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legitimate means to pay for legitimate costs. Absent these reforms, growth in China could quickly stagnate as debt and demographics take their revenge.”

For the rest of the world, China’s great migration reminds us once again that the freedom to pick up and move from one place to another is essential for human happiness and progress. This can be the freedom to move from a poor to a rich country, or from the countryside to the city within a country. In both cases, workers can experience a sharp increase in their productivity, benefiting themselves and their families while boosting total economic output.

“Giving people the opportunity to cross borders and pursue economy opportunities creates wealth for migrants, those around them, and the global economy. The largest barrier to migration is political, but political opinions can change rapidly,” Gardner concludes. “Fifty years ago, a common labor market in Europe would have been unthinkable; there is no reason that changes on a similar scale could not happen globally over the next fifty years.”

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Taxing the Rich: A History of Fiscal Fairness in the United States and Europe
Kenneth Scheve and Daniel Stasavage

Kenneth Scheve and Daniel Stasavage’s Taxing the Rich: A History of Fiscal Fairness in the United States and Europe is an attempt to investigate the politics of inequality through the lens of taxation. The authors place themselves in explicit dialogue with recent left-leaning scholarship on the economics of inequality, especially the work of Thomas Piketty and Emmanuel Saez. Piketty’s thesis in Capital in the Twenty-First Century, which appeared in 2013 and was an instant bestseller, is that capitalism stokes an ever-widening inequality of wealth and income due to the tendency for returns on capital to exceed returns to labor. He argued that only a scheme of highly progressive income taxation can halt or reverse this inherent source of inequality.
Scheve and Stasavage ask: What prompts democratic governments to heavily tax the rich? Their inquiry is relevant to both supporters and critics of Piketty. For supporters of income and wealth redistribution, the relevant issue is: What arguments or political conditions are needed to produce the kind of tax policies necessary to check inequality in a capitalist economy? For detractors, it is: What arguments or conditions might lead a democracy to undermine free markets, the incentives for productive economic activity, and individual rights for the spurious goal of reducing gaps in wealth and income? Scheve and Stasavage are especially interested in whether increases in inequality will prompt democracies to increase taxes on the rich. Like Piketty, they focus on a small slice of top earners by examining and emphasizing top marginal rates. In the contemporary United States, for example, about only 1 percent of households are in the top income bracket.

_Taxing the Rich_ begins with a review of political thought about taxation in the first two chapters, then moves to a statistical analysis demonstrating the relation between high taxes and war mobilization in the third and fourth chapters. The fifth and sixth chapters look at the reasons behind the relationship between high taxes and war, and the final three chapters analyze the decline in tax rates from their midcentury peak and the implications for the future.

Scheve and Stasavage use positivist social science methods in their research. Positivism in the social sciences can be thought of as an attempt to apply the research methods of hard science to the study of social phenomena. As with the hard sciences, positivist social research involves empirically testing the causal relationship between a set of independent variables and a dependent variable. Such tests may yield generalizable social laws (nomothetic relationships) that hold true across a given set of societies, cultures, or time periods. The idea that democratically governed countries will not go to war with one another is, for example, a well-known product of positivist social science research.

Scheve and Stasavage’s independent variables include democratization, inequality, state capacity, size of government, the nature and amount of government expenditure, and mass mobilization for war. The dependent variable in _Taxing the Rich_ could be better defined, but in practice it consists of marginal tax rates that exceed 50 percent. The authors find mass war mobilization is the sole factor
driving marginal taxes above 50 percent and, by building a data set featuring modern, advanced democracies since 1800, it is suggested that their results should hold in similar kinds of advanced democracies in the future.

Scheve and Stasavage connect their statistical inquiry with a typology of theoretical principles used to justify different tax systems: (1) the ability-to-pay principle, (2) the equal treatment principle, and (3) the compensatory principle. “Ability to pay” is the idea that people’s tax burdens should reflect their capacity to pay, as measured, depending by the tax regime at issue, by income or wealth; “equal treatment” is the idea that all people should bear similar proportional tax burdens; and “compensatory” is the notion that taxes should compensate for the state’s role in favoring or harming certain groups of citizens relative to others, especially in the context of wartime drafts. Each principle reflects a different understanding of what constitutes fair treatment of citizens in a democracy.

In advanced democracies, they argue, all tax systems and arguments about taxes can be categorized according to these three principles. Not every system or argument reflects just one principle, but it is easy to separate out each constituent part from the whole and to determine the relative importance of each principle in motivating the structure of a given tax system. Their goal is to match the statistical results of their positivist inquiry with the three principles, which serve as reasons that can explain the correlations. The principles also provide context for thinking about generalizability, granting Scheve and Stasavage a basis for making a claim about the conditions likely to enable future high taxation of the rich.

After the chapter “treating citizens as equals,” Scheve and Stasavage review classic theoretical writing on taxation—including Arthur Pigou, Francis Edgeworth, John Stuart Mill, and Edwin Seligman—in order to present the ability to pay, equal treatment, and compensatory principles. The ability-to-pay principle is traced from the distinction between needs and wants in the 18th century Enlightenment to the marginal revolution in economics that occurred in late-19th century Austria. The term “compensatory theory” comes from the Progressive era American economist Edwin Seligman, who, in his 1911 book *The Income Tax: A Study of the History, Theory, and Practice of Income Taxation at Home and Abroad*, used it to refer to the idea that progressive taxation is justified in instances where high income or wealth primarily reflects
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luck. Scheve and Stasavage home in on a more narrow meaning, referring only to instances where taxation is used to remedy privileges given by the state, their main example being exemption from wartime drafts. They spend much less time (only a few lines) on equal treatment, the idea that public-finance scholars more commonly refer to as horizontal equity.

After laying out these intellectual foundations, Scheve and Stasavage move to data analysis. They succeeded in compiling a comprehensive data set of the annual top marginal income tax rates for 20 democracies from 1800 to the present. In the third and fourth chapters they test various hypotheses for possible causal factors that might determine upward movements in the top rate. Scheve and Stasavage demonstrate that mass war mobilization is significantly correlated with increases in top marginal income tax rates, while other possible factors, like democratization, leftist political influence, and inequality, are only weakly related.

The authors’ next goal, pursued in the fifth and sixth chapters, is to determine why taxes on the rich increased in such close tandem with mass war mobilization. This is a much harder task than establishing the correlations and, unfortunately, Scheve and Stasavage’s methods are less praiseworthy and their arguments less convincing. The authors argue that mass mobilization led policymakers, thought leaders, and the public to agree on compensatory tax principles. However, only two pieces of evidence are offered to defend this claim. First, the authors point to public opinion polls in the United States during World War II that show broad support across all socioeconomic groups for significant increases in the effective tax rate paid by the rich. Second, they identify similarly wide support in the British parliament and among U.S. intellectuals during World War I for the compensatory principle. Scheve and Stasavage do not devote much space to discussing these pieces of evidence. Rather, they present other hypotheses that might explain the correlation between mass mobilization and high taxes on the rich and attempt to debunk them.

Therein lies the weakness in positivist social science research: while such methods can be very helpful in establishing general links, pure statistical analysis is less useful for the purpose of offering a comprehensive explanation of a complex social phenomena. The problems with the monocausal premise are on display in Scheve and Stasavage’s attempt to negate the importance of nationalism and
fiscal necessity as possible causes of the wartime tax structure. In both instances the authors claim these possible determinants lack any salience only because they do not work as catch-all explanations.

Scheve and Stasavage correctly argue that nationalism alone would not account for high taxes on the rich. The authors stop there, however, dispensing with the discussion of nationalism or other cultural issues. Essentially, Scheve and Stasavage dismiss the importance of a possible causal factor because it is not sufficient on its own to explain high tax rates. Regarding fiscal necessity, they reject that notion because wartime tax structures were never optimal for the purposes of revenue collection. If revenue was the abiding concern behind wartime tax policy, rates would have been higher across the board. But as with nationalism, this conclusion is quite simplistic. At least in the literature on American tax history, revenue often is cited as the driving concern of fiscal policy during both world wars. Surely the need for revenue and concerns about inflation contributed to the acceptance of the wartime tax structure as “fair.”

As a result of the deficiencies in their approach, Scheve and Stasavage fail to make a convincing case that high taxes on the rich during mass mobilization mainly reflected the compensatory principle of using taxes to remedy the relative ability of the rich to avoid the draft. That Scheve and Stasavage are likely missing important parts of the story can be seen from a closer examination of the relation between the state and society in America during World War II. That topic was the subject of an excellent book by James Sparrow, Warfare State: World War II Americans and the Age of Big Government (reviewed in the Spring 2012 Cato Journal). Sparrow convincingly shows that mass participation, rather than high taxes on the rich, was the defining characteristic of the World War II fiscal state. Sparrow explains that three primary concerns drove tax policy: increasing revenue; checking the wartime inflationary gap by soaking up discretionary income; and furthering civilians’ psychological attachment to the war effort. Americans’ fiscal relation to the state changed dramatically as a result. In 1939, only 7 percent of the labor force paid federal income taxes; in 1944, 66 percent did. While there are no hard statistics on the number of bond owners, Sparrow claims that bond ownership was “near universal.” Tax payments and bond ownership served to create a sense of fiscal citizenship, or at least a widespread feeling that paying taxes made one a member of the national polity.
If World War II tax policy reflected mass feelings of involvement and sacrifice, why were taxes on the rich so high? The Revenue Act of 1942, for example, set a rate of 88 percent on marginal income above $200,000. Sparrow notes that most new filers’ tax payments were essentially voluntary because of limited federal administrative capacity and that tax burdens were steep across the income distribution, including for low-income payers. Perhaps very high taxes on the rich were needed to maintain the sense of egalitarianism behind the mass acceptance of the tax system. Or perhaps high-income taxes reflected a society-wide phenomenon where citizens identified with the plight of the soldier by limiting consumption.

Scheve and Stasavage’s final three chapters analyze the path of tax rates in advanced democracies after World War II and offer predictions about the possibility for increases in the top graduated rate in the future. They argue that top tax rates fell as memories of the wartime social dynamic gradually faded. They suggest that taxes on the rich in advanced democracies will not significantly increase in the future unless another instance occurs where government openly and systematically privileges the rich in a matter central to public life. As warfare no longer requires mass armies and a draft, it is difficult to imagine such a scenario occurring. Scheve and Stasavage’s arguments that a social contract akin to what took root in the world wars is unlikely to emerge in the future are logical and convincing. However, they are dismissive of economic efficiency arguments in explaining the decline in taxes after World War II, again showing that their emphasis on a single, driving cause of top tax rates compromises the validity of much of their thinking.

In sum, while Scheve and Stasavage are persuasive that mass mobilization correlated more closely with high taxes on the rich than any other discernable factor, they do not provide enough evidence to show how such high taxes resulted mainly from the compensatory principles of using the tax code to force the rich to sacrifice. Therefore, their argument that heavy taxation of the rich in democracies is determined by the strength of compensatory arguments fails. For better or worse, observers of public affairs should not expect that Piketty’s steeply progressive tax system will be implemented only if the social contract systematically favors the wealthy.

Finally, the inquiry into the causes of high wartime taxes should not have tried to find a statistical smoking gun. Instead, Scheve and
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Stasavage should have attempted to produce more insights backed by heavy reasoning. Such insights could follow from a rigorous description of the politics of taxation coupled with a careful application of theory. With the attention received by Piketty, the ascendancy of the Bernie Sanders left, and Steve Bannon’s recent proposal to increase the top marginal rate to above 40 percent, smaller insights grounded deeply in qualitative evidence would go much further in helping us make sense of the current tax politics paradigm than Scheve and Stasavage’s bold, but ultimately hollow, analysis.

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Churchill and Orwell: The Fight for Freedom
Thomas E. Ricks

At first glance, a dual biography of Winston Churchill and Eric Blair—who went by the pen name George Orwell—sounds like a project that shouldn’t be pursued. After all, Churchill was an upper-class imperialist politician who disdained socialism. Orwell, a committed socialist, was a struggling novelist and journalist for most of his life. The two men never met each other and moved in very different circles.

And yet both men were among the few to correctly foretell the dangers of the two greatest threats to human freedom in the 20th century: nazism and communism. This shared prescience and the two men’s steadfast and oftentimes lonely opposition to these two tyrannies are the focus of Thomas E. Ricks’s latest book, Churchill and Orwell: The Fight for Freedom.

Ricks’s book opens by noting another similarity between the two men: they were both almost killed before achieving notoriety. During the Spanish Civil War, a Nationalist sniper shot Orwell in the neck while he was fighting with the anti-Stalin POUM (Workers’ Party of Marxist Unification). Miraculously, the bullet missed his spinal cord, arteries, and windpipe. Orwell also survived the Soviet-backed repression of the POUM.

A New York City cab driver struck Churchill at around 30 miles an hour in 1931. At the time, Churchill was enduring what he called his “wilderness years” of political isolation and was in America