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**Article**

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# Can the invisible welfare state redistribute?

Isaac William Martin

In the past three decades, scholars of welfare policy in the United States have come to recognize tax privileges as an important part of the US social policy regime. A tax privilege is a provision of law or customary practice that grants favorable treatment to particular activities or categories of persons by excusing them from specified tax obligations to which they would normally be subject.<sup>1</sup> Scholars have documented a great number and variety of formal and informal tax privileges provided by federal, state, and local governments. They have attempted to quantify the revenue lost because of these privileges. And they have invoked the metaphors of “insurance” (Anderson 2006), “social security for the rich” (Kopczuk 2003), the “divided welfare state” (Hacker 2002), the “submerged state” (Mettler 2011), the “shadow welfare state” (Gottschalk 2000), the “hidden welfare state” (Howard 1999), and the “invisible welfare state” (Martin 2008: 15) to characterize the aggregation of implicit subsidies that result from tax privileges for childrearing, education, health care, housing, and retirement security.<sup>2</sup>

The invisible welfare state is a useful metaphor inasmuch as it draws attention to “the use of tax policy as social policy” (Martin, Mehrotra and Prasad 2009: 17). The term also has some polemical force in the American context, in which the colloquial term “welfare” connotes direct cash transfers to socially stigmatized people, especially poor African-American adults (see Gilens 1995) – and where many rich, white conservatives flatter themselves with the lie that their fortunes were earned without any such government assistance. To call tax privileges a “welfare state” of any kind is to make the point that rich, white Americans also receive public subsidies. The fact that those subsi-

dies are “invisible” in the sense that they often escape notice does not make them less real.

To call an aggregate of tax privileges an invisible *welfare state*, however, also seems to imply that it involves economic redistribution of some kind. Here, some scholars have balked. Can a tax privilege redistribute? I shall argue that tax privileges can indeed redistribute. To defend this view, however, it will be necessary to clarify the meaning of “redistribution,” and the results will prove unsettling, not only to our usual assumptions about tax policy, but also to some of our conventional scholarly assumptions about public policy, the welfare state, and economic inequality in general. When redistribution is understood properly, it refers to something fundamentally unobservable: the difference between an observed distribution of resources and another, counterfactual distribution of resources that would obtain in a different state of the world. In this sense, every welfare state is an invisible welfare state. Where more than one counterfactual distribution is possible, more than one true answer is possible to the question of precisely how much the welfare state redistributes. The invisible welfare state, then, like other such invisible abstractions as states, classes, political parties, power, and culture, may have big effects, but the precise magnitudes of those effects are fundamentally uncertain.

## Can an invisible welfare state redistribute?

“The welfare state” entered the English language during the Second World War as a slogan meant to distinguish the post-war social insurance proposals of the British government from the “warfare state” of Nazi Germany (Amenta and Skocpol 1988: 82; Titmuss 1964). The term was taken to refer to a “positive and purposeful commitment by government to concern itself with the general welfare of the *whole* community” (Titmuss 1964: 29, emphasis added), in contrast to the use of social services and transfers “to divide, discriminate and compete” (1964: 34). This usage of the term “welfare state” describes an ideal, rather than any actually existing policy regime. When the term “welfare state” is taken in this comprehensive, normative sense to describe a truly universalistic social policy, it is inapplicable to any set of tax privileges – which, by definition, involve a classification and hierarchical ordering of persons or activities.<sup>3</sup>

The literature on the invisible welfare state takes as its point of departure a more recent, and more neutral, analytical usage of the term “welfare state.” The welfare state in this modern sense is shorthand for a

particular set of transfer programs common to most of the wealthy capitalist democracies. By scholarly convention, this set is often taken to include work accident insurance, unemployment insurance, sickness and disability benefits, child benefits, and old age pensions (see, for example, Hicks 1999). These programs are commonly grouped together because it is thought that they redistribute resources (i) among persons, thereby providing members of a group with minimum of economic well-being; and (ii) over time, thereby insuring people against common hazards that might otherwise impoverish them by excluding them from the labor market (see, for example, Marshall 1950; Titmuss 1964; Esping-Andersen 1990). The use of the term “welfare state” to encompass these programs entails no assumption that they were designed to instantiate universal human rights, that they actually achieve social justice, or that they were inspired by “the working-man’s ethic of solidarity and mutual aid” (Titmuss 1964: 34). It entails only the assumption that they redistribute.

The concept of the invisible welfare state, then, would seem to imply that tax privileges, too, can redistribute. It is here that we run into trouble, because tax privileges confound our ordinary intuitions about redistribution. Several generations of scholarly critics have appealed to the commonsense idea that the state cannot “redistribute” when it leaves resources in the hands of people who already have them (see, for example, Bittker 1969; Prasad 2011). These critics are mistaken. To see how a tax privilege may redistribute, we will need to clarify what redistribution means, and to distinguish between two common but incoherent conceptions of redistribution that I call redistribution-as-process and redistribution-as-outcome.

### Redistribution as an instituted process

The first common conception of redistribution can be traced to the classic works of Karl Polanyi. In both *The Great Transformation* (1944) and *Trade and Market in Early Empires* (1957), Polanyi listed redistribution as one of the major institutional alternatives to the market. In keeping with his conception of the economy as an “instituted process,” he defined redistribution in purely procedural terms: “Redistribution obtains within a group to the extent to which the allocation of goods is collected in one hand and takes place by virtue of custom, law or *ad hoc* central decision,” he wrote (1957: 253). Redistribution, so defined, consists of two separate and consecutive moments that Polanyi called “appropriation” and “disposition” (1957: 248): the

“centripetal movement of many upon one central figure followed by an initiative of that central figure upon the same many” (1957: viii). Redistribution thus contrasts with the decentralized processes of circulation that Polanyi characterized as trade and reciprocity.<sup>4</sup> I will refer to this institutional conception of redistribu-

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tion as *redistribution-as-process*, and I will refer to any process that is redistributive in this sense as *process-redistributive*.

Whatever else might be said about redistribution-as-process, it is not a distinguishing feature of the welfare state. To be sure, Polanyi suggested that the redistributive type of economy evolved to meet needs for equalization and insurance (1957: 254), which are the functions that comparative social policy scholars today associate with the concept of the welfare state. Polanyi’s definition of redistribution, however, describes the circulation of objects, rather than the creation and enforcement of intangible entitlements that is characteristic of a social security program. His paradigmatic examples of process-redistributive institutions – including the potlatch of the nineteenth-century Kwakiutl (1944: 53), the temple storehouse of ancient Babylonia (1944: 53), and “the Greek estate of Aristotle’s time” (1957: 254) – were institutions for the centralization and subsequent allocation of physical goods. In *The Great Transformation*, published in 1944, Polanyi wrote that history of redistribution “leads up *almost* to modern times,” indicating clearly that he regarded redistribution as an economic principle that belonged in the past (1944: 53, emphasis added). More than a decade later, at the time he completed *Trade and Market in Early Empires*, he reversed himself, noting that redistribution “is actually gaining ground today in some modern industrial states” (1957: 256). Given the timing of this reversal, it is tempting to conclude that it was the post-war British welfare state that changed his mind, but the text offers no direct evidence to support this inference: the only modern industrial state that Polanyi specifically named in connection with the revival of redistributive institutions was the Soviet Union – where the state engaged in the authoritative, centralized appropriation and disposition of physical goods (1957: 256).

Even if Polanyi’s conception of redistribution-as-process is generalized to include the authoritative

appropriation and disposition of intangible rights, this would make it a general description of *all* taxing and spending, rather than a specific description of the sorts of programs that distinguish the modern welfare state. The welfare state serves the functions of equalization and insurance; but these are outcomes, and redistribution-as-process is defined entirely without reference to outcomes. As Walter Neale pointed out in his own contribution to *Trade and Market in Early Empires*, the term “redistribution” in Polanyi’s usage involves “no implication of equality of treatment, fair shares, or payment for value” (1957: 223). Indeed, it involves no implication whatsoever concerning the final shares in which resources are held by any portion of the population. Redistribution-as-process assumes only that political authority is unequal: in Polanyi’s words, it “presupposes the presence of an allocative center in the community” (1957: 251), and the presence of someone with the authority to determine the disposition of goods from that center, whether that person be “Temple-god, or high priest, or king, or emperor, or even, in republican cases, citizen office-holder in rotation of office ...” (1957: viii). Redistribution-as-process need not pool risks or equalize fortunes.

In fact, redistribution-as-process is neither necessary nor sufficient to achieve the purposes of equalization or insurance. The anthropological record includes many examples of decentralized processes that equalize resources and risks without any redistribution-as-process. Consider Elizabeth Cashdan’s (1985) example of *de facto* crop-failure insurance arising from the community norm of reciprocity among the Basarwa, who lived on the Nata River in Botswana, in the mid-1970s. Because the people in this community were highly mobile, they did not try to collect food in a storehouse for redistribution, but instead insured themselves against the hazards of highly localized crop failures by making frequent gifts of food that others were obliged to reciprocate. Cashdan showed that the net effect of these reciprocal gifts on the frequency distribution of resources is just what one might expect to see resulting from a conventional insurance contract (with, perhaps, less administrative overhead). The literature also includes examples of other processes that *are* process-redistributive, but that neither bring about greater equality, nor insure people against misfortune. Consider Edmund Leach’s analysis of the feasts called *manau* sponsored by Kachin chiefs for their tenant sons-in-law in highland Burma:

“[O]n balance, the headman’s lineage constantly pays wealth to the chief’s lineage in the form of bridewealth. The payment can also, from the analytical point of view, be regarded as rent paid to the senior landlord by the tenant. The most important part of this payment is in the form of consumer goods – namely cattle. The chief converts this perishable

wealth into imperishable prestige through the medium of spectacular feasting. The ultimate consumers of the goods are in this way the original producers, namely, the commoners who attend the feast” (Leach 1951: 45).

Leach here argues that the *manau* restores a distributional status quo ante that obtained prior to the appropriation of bridewealth by the chief. Indeed, if the commoners consume beef in precisely the proportion in which they contributed cattle, then a *manau* might be process-redistributive without accomplishing any change whatsoever in the shares in which people hold resources.<sup>5</sup>

Polanyi’s conception of redistribution, in short, has little to do with what we usually talk about when we talk about welfare states. It should come as no surprise, then, that this conception of redistribution-as-process does not comport very well with the concept of an *invisible* welfare state of tax privileges. Thus, for example, Prasad (2011: 257) has argued against the view that tax privileges are redistributive on the grounds that redistribution requires “collecting taxes and then spending them.” The definition of redistribution as a two-part sequence – first hoarding treasure, then distributing it – is an admirably pure restatement of Polanyi’s conception of redistribution-as-process. But it is a mistaken description of the fiscal policy of twentieth- and twenty-first century welfare states, which allocate intangible rights more than physical objects, and which provide a social safety net by spending countercyclically *without* first collecting taxes.

In short: it is correct to say that tax privileges do not redistribute in Polanyi’s sense. Neither does much of the social policy that we think of as the welfare state.

### Redistribution as a change in the distribution of income

When we think of the welfare state as redistributive, we often have in mind a second, functional definition of redistribution. This definition is implicit in much of contemporary public economics, but it comes into explicit focus in the canonical essays of the public finance economist Richard Musgrave. In stark contrast to Polanyi, Musgrave defined redistribution with respect to its outcomes, and entirely *without* reference to process. Redistribution, for Musgrave, referred to the net difference between an initial distribution and an outcome distribution, where a “distribution” is understood to be a mathematical function that associates each value on a scale of resources with the frequency of its occurrence in a population.<sup>6</sup> For clarity of exposition, I will call this concept *redistribution-as-outcome*, and I will refer to a process that redistributes in Musgrave’s sense as *outcome-redistributive*.

Musgrave's concept of redistribution-as-outcome was plainly intended to apply to the welfare states in the mixed market economies of the post-World-War-II era. In the initial statement of his "Multiple Theory of Budget Determination," Musgrave described "the re-distribution function" (1956 : 341) as one of three major purposes of fiscal policy (alongside the provision of public goods and the stabilization of the business cycle). By "redistribution," he meant the state-directed effort to "achieve a certain degree of equalization" (1956: 338). Musgrave had little to say in particular about the process by which this outcome was to be accomplished. His paradigmatic examples included a progressive income tax and a lump-sum tax with means-tested transfers. Indeed, it is symptomatic of his particular conception of redistribution-as-outcome that he did not clearly distinguish between these policy instruments, because from the standpoint of net outcomes they are indistinguishable; instead, he wrote vaguely of "the tax-transfer mechanism of the public budget" (1956: 336). Musgrave also explicitly acknowledged that many other processes besides the tax-transfer mechanism might be outcome-redistributive. Redistribution-as-outcome could result from regulations, price controls, or even a decentralized and uncoordinated system of voluntary gift-giving – none of which, of course, would constitute redistribution-as-process (see Musgrave 1969: 24; Musgrave 1970: 991; Musgrave 1989: 4).

The appeal of Musgrave's conception of redistribution-as-outcome is that it appears to allow a quantitative judgment about *how much* redistribution is accomplished by a given policy instrument. According to Musgrave, this judgment was to be made by comparing the final frequency distribution of resources after redistribution to an initial or "primary" distribution. But what frequency distribution should be taken as primary? Musgrave's answer was that the primary distribution was "a market-determined initial state" (1989: 4). To assess the extent of redistribution, he wrote, "we begin with an existing state of *distribution* as results from the operation of market forces, including market imperfections, status, inheritance, and so forth" (1989: 4, emphasis in original) – a market economy in which people begin with unequal endowments, in other words, but in which there are no taxes or transfers. The primary distribution is what would have resulted from the operation of market forces in the absence of the tax-transfer mechanism.<sup>7</sup> (It is the assumption of just such a purely market-determined initial state that underlies Musgrave's assumption that "redistribution" means *equalization*.)

The trouble with defining redistribution as the net deviation from such a primary distribution is that this primary distribution is not only unknown, but

unknowable, because the pure market society that is imagined to produce it is a sociological impossibility. A market may exist where there is no state; but, as Polanyi argued in *The Great Transformation*, no pure, self-regulating market *society* without a state has ever existed or, to the best of our knowledge, ever could exist. It might be tempting to think that some organizational alternative to a state could prevent catastrophic market failures, protect property rights, and enforce laws of contract, all on the scale required in an industrial market society, even if no such alternative organization has yet been observed in the ethnographic record. Any such organization, however, would seem to require some coercive authority; and compared with other modes by which a coercive organization might mobilize resources, such as forced requisitions, corvée, pillage, or direct management of production, taxation appears to be the most market-liberal means of finance, in the sense that it leaves people the greatest freedom to allocate land, labor, and capital according to prices negotiated with relatively little coercion.<sup>8</sup> In short, if we would derive a market income distribution, we must assume a tax state. The one without the other is logically (and *socio-logically*) incoherent.

It is this incoherent counterfactual that some critics of the "invisible welfare state" concept have in mind when they insist that tax privileges cannot redistribute. According to Wilterdink (2011), for example, "When someone deducts something from their tax liability, less of their money goes to the government. The key here, that should be obvious, is that they have just kept more of their own money." The "obvious" intuition to which Wilterdink appeals is that the distribution that arises from market exchange has some sort of metaphysical priority. Murphy and Nagel (2002) refer to this intuition as "everyday libertarianism." Our income, to this way of thinking, is ours *before* tax liability is computed, and income tax withheld from our paychecks therefore is income that has been, in some metaphysical sense, taken from us, even if, in a literal, physical sense, it never passed through our hands or our bank accounts, or existed at all, except as a notional accounting device or "false number" (Lamp-land 2010). The intuition rests on the incoherent assumption that my property right in my so-called pre-tax income is, in some sense, temporally or ontologically prior to the tax law.<sup>9</sup>

It is true that tax privileges are not outcome-redistributive in Musgrave's sense, but only because *no* policy is meaningfully outcome-redistributive in Musgrave's sense; if "redistribution" designates the difference between an existing distribution and an unintelligible absurdity, then everything redistributes and nothing does.

## Redistribution as a socially constructed counterfactual

How, then, *should* we decide whether a given policy – be it a tax deduction or an old-age pension – redistributes? In practice, social scientists make such judgments all the time. We typically combine a Musgravean functional definition of redistribution as the net difference between two distributions of resources, with a Polanyian realism about the preconditions of markets. In practice, this means that we assess whether a policy instrument redistributes by comparing the observed distribution that obtains in the presence of the policy instrument to a plausible counterfactual distribution that would obtain in its absence, but we reject the assumption that the counterfactual distribution can be derived as the equilibrium of an imaginary stateless market economy. This pragmatic approach to the measurement of redistribution need not entail the assumption that the baseline against which we measure redistribution is necessarily primary, original, initial, or in any sense logically or temporally prior to the outcome that we observe. The baseline is merely an alternative that would exist in the absence of the policy measure in question. We may call this conception *redistribution-as-counterfactual*, because it is the specification of the counterfactual baseline that determines whether redistribution has taken place, and if so, how much.

The measurement of redistribution-as-counterfactual is equivalent to a problem of causal inference. To say that a policy instrument redistributes in this sense is to say that it causes a distribution to differ from what it would be in the absence of the policy. As with any problem of causal inference, analysts confront the uncomfortable fact that the counterfactual distribution is unobserved and unobservable, so we must make untestable assumptions in order to identify what the distribution would be if the policy did not exist (Morgan and Winship 2007; see also Hall and Paul 2013). Those assumptions are not wholly arbitrary, but neither are they anchored directly in observation; if there is any scholarly agreement upon them, it is because analysts share some conventions about how to specify what other states of the world are possible. Our knowledge of whether and how much redistribution has occurred is, in this sense, socially constructed.

A rigorous approach to redistribution as a socially constructed counterfactual is exemplified in the work of economist Carl Shoup, who opened his treatise on public finance with this observation: “To state the effect of a public finance measure is to make a comparison between what is and what would have been if the measure had not been in force” (2007 [1969]: 7). Shoup argued explicitly for a pragmatic approach to specifying the relevant counterfactual. Instead of simulating a

tax-free market equilibrium, he assumed that the analyst who wished to quantify redistributive impact of a given tax policy should take as the baseline some alternative tax policy that was administratively feasible and sociologically tenable. His textbook instructed readers in how to measure the incidence of a tax by estimating the change in distribution that would result from substituting it for some other tax. In most cases, he illustrated the approach by comparing each tax to a value-added tax that raised the same amount of revenue, while leaving the mix of taxes and public expenditures otherwise unchanged. The value added tax was not a pure or ordinary baseline; Shoup emphasized that value added tax actually came late in the evolution of consumption taxes, and that an approach that evaluated earlier sales taxes as “deviants from this archetype” therefore would lack historical and sociological realism (2007 [1969]: 207). When it came to evaluating contemporary policy options, however, it was both computationally convenient and sociologically plausible to evaluate many other policies against the value added tax, and that was good enough reason to take it as the baseline.<sup>10</sup> Instead of positing a fanciful model of an impossible toy economy, he grounded the analysis of redistribution in the data of comparative and historical experience.

This pragmatic conception of redistribution has many virtues. In contrast to redistribution-as-process, it permits us to say that different policies achieve the same redistributive goal. We may even say that different ways of structuring market competition themselves have redistributive effects. In contrast to Musgrave’s redistribution-as-outcome, it permits us to speak of redistribution where there is no equalization: sometimes states redistribute upwards.

The conception of redistribution as a socially constructed counterfactual also has unsettling implications, however, because the reliance on comparative history implies that there may be *many different but equally correct answers* to the question of how much a given policy redistributes. Tax privileges illustrate this point with particular clarity: there are, in fact, infinitely many logically possible and sociologically tenable ways to distribute the revenues that might accrue in the absence of a given tax privilege. Consider, say, the US federal personal income tax deduction for interest paid on a mortgage loan for an owner-occupied house. If this tax privilege did not exist, do we assume that more revenue would be collected, that tax rates would be lower, that another housing subsidy of equivalent budgetary magnitude would be substituted, or some combination of these (see, for example, Follain and Ling 1991; Poterba and Sinai 2008, 2011; Stansel and Randazzo 2011; Toder et al. 2010)? Analyses of the so-called home mortgage interest deduction make many different as-



sumptions about what would exist in its absence, with correspondingly different implications for our understanding of how it redistributes among people and over the life course. Every plausible approach yields the conclusion that this tax privilege has *some* redistributive effect, but no two analyses agree on precisely how – from whom, to whom, in what quantity – it redistributes income.

The sheer variety of possible counterfactuals itself is an important social fact. It is this variety that makes it possible to frame the policy differently. By making different assumptions about what scenario would obtain in the absence of a given tax privilege, interested parties can frame the costs and benefits of that tax privilege differently. There may even be reasonable disagreement over whether it is a tax privilege at all, because there may be disputes about the underlying norm to which it is an exception. A policy that is a tax privilege under one plausible set of assumptions might be reckoned part of the normal tax structure under another, equally plausible set of assumptions (Bittker 1969; Altshuler and Dietz 2011). Such alternative framings can yield different attitudes toward the same policy, and can thereby shape political alignments (McCaffery and Baron 2004). We should therefore expect the redistributive effect of any tax privilege to be the object of symbolic and political struggle.<sup>11</sup>

Moreover, it is possible for more than one framing of the same policy to be potentially correct – if more than one alternative actually has some chance of being realized. The redistributive effect of a policy always depends as much on the context as on the provisions of the policy itself, because the net costs and benefits of a particular policy depend on what feasible alternatives are on the table. The dispute over how much a given tax privilege redistributes is thus not just a symbolic struggle over which alternative to imagine. It is also a fight to make some of these imagined alternatives real. Framing does not just affect how the true cost of a policy is perceived. It affects which alternatives attract supporters, and thus which alternatives are politically possible, and thereby what the true cost of a policy *is*.

None of these conclusions about redistribution applies only to the tax privileges that constitute the invisible welfare state. But the debate over the invisible welfare state illustrates them with particular clarity.

## How to make a welfare state invisible

Although “the state” describes a set of relationships among humans, we often imagine it as an entity with substance, and invoke physical metaphors to describe its power (as in such phrases as “big government,”

“state-building,” “the growth of the state,” or “the size of the welfare state”). Small wonder that we have difficulty talking about state provision that takes the form of intangible privileges. Yet such state provision is real, it does provide many people with insurance against risk and protection against poverty that they would otherwise experience, and the quantities of resources involved can be substantial indeed, even if they are impossible to quantify with certainty.

The invisible welfare state *can* redistribute, if redistribution means causing the distribution of resources to be different than it would otherwise be. This conception of redistribution as a socially constructed counterfactual differs from Karl Polanyi’s redistribution as an instituted process, and it differs from Richard Musgrave’s conception of redistribution as a deviation from the outcome of a fictitious market society. It is, however, the concept of redistribution that we should care about if we are concerned with normative analysis of distributive justice in the real world. It is also the conception of redistribution that we should use if we are simply concerned with ascertaining descriptively whether a given political authority is achieving the purposes of income equalization and insurance that are associated with the concept of the welfare state.

How much any particular tax privilege redistributes may be represented quantitatively, but the redistributive effect of a tax privilege cannot be represented unambiguously with a *single* quantity, because how much a tax privilege redistributes depends on comparison of an existing distribution to the distribution in an assumed counterfactual state of the world that is not uniquely identified. In every case, there is more than one logically and sociologically tenable alternative distribution of resources that might obtain if a particular tax expenditure did not exist. The resolution of this fundamental uncertainty is the object of symbolic and political struggle. Because there is no pure, original, natural or primary “distribution” against which redistribution can be measured, there is no escape from participation in this symbolic struggle. The redistributive effects of these policies themselves may depend partly on the inferences that people make about how substantial those effects are. It is nevertheless possible to participate in this struggle reflexively. By attending to the symbolic struggle itself, we may reveal how a redistributive state can be hidden, submerged, shadowed, or rendered invisible.

## Endnotes

This paper has benefited from critical feedback from Monica Prasad and from the participants in the “Tax Matters” workshop held at Emory University, April 4–6, 2013.

- 1 I refer to “tax privileges” as a more general category than “tax expenditures” or “tax preferences.” The definition offered here is more general than Monica Prasad’s definition of a “tax preference” (2011) in three respects. First, I define a “tax privilege” as a deviation from a socially effective norm (cf. Altshuler and Dietz 2011). The question of how many exceptions to a norm you can establish before the norm itself is eroded is empirically difficult – of obvious importance for scholarship on tax compliance – but it is perfectly reasonable in principle, if sometimes difficult in practice, to distinguish between tax policies that redefine the norm and tax policies that establish exceptions to the norm. Not every tax cut, in other words, is a tax privilege. Second, a tax privilege may favor categories of persons rather than activities. A common example in the United States would be property tax rebates for elderly, blind, or disabled people. Third, a tax privilege may be enshrined in customary practice even if it is not enshrined in black-letter law.
- 2 My usage of “invisible welfare state” to refer to implicit subsidies is unrelated to Campbell’s (2004) use of the term to describe veterans’ benefits in the United States. It bears more resemblance to the earlier feminist literature that uses the terms “invisible welfare state” (Wærness 1978) and “hidden welfare state” (Wærness and Ringen 1987: 161) to highlight the blurring of public and private in the implicit reliance of social policy on women’s unpaid caring labor in the home. As I use the term in this essay, however, the invisible welfare state includes unpaid caring labor only insofar as that labor is subsidized by various implicit and explicit tax privileges, including tax advantages for single-earner married couples (McCaffery 2009) and the exclusion of household services from the income tax base (Staudt 1996).
- 3 I offer this clarification to meet some of the forceful objections made to me in personal communications by Monica Prasad and Sebastien Guex. I would add, however, that the term “welfare state,” if it is used in a normative sense to describe the material realization of universal human solidarity, seems to me to be inapplicable to any actually existing social service or transfer program. Esping-Andersen (1990) posited that every actually existing “welfare state” was a system of stratification, and I think he was right.
- 4 At the time he wrote *The Great Transformation*, Polanyi treated “householding” – basically, autarchic household production for use – as a separate economic system. By the time of *Trade and Market in Early Empires*, he had come to recognize that the circulation of goods within the household was itself a problem worth considering, and had revised his scheme to recognize householding as a special case of redistribution on a small scale.
- 5 Do commoners consume beef in precisely the proportion in which they contributed cattle? This is surely a strange question to ask about the *manau*; it might even seem to miss the whole point, if that is to create a spectacle of abundance beyond reckoning. But of course this strange question is exactly the sort we want to answer when we are inquiring into whether a policy equalizes fortunes or insures people against hazards.
- 6 In *Fiscal Systems*, Musgrave refers to redistribution as “adjustment in the distribution of income” (1969: 24).
- 7 In conventional economic analysis of tax incidence, this initial state is often assumed to be a Walrasian economy at equilibrium with no taxation. Today’s leading textbook on the economics of taxation, for example, introduces the general equilibrium analysis of tax incidence thus: “First assume all taxes away” (Salanié 2003: 23). Musgrave’s approach was more realistic, inasmuch as he allowed that markets need not be perfectly competitive; but it was not very much more realistic, inasmuch as he also assumed all taxes away.
- 8 This is the thesis of Gabriel Ardant’s classic treatise on the sociology of taxation: “Si l’on cherche la nature profonde de l’impôt, dans une seconde approximation, on serait tenté de dire que c’est une *technique libérale*, un moyen offert à l’Etat (ou à tout pouvoir de domination) pour réaliser ses objectifs, en laissant aux individus le maximum de liberté” (1965: 23). The polemical title of his first chapter is “*Impôt, technique libérale*.”
- 9 It seems to me that Prasad (2011) appeals to precisely the same commonsense intuition when she likens market income to a bicycle, and taxation to theft: “If I steal your bicycle, and you complain to the police, I cannot reply that I did not take your car, which is equivalent to giving you a car, and having taken a measly bicycle in return is small recompense” (2011: 254).
- 10 Shoup’s emphasis on sociological plausibility may have been influenced by his experience as an advisor on the development of tax administration in contexts as diverse as France, Cuba, and Japan. Shoup was also an important figure in the interdisciplinary reception of fiscal sociology in the United States: he was a student of E. R. A. Seligman, the economist who first translated *Finanzsoziologie* by the English term “fiscal sociology,” and he was the dissertation supervisor to James O’Connor, whose *Fiscal Crisis of the State* (1973) contributed to a revival of fiscal sociology in the late twentieth century. For more on Shoup, see the essays in Brownlee, Ide, and Fukagai (2013).
- 11 Nor is this struggle merely academic. It is an important struggle in the party politics of the United States, because many Republican office holders have signed a pledge not to increase income taxes. Does eliminating a tax expenditure count as increasing income taxes? Or should it count as getting rid of a welfare program? This very question has been the subject of vigorous debate within the Republican Party and its allied para-party organizations (cf. Cannon 2010; Barro 2010; Wilterdink 2011; Americans for Tax Reform 2011). For an excellent overview of partisan debates over the social construction of tax privileges as “welfare,” see McCabe (2018).



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