Glenn C. Altschuler, Contributor Thomas and Dorothy Litwin Professor of American Studies and Dean of the School of Continuing Education and Summer Sessions at Cornell University

There are Four Ways to Reduce Inequality and All of Them Are Bad

03/01/2017 07:49 am ET


Inequality is great and growing, in the United States and elsewhere. Americans in the highest one tenth of one percent income bracket increased their share almost six times since 1970. The wealthiest twenty Americans own about as much as the bottom half of American households. And the richest one percent of households throughout the world have more than half of global private net wealth.

What, if anything, can – and should – be done to slow down, stop, or reverse the global concentration of wealth? In The Great Leveler, Walter Scheidel, a professor of Classics and History at Stanford University, draws on mountains of data to examine the social, economic and political forces that have been responsible for the growth of material inequality – and those that have reduced wealth.

Often fascinating, his book, he acknowledges, “is unremittingly bleak.” The historical record from ancient times to the twenty-first century, Scheidel writes, shows that violent shocks – mass mobilization wars, transformative revolutions, failed states and catastrophic epidemics – were the most “effective” sources of leveling. When the impact from them subsided, Scheidel adds, inequality returned. What’s more, nonviolent mechanisms (i.e. economic policies) “commonly failed” to have a substantive and lasting impact on inequality.

Scheidel’s “Four Horsemen of Leveling” do, indeed, reduce inequality. All of them destroy wealth and kill off powerful people. Modern wars, which, unlike their predecessors, have the capacity to mobilize millions of people and billions of dollars in resources, Scheidel points out, increase the need for national consensus “that translates to political pressure for disproportionally heavy extraction of resources from the rich.” During World War I and World War II, for example, the conscription of citizens to do the fighting was followed by “the conscription of wealth,” in the form of progressive income, estate, and excess profits taxes. As mass mobilization wars weaken class distinctions and raise expectations, especially in democracies, of fairness, participation and inclusion, they also generate support for progressive social welfare policies, like the G.I. Bill in the United States and the 1942 Beveridge Report on social insurance
in Great Britain. Scheidel also demonstrates that policies born of mass mobilization that compress material inequality not only affect vanquished as well as victorious nations, they often extend well beyond the cessation of hostilities.

As with World War I and World War II, however, the leveling brought about by the Russian and Chinese revolutions last only as long as repression constrains market forces. After the fall of the Soviet Union, Scheidel reveals, inequality “exploded” in the Russian Federation. In 2014, 111 billionaires held 20% of the nation’s total wealth. The same phenomenon is increasingly in evidence in post-Mao China.

Although Scheidel does not claim that nothing short of violence will contain inequality, he comes close. Evidence from the recent past, he indicates, reveals that major economic crises do not have a systemic leveling effect. Indeed, they tend to increase disparities in wealth. Democratization (via the introduction of universal suffrage) in the West did not make much difference. Neither does partisanship – i.e. control of the government by parties of the left, center or right. And Scheidel refutes the assertion of economics Nobel Laureate Simon Kuznets that economic development (via the shift from a pre-industrial to industrial civilization) will increase the political power of urban workers, resulting in higher wages, progressive taxation, controls on the return on capital, and less inequality. Kuznets himself, Scheidel notes, characterized his model as “perhaps 5 percent empirical information and 95 percent speculation, some of it possibly tainted by wishful thinking.” Alas, the “further investigation” Kuznets called for does not support his speculation.

And yet, almost in spite of himself, Scheidel acknowledges that peaceful policy reform can have an impact. The strength of labor unions, he writes, “is in fact negatively correlated with inequality.” Scheidel does not doubt that in much of Western Europe (especially Denmark, Finland, France, Germany, the Netherlands, Norway, and Sweden), social welfare policies and progressive taxation have offset high levels of market income equality. And Scheidel agrees that “investment in education, through its effect on wage differentials, may indeed serve as a viable mechanism of nonviolent leveling.”

That said, Scheidel seems intent on extinguishing any hope for reform: “Serious consideration of the means required to mobilize political majorities for implementing any of this advocacy is conspicuous by its absence.” And: “if history is anything to go by, peaceful policy reform may well prove unequal to the growing challenges ahead.”

You are left to wonder (and worry) why he wants to leave us with this message.