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Note from the editor

Taxing inequality and fiscal sociology

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Content

In recent years, fiscal sociology has grown to become one of the most vibrant subfields in economic sociology. For a long time, its core topic – public finance – was considered to lie beyond the discipline of sociology, despite the contributions of Rudolph Goldscheid, Fritz Karl Mann, and Joseph Schumpeter, the founders of fiscal sociology over a century ago, who established that there is an essential connection between state finances and the wider social order. New fiscal sociology is reclaiming this connection at a time when the role of the state in the economy is becoming increasingly pronounced and visible.

Isaac Martin's article establishes the inseparability of the market and the state. He argues that the stateless, taxless market economy has only ever existed as a fanciful fiction. Redistribution does not displace market forces but provides necessary infrastructure that enables markets to function. He distinguishes between redistribution as a process and as an outcome, making the important point that redistribution can be achieved in many different ways, including by the imposition of price controls or regulations, without necessarily deploying policies aimed directly at altering the distribution of incomes, as taxation does. It is even more absurd to assume that redistribution necessarily increases equality. It can cut both ways. To evaluate the extent and the effects of redistribution, then, one must create a baseline that acts as a counterfactual basis for comparison. This can be constructed in many different ways and as such it is subject to social contestation.

Sarah Quinn offers an example of how the state can redistribute among citizens without using tax policy. Her research highlights the federal credit programs deployed as powerful tools by the US government to mold the economy and change financial outcomes. Mortgage credit in particular has played a central role in building the American middle class, while also having an enormous impact on financial markets and the housing industry. This form of redistribution was politically more palatable than taxes and government spending.

If Martin and Quinn take the nation-state as their unit of inquiry, Gisela Huerlimann's article reminds us that taxation has also been a global phenomenon. Her study of Switzerland demonstrates that public finance in one state is often strongly influenced by that of another. Huerlimann tells us how Switzerland became one of the world's principal tax havens and how its status evolved as a result of political pressures from other states that were losing income to the Swiss. This global aspect of taxation and public finance is key to understanding the growing inequality in the world and the escalating difficulties of nation-states in their efforts to collect revenue.

Finally, Josh Pacewicz takes us to the subnational levels of public finance. His article calls attention to taxation by municipalities and cities all over the world. He argues convincingly that many inequalities are created predominantly at this level and illustrates his point with the example of the city of Chicago. Then he makes the case for a comparative approach to local tax regimes as developed in different countries.

In her OpEd, Monica Prasad explodes the myth that the American public abhors redistribution. People like tax cuts, but only if they believe they will not result in corresponding cuts in spending or in shifting the tax burden onto states and localities. Republicans, by making the costs of tax cuts invisible, managed to build a political platform that served them well for a while but not anymore. Now that the electoral appeal of tax cuts has faded, Republicans must rely on rank racism and divisive social issues like abortion. Prasad suggests that Republicans must make peace with the idea of a state actively involved in the economy and offers them three policies that, in her view, could be attractive to them because they are all aimed at supporting the market: investment in vocational education, parental leave, and a safety net for workers that makes moving between jobs easier.

The challenges of economic inequality and the growing realization that the market itself is unable to allocate incomes in a way that keeps capitalist economies humming along, that technological change displaces many workers, and that periodic economic meltdowns call for the state as the savior of last resort, are all forcing us to think hard about taxes, redistribution, public finance, and the role of politics in the economy, be it on the subnational, national, or global stage.

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