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Taxing the Rich: A History of Fiscal Fairness in the United States and Europe

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Although there are no explicit race-based policies embedded in legislation to exclude certain groups from entering the country, immigration specialists have long been suspicious that implicit and unintended biases are built into the system of immigrant selection. This is a very difficult allegation to prove, and Satzewich was only able to gather partial data about this issue. The department does not collect race-based data, nor does it link country of last permanent residence with acceptance and rejection rates. The alternative is to examine the acceptance and rejection rates by location of visa office. If there was a racial bias implicit in the selection of immigrants, there should be some differences in acceptance and rejection rates by visa office. His findings reveal that over 90 percent of all applicants in the family reunification class categories are admitted, no matter at which visa office they apply. There are, however, some differences when all the immigration categories are examined. The biases he uncovers have to do with preference for wealthy or at least economically independent immigrants over less wealthy would-be immigrants in these visa offices. The use of discretion is significant here. Satzewich finds evidence to support the notion that the applications of wealthy immigrants receive much less scrutiny and are less likely to be rejected than those of poor applicants. Sadly, the adage that money can buy anything seems to be supported in his findings.

This is one of the few research texts that would be equally interesting to immigration specialists, settlement service agencies, policy-makers, academics and the general public. Satzewich's style is engaging and extremely easy to read. He brings much-needed insider knowledge to the public and gives much food for thought. I would highly recommend this book not only to immigration specialists, but to those interested in learning more about the procedures and decision-making enacted "behind the scenes" by government officials. It is a highly entertaining and refreshing read.

Taxing the Rich: A History of Fiscal Fairness in the United States and Europe, by **Kenneth Scheve** and **David Stasavage**. New York: Russell Sage Foundation, 2016. 266 pp. \$29.95 cloth. ISBN: 9780691165455.

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The three decades after the Second World War were a time of comparative economic equality in the economically developed democracies, thanks in part to policies that taxed the rich heavily. Ever since then, inequality has been rising in these societies, thanks in part to policies that reduced taxes on the rich. Why did our societies ever tax the rich heavily? And why did those policies change? These questions are the subject of *Taxing the Rich* by Kenneth Scheve and David Stasavage.

Their answer: Mass mobilization for war led policymakers to raise top tax rates, and the obsolescence of mass conscription allowed those tax rates to fall. The association between war-making and state-making is, of course, old news, as is the clarification that the world wars in particular were crucibles that forged the modern fiscal state. The contribution of Scheve and Stasavage is to show that war helps to explain the distributional profile of taxation as well as its aggregate level. They estimate the causal impact of the world wars on the top marginal tax rates applied to income and wealth in a sample of 20 countries. They also devote two chapters to describing nominal top marginal tax rates on income and wealth in these countries and show that top nominal rates are reasonably good proxies for effective tax rates actually paid by the rich, and for overall progressivity.

I found this part of the book persuasive, though I wondered about economic scope conditions on the argument. The authors chose countries for convenience (or "for feasibility of data collection," p. 8), and selecting countries for the feasibility of collecting long time series of high-quality tax data means, to a close approximation, selecting only the most developed market economies in the world. Maybe these countries taxed the rich

the most because they had the most superfluous riches to tax. We might draw very different conclusions about the effects of the world wars on taxation if our sample included more societies in, say, North Africa, Eastern Europe, or Asia.

When it comes to *why* world wars increased taxes on income and inherited wealth, Scheve and Stasavage argue that the relevant thing about these wars was *mass conscription*, which made plausible a certain kind of political claim for compensatory fairness. Lawmakers said, in effect: Young and poor men are paying with their lives; surely it is only fair that old and rich men should pay with their money. *Taxing the Rich* shows that wartime arguments for “the conscription of wealth” (p. 135) belong to a more general class of compensatory fairness arguments, which differ from other classic philosophical arguments in favor of progressive taxation (such as the argument for the diminishing marginal utility of wealth, or the argument that rich people owe the most for the upkeep of government because they have the most to lose from anarchy). Scheve and Stasavage review parliamentary debates in four democracies to show that such compensatory fairness arguments were introduced immediately after the mobilization for the First World War, and they infer that these arguments are what permitted the passage of progressive taxes. This important finding generalizes an argument about the politics of comparative sacrifice previously made by the U.S. historians Mark Leff and Jim Sparrow.

Taxing the Rich is too vague, however, about who found these compensatory arguments compelling and why. Plausible compensatory arguments for taxing the rich could have been offered in any era in which the poor paid a comparatively heavy price for government—which is to say, in almost any era. Scheve and Stasavage suggest that responsiveness to this sort of rhetoric is a cultural universal. So what made this rhetoric especially compelling during the mass-mobilizing wars of the twentieth century?

I suspect that the answer might have to do with organized political contention. The authors show that war had the greatest effect on top tax rates in countries with universal

manhood suffrage (p. 83), but they do not tell us much about what working-class men and women did to make the rich pay. The world wars were peak years of working-class political mobilization in many of these countries. Combatant states filled their armies by conscripting working-class voters and teaching them military discipline. Veterans would go on to organize revolutionary movements in several countries—and even where they didn’t, world leaders feared that they might. I think this history of mass political organization might clarify why elites heeded demands for the conscription of wealth. Anyone with siblings knows that “you’re being unfair to me” is an argument that is easy to ignore. It becomes harder to ignore when the people making it are organized, disciplined, numerous, enfranchised, and armed.

Organized political contention might also help to explain something that the book doesn’t explain particularly well, which is why top tax rates in these countries have been falling so gradually since the end of World War II. Scheve and Stasavage argue that tax rates on the rich fell because technology made mass mobilizing wars a thing of the past. They include an excellent chapter on the role of technology in the rise and fall of mass mobilization for war. But the United States has had the atom bomb since 1945 and an all-volunteer army since 1973, and yet our top tax rates are still higher than they were before World War I. Scheve and Stasavage write that “When it comes to long-run trends in taxing the rich there has been no ratchet; the period of high taxes on the rich was temporary” (p. 11). Call it a ratchet or don’t; there’s *something* that has so far kept taxes on the rich from slipping back to their nineteenth-century levels. That something—strongest during and immediately after World War II, declining gradually ever since, in virtually every country in their sample—might be patriotic sentiment, or administrative capacity, or manufacturing employment as a share of the labor force, or the growth of popular social programs, or any number of other things, but it might also be the power of organized labor. Scheve and Stasavage show that the entry of the left into government doesn’t explain the

adoption of high top tax rates (see, e.g., p. 71). But working-class organization might account for their persistence. Unions and labor parties have been the most persistent defenders of taxing the rich, and their heyday coincided with the highest top tax rates. A countermobilization on the right may also help to explain why tax rates have fallen since the 1960s.

Taxing the Rich is an excellent work of scholarship and an unsettling reminder that the only way any human society has ever achieved very high tax rates on the rich is by waging a world war. Is there an egalitarian ingredient that can be distilled from all that violence and administered in safe doses during peacetime? Scheve and Stasavage think that the answer is yes, and that the ingredient was a rhetoric of compensatory fairness; and they counsel egalitarians to make more compensatory fairness arguments today. Maybe it's a start. But without political organization, I don't think finding the right rhetorical trope amounts to much.

Reinventing Detroit: The Politics of Possibility, edited by **Michael Peter Smith** and **L. Owen Kirkpatrick**. New Brunswick, NJ: Transaction Publishers, 2015. 249 pp. \$49.95 paper. ISBN: 9781412856935.

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Reinventing Detroit: The Politics of Possibility explores the dynamics of Detroit, Michigan's significant economic decline and the implications of the case for research on urban inequality. Ambitiously, Michael Peter Smith and L. Owen Kirkpatrick bring together policy-makers, journalists, and academics. Each chapter examines a dimension of Detroit's decline—from factors that contributed to the city's collapse to the impact of its 2013 municipal bankruptcy filing. *Reinventing Detroit* offers a unique look at the challenges facing Detroit and other major cities in the United States, setting an important agenda for future research.

Reinventing Detroit is divided into four parts. In Part One, various authors engage

in theoretical discussions of the dynamics and implications of Detroit's decline. In the first chapter of the section the editors, Michael Peter Smith and L. Owen Kirkpatrick, present a Polanyian analysis of Detroit's decline. They argue that this approach is a useful tool for developing a more nuanced understanding of how urban and regional embeddedness—or lack of embeddedness—shape the circumstances of Detroit and other cities facing similar obstacles. Mathieu Hikaru Desan and George Steinmetz discuss the importance of situating Detroit in a broader conversation about racial residential segregation, economic disinvestment, and state and federal policy. Margaret Dewar, Matthew Weber, Eric Seymour, Meagan Elliott, and Patrick Cooper-McCann argue that a better framework is needed to understand the circumstances of shrinking cities and the ways in which people respond to cases of extreme urban decline.

In Part Two, authors explore factors that have contributed to decline in Detroit and other major cities. William Tabb argues that a movement away from more liberal, New Deal, and postwar-era urban policies has contributed to the shrinking of the public sector across the country, creating economic challenges for many cities. He argues for more progressive policies to alleviate the financial obstacles many cities are facing. Jason Hackworth assesses how neoliberal policies contributed to Detroit's decline, creating significant obstacles for its residents.

Part Three further explores the current circumstances of Detroit and other cities, focusing specifically on economic challenges, municipal bankruptcy, and the role of local, state, and federal policy in shaping outcomes. Reynolds Farley explores Detroit's 2013 bankruptcy filing, including the controversial appointment of an emergency financial manager and the implications of the bankruptcy for the city's future. John Gallagher examines what he describes as the "de-democratization" of Detroit's political system. He argues that measures that were employed to deal with fiscal crisis, such as the appointment of an emergency financial manager, have taken power away from elected officials. Similarly, Kirkpatrick