1. Introduction to the *Handbook on the Politics of Taxation*

Lukas Hakelberg and Laura Seelkopf

1. INTRODUCTION

There is no rule without revenue. Since rule is ultimately based on coercion, any ruler needs to pay agents, who enforce the rules, and their *matériel*. Otherwise, disobedience and overthrow are likely to follow (Levi, 1988). Throughout history, rulers have relied on three main ways to obtain the required revenue. They have conquered or raided the owners and producers of resources, earned rents from the export of natural resources or have indebted themselves internally or abroad to finance their operations. All these have clear downsides: relying on conquest forces rulers to constantly expand, which is likely to result in imperial overstretch and defeat (e.g. Barkey, 1994; Neumann & Wigen, 2018); natural resources run out or drop in value depending on world market prices (e.g. Beblawi, 1987; Ross, 2015); and credit is only given so long as the promise of repayment is feasible – ultimately requiring another revenue stream to be credible (e.g. Centeno, 2002; Stasavage, 2011). Hence, most countries have evolved into *Steuerstaaten* (tax states) over time (Schumpeter, 1918). A notable exception remains North Korea, which abolished its taxes in 1974 (Genschel & Seelkopf, 2016). All other former communist countries have since then (re)introduced taxes to steer their capitalist economies.¹ Nowadays, basically all states worldwide have at least some modern taxes in their revenue arsenal (Seelkopf et al., 2019) – albeit with varying histories, revenue sizes and mixes as this book will show.

A tax is an “obligation to contribute money or goods to the state in exchange for nothing in particular” (Martin et al., 2009, p. 3). Direct taxes are imposed on income, wealth, or property, whereas indirect taxes are imposed on transactions and consumption. Moving into taxation requires rulers to engage in state building. They need administrations staffed with bureaucrats, who assess income and wealth, monitor transactions, and collect tax payments. To make taxation effective, rulers also need to prevent their subjects from hiding income, wealth, or transactions from bureaucrats. They can do this the authoritarian way and invest in enforcement and deterrence, or they can go the constitutional route and foster quasi-voluntary compliance among taxpayers (Karaman & Pamuk, 2013; Seelkopf, 2018; Levi, 1988). To this end, rulers need to build institutions that legitimate their rule by granting taxpayers the right of representation and some control over government spending. As a result, the state becomes more likely to provide public goods requested by its constituents (e.g. Dincecco et al., 2011; Levi, 1988).

Given its intimate relationship with state building and representation, the move to taxation makes revenue collection highly political. Whereas resource rents and foreign loans have often prevented rulers from engaging with their subjects (e.g. Centeno, 2002; Queralt, 2019), or undermined already existing representative institutions (Ross, 2015), taxation has regularly entailed requests for political participation and control from domestic taxpayers. To be sure,

Source: Web of Knowledge, 6 December 2019.

Figure 1.1 A bibliometric meta-analysis for “tax” and taxation” sorted by discipline

taxation without representation is far spread, but has also motivated protest and regime change across the world and in different time periods (see Andersson, this volume; Haldenwang, this volume). Building the fiscal capacity necessary to tax the people may thus have fundamental consequences for a country’s political regime. Short of revolution, however, it may also intensify political conflict over redistribution within a given political system. Wealthy elites, for instance, only have to fear a state, whose bureaucrats are actually able to assess and tax their income and assets. Hence, they are more likely to engage in politics where fiscal capacity is high (Kasara & Suryanarayan, 2019). At the international level, differences in fiscal capacity may determine whether a country can finance the military apparatus necessary for imperial expansion, or disappears from the map (Brewer, 1990; Tilly, 1975; also see Emmenegger & Walter, this volume). In sum, “without tax revenue there would be neither ... redistribution and public goods ... nor the ability of the state to defend its very existence” (Morgan & Prasad, 2009, p. 1351).

Despite the close connection between taxation and fundamental subjects of political science, including state development, institutions, conflict, and power, the discipline has produced surprisingly little research on the matter, at least when compared to neighboring disciplines such as economics, or closely related policy fields such as social policy. As Figure 1.1 shows, economics is the main discipline when it comes to research on taxation, publishing more articles than all the following research fields together. Political science is only in seventh place, falling even behind environmental and energy studies, which often sees taxation as an important instrument to fight the climate crisis (see Schaffer, this volume). Interestingly, this changes if one looks at the main spending area, namely the welfare state. Here, political science produces

Source: Web of Knowledge, 6 December 2019.

Figure 1.2 Number of published articles over time by discipline

the most research, three times as much as on taxation and double the articles from economics.² The observation that political science seems to care much about the spending side of the state, but not how governments raise the money in the first place, is not only a recent phenomenon. If we compare articles over time, economics has dominated the debate for decades and continues to do so as Figure 1.2 illustrates. The number of publications on taxation in economics journals has tripled over the past 30 years, whereas the equivalent number for political science only increased slightly after 2010 (and has even slightly declined since 1990 if we look at it as a share of overall publications).

This handbook seeks to remedy political scientists' apparent neglect of the topic by introducing students and researchers to the exciting literature the discipline has produced on the politics of taxation and by identifying fruitful avenues for further research. To this end, the handbook is made up of four parts, which each relate to a major research area in political science. Part I is devoted to the link between taxation and state building. It explains how war, democratization, and colonization transformed limited forms of governance based on pre-modern taxation of heads and trade into modern tax states. Part II focuses on the comparative politics of taxation. It illustrates how interests, institutions, and ideas determine who pays how much, thereby remedying or exacerbating social and economic inequalities. Part III deals with the role of taxation in international relations. It highlights how changing combinations of competition, cooperation, and coercion impact national tax policy, and how domestic and transnational politics shape regional and global tax policy. Part IV reviews research on taxation and preference formation. It explains how political actors, including voters, parties, and business associations, position themselves towards taxation.

Drawing on insights from the 25 contributions to this handbook's four parts, the following section provides an overview of the nuts and bolts of taxation, including its purposes, the types of taxes, their functioning, and justifications. Afterwards we discuss the main causes of tax policy at different political levels and its consequences for economic development, different types of inequality, and the distribution of power. The concluding section identifies blind spots and biases in the political science literature on taxation and suggests avenues for future research. We call for more research into overlooked taxes, societal groups, and world regions. As this handbook shows, political science brings important insights into the study of taxation hereby enriching debates in other disciplines such as economics and providing crucial observations for policy debates.

2. THE NUTS AND BOLTS OF TAXATION

2.1 Definition

In its narrowest sense, a tax is a compulsory charge paid by citizens to the state without direct consideration. That is, the state does not usually earmark tax revenue for specific purposes but uses the revenue to finance its budget. The lack of an immediate return service distinguishes a tax from other charges paid to the state, including fees and contributions. It also prevents the taxpayer from refusing to pay, because she does not agree with the use of her tax money. In contrast, fees are bound to a specific purpose that directly benefits the payor. Examples include tolls paid for road use, parking charges, and administrative fees. Contributions are also bound to specific purposes but benefit groups instead of individuals. Examples include unemployment insurance, health insurance, and public pensions. Although they are conceptually distinct from taxes, researchers often lump social security contributions together with tax revenue when assessing the overall size of the tax state (see Kemmerling & Truchlewski, this volume).

2.2 The Purposes of Taxation

According to the canonical categorization by Musgrave (1959), tax policy pursues three main goals: allocation, redistribution, and stabilization. Taxes allocate resources from the private to the public sector, thereby enabling the provision of public goods like the rule of law, security, education, infrastructure, and healthcare. They may also allocate resources within the private sector by making certain activities more costly than others. Classic examples include environmental taxes, which put a price on pollution to deter people from wasteful or harmful behavior, and excises on alcohol and tobacco, which are supposed to limit unhealthy consumption (see Schaffer, this volume). But policymakers may also build rebates and expenditures into the corporate income tax to encourage investment in certain industry sectors while deterring it in others. Deductions for research and development, involving the creation of intellectual property and well-paid jobs, are a recent example (see Haffert, this volume; Haldenwang et al., this volume).

In addition, taxes redistribute resources between different social groups. They may, for instance, limit economic inequality by charging wealth and income at progressive rates, which increase with the size of a taxpayer's fortune or salary, and financing social spending (see Limberg, this volume). But policymakers may not always use taxes to redistribute from

the rich to the poor. For the better part of history, landlords taxed peasants in kind or through forced labor to ensure the operation of their estates (see Kiser, this volume). Likewise, colonial powers have often imposed head taxes and forced labor on colonized peoples to finance a military-administrative apparatus, overseeing the exploitation of natural resources (see Seelkopf, Chapter 5, this volume). Because of their potentially dramatic impact on the economic prosperity of different social groups, tax politics are often highly conflictual, which may explain political scientists' preoccupation with the redistributive function of taxation (see Haffert, this volume; Kemmerling & Truchlewski, this volume).

Finally, tax policy can help to stabilize the economy. In times of crisis, policymakers have tried to provide stimulus via the supply side through corporate tax cuts, and via the demand side through reductions in taxes on consumption. They may also enable taxpayers to defer tax payments into the future or make targeted rebates and exemptions more generous. Inversely, tax increases could prevent speculative bubbles and the crises they entail by making short-term financial transactions less attractive. Financial transactions taxes have been in place in at least 16 countries at one time or another, the oldest example being the United Kingdom's stamp duty, which is still in place today. Given the global integration of financial markets, these taxes were also proposed in the Group of 20 and the European Union (EU) after the financial crisis of 2007–2008. Owing to resistance from the financial sector, however, none of these proposals has so far been implemented (see Metinsoy, this volume).

2.3 Tax Types

Next to differentiating between purposes of taxation, scholars have also identified several types of taxes. The most widespread categorization is between direct and indirect taxes. The former category includes taxes on income, corporate profits, wealth, inheritance, and property. Natural and legal persons declare the corresponding tax bases in their tax returns and pay taxes due directly to the state.³ The latter category comprises taxes on consumption, including the value-added tax (VAT)⁴ and other general sales taxes, as well as targeted excises on tobacco, alcohol, energy, and emissions. These taxes are ultimately paid by the consumer but transferred to the state by the vendor. Direct taxes are commonly considered to be progressive in modern societies.⁵ Many income tax systems combine a tax-free amount with a disproportionate increase of the tax rate as income rises. Hence, low-income earners usually pay a smaller share of their income in taxes than high-income earners. At the same time, other direct taxes fall exclusively on the owners of financial assets and immovable property, who are – by definition – wealthier than people without property. In contrast, indirect taxes are commonly considered to be regressive, because low-income earners usually consume a larger share of their income than high-income earners.

The categorization of taxes according to their presumed distributive impact is, however, a subject of ongoing theoretical debate and empirical investigation. Many countries in Eastern Europe, for instance, introduced flat taxes during the 1990s, which do not increase with the income of taxpayers. Here, everyone pays the same rate, making the tax proportional rather than progressive (Appel, 2011). Similarly, many Western countries have introduced dual-income tax systems, providing for a reduced rate on capital income. Given that the share of interest, capital gains, and dividends increases with overall income, such rebates make the income tax regressive at the top (Ganghof, 2006). Many scholars argue, moreover, that the true incidence of taxes on capital falls on labor, as shareholders react to higher taxes by requesting

higher returns from corporations, which cut jobs and wages in response (see Kemmerling & Truchlewski, this volume). The progressivity of capital taxation thus becomes a political question: can trade unions and/or the state prevent shareholders from shifting the tax burden towards labor or not? Finally, policymakers can also make indirect taxes progressive by introducing higher rates for luxury products or the transfer of property.⁶ In some developing countries, indirect taxes are *de facto* progressive as many people live and consume outside the formal economy. Nevertheless, they are less progressive than direct taxes and will become more regressive as informality decreases.

Another important categorization is between easy- and hard-to-collect taxes. The literature usually identifies customs and head taxes as easy to collect. The former only requires officials at a few points of entry, whereas the latter is easy to assess. Corporate income taxes are also relatively easy to collect, as tax administrators only need to assess the few big firms to collect the majority of revenues. In contrast, VAT and personal income taxes are commonly considered hard to collect. Their implementation presupposes a largely formal economy and requires a large number of administrators with considerable expertise in monitoring transactions and assessing income. Accordingly, scholars often associate the introduction of hard-to-collect taxes with a substantial increase in fiscal capacity and the emergence of the modern tax state (see Kiser, this volume; Seelkopf, Chapter 5, this volume). Against this background, international organizations have created programs to assist developing countries in shifting the focus of their tax systems from easy- to hard-to-collect taxes. This is a reaction to international tax competition, which puts pressure on corporate taxes (see Swank, this volume; Lierse, this volume), and convenient from a free-trade perspective, since the transition involves the abolition of customs duties (see Bastiaens, this volume).

2.4 Principles of Taxation

Depending on their type and precise implementation, taxes have different consequences for the allocation and distribution of resources in society. Accordingly, policymakers need to justify their choices and they usually do so by drawing on one of four principles: equal treatment, ability to pay, compensation, and efficiency. Which principle policymakers choose often follows from the material consequences of proposed reform for their core constituencies (see Berens & Gelepithis, this volume; Castañeda, this volume). Whether citizens find the normative justification of proposed tax reform convincing or not then impacts their support of the measure and their willingness to comply (see Berens & Gelepithis, this volume; Guerra & Harrington, this volume).

What is a fair tax system? Proponents of the equal treatment principle argue that the state has an obligation to treat its citizens as equals. Just like there should be equality before the law and in political participation – as embodied in the norm one person one vote – the tax system should treat all citizens the same. That is, all taxpayers should pay the same rate irrespective of their income level. Taxes on consumption respect this principle as they apply equally to all transactions without regard to the economic prosperity of the respective consumer. Moreover, policymakers usually invoke the equal treatment principle when justifying flat taxes on income. At the same time, the equal treatment principle could also justify a head tax, which imposes the same lump-sum payment on all citizens but does not seem particularly fair to us today. This criticism notwithstanding, the equal treatment principle has been a powerful

weapon in political debate on tax reform, fielded mostly by opponents of redistribution from the rich to the poor (Scheve & Stasavage, 2016, p. 6).

In contrast, advocates of redistribution argue that paying a certain share of income in tax is a larger sacrifice for people who are barely able to cover their basic needs than for people who save or invest most of their income. Accordingly, a flat tax does not imply the same sacrifice for all. Consider two taxpayers, who both pay 25 percent of their income in tax. The first taxpayer earns €1 million, the second €40,000 a year. Whereas paying €250,000 may prevent the first taxpayer from buying a holiday home, paying €10,000 may prevent the second taxpayer from going on holidays at all. Therefore, proponents of redistribution argue that people should be taxed based on their ability to pay.⁷ This principle is embodied in today's progressive income tax systems, which impose higher rates on higher incomes. Still, the principle has been criticized from two angles. First, opponents argue that ability to pay ignores how income was earned. Maybe the first taxpayer deserves the holiday home because of the effort she put in to earn €1 million a year. Second, critics question the applicability of ability to pay. Where exactly should policymakers set progressive tax rates when individual sacrifice is hard to measure and varies from person to person (Scheve & Stasavage, 2016, pp. 26–32)?

Whereas the equal treatment principle resonates mostly with right-leaning – and the ability to pay principle mostly with left-leaning – voters and policymakers, arguments based on the two remaining principles have in the past reached across this political divide. First, a growing literature on compensatory fairness shows that the state's failure to treat citizens as equals may give rise to demands for compensation, which have the potential to persuade right-leaning voters and policymakers of the need for redistribution. Scheve and Stasavage (2016) show that wars of mass mobilization – during which governments draft predominantly young and poor people into the army, whereas old and wealthy people benefit from an expanding war economy – produced substantial increases in top-income and inheritance tax rates. Moreover, Limberg (2019, 2020) demonstrates that banking crises have repeatedly enabled compensatory arguments, given that wealthy capital owners benefitted from expanding financial markets, whereas governments socialized the cost of the resulting crises. Like wars, these crises translated into tax increases on the highest incomes, albeit at a more modest level. It remains to be seen whether inequalities exacerbated by the coronavirus pandemic will underpin similar demands for compensation in the future.

A second set of arguments with substantial appeal across the main political divide is based on claims of efficiency. A tax is considered efficient when it produces a relatively large amount of revenue with a relatively small impact on economic activity, and at relatively low administrative cost. The VAT, for instance, is often considered efficient because it taxes the value added at every stage of the value chain at relatively modest rates. This leads to large revenues without discouraging any particular economic activity. Right-leaning governments often like the tax because it enables tax cuts on wealth and income, whereas left-leaning governments often like the tax because the revenue it produces enables redistribution on the spending side (see Haffert, this volume; Kemmerling & Truchlewski, this volume). Conversely, progressive taxes on income and wealth are often considered inefficient, as they are believed to discourage domestic saving and investment, encourage cross-border capital flight, and require large administrations. As left-leaning governments bought into corresponding arguments, they often reduced taxes on capital income, wealth, and corporate profits (see Lierse, this volume; Swank, this volume). Yet, the efficiency of progressive taxes crucially depends on the level of international cooperation against tax evasion and avoidance (see Crasnic & Hakelberg,

this volume; Hearson & Rixen, this volume). If the owners of capital lack an exit option, they become more likely to invest domestically despite an increasing tax burden. Hence, the optimal tax rate on capital rises with the level of international cooperation – that is, administrative effort (Saez & Zucman, 2019).

3. THE CAUSES AND CONSEQUENCES OF TAX POLICY

3.1 The Drivers of Taxation

The thrust of the literature on comparative public policy focuses on explanatory factors falling within one of these three broad categories. Research on tax policy is no different. Interests play the main role in the literature on fiscal bargains, for instance, which explains how rulers and ruled agree on the type and level of taxes. Whereas rulers want to maximize revenue to finance their politics, the ruled want to limit tax payments and obtain control over government spending. The ideal typical result is an exchange of increased taxation for political representation (see Kiser, this volume; Andersson, this volume). Focusing on more recent times, the literature on partisan politics argues that political parties choose tax policies that match the interests of their core voter constituencies. Traditionally, center-left parties catered to workers, whereas center-right parties catered to capital owners. Recent research shows, however, that political representatives of all political leanings have become more responsive to the richest members of their respective constituencies (see Berens & Gelepithis, this volume; Limberg, this volume). Similarly, the literature on business power suggests that lobbying from employer organizations moves tax policy outcomes away from voter preferences (see Castañeda, this volume).

Before political actors can reveal their interests through policy, vote, or investment decisions, however, they need to form beliefs about what their interests are. Is it, for instance, in the interest of business to minimize tax payments to zero, or would this imperil infrastructure, the rule of law, and human capital formation on which their activities rely? Similarly, is it in the interest of the poor to tap the rich and redistribute their wealth into their own pockets, or would this rather endanger their jobs and long-term prosperity? The answer to these questions depends on the ideas political actors have about the likely redistributive or allocational consequences of tax policy choices. Such ideas can be shaped by personal attitudes and experience (see Berens & Gelepithis, this volume), but they may also be altered by powerful narratives proposed by the media, lobbyists, and experts (see Metinsoy, this volume; Kemmerling & Truchlewski, this volume). There is, for instance, ongoing debate over the question whether the threat of cross-border capital flight, which caused policymakers across the world to cut taxes on capital income and corporate profits, is an actual material constraint or a powerful neoliberal idea (see Lierse, this volume; Swank, this volume).

Finally, institutions, including political regimes, tax systems, welfare state structures, or international agreements, define the range of possible tax policy choices. By fostering voluntary compliance, representative institutions may, for instance, enable the introduction of hard-to-collect taxes on income and consumption (see Andersson, this volume; Haldenwang, this volume). Likewise, increasing an established tax is often easier for policymakers than introducing a new tax, given that taxpayers are used to paying the former, whereas they are uncertain about the future impact of the latter; whence the saying “old taxes are good taxes.”

Next to established forms of revenue collection, established forms of spending also impact tax policy choice. Center-left parties may, for instance, be more inclined to introduce regressive consumption taxes, if they expect the additional revenue will bolster welfare spending. Such expectations may be supported by the likelihood of coalition governments determined by the electoral system (see Haffert, this volume). Conversely, some voters may resist tax increases, if they believe that the welfare state will distribute the benefits to the “undeserving poor” (see Berens & Gelepithis, this volume).

Although relevant institutions are often located at the same political level as decision making on taxation, this is by no means always the case. The leeway municipalities or regions enjoy in setting tax policy is usually determined by constitutional arrangements at the federal level, which in turn reflect established principles of subsidiarity, efficiency, and accountability (see Garmendia Madariaga, this volume). At the same time, national tax policy choices are also affected by the level of international coordination. The establishment of an international tax system preventing the double taxation of cross-border investment contributed to the globalization of capital markets, thereby increasing competitive pressure on capital taxation at the national level (see Eccleston & Johnson, this volume; Hearson & Rixen, this volume). Similarly, the EU’s decision to liberalize capital movements within the common market, while leaving the taxation of capital income and corporate profits wholly under the control of member states, intensified tax competition inside the union (see Römogens & Roland, this volume).

Conversely, international institutions can also curb the risk of capital flight, thereby giving effective sovereignty over capital taxation back to national parliaments (Ahrens et al., 2020; Hakelberg & Rixen, 2020). The establishment of a multilateral regime for the automatic exchange of information on bank accounts has, for instance, recently curbed the ability of private households to hide foreign income from the tax office (see Crasnic & Hakelberg, this volume). Similarly, the adoption of country-by-country reporting at the EU and global levels now makes it easier for national tax authorities to identify mismatches between a company’s economic activity and its reported profits (see Römogens & Roland, this volume). More fundamentally, international coordination is most likely the only way in which a digital economy that no longer relies on physical presence to deliver its goods and services may be taxed in the future (see Christensen & Lips, this volume). As the spread of VAT in developing countries – fostered by aid and consultancy from the International Monetary Fund – already foreshadowed (see Bastiaens, this volume), national tax systems could thus be increasingly shaped by policy scripts developed by international organizations and technical experts.

3.2 The Effects of Tax Policy

Whichever tax policy results from the interaction of the above factors has important consequences for central objects of investigation in political science. As briefly discussed in the introduction, the wish to expand taxation has often obliged rulers to engage in state building. Bureaucracies had to be created to assess and collect taxes, whereas political rights had to be granted to foster voluntary compliance on the part of taxpayers. But the fiscal bargain underpinning the tax state did more than just increase the legitimacy of new taxes. The regularization of revenue collection also reduced the risk of ad hoc expropriations, thereby contributing to the securing of property rights. Moreover, parliaments’ increased control over government spending provided elites with a lever to influence policy. As a result, the state began to use

tax revenue to invest in public goods such as an independent judiciary, public infrastructure, and education, which in turn underpinned the expansion of economic activity (see Kiser, this volume; Andersson, this volume). This is why the capacity to tax is often used as a synonym and best measure of general state capacity (Rogers & Weller, 2014). Given the positive effect the exchange of taxation for representation has often had on economic growth, contemporary international organizations are keen on fostering domestic revenue collection in developing countries (see Bastiaens, this volume). The underlying idea is that governments, which rely on domestic taxation instead of resource rents or foreign loans, become more responsive to the demands of taxpayers.

Next to economic and political development, taxation also has a substantial impact on economic and social inequalities. Because of a wave of regressive tax reforms since the 1980s, which have shifted the tax burden from capital to labor and consumption, income and wealth inequality has increased in virtually all industrialized countries. By increasing taxes on top incomes and wealth, governments could counter this trend. But despite popular opposition to rising inequality, a reversal of the general tax policy trend has not yet materialized (see Limberg, this volume). Class inequalities are, however, not the only type of economic inequality that is affected by taxation. Colonial tax systems exploited natives and forced them to pay for their own subjugation (see Seelkopf, Chapter 5, this volume). The South African apartheid regime established a progressive income tax system that enabled redistribution from rich whites to poor whites, but excluded people of color, thereby exacerbating racial inequalities (Lieberman, 2003). Likewise, the shape of the income tax system may also perpetuate gender inequalities by providing incentives for single-earner married couples, while penalizing the lower-earning (mostly female) partner in double-earner couples and unmarried couples (see Seelkopf, Chapter 13, this volume). Finally, taxation may also produce inequalities between firms. By not taxing energy-intensive sectors, governments fail to curb climate change and potentially disadvantage more energy-efficient firms (see Schaffer, this volume). Governments also need to find ways to tax a digital economy that no longer relies on physical presence to interact with customers. Otherwise, they violate the equal treatment principle regarding online and offline businesses, which provide the same service (see Christensen & Lips, this volume).

Whereas increased state capacity may enable governments to reduce class inequality by redistributing domestically, it may also underpin power differentials at the international level, which may contribute to the creation and perpetuation of global inequality. The fiscal bargain struck between the British Crown and Parliament after the Glorious Revolution, for instance, did not only extend budgetary control to the commons. It also enabled Britain to finance and win the Nine Years War against France (North & Weingast, 1989). Subsequently, its superior fiscal-military apparatus enabled Britain to first rule the seas and later project power across a globe-spanning empire (Brewer, 1990; Sharman, 2019). The British government's ability to tax expanding commerce and industrial activity thus underpinned colonial expansion, the legacy of which still curbs the economic performance of many developing countries today (Acemoglu et al., 2001; Nunn, 2008). Similarly, power asymmetries between parties to a bilateral tax treaty bias the resulting distribution of taxing rights to the detriment of developing countries (Hearson, 2018). Because of an initial lack of resources, governments may be forced to renounce substantial amounts of future revenue from the taxation of cross-border economic activity. This may prevent investment in public goods at home, while boosting profits abroad, the likely result being the reproduction of global inequality.

4. THE STUDY OF TAXATION IN POLITICAL SCIENCE: BIASES, BLIND SPOTS, AND FUTURE RESEARCH

While political science is still underrepresented in the research on taxation, this handbook shows how much the discipline has to offer in furthering our understanding of what drives tax policy and how in turn taxation affects state capacity and societal inequalities. Many questions facing societies today cannot be answered without a deeper understanding of the politics of taxation – simulating the optimal tax mix is not enough if we do not understand how to get there. We need more interdisciplinary research to understand the political economy of taxation. The insights the handbook offers range from studies of individual preferences to the politics of international organizations. They cover developed and developing countries, autocracies and democracies, taxes of the past and taxes of the future. Yet, there remain blind spots, on which future research should shine a light. We identify three important ones: missing taxes, missing groups, and missing regions. Let's discuss each in turn.

First, the majority of studies focus on three taxes: personal and corporate income taxes and VAT. From a revenue perspective, the personal income tax was considered the queen of taxes in the early and mid-twentieth century, whereas VAT has taken over as the most promising revenue-raising tool today – especially in developing countries. Yet, this ignores other important tax instruments such as trade taxes, which raised a lot of money throughout history and still do so in many developing countries, and social security contributions, which though not strictly taxes, bring more money into governments' coffers in countries such as the Netherlands, France, or Estonia than any of their taxes. From a redistributive perspective, scholars in recent decades have focused heavily on the effects of global tax competition on the ability of governments to tax mobile capital. The most prominent indicator in this regard has been the corporate income tax rate. Other taxes with strong redistributive effects such as net wealth, inheritance or property taxes, or taxes that curb tax competition such as financial transactions taxes remain understudied. Likewise, the taxation of the digital economy, which has huge distributive effects between individuals, sectors, and countries, requires more attention from a political science point of view (see Christensen & Lips, this volume for first insights). And finally, taxes with a strong regulatory impact are also often ignored in political science research. Especially the political feasibility of green taxes, which have a very prominent place in energy research and global discussions on how to limit the climate crisis, remain underexplored (but see Schaffer, this volume).

Second, when it comes to the behavior and preferences of individuals, researchers mostly focus on differences along economic or ideological lines.⁸ They analyze whether rich or poor people are more likely to cheat on their taxes or whether left-leaning voters support a bigger and more redistributive tax state (see Limberg, this volume; Guerra & Harrington, this volume; Berens & Gelephitis, this volume). Yet other important groups remain largely ignored. We still know very little about the differences between male and female taxpayers or how taxation affects different ethnic groups. Even in experiments, where the analysis of subgroup effects is becoming the norm at least as robustness checks (Neumayer & Plümper, 2017, ch. 11), average treatment effects dominate. This might reflect tight research budgets that do not allow for large enough samples to test for subgroup effects. Yet, part of this oversight might also be explained by the nature of the researchers themselves. The majority of articles are written by white male scholars, whose personal experience may divert their attention away from topics predominantly affecting other groups (see also Seelkopf, Chapter 13, this volume). This bars

Note: MCP = multiple-countries publication; SCP = single-country publication.

Source: Web of Knowledge, 6 December 2019.

Figure 1.3 Countries of authors' affiliation, based on the 500 publications with the most citations within political science on "tax" and "taxation"

the way towards better-tailored tax policy choices and towards a clearer understanding of who benefits and who loses.

Lastly, the vast majority of tax research is based on empirical insights from developed democracies. As Figure 1.3 illustrates, it is not difficult to understand why. With the exception of Brazil, the authors of the 500 top tax publications in political science all stem from the Western world.⁹ The United States and Europe dominate tax research and they mostly focus on what they know and where they live – potentially also due to data availability issues that individual researchers face. As understandable as this might be from a human perspective, it leaves huge knowledge gaps for the study of taxation. How do we know that theories developed and tested in the West explain tax policy choices elsewhere? Western-dominated donor organizations such as the International Monetary Fund or the World Bank often advise the developing world to implement taxes that work well in the West. Yet, as the story of the personal income tax has shown, this might not always be good advice. As we have seen, external enemies have often rallied people around the tax flag and increased tax volumes and progressivity in the West. The underlying fiscal contract might look very different in former colonies, where modern taxes were not introduced to fight a common enemy, but by the enemy to subjugate the native population (see Seelkopf, Chapter 5, this volume). And whereas a stable party system along class lines drives political cleavages in the West (and therefore explains the strong focus on class-based redistributive coalitions), politics looks very different in other world regions, where the majority of people live (see Berens & Gelepithis, this volume). Not only are many

countries not democratic, but political systems are much less stable and cleavages along ethnic or religious lines often dominate class-based politics. Currently we observe two trends that are promising in allowing researchers to overcome these problems. First, there are new and large data-gathering initiatives that provide data on tax systems outside the developed world for all to use (see e.g. Prichard et al., 2017; Albers et al., 2020; Seelkopf et al., 2019). Second, the causal inference turn makes survey, lab, and field experiments in developing countries suddenly more attractive as they are on average cheaper to implement there.

In sum, we hope that future research incorporates many more voices from a variety of scholars around the globe and starts filling in the blind spots our discipline still has when it comes to the politics of taxation. Political science as a discipline has much to offer in understanding differences across regimes and individuals. Its wide range of applied research methods and its openness to other disciplines makes it the ideal candidate to study how politics helps or hinders the implementation of new taxes and how they in turn affect the local, national, or international system in which they emerge. Taxes are the “source of life” for the state (Marx, 2008, p. 128), a “sinew of power” (Brewer, 1990, p. 88). Studying them allows us to discern “the thunder of world history” (Schumpeter, 1918, p. 332), as they provide us with a “blueprint for uncovering the most fundamental arrangements in society” (Henricks & Seamster, 2017, p. 169). Against this background, we invite all readers to join the contributors to this volume on an intellectual journey towards the heart of politics.

NOTES

1. Taxation under communism remains a very interesting, but understudied subject. Some communist countries such as Yugoslavia still had sectors of the economy that were market-based and hence applied taxes to them. Others such as Russia formally taxed its companies, but de facto these taxes were mere accounting instruments in state-owned enterprises that were entirely decided by the ruling elite and not based on real economic value or consistent rates. Given the dominance of (various forms of) capitalism, the chapters in the handbook all focus on the politics of taxation in market-based economies.
2. Based on a Web of Knowledge search on 23 November 2020, political science (economics) has published 4501 (2859) articles on the “welfare state” or “social policy” and 1572 (13,552) on “taxation.”
3. At least traditionally; the system of tax withholding, where the payer of an income, i.e. a company, rather than the recipient of the income, i.e. the employee, transfers the tax to the government has greatly increased tax compliance and efficiency.
4. Value-added taxes are today’s most common form of consumption tax. Different to their predecessors, they do not tax every transaction at a (low) rate, but only tax the added value of a transaction. This encourages production of goods across companies and countries and also makes tax evasion harder as everyone in the chain of a transaction has to evade the tax.
5. Historically, direct taxes were often very regressive as they targeted the heads and huts of the poor and often exempted the rich. Indirect internal and external trade taxes were in these cases often the more progressive form of taxation (see e.g. Kiser, this volume; Seelkopf, Chapter 5, this volume).
6. Yet, similar to lower rates on essential items, this is a very crude measure as the rate still applies to the good or service consumed and not to the ability to pay of the consumer. In general, indirect taxes are not a good instrument for redistribution. Here, direct taxes on wealth and income for redistribution at the top and progressive social spending (paid for instance by indirect taxes) at the bottom are better policy tools.
7. A similar principle in economics is vertical equity, meaning that across the income spectrum, people who earn more should pay at least as much if not more than people that have less. Horizontal equity in turn refers to the type of income. Independent of its source, the same amount of income should

be taxed at the same level. Tax systems that treat for instance foreign and domestic firms or income from labor and capital differently go against this principle.

8. Interestingly enough, this is even true for political science research that does not care about taxation per se. Many use the position of individuals or political parties on taxation to classify them in a left–right political spectrum. Here again taxation becomes an important indicator, but the topic itself remains neglected.
9. This is probably the result of two selection effects. First, despite the much larger population, there are simply fewer universities and scholars in the Global South. Due to the scarcity of educated personnel they also often have to fulfill important roles in running their country, which leaves much less time for research. Where such research exists, it often is written in languages other than English and follows a different logic than a typical research article in top English-speaking journals. Both of these mechanisms make it much harder for scholars from the Global South to publish in peer-reviewed Northern journals and publishing houses.

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