Kenneth Scheve and David Stasavage, *Taxing the Rich, a History of Fiscal Fairness in the United States and Europe.* (Princeton: Princeton University Press: 2016). 288 p. ISBN 9780691165455

Does taxing the rich equal fiscal fairness? Scheve and Stasavage clearly think so, which makes them wonder why, as a rule, governments fail to impose higher burdens than they do now. Tracing taxation of the top incomes in 20 Western countries since 1800, they find that tax rates on top incomes were very light until 1914, increased sharply during the two world wars and remained high at some 60 per cent until the late 1970s, then dropped back to levels of around 40 per cent today. That broad pattern shows interesting variations between countries, however, which Scheve and Stasavage seek to explain by examining various arguments in favour of taxing the rich. Their overall conclusion is that only mass mobilization for war creates sufficient political will to tax top incomes heavily. With so many men risking their lives on the battlefield, people accept the so-called compensation argument: since the rich profit most from society, they must compensate by contributing proportionally from their wallet when that society is endangered. As a follow-on, Scheve and Stasavage hypothesize that a return to high taxation of top incomes is unlikely, the evolution of defense technology and the switch from conscript armies to professional ones rendering mass mobilization unnecessary, thereby voiding the compensation argument.

To build their case, the authors divided their book into three parts and a total of nine chapters. Part 1, 'Debating Taxation', discusses theories of fair taxation and arguments for and against progressive taxation of top incomes. Scheve and Stasavage profess themselves adherents of Adam Smith's maxims for a fair tax system: equality or ability to pay, certainty, convenience, and efficiency. They then narrow their discussion of fairness down to the arguments for and against taxing top incomes progressively.

In Part 2, 'When have governments taxed the rich', Scheve and Stasavage present the results of an impressive empirical exercise, detailing taxation of top incomes in twenty countries from 1800 until 2013, plus data on inheritance tax rates in 19 countries for the same period. Slicing and dicing the data in various ways, as often as not very illuminating and imaginative ones and overall convincing, they test several hypotheses about changes in top tax rates: the introduction of universal suffrage, the rise of socialism and left-wing governments, income inequality, the state's capacity to collect tax, and wartime mobilization.

Part 3, 'Why have governments taxed the rich', begins with an analysis of debates about fiscal policy before, during, and after the First World War in the UK, France, Canada, and the US. The war created new forms of inequality between social groups, which were then used to justify progressive taxation, 'a conscription of wealth', as compensation for the advantages accruing to the rich only. Scheve and Stasavage also argue (chapter 7) that wealth conscriptions like this were closely tied to the military technology of the time, which required a mass infantry. Since modern high-technology warfare and limited conflicts render such large armies redundant, the authors consider a return to high top income rates unlikely. Chapter 8 rounds off the argument by examining why top rates declined from the late 1970s. Scheve and Stasavage find that neither fears for lower growth nor globalization led to the lowering of top rates, but a gradual erosion of the consensus about the weight of the compensatory argument.

The book's great strength lies in the comprehensive database compiled by Scheve and Stasavage, a great leap forward in the study of taxation since 1800. However, one wishes that they would have used it to support a stronger argument. I found Scheve and Stasavage's reiteration, time and again, of the compensation argument as an explanation for top income taxation a little heavy, as if they need to convince themselves of its truth. Moreover, their dismissal of other explanations, such as a desperate need to raise revenue in total war, is really too easy. Their explanation of why top tax rates declined also remains very weak. Scheve and Stasavage do little more than pointing to a breakdown of a postwar consensus about taxation, difficulties in changing the fiscal status quo, and a gradual erosion of the compensation argument following the easing of external threats as explanations. Why that consensus took so long to break down, why changing the fiscal status quo to raise top tax rates had been easy before, or why the compensation argument lost credibility despite clear signs of rising social and wealth inequalities, those questions all remain unasked. Curiously absent from chapter 8, indeed from the whole book, is Arthur Laffer and his conjecture about the inverse relationship between tax rate and revenue yield, a key insight which made Western governments, faced with mounting tax evasion facilitated by a growing number of fiscal paradises, realize during the 1970s that high rates were counterproductive. That realization helped leftwing political parties accept lower tax rates in an attempt to save a welfare state under attack from the right.

Nor does the book's argument about the importance of military technology for understanding top income rates convince. Scheve and Stasavage consider chapter 7 which deals with that aspect as critical for their book, but it is in fact one of the weakest, cherry-picked examples serving to bolster an argument that, in order to succeed, needs far more support informed by a critical reading of military history than it receives here. Their assertion that military technology renders total war, mass mobilization, and a return to high top income tax rates unlikely borders on the facetious, as one look at Israel, with its high conscription and 50 per cent top income tax rates, would have shown. Yes, the various recent conflicts fought by Western countries have not necessitated a conscription of wealth similar to what happened during the two world wars, but that was due to scale, not technology – should total war ever return, high top incomes rates will follow.

To me Chapters 7 and 8 highlight the book's key shortcoming, a failure to consider how progressive income taxation fits within fiscal systems evolution over time. Take the near absence of income taxes during the nineteenth century. Scheve and Stasavage explain this largely by the administrative difficulties of collecting them, but that's only half the story. Those difficulties rendered income tax expensive to collect, so given the small size of the elite it would have yielded a lot of political fuss for little revenue. Moreover, the book never considers the importance of income taxes, let alone top tax rates, in overall government revenue. In 2015, for instance, payroll and other income taxes generated just over 20 per cent of Dutch government revenue. Under such circumstances discussions on the fairness or otherwise of top rates concern no more than a fiscal side issue and say nothing at all about the overall fairness of the entire system. Moreover, we find ourselves in a situation not dissimilar to that of the nineteenth century: raising top rates would raise a lot of political fuss for comparatively little revenue.

What we have here, then, is a highly interesting but flawed book in which one aspect of fiscal history is made to serve a political science argument. So buyers beware: the book is definitely not the history of fiscal fairness which the subtitle claims it to be, but an overview of top income taxation plus arguments pro and con since 1800.

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