In doing this, we seek to demonstrate the relevance and importance of taxation to social policy's central concerns by drawing on a number of approaches and focuses for research. We are concerned to show the limitations of a social policy that does not engage fully with fiscal matters and to point to what a social policy approach can bring to the study of taxation. We demonstrate incidentally the relevance of drawing upon the techniques, concepts and knowledge base of other disciplines in building a social policy body of work surrounding taxation.

By abstaining hitherto from a wholehearted engagement with taxation, social policy has limited its own potential influence in policy. Social policy is able to bring a focus on the distributional and behavioural consequences of fiscal policy which do not form a central preoccupation of those disciplines primarily associated with tax policy and the study of taxation (namely, accounting and finance and business and economics). Indeed, social policy can draw on a deep well of insight into, and understanding of, distributional and behavioural consequences. Social policy analyses can reveal the ways in which taxation policies contradict and even undermine the stated goals of other public policies. Overall, social policy can offer a lens through which taxation policy is analysed which offers a different perspective from those in accounting and finance or economics.

The articles in this themed section have been developed from presentations first given in the context of a new Social Policy Association supported Taxation and Social Policy Group. They have been selected because they illustrate various dimensions of the challenges and benefits of bringing taxation into mainstream social policy. Following an article providing a summary review of social policy research in this field to date, and setting out the case for the mainstreaming of taxation into social policy scholarship and practice, the articles here illustrate four distinct aspects of current social policy interest in taxation: a political economy informed challenge to the common-sense way in which we understand *taxation as the means of paying* for public goods and services, setting out an alternative conceptualisation of the role and function of tax in society, including the

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possibilities arising from this, by drawing on a particular macroeconomic rationale; the use of complex modelling to reveal the *distributional* consequences of government tax and spend policies since 2010; the analysis of official statistics to examine the gender *inequality resulting from a market-privileged approach* to pensions; and the close study of official documents to uncover the considerable and *largely hidden* allocation of resources through 'means-enhancing' social tax expenditures that largely benefit the better off.

A number of themes recur across the articles. These include the partial and distorted character of social policy scholarship on (re)distribution when it neglects the nature and impact of taxation; the importance of taxation *as* a social policy; the hidden nature of tax policies and their consequences – often hidden both from political scrutiny and from the public gaze; the fact that many of the aspects of tax policy which are hidden from view (even if in plain sight) have the effect of allocating resources to the better off; the need for an approach to taxation which privileges concern for need and equity; the recognition that tax and spending are not separate issues but form part of a single system for government intervention in society; and the need to alter our perception of the true allocation of available resources by embracing an understanding of how tax works. The frequent recurrence of tax expenditures across the articles reflects the current preoccupation among researchers that these instruments of social policy have enormous impact yet have been woefully under-examined by social policy scholarship to date. While the articles have a UK or Irish focus, they all raise matters of international social policy relevance.

The selection of articles also shows how closer working with expertise in economics and accountancy can benefit social policy scholarship. Andrew Baker and Richard Murphy bring together political economy and accountancy in developing their investigation into the ways in which Modern Monetary Theory (MMT) can help us frame an understanding of the deficits in our current understanding of the tax system. Howard Reed and Micheál Collins bring economic expertise to the analysis of the redistributive impacts of taxation and public spending policies since 2010 and the gender inequalities arising from the distribution of tax reliefs on pension savings, respectively. Sally Ruane and Adrian Sinfield are both social policy scholars and Sinfield is one of the few UK based social policy scholars to have persisted in researching taxation over several decades.

The case for the incorporation of the study of taxation into the accepted remit of social policy is made with some vigour in the first article by Ruane *et al*. It reviews the limited existing social policy literature on taxation in the English language and speculates as to why taxation has remained a peripheral interest in social policy since the emergence of post-war social administration from the 1950s onwards, despite Richard Titmuss enjoining social policy scholars to take fiscal policy seriously (Titmuss, 1958, 1962). The article argues that there are three principal reasons why social policy should embrace taxation into its everyday remit. First, although social policy's central concern with meeting need focuses it on processes of distribution and redistribution, without a close analysis of taxation it holds only a partial picture of the mechanisms of distribution: since decisions about taxation shape the overall allocation of resources. Without an understanding of taxation, social policy's comprehension of the limitations of public spending, social security and public services remains incomplete since these necessarily interact with the distributional consequences of tax policy. Second, social policy can create a positive discourse surrounding taxation and contribute to changing the policy

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agenda. Social policy, through its concern with meeting need, can pose a challenge to discourses which privilege notions of tax as a burden, cost or confiscation and instead help reframe tax as a relationship of solidarity, the means by which citizens' quality of life is enhanced by enabling resources to be pooled so that goods and services can be enjoyed which most households could not obtain on their own. Social policy can help change the policy agenda by drawing attention to issues that are marginalised from the public and political agenda (such as the peculiar protections of the income and wealth of the best off through the ways in which specific taxes function individually and in combination). The active participation of social policy practitioners will broaden the understanding of what counts as tax expertise, forge new relationships between social policy scholars and civil servants working in tax and alter the composition of the advice given to governments. Third, the engagement of social policy scholars in matters of taxation will help reshape the politics of the welfare state, bringing centre stage the peculiar nature of social policy instruments of social tax expenditures and thereby altering our understanding of who benefits from social policies and the operation of the welfare state.

Murphy and Baker reflect the current interest in MMT and challenge social policy readers to reverse the usual understanding of a tax then spend cycle by applying the MMT macroeconomic framework to demonstrate an alternative conceptualisation of a spend *then tax* cycle. The authors claim this approach leads to a revised understanding of the roles taxation can play in society and, specifically, in relation to social policy objectives. Indeed, the authors believe that *the* most important practical contribution of MMT lies in its potential to reframe how tax is thought about, with implications for how tax systems can and should be designed; although they believe that the full implications of this, for how tax should be conceived of in academic work and talked about in public debate, as an instrument of social policy, have not as yet been fully articulated. The article explores the potential roles and functions of taxation within the framework of MMT, taking in a consideration of opposing views. The article then considers the interaction between tax and 'tax spends' within the UK, applying an MMT lens. Finally, the tax reform possibilities that arise from this alternative understanding are presented in a concluding section. Murphy and Baker provide what they argue is the first account of what MMT insights mean for a thoroughgoing tax policy agenda and invite social policy researchers to engage with the challenge of using these insights to explore more fully how they can be applied to re-engineer tax systems and redesign social tax expenditures for creative social policy purposes.

The multifaceted nature of the taxation system, and the collective impact of policy changes to it for households and their living standards, is a focus for Reed's article. It examines the nominal and relative impact of changes to both taxes and benefits for UK households over the period from 2010 to 2017; a period characterised by deficit reduction driven policy choices on taxation, benefits and public expenditure. The analysis demonstrates the relevance of collectively analysing the impact of all changes simultaneously experienced by households to better inform social policy assessments of the fairness, or otherwise, of their distributive effects. Consequently, a purely benefits focused assessment, not uncommon in the social policy literature, would miss some of the contexts and consequences that social policy analysis generally aims to consider. Reed's results reveal that changes to taxes and transfer payments over the period were regressive, impacting

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hardest on those at the bottom of the income distribution and among some of the most vulnerable groups in UK society.

Sinfield examines the wide variety of ways that social spending policies are run by fiscal welfare through the tax system. The operation and impact of these remain relatively neglected, while those of public expenditure are constantly under scrutiny, often hostile. Mostly means-enhancing, in contrast to increasingly means-tested public spending, the costs of such social tax reliefs are still little examined, their distributional impact even less so. He considers what is needed to provide a better basis for the development of robust and flexible policies for establishing, managing and evaluating fiscal welfare in ways that can contribute to building a fairer and more equal society rather than virtually invisibly maintaining or even promoting current persistent inequalities. The use of taxes to support public welfare and promote greater social security across the whole of society can benefit the common wealth and the welfare of individual communities, families and people. Particular attention is given to the potential of assessing tax and public spending activities together when they benefit the same target group; and to reducing inconsistencies of treatment in comparable tax and public schemes.

Finally, Collins focuses on one large area of tax expenditure and examines the distributive impacts of current policy approaches and their consequences for other social policy objectives. Looking at tax subsidies to private pension saving in Ireland, the article examines how these are distributed by gender and finds that males receive two-thirds of the available tax supports. The analysis demonstrates a discontinuity between such an allocation and the broader suite of social policy objectives aimed at closing gender pension gaps and pursuing gender equality. It also highlights a need for more comprehensive considerations of tax expenditure measures with social policy objectives that would bring greater transparency to their operation and facilitate more informed assessments of their impact and effectiveness.

The work already undertaken demonstrates how a social policy perspective can focus attention on hitherto largely politically neglected issues in taxation and by implication how these issues might have been further up the political agenda, had a stronger social policy engagement with these matters prevailed in recent decades.

There is undoubtedly a significant agenda for future research in view of the relatively limited contribution to the study of taxation among social policy scholars to date. The implications of tax expenditures across the whole range of taxes are significant for any concern with changes in behaviour and distribution, particularly given persistently high levels of economic and social inequalities. One assessment identifies that at least 32 per cent of available resources (including tax revenues, unpaid tax which is due, taxes which should be paid but are evaded and aggressively avoided and resources which have been allocated through tax expenditure) are spent on reliefs and allowances. Eleven per cent is allocated for expenditure on health, 9 per cent on old age pensions and 12 per cent on social security other than old age pensions (Ruane and Byrne, forthcoming). Even the UK government's own Office for Budget Responsibility has stated that 'the cost of the policy motivated tax expenditures that HMRC *has* identified is large in absolute terms – approaching 8 per cent of GDP – and also by international standards' (OBR, 2019: 95, emphasis in original).

Most social policy research has focused on income tax although the operation of the whole range of taxes has many distributional and behavioural consequences that warrant closer social policy examination (Lymer and Oats, 2019). Wealth and property taxes

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provide outstanding examples, given the impact of patterns of wealth on the structure of society and the maintenance of privilege (Atkinson, 2015; Byrne, 2019; Summers, 2019). The whole-economy approach to examining the full range of welfare mix is starting to reveal the significance of business taxes for social policy outcomes (Farnsworth, 2019), while changes over time in the funding of local authority services through direct and indirect taxes have particular social policy relevance for the provision and ongoing support of local services, housing and cultural institutions (Orton and Davies, 2009).

More comparative social policy analysis of tax systems, and the ways in which these vary across and within different countries, is needed to reveal the mechanisms through which they pre-distribute resources and with what outcomes. It can examine similarities and differences in the distributive and behavioural consequences of tax policies and policies on spending on welfare state services and social security combined. The European Fiscal Welfare network, set up in Paris, provided a good example of how issues can be opened up (Morel *et al*., 2016).

Finally, social policy is well placed to contribute to political economy discussion of why the whole range of taxes is allowed to operate insulated from discussion of public spending subject to 'austerity' and to ask whose interests, individual and corporate, are served. Social policy as a subject is not alone in serving to reinforce the conventional divide between taxing and spending by failing to take sufficient account of taxation in its analyses. These points can also be made in relation to much professional as well as public, political and administrative analysis and debate on the use and abuse of public resources of all types. The lack of sustained inquiry is an indication of where the power lies.

'Taxation is part of the overall socio-cultural-economic system which constitutes the social world' (Byrne and Ruane, 2017: 117). However, taxes tend to be framed and discussed in economic or financial terms to achieve economic outcomes with relative neglect of the intended or unintended social policy outcomes that change or reinforce particular forms of behaviour and patterns of distribution and redistribution. Social policy is now well-placed to build on the work of Titmuss and others to examine much more vigorously, and in more sustained and searching ways, the many functions which taxes perform and the implications for social policy and the wider society.

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