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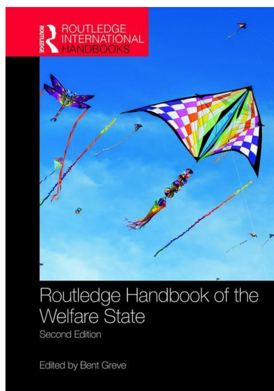

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Bent Greve

Fiscal welfare

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3
Fiscal welfare

Adrian Sinfield

Introduction

Arguments rage about the welfare state – who gets what, to what effect, and at whose cost? But there is still little attention given to an alternative, expensive and largely hidden 'tax welfare state'. This also brings considerable benefits to many people, reinforcing their efforts to achieve social and economic security, encouraging and supporting particular activities such as saving for retirement, bringing up children or buying a home while leaving others, generally on lower incomes, with higher taxes and fewer services.

Like the public welfare state, the tax system is not only government controlled and organised but its workings also effectively shift resources among different groups in society. However, who benefits from these tax benefits and who pays for them can differ dramatically from public welfare benefits. There is also very different visibility and accountability, making the case even stronger for including fiscal welfare in social policy analyses. It affects public social spending by encouraging the use of alternative private provision. Stimulating the private market can undermine the welfare state and invisibly reinforce or widen inequalities, but it is by no means inevitable that this should happen.

This chapter introduces the concept of fiscal welfare and discusses its overlap with tax expenditure and tax breaks for social purposes (TBSPs). The limited evidence on the scale of tax benefits and the even less frequent analysis of their redistributive effects are examined before considering the variety of ways in which fiscal welfare is used with particular attention to family and retirement. Discussion of its political economy considers possibilities for change.

Fiscal welfare and tax expenditure

The use of the term *fiscal welfare* to indicate the benefits available through tax systems was introduced by Richard Titmuss, the first professor of social administration in the UK (Titmuss, 1958, and in Alcock *et al*., 2001). 'The social division of welfare' challenged the conventional wisdom of substantial redistribution in modern British society. The use of the term 'the welfare state', Titmuss argued, encouraged a limited view of the extent and impact of 'all collective interventions to meet certain needs of the individual and/or to serve the wider interests of society' (Titmuss, 1958, p. 42). This led to mistaken assumptions about the role of the state and the

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extent of welfare provision across society. In particular, it helped conceal the impact of both the state's directing of resources through its tax systems and the value of occupational welfare through employment (see Chapter 4).

Fiscal welfare, Titmuss argued, deserves as much analysis as public spending on social services and benefits.

> Allowances and reliefs from income tax, though providing similar benefits [to public spending] and expressing a similar social purpose in the recognition of dependencies, are not, however, treated as social service expenditure. The first is a cash transaction; the second an accounting convenience. Despite this difference in administrative method, the tax saving that accrues to the individual is, in effect, a transfer payment.
>
> *(Titmuss, 1958, pp. 44–45)*

As a result, tax is forgone that would otherwise have been collected for public spending.

The main forms of tax relief are as follows:

- Tax allowances: Amounts deducted from gross income for particular reasons, such as caring for a child or on marriage.
- Tax exemptions: Incomes excluded from the tax base and so not subject to income tax (e.g. paying interest on a home loan or contributing to a pension when some or all of that pension may later be taxed).
- Preferential tax rates: Incomes taxed at lower rates of tax applied to income from particular sources or used for specific purposes such as savings.
- Tax credits: Similar to allowances but deducted from tax liability, not from gross income. As a result all taxpayers benefit to the same amount. The credit can be made 'refundable' or 'non-wastable': Any excess of credit over tax liable is paid to those with incomes so low that they pay little or no income tax.

The scale of fiscal welfare can be considerable. In the UK, for example, fiscal welfare in 2015/2016 made up nearly three-quarters of published and costed income tax reliefs excluding personal allowances. This was equivalent to some 16 per cent of the income tax actually collected (HMRC, 2016). Significant tax reliefs also exist in capital gains tax, value-added tax and excise duties. In Australia fiscal welfare may be at least the equivalent of 5.8 per cent of GDP (Stebbing and Spies-Butcher, 2010, p. 593).

More evidence is available for the related and overlapping area of *tax expenditure*. This term was introduced in contrast to public expenditure to indicate the revenue lost from tax reliefs by Stanley Surrey, a tax lawyer who was US Assistant Secretary for Taxation Policy from 1961 to 1968 (Surrey, 1973). By 1974 the concept had been incorporated into law requiring the US government to publish a tax expenditure list as a supplement to the annual federal budget. The term is now used internationally in the accounting of ways in which 'spending programmes are run through the tax system' (McDaniel and Surrey, 1985, p. 6).

Many tax expenditures exist in areas that are not welfare, such as research and development, while much fiscal welfare is not recognised as a tax expenditure. However, tax expenditures cannot be ignored here, since most governments only estimate the cost of a tax relief when it is so recognised. Definitions vary considerably: What is openly accounted for as a tax expenditure or fiscal welfare in one country can remain less visible, or invisible, in others, so limiting comparison. But arrangements allocating or redirecting resources deserve to be analysed, whether officially identified or not.

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OECD and EU reports agree that 'the use of tax expenditures is pervasive and growing' (OECD, 2010, p. 14; EU, 2014, p. 3). Since 2014 EU member states have been required to publish regular reports of tax expenditure; they then did so in 'very diverse' form and varying 'a lot in presentation, deepness and coverage', 'often fragmented and not fully transparent' (EC, 2014, pp. 19–20). This EU study relied on the earlier OECD evidence for costs, only comparable for seven of the ten countries surveyed – the UK highest at 13 per cent GDP, then Canada at 7 per cent, the USA at 6 per cent, Spain at 5 per cent, Korea and the Netherlands at 2 per cent, and Germany at less than 1 per cent (OECD, 2010, Table II.29, data between 2004 and 2009, including reported expenditure in any tax, not just income tax). Measured against 'relevant tax revenue', Canada and the USA were the highest tax spenders, both at 59 per cent, UK at 39 per cent, Spain at 28 per cent, Korea at 25 per cent, the Netherlands at 10 per cent and Germany at 9 per cent (OECD, 2010, Table II.31). How much of these often very substantial amounts can be identified as fiscal welfare, and how much of fiscal welfare is included in them, is not at all clear.

Tax breaks for social purposes (TBSPs)

The analysis of *tax breaks for social purposes (TBSPs)* by Willem Adema and colleagues at OECD provides valuable and detailed evidence on many elements of fiscal welfare, although by no means a comprehensive accounting. They have used the OECD social expenditure database to reach 'net total social expenditure'. TBSPs are 'those reductions, exemptions, deductions or postponement of taxes, which: *(a)* perform the same policy function as transfer payments which, if they existed, would be classified as social expenditures; or *(b)* are aimed at stimulating private provision of benefits' (Adema *et al.*, 2011, p. 110).

In 2013 the greatest providers of TBSPs among the 34 OECD countries listed were the USA and Germany at 2.5 per cent of GDP at market prices, the Czech Republic, France and Hungary at 1.6 per cent, Italy at 1.4 per cent, Canada and Portugal at 1.3 per cent, Ireland and the Netherlands at 1.2 per cent, and Korea at 1 per cent. The only other significant spenders were Switzerland at 0.9 per cent, Australia, Belgium and Poland at 0.8 per cent, Japan at 0.6 per cent, and Israel at 0.5 per cent. Eleven countries were shown as providing 0.1 per cent or nothing (OECD, 2016).

This measure also indicated very significant amounts being directed through the tax systems of many countries. However, these analyses lack important elements of fiscal welfare. First, they exclude tax breaks on state benefits such as child benefits, whether they are taxed more lightly or not at all, to avoid double counting because they are included earlier in the analysis (Adema *et al.*, 2011, p. 110). This removes a significant area of fiscal welfare in many countries; however, tax allowances and tax credits for children are included.

Second, tax and other reliefs to private pensions are omitted from the full analysis. Although 'arguably the most important' TBSPs, they are only listed at the bottom of tables as a 'memorandum item' and are not included in totals, 'because of conceptual issues and gaps in data availability' (ibid., pp. 29 and 33, note c).

Third, fiscal welfare for married couples is also omitted because it is not 'considered as social in all OECD countries' (ibid., p. 112), virtually confining TBSP support 'for families' to that for children. Fourth, TBSPs provided by sub-national agencies are excluded: In Canada these would increase the total by some 50 per cent (ibid., p. 111, n. 1). Finally, other subsidies equivalent to TBSPs, such as exemptions from social security contributions, appear to have been omitted in most, if not all, cases.

Despite their significance, these and other forms of tax spending have in most countries escaped virtually any of the scrutiny by parliamentary and other bodies to which public spending

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is regularly subject. Given concerns to reduce, if not avoid, budget deficits, neglect of the scale of tax reliefs for any purpose has been all the more remarkable, but this may be changing, at least in the UK. It has become clear that there are nearly 1,200 tax reliefs in the UK, almost three times more than the tax authorities report. Probably half have some social or economic objective, and the National Audit Office has been very critical of their management and accountability (NAO, 2014, 2016, part 3). The full extent and cost of fiscal welfare is therefore yet to be established in the UK, and it is unlikely that this is the only country affected.

The distribution of fiscal welfare

'For government, a tax expenditure is a loss in revenue; for a taxpayer it is a reduction in tax liability' (OECD, 2010, p. 12); so what is the redistributive impact? Although most analysts emphasise the importance of this, there is still very little published evidence, and so very limited awareness, that with few exceptions fiscal welfare is generally regressive. Stanley Surrey emphasised this 'upside-down effect' (Surrey, 1973, p. 37) which results from most tax welfare being at the marginal rate of tax. For example, a tax allowance of 500 euro or dollars is worth 100 to someone paying tax at a basic rate of 20 per cent, but 150 to the 30 per cent taxpayer and 250 to the 50 per cent taxpayer.

With more income to invest in tax-privileged activities, the better-off are able to draw even greater value from these tax benefits, such as buying their own home or contributing to a pension, since the few ceilings on tax reliefs are usually generous. One independent study found that tax reliefs enabled the top 10 per cent in the UK to exploit some 70 per cent of the extra tax relief above the basic personal tax allowance (estimates based on Brewer *et al.*, 2008, table 1). The top one-tenth of the top 1 per cent had a pre-tax income 31 times the average but benefited from tax reliefs 86 times the average, enabling those at the very top to 'race away' even further at considerable public cost.

As a result, those on higher incomes, conventionally assumed to be not only in less need but also better able to make a larger contribution in taxes to the common wealth, actually derive greater benefit from fiscal welfare and pay even less in taxes. Meanwhile, the rest assume that the richer are paying more tax, not less, and are unaware that, as a result, their own taxes are higher and/or public services are more limited. The upside-down redistribution of most income tax reliefs in the UK contributes to making the incidence of total taxes proportional, not progressive as is widely believed (ONS, 2017). It may be more appropriate to classify fiscal welfare as 'pre-distribution', since the transfer takes place before governments decide on budgetary allocations to spending departments (Hacker, 2011, p. 35).

In recent years there has been more, but still limited, recognition of the upside-down effect, with the World Bank noting that it 'violates' vertical and horizontal equity (World Bank, 2003, p. 2). The OECD acknowledged: 'this incentive pattern might be judged absolutely perverse – giving the most inducement to those who need the inducement least – and yet it is the common practice in at least some countries' (OECD, 2010, p. 28). In 2016 it became more prescriptive: 'Scaling back tax expenditures that are not well-targeted at redistributive objectives may help achieve both greater efficiency and a narrower distribution of disposable income' (Brys *et al.*, 2016, p. 51).

The uses of fiscal welfare: supporting the needs of the family

The ways in which fiscal welfare recognises needs and rewards, and encourages and promotes certain activities reveal both similarities and differences to public spending programmes. Most

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tax benefits operate indirectly, encouraging more use of the market. Direct support is mainly directed to the family where needs have long been met in forms comparable to and often more generous than public welfare. In most countries the very first income tax arrangements took family responsibilities into account in assessing the ability to pay tax, usually long before any public benefit was available outside the poor law.

Support for children has been a very common tax relief, sometimes varying with the age and/or number of dependent children. The tax benefit may be more generous, continue longer than social security benefits and exist even where there is no general family benefit in public welfare, as in the USA. In most EU countries fiscal welfare provides part of child benefit packages with tax credits growing in importance (Van Mechelen and Bradshaw, 2013).

Special reliefs for marriage are also common, whether or not couples are living together, and some continue into widowhood. Recognition of marriage and family is so institutionalised in many countries that reliefs are part of the benchmark system and so are not regarded as tax expenditures. Nevertheless, their addition to family income needs to be taken into account in assessing the extent and distribution of fiscal welfare. France 'considers the household as the tax unit: favourable tax treatment of families', including the *quotient familial* and *quotient conjugal*, 'is thus an integral part of the tax system' and not a tax expenditure. Yet its support to children was 'reported to be around 11.5 bn euro in 2007', much more than any published tax expenditure (Adema *et al.*, 2011, p. 112 and n. 19). With the *quotient conjugal* also costing half as much, the whole range of family-related tax reliefs may exceed total public spending on family benefits. This very considerable demand on the overall budget benefits high earners substantially more than other families in both absolute and relative terms (Terra Nova, 2009, pp. 24–26).

Germany also treats its tax support for married couples as part of the basic tax system, not as a tax expenditure. Joint assessment with income splitting is particularly advantageous where there is only one earner or a great difference in earnings, both of which are common in that country. Although no cost is regularly published, it costs more than most recognised tax expenditures.

Tax allowances have also been extended to single parents and are sometimes equivalent to the married couple's allowance. Fiscal support for other dependent relatives has been available in many countries, particularly when they are living in the same household. These have included special reliefs for the cost of a housekeeper or caretaker for dependants with specific disabilities. Much support to the wider family has been removed, but there have been new schemes. In Hong Kong a tax deduction is available for 'elderly residential care expenses' to the taxpayer when his or her or a spouse's parent or grandparent lives with them or support is provided for them in a care home. Singapore also encourages taxpayers to support parents and grandparents.

The upside-down impact can be considerable but in most countries remains little discussed and analysed in contrast to public welfare benefits. However, fiscal welfare need not always be regressive; tax credits have been deployed to help some, particularly families, on lower incomes and usually provided that they have a wage-earner (OECD, 2010, pp. 34–43). The USA introduced an earned income tax credit in 1975 'as a minor amendment to a forgettable tax bill' which 'became in the 1980s one of the most popular programs in Washington'; and 'by the early 1990s [...] the policy equivalent of penicillin' (Howard, 1997, pp. 404 and 405). 'Making work pay' credits for low-paid workers and child tax credits mean that support through the tax system exceeds means-tested public welfare support to poor families and workers.

In countries where 'welfare' carries a stigma, payments through the tax system have been seen as more acceptable both to recipients and the wider community as well as reducing public spending totals (only tax paid out is included, not the tax waived). Canada, New Zealand,

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Australia and the UK followed the American example to help make work pay, especially for families, with the professed aim of reducing poverty. There has been varying success, with some continuing to focus tax help on families with at least one earner and adding childcare subsidies, and others aiding most or all children, irrespective of anyone working. Some also provided it to low-paid workers without children. Canada has since abandoned tax credits for direct help through social security and the UK is now doing the same, having already limited it to two children only.

Providing for retirement

In most countries the most generous tax benefits are regressive and related to private pensions. Most commonly, while the pension is taxed in regular payment, no taxes are raised on pension contributions made by employees and employers (often with a maximum level for employees); investment income from funded arrangements (or taxed at a preferential rate); and any lump sum payable on retirement (but usually tax-free to a certain level or proportion only). Employer contributions do not appear to be subject to social security contributions, but this cost is rarely calculated, let alone published. (How reliable official estimates are in general deserves more scrutiny (IFS, 2014, ch. 10).) Some countries also help older people with higher tax allowances; often phased out at modest levels, these help taxpayers on lower or average incomes.

The revenue loss has generally been increasing, exceeding 1 per cent of GDP in seven countries in the OECD TBSP analysis for 2013 (OECD, 2016; but, as indicated above, omitted from their main accounting). In some English-speaking countries net pension tax expenditure has exceeded the cost of means-tested and non-contributory pensions for the poorest old people and rivals the cost of social insurance pensions (Hughes and Sinfield, 2004). In the UK the cost doubled in the 12 years to 2015/2016 (HMRC, 2017, including social security contribution relief). Only in New Zealand, with a minority of workers contributing to non-state pensions, has most tax support been removed.

With the tax benefit usually available at the marginal rate of tax, the inequality is further compounded by the fact that the higher the status and pay, the more likely a taxpayer will be contributing to a non-state pension, and the greater amount he or she will be able to pay in. In the UK, despite increased restrictions at the top, some three-fifths of the tax reliefs on pension contributions are received by those paying above the basic rate of tax, or who would be without this tax relief (Hansard, 2014).

In most countries women derive less benefit from this fiscal welfare because of their weaker position in the labour force, with lower wages, less security and the greater chance of part-time work (Ginn *et al*., 2001). Without the protection of tax-assisted pensions their greater longevity makes the risk of prolonged poverty all the greater for women.

Amid increasing labour market insecurity, many countries have been encouraging greater reliance on non-state pensions with tax reliefs despite experience elsewhere of their large, regressive and long-term costs. Given heightened concern to reduce budget deficits and gain 'value for money', governments might be expected to cut these subsidies unless there were clear evidence of real public spending savings. But the interests benefiting from these tax benefits are very powerful, including top management, the pensions industry and the funds benefiting from its investments. However, there have been some restraints, and these may be increasing; for example, successive UK governments have attempted to reduce revenue losses to the highest earners, and the latest changes may be achieving this objective.

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Other forms of fiscal welfare

The promotion of home ownership is probably the next major area common to most countries, despite much debate over what the main tax expenditure really is – the deductibility of mortgage or loan interest on an owner-occupied home or its imputed rental value. Usually the former, this is generally among the most expensive tax benefits to governments and the most valuable to recipients. In addition, there is often exemption from capital gains taxes on the sale of an owner-occupied home and sometimes full or partial exemption from property taxes or rates.

UK mortgage interest relief became so costly that a Conservative government phased it out because this subsidy to home ownership contributed to a housing boom, creating problems for the economic cycle and diverting more savings into housing at the expense of industry. That this regressive relief also cost more than public spending on housing benefits for low-income households apparently weighed little in the decision.

The subsidy of private health services is another important area in some countries, including Germany, Canada and particularly the USA, with especially large reliefs for employer contributions to medical insurance premiums and medical care. Education and the work of charities have also been areas to benefit from special tax privileges in many countries.

There are many other ways in which taxpayers and/or their employers take advantage of the tax system to improve their welfare. Many employee benefits in kind are not taxed, or not as much as wages (e.g. company cars which can also be used privately, personal and concierge services, loans at reduced rates of interest, childcare tax vouchers and severance payments). Those liable for higher tax rates gain particular advantage from the tax reductions for their generally greater access to more valuable forms of occupational welfare (Chapter 4). Directors and senior management may also receive financial advice tax-free to maximise tax-mitigating opportunities in their fringe benefit packages, including further tax saving through tax havens (Kohonen and Mestrum, 2008).

In the mid-1980s New Zealand and Australia sought to reduce the revenue loss by levying 'fringe benefit taxes' on employers providing the benefits. At the time this created much controversy but became accepted within a year. The tax authorities saved effort by only having to pursue the much smaller number of employers providing benefits than taxpayers receiving them, especially as larger companies were more likely to offer them. How the tax charge is finally shared between employer and worker is unclear.

The political economy of fiscal welfare

Fiscal welfare and tax expenditures have rarely been the specific focus of policy, but the worldwide move towards lower taxes in the mid-1980s was accompanied by measures to broaden the tax base that abolished some and restricted other tax benefits. Lower tax rates also reduced revenue losses, but the long-term impact upon fiscal welfare was generally limited, as most cuts were to little-used reliefs and more were introduced.

The development and significance of the politics of fiscal welfare is brought out well by two major historical studies examining 'the prominent place of tax expenditures in the provision and subsidization of private social benefits' in health and pensions in the USA (Hacker, 2002, p. 294). In *The Divided Welfare State: The Battle over Public and Private Social Benefits in the United States* Jacob Hacker analysed 'subterranean' politics and policy development, building on Christopher Howard's innovative study, *The Hidden Welfare State: Tax Expenditures and Social Policy in the United States* (1997). 'The heavy distributional skew of tax breaks for private benefits […] must be placed at the heart of any explanation of the distinctive political dynamics that Howard's study identifies' (Hacker, 2002, p. 39; Howard, 2007).

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Exploitation of the tax route to welfare by Republicans was shown by the trends in direct social spending and indirect, largely fiscal, welfare from 1967 to 2006. While Democrats largely developed public welfare, 'Republicans use policy to allocate resources and jurisdiction to private markets'. This resulted in government subsidy 'shifts from more vulnerable to more privileged constituencies', reinforcing inequalities (Faricy, 2011, pp. 77 and 78). 'More than just the innocuous selection of a policy tool, it is essentially a choice about altering the balance between public and private power in society' (Faricy, 2011, p. 74).

Market economists' attacks on the concept of tax expenditures led to increasing scrutiny, with the US Joint Committee on Taxation proposing a revision of 'tax subsidies' and 'tax-induced structural deviations' (Kleinbard, 2008, p. 9). Tea Party and other groups advocated scrapping or radically reducing tax expenditures to reduce the budget deficit, some stressing the need to do so alongside cuts in public welfare. However, Obama's attempts to make fiscal welfare fairer were resisted and largely unsuccessful (Mettler, 2012).

In Australia scrutiny of 'social tax expenditures' (STEs) revealed 'a more expansive, but less equitable, conception of the Australian welfare state' (Stebbing and Spies-Butcher, 2010, p. 586). 'In a context of fiscal austerity, [they] provide a route to extend welfare with low political resistance' and also reduce that 'resistance by reducing public accountability' and 'minimising state bureaucracy' (Stebbing and Spies-Butcher, 2010, pp. 593, 594 and 596). This use of a policy 'back door' supports the privatisation of welfare services (ibid., p. 595). While the conventional welfare state may appeal to poorer and average workers, 'STEs provide a political framework for uniting the interests of middle- and higher-income earners' (ibid., p. 599).

Developments in Denmark and the UK confirm the subterranean operation of fiscal welfare. Generally changes were only made to individual tax benefits, and their cost rather than their inequity provoked reform by governments both Left and Right (Kvist and Sinfield, 1997). Denmark appears to be the only country to have withdrawn yearly publication of tax expenditure statistics, although some countries, including Australia, have reduced the details published. The UK parliamentary committees are now pursuing evidence on the workings of tax reliefs more vigorously but with less attention thus far to their upside-down effect (Hodge, 2016, ch. 9; PAC, 2015).

Investigation of fiscal welfare and TBSPs has paid little attention to new market economies or Third World societies, although international advisers and consultants often build in standard tax reliefs from their own countries with little, if any, indication of revenue loss or distributive implications. Some international agencies press for tax reliefs to stimulate private pension markets while pushing for more targeted public assistance (but see World Bank, 2003). In consequence, expensive elements of fiscal welfare benefiting the better-off become institutionalised in taxation as universal public welfare is left undeveloped or even cut back.

Conclusions

Fiscal welfare remains an alternative, substantial but still little known 'tax welfare state' generally providing more support to those with higher incomes, despite some use of tax credits. Amid increasing public spending cuts, this form of backdoor spending may be becoming generally accepted as part of a new 'realism' of lower taxation, greater privatisation, increased citizen choice and the end of budget deficits with no recognition of longer term implications.

Higher unemployment and job insecurity leave more people unable to access most forms of fiscal welfare and subsidy while reduced tax revenue from these privileges further limits funds for public welfare for these outsiders. These limits stimulate those with the resources available to make further use of tax subsidies to buy more support privately.

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This weakens the support for, and so the legitimacy of, 'the welfare state'. Those providing for themselves by means of fiscal welfare are barely aware of the scale and inequity of the subsidy, and are often among the most vocal in attacking public 'welfare dependency' and weakening collective support for pooling risks and promoting solidarity. Posing social policy alternatives as either 'universal' or 'selective' ignores the separately selective privileges to some through less visible and less accountable fiscal welfare that is status and resource enhancing – very different from stigmatising systems of means-testing. In consequence, inequalities are widened while universal policies are threatened and often cut back.

> Analysis of shifts from more solidaristic and collective systems to more individualistic models with hidden upside-down effects, pre-distributed through the tax system, needs to take account of the power of the various interests involved, including the pension fund industry. 'The invisibility of tax expenditures represents both a democratic problem and a problem of political steering' (Ervik and Kuhnle, 1996, p. 93). 'Tax expenditure programs are lobbied for on the *supply side* and "off-budget"' by private providers.
>
> *(Faricy, 2011, p. 82, emphasis in original)*

Research on the political economy of fiscal welfare policies, especially in Europe, promises to explore such issues (Morel *et al*., 2016; and see network at fiscalwelfare.eu). Examining, for example, not only the full scale and distribution of the different elements of fiscal welfare but also the supplier beneficiaries in the market, and their lobbying within and across countries and agencies, will help show how welfare debates are being reframed in ways that conceal the scale and distribution of inequitable tax benefits while undermining support for the welfare state.

International agencies such as OECD and the European Commission are taking a closer interest. 'Though evaluation of tax expenditures may be difficult, a more serious problem may be the failure to try. […] An out-of-sight, out-of-mind attitude can arise and continue to insulate inefficiencies from scrutiny for periods of years' (OECD, 2010, p. 29) – and, it should be added, insulate inequalities. Subsequently, OECD staff have argued: 'tax bases should be broadened first by removing or reducing tax expenditures that disproportionately benefit high income groups' to promote inclusive growth (Brys *et al*., 2016, p. 51; see also EC, 2014).

In some countries the 'heavy distributional skew' of some fiscal welfare (Hacker, 2002, p. 39) is also receiving more attention in analysis and even some changes in policy making. However, it is more than 60 years since Richard Titmuss first drew attention to its inequitable growth. Today, welfare states and the majority of their people are suffering the consequences of not paying enough attention to his warnings.

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