

Book Review: Taxing the Rich: A History of Fiscal Fairness in the United States and Europe by Kenneth Scheve and David Stasavage

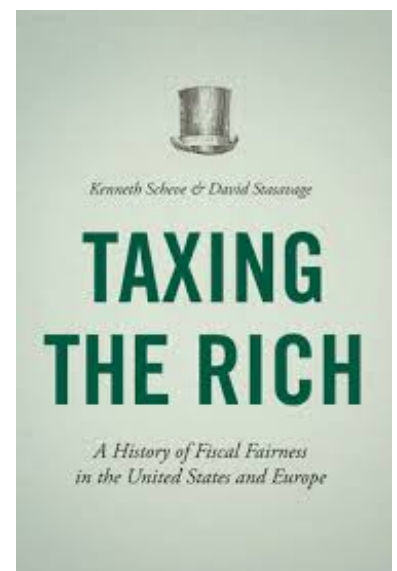
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In *Taxing the Rich: A History of Fiscal Fairness in the United States and Europe*, authors **Kenneth Scheve** and **David Stasavage** seek to expand our historical appreciation of the political economy of taxation and, more specifically, the taxation of the wealthiest in society. **Christopher May** does not hesitate in recommending this accessible and clearly argued book to those looking to better understand current debates surrounding taxation.

Taxing the Rich: A History of Fiscal Fairness in the United States and Europe. Kenneth Scheve and David Stasavage. Princeton University Press. 2016.

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As the United Kingdom enters uncharted waters after the referendum vote to leave the European Union, many commentators are realising that the disconnection between elite politics and the general electorate is more important than had been assumed. Although not the main driver behind the vote to leave the EU, nevertheless disquiet over the seeming ability of the rich and well-connected to avoid the levels of tax levied on the general population (often by perfectly legal means) has led to greater attention being given to tax affairs. This has prompted increasing interest in the work of the [Tax Justice Network](#), allowed critic Richard Murphy to become a social media sensation as his book, *The Joy of Tax*, became a surprise bestseller and has prompted a number of recent academic and popular books on tax havens, offshore finance and tax politics (including Richard Brooks's *The Great Tax Robbery* and Nicholas Shaxson's *Treasure Islands*). Now *Taxing the Rich: A History of Fiscal Fairness in the United States and Europe* seeks to expand our historical appreciation of the political economy of taxation, and specifically of taxing the wealthiest in society.



Starting with a general overview of how taxes on the rich are justified, Kenneth Scheve and David Stasavage contend that while it is easy to discern three common principles – fairness, equity and compensation – it is the third of these, compensation, which tends to offer the most robust way of constructing a legitimate politics of *progressive* income taxation. While at times arguments around fairness (the ability to pay) or equality of payment for a range of social benefits have been popular with certain groups, compensation has underpinned the most extensive expansions of taxation over the rich in both European and American societies. Conversely, there also seems some truth to claims that the rich are taxed more lightly when they are able to capture the democratic process through the influence their wealth ‘buys’ them over legislators and governments.

Overall, then, the authors argue that both popular and analytical discussions of tax tend to focus on issues of fairness and inequality (partially rectifying social positional inequality), with compensatory arguments ebbing and flowing over the course of the twentieth century in Western democracies. The rest of *Taxing the Rich* is intended to test this proposition against the historical record.



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The first step that the authors take is to examine the marginal rates of tax for the wealthiest in society across two centuries, offering comparisons both between countries and across time within countries. The former analysis, they argue, deals a fatal blow to the notion that there is a close link between democratisation and taxation; the latter comparison of the domestic history of taxation leads to the conclusion that states that conducted mass mobilisation for both World Wars displayed a clear tendency towards taxing the rich more highly both during and, importantly, in the aftermath of the conflicts.

This result is then compared to the history of inheritance tax: a frequent mechanism intended to bring down wealth inequality. Again, the authors conclude that the political context (debates about fairness and inequality) play much less of a role in determining which states have high taxes on inheritance than the mobilisation for the two World Wars. Finally, the historical element of the book examines other forms of taxation. Once more, Scheve and Stasavage conclude that these have little impact on their overall finding that it is the necessity of financing total war that increases tax on the most wealthy. Having noted this clear correlation across a range of taxation methods, they ask why might this be the case?

Their central argument is that the need to prosecute a war with a mass conscripted army and large-scale technological investment in arms and equipment shifted the debates about tax decisively from arguments focusing on equal treatment and ability to pay to a much stronger emphasis on a compensatory logic. Tracking debates across the UK, France, Canada and the US, the authors identify a clear political realignment focusing on war profits and sacrifices in the field, which prompted a norm of social compensation for the inequality of the sacrifice.

However, as the idea of, and need for, mass mobilisation has faded – driven, they argue, by what others might call the recent ‘revolution in military affairs’ – so too has the mid-century logic of compensating the masses who are fighting while the rich profit from conflict. Thus, as memories of the World Wars and conscription rescind, and the Right continues to frame personal taxation on the basis of equality and (sometimes) ability to pay, the Left (crudely put) has found that the compensatory argument has become more difficult to mobilise. *Taxing the Rich* concludes with an interesting discussion of the prospects for taxing the rich, arguing that only a major crisis or a widely accepted argument that state policy itself is causing inequality can support an expansion of the tax take from the wealthiest.

One of the most intriguing aspects of *Taxing the Rich* is the realisation that arguments about taxation, its form and who pays the most go back at least a thousand years; like so many political arguments, our disagreements are not as novel as we might assume. However, equally the book, while not explicitly making this point, would support the belief that the expansion of popular interest in tax, tax avoidance and the modes the rich use to evade taxes is driven by the growing contemporary crisis of the neo-liberalised global economy and its impact on domestic polities. I have no hesitation in recommending this book to anyone interested in tax affairs as it is accessible and clearly argued, providing a set of analyses that illuminate the current debates about how we can (fairly) tax the rich.

Christopher May is Professor of Political Economy at Lancaster University, UK. His most recent book is *Global Corporations in Global Governance* (Routledge, 2015) and he is currently editing *The Edward Elgar Research Handbook on The Rule of Law* (2017). He has published widely on the interaction between law and political economy, wrote the first independently authored study of the World Intellectual Property Organisation and maintains an interest in corporate tax affairs. [Read more reviews by Christopher May.](#)

Note: This review gives the views of the author, and not the position of the LSE Review of Books blog, or of the London School of Economics.

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