# A1: List of countries

|  |  |
| --- | --- |
| **Income tax share** | **PIT introduction** |
| Argentina | Argentina |
| Austria | Belgium |
| Belgium | Bolivia |
| Brazil | Brazil |
| Canada | Canada |
| Chile | Chile |
| Colombia | Colombia |
| Denmark | Costa Rica |
| Ecuador | Denmark |
| Finland | Ecuador |
| France | France |
| Italy | Germany |
| Japan | Greece |
| Mexico | Mexico |
| Netherlands | Netherlands |
| Norway | Paraguay |
| Paraguay | Peru |
| Peru | Portugal |
| Portugal | Spain |
| Spain | Sweden |
| Sweden | United States |
| United Kingdom | Uruguay |
| United States | Venezuela |
| Uruguay |  |
| Venezuela |  |

# A2: Descriptive statistics

Table A2:1: Summary statistics

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Variable | Mean | Std. dev. | Min. | Max. | N |
| Income tax share | 15.8 | 13.6 | 0 | 71.5 | 1342 |
| Oversight | .336 | .242 | .017 | .947 | 11998 |
| Left HoG | .088 | .284 | 0 | 1 | 2259 |
| Rural elite | .212 | .409 | 0 | 1 | 21998 |
| ln(per capita GDP) | 7.84 | .935 | 4.90 | 12.31 | 9706 |
| War | .095 | .293 | 0 | 1 | 16971 |
| Suffrage | .388 | .427 | 0 | 1 | 20463 |
| Soc. Policy laws | 1.01 | 1.75 | 0 | 6 | 21998 |

# A3: Unit root tests

I report results from the inverse *χ*2 test since the number of panels is finite.



# A4: Error Correction Models

The long-run multiplier (calculated using the Bewley transformation) is 23.9 and is significant at the 1 percent level.



# A5: Robustness checks

Below I present results for a number of robustness checks. First, I redo the analysis using the entire sample of democratic and undemocratic states. The results for the income tax share remain unchanged while legislative oversight is not related to tax introductions. This suggest that my argument indeed is better suited for non-democratic states.

Second, I include a number of additional controls. Populous states, and states with particular legal traditions may face lower costs of introducing new taxes (Mulligan and Shleifer 2005). Whether a country had experienced democracy before, and the degree of elite cohesion (Korchmina 2021) might also have an impact on revenues and the likelihood of PIT adoption. The results do not change in a meaningful way when adding these additional controls.

Finally, I explore interaction effects between institutional oversight and war, ideology of government, ethnic fractionalization, and suffrage. In the analysis of tax revenues, I find no conditional effect of war, ideology, or suffrage. Similar to previous research (Albers et al 2020), I find that ethnic fractionalization conditions the impact of institutions.

In the analysis of tax introductions, I find a measurable interaction effect between institutional oversight and ideology and war. While interesting in their own right, these findings do not change the overall conclusions in the paper.

# A5.1: Including democracies

Table A5.1.1: Income tax share

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | (1) | (2) | (3) | (4) | (5) | (6) |
| Institutional oversightt-1 | 15.51\*\* (5.808) | 1.923\*\*\* (0.665) | 14.19\* (7.689) | 0.732\* (0.390) | 2.158\*\*\* (0.625) | 2.015\*\*\* (0.694) |
| Income tax sharet-1 |  | 0.907\*\*\* (0.0186) |  | 0.951\*\*\* (0.0109) | 0.907\*\*\* (0.0190) | 0.906\*\*\* (0.0188) |
| Left HoGt-1 |  | -0.234 (0.214) | 0.704 (1.811) | -0.381\* (0.198) | -0.217 (0.212) | -0.209 (0.216) |
| Rural elitet-1 |  | -0.348 (0.437) | 0.885 (2.926) | -0.519 (0.372) | -0.328 (0.410) | -0.258 (0.409) |
| ln(per capita GDP)t-1 |  | 0.667 (0.437) | 1.668 (5.072) | 0.531\*\* (0.208) | 0.703 (0.429) | 0.682 (0.453) |
| Wart-1 |  | 0.0262 (0.294) | -0.119 (2.390) | 0.366 (0.328) | 0.0670 (0.303) | 0.0193 (0.300) |
| Suffraget-1 |  |  |  |  | -0.620 (0.904) |  |
| Social policy legislationt-1 |  |  |  |  | 0.127 (0.0941) | 0.111 (0.0918) |
| Country FE | YES | YES | YES | NO | YES | YES |
| Time FE | YES | YES | YES | YES | YES | YES |
| Observations | 3127 | 2548 | 2605 | 2548 | 2548 | 2548 |
| R2 | 0.510 | 0.961 | 0.488 | 0.961 | 0.960 | 0.960 |
| Number of countries | 31 | 31 | 31 | 31 | 31 | 31 |

Country-clustered robust standard errors in parentheses

\* *p* < 0.10, \*\* *p* < 0.05, \*\*\* *p* < 0.01

Table A5.1.2: PIT-adoption

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | (1) | (2) | (3) | (4) | (5) |
| Institutional oversight | 1.132\*\* (0.512) | 1.809 (1.970) | 1.779 (2.491) | 1.546 (1.472) | 1.384 (1.722) |
| Left HoG |  | 0.723 (0.962) | 0.633 (1.197) | 0.716 (0.671) | 0.655 (0.797) |
| Rural elite |  | 0.135 (0.505) | -0.168 (0.629) | 0.132 (0.499) | -0.117 (0.547) |
| ln(per capita GDP) |  | -0.189 (0.811) | -0.0284 (1.263) | -0.125 (0.637) | 0.103 (0.804) |
| War |  | 0.637 (0.577) | 0.938 (0.781) | 0.759 (0.834) | 1.039 (0.900) |
| Suffrage |  | -2.536 (1.667) | -4.108\*\* (2.018) | -2.377 (1.530) | -3.884\*\* (1.701) |
| Social policy legislation |  | 0.385\* (0.216) | 0.586\*\* (0.289) | 0.355\* (0.200) | 0.540\*\* (0.222) |
| INH |  |  | 0.368 (0.777) |  | 0.293 (0.665) |
| SSC |  |  | -0.229 (1.228) |  | -0.230 (0.748) |
| CIT |  |  | 1.847\* (1.082) |  | 1.686\*\*\* (0.618) |
| GST |  |  | 0.722 (1.164) |  | 0.707 (0.809) |
| Constant | -3.791\*\*\* (0.419) | -0.771 (6.437) | -2.484 (9.915) | -0.534 (4.671) | -2.713 (5.824) |
| Observations | 5121 | 1104 | 1104 | 1104 | 1104 |
| Number of countries | 103 | 25 | 25 | 25 | 25 |
| Duration dependence | Yes | Yes | Yes | Yes | Yes |
| Europe FE | Yes | Yes | Yes | Yes | Yes |

Models 1-3: logit with country-clustered standard errors. Models 4-5: logit with PMLE function.

\* *p* < 0.10, \*\* *p* < 0.05, \*\*\* *p* < 0.01

# A5.2: Interaction effects

The models below are all based on model 5 from Table 1 in the paper. This is the most demanding model in terms of controls. Data on ethnic fractionalization is from Montalvo and Reynal-Querol (2005). Note that ethnic fractionalization does not vary over time so is omitted from the table (because of the inclusion of country fixed effects).

Table A5.2.1: Income Tax Share

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (1) | (2) | (3) | (4) |
| Income tax sharet-1 | 0.887\*\*\* (0.0222) | 0.889\*\*\* (0.0230) | 0.879\*\*\* (0.0238) | 0.887\*\*\* (0.0229) |
| Institutional oversightt-1 | 2.622\*\* (1.073) | 2.319\*\* (1.034) | 6.913\*\*\* (1.841) | 4.345\* (2.482) |
| Wart-1 | -0.0289 (1.149) | -0.0717 (0.447) | -0.0178 (0.412) | 0.0667 (0.354) |
| Wart-1 X Institutional oversightt-1 | -0.102 (1.913) |  |  |  |
| Left HoGt-1 | -0.795 (0.484) | -1.161 (1.008) | -0.736 (0.492) | -0.787 (0.488) |
| Rural elitet-1 | -0.612 (0.544) | -0.619 (0.545) | -0.510 (0.491) | -0.546 (0.555) |
| ln(per capita GDP)t-1 | 2.267\* (1.215) | 2.289\* (1.170) | 2.337\*\* (1.113) | 2.045\* (1.180) |
| Suffraget-1 | 0.493 (1.498) | 0.501 (1.481) | 0.226 (1.379) | 1.996 (2.559) |
| Social policy legislationt-1 | 0.348 (0.279) | 0.328 (0.269) | 0.366 (0.255) | 0.347 (0.250) |
| Left HoGt-1 X Institutional oversightt-1 |  | 1.013 (2.320) |  |  |
| Institutional oversightt-1 X Ethnic fractionalizationt-1 |  |  | -10.67\*\*\* (2.987) |  |
| Institutional oversightt-1 X Suffraget-1 |  |  |  | -2.892 (3.570) |
| Constant | -18.51\*\* (8.595) | -18.51\*\* (8.400) | -19.63\*\* (7.830) | -17.99\*\* (7.976) |
| Country FE | YES | YES | YES | YES |
| Time FE | YES | YES | YES | YES |
| Observations | 839 | 839 | 838 | 839 |
| R2 | 0.927 | 0.928 | 0.913 | 0.927 |
| Number of countries | 25 | 25 | 24 | 25 |

Country-clustered robust standard errors in parentheses

\* *p* < 0.10, \*\* *p* < 0.05, \*\*\* *p* < 0.01

The models below are all based on model 3 from Table 2 in the paper.

Table A5.2.2: Results for tax introductions

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (1) | (2) | (3) | (4) |
| Institutional oversight | 8.578\*\* (3.674) | 14.77\*\* (6.353) | 11.67\* (6.100) | 7.939\* (4.250) |
| War | -63.18\*\*\* (22.67) | -2.826 (1.809) | -6.412\* (3.449) | -4.883\* (2.788) |
| War X Oversight | 82.39\*\*\* (30.19) |  |  |  |
| Rural elite | -1.882\* (0.996) | -1.534\* (0.830) | -2.094\* (1.093) | -1.926\* (1.009) |
| ln(per capita GDP) | -1.835 (1.736) | -2.991 (2.143) | -1.656 (1.954) | -1.867 (1.753) |
| Suffrage | -0.129 (2.369) | -0.120 (2.293) | 1.375 (3.267) | -1.888 (6.531) |
| Social policy legislation | 0.438 (0.301) | 0.651\* (0.367) | 0.458 (0.338) | 0.412 (0.349) |
| INH | -0.164 (0.778) | -0.504 (0.855) | -0.448 (1.266) | -0.110 (0.868) |
| SSC | 1.103 (1.310) | 2.149 (1.845) | 0.781 (1.393) | 1.168 (1.420) |
| CIT | 2.949\*\*\* (0.879) | 3.623\*\*\* (0.737) | 1.175 (1.063) | 2.906\*\*\* (1.082) |
| GST | 1.785\* (0.986) | 2.775\*\* (1.301) | 2.009\*\* (0.906) | 1.696\* (1.008) |
| Left HoG | 1.318 (0.923) | 8.700\*\*\* (2.761) | 1.204\* (0.702) | 1.302 (1.013) |
| Left HoG X Institutional oversight |  | -16.94\*\*\* (5.339) |  |  |
| Ethnic fractionalization |  |  | 9.632 (7.683) |  |
| Institutional oversight X Ethnic fractionalization |  |  | -3.608 (8.989) |  |
| Institutional oversight X Suffrage |  |  |  | 3.366 (11.01) |
| Constant | 5.905 (13.19) | 7.085 (16.00) | -5.935 (16.22) | 6.584 (13.38) |
| Observations | 926 | 926 | 882 | 926 |
| Number of countries | 23 | 23 | 22 | 23 |
| Duration dependence | YES | YES | YES | YES |
| Europe FE | YES | YES | YES | YES |

Country-clustered robust standard errors in parentheses

\* *p* < 0.10, \*\* *p* < 0.05, \*\*\* *p* < 0.01

# A5.3: additional controls

The models below are using the same specification as model 5 of Table 1 in the paper. Data on legal origins come from La Porta et al (2008). Elite cohesion is proxied by the V-Dem legislative party cohesion variable, which measures whether it is normal for members of the legislature to vote with other members of their party on important bills. Data on population and previous democracy are also from V-Dem (Coppedge et al 2020).

Table A5.3.1: Income Tax Share

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (1) | (2) | (3) | (4) |
| Income tax sharet-1 | 0.886\*\*\* (0.0216) | 0.885\*\*\* (0.0225) | 0.887\*\*\* (0.0205) | 0.875\*\*\* (0.0250) |
| Institutional oversightt-1 | 2.552\*\* (1.060) | 2.460\*\* (1.063) | 3.228\* (1.639) | 3.349\*\* (1.508) |
| Left HoGt-1 | -0.817 (0.489) | -0.802 (0.484) | -0.764 (0.484) | -0.715 (0.492) |
| Rural elitet-1 | -0.535 (0.548) | -0.576 (0.567) | -0.690 (0.536) | -0.622 (0.429) |
| ln(per capita GDP)t-1 | 2.912\* (1.418) | 2.136\* (1.152) | 2.370\* (1.192) | 2.076\* (1.123) |
| Wart-1 | -0.0425 (0.429) | -0.0842 (0.438) | 0.0474 (0.482) | -0.0171 (0.463) |
| Suffraget-1 | 0.454 (1.544) | 0.416 (1.499) | 0.455 (1.535) | -0.164 (1.533) |
| Social policy legislationt-1 | 0.349 (0.260) | 0.359 (0.264) | 0.357 (0.270) | 0.481 (0.291) |
| Previous democracyt-1 | 1.053 (1.048) |  |  |  |
| Ln(population)t-1 |  | 0.780 (1.414) |  |  |
| Legislative party cohesiont-1 |  |  | 0.217 (0.385) | -0.526 (0.424) |
| Institutional oversightt-1 X Legislative party cohesiont-1 |  |  |  | 1.732\*\* (0.656) |
| Constant | -23.32\*\* (10.19) | -24.44 (16.82) | -19.22\*\* (8.448) | -16.82\* (8.189) |
| Country FE | YES | YES | YES | YES |
| Year FE | YES | YES | YES | YES |
| Observations | 839 | 839 | 828 | 828 |
| R2 | 0.917 | 0.930 | 0.921 | 0.921 |
| Number of countries | 25 | 25 | 24 | 24 |

Country-clustered robust standard errors in parentheses.

\* *p* < 0.10, \*\* *p* < 0.05, \*\*\* *p* < 0.01

Table A5.3.2: PIT adoption

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | (1) | (2) | (3) | (4) | (5) |
| Institutional oversight | 8.386\* (4.405) | 9.503\*\* (4.467) | 8.773\*\* (4.166) | 9.228\*\* (4.210) | 8.636\*\* (4.280) |
| Left HoG | 1.343 (0.914) | 1.362 (0.885) | 1.355 (0.941) | 1.128 (0.961) | 0.879 (0.776) |
| Rural elite | -1.874\* (1.023) | -2.010\* (1.099) | -1.918\* (1.003) | -2.179\*\* (0.939) | -1.646 (1.174) |
| ln(per capita GDP) | -1.737 (1.933) | -2.092 (1.997) | -1.859 (1.752) | -1.786 (1.689) | -2.913 (1.920) |
| War | -4.248\* (2.320) | -4.919\* (2.771) | -4.330\* (2.245) | -4.325\* (2.346) | -0.884 (2.077) |
| Suffrage | -0.291 (2.645) | -0.0730 (2.408) | -0.258 (2.651) | -0.360 (3.044) | -0.233 (2.920) |
| Social policy legislation. | 0.448 (0.310) | 0.471 (0.309) | 0.439 (0.307) | 0.361 (0.339) | 0.945\*\*\* (0.339) |
| europe1 | -2.677\*\* (1.151) | -2.991\*\* (1.292) | -2.635\* (1.505) | -3.047\*\* (1.383) | -1.009 (1.327) |
| INH | -0.231 (0.865) | 0.0734 (1.180) | -0.182 (0.868) | -0.343 (0.958) | -0.800 (1.895) |
| SSC | 0.989 (1.428) | 1.129 (1.261) | 1.133 (1.196) | 1.219 (0.969) | 1.950\*\*\* (0.625) |
| CIT | 3.035\*\*\* (0.831) | 3.187\*\*\* (0.911) | 3.063\*\*\* (0.868) | 3.146\*\*\* (0.767) | 1.803\*\* (0.914) |
| GST | 1.648\* (0.957) | 1.701\* (0.972) | 1.693 (1.098) | 1.742 (1.126) | 1.124 (0.894) |
| Previous democracy | 0.273 (0.760) |  |  |  |  |
| ln(population) |  | 0.214 (0.507) |  |  |  |
| Legislative party cohesion |  |  | 0.0535 (0.579) | -1.082 (0.934) |  |
| Institutional oversight X Legislative party cohesion |  |  |  | 2.121 (1.825) |  |
| Legal origin: UK |  |  |  |  | 37.24\*\*\* (12.86) |
| Legal origin: France |  |  |  |  | 2.683\*\*\* (0.849) |
| Constant | 5.415 (13.78) | 5.916 (13.14) | 5.905 (13.47) | 4.509 (13.85) | -138.0 (105.8) |
| Observations | 926 | 926 | 919 | 919 | 759 |
| Duration dependence | YES | YES | YES | YES | YES |
| Europe FE | YES | YES | YES | YES | YES |
| Number of countries | 23 | 23 | 22 | 22 | 20 |

Country-clustered robust standard errors in parentheses.

\* *p* < 0.10, \*\* *p* < 0.05, \*\*\* *p* < 0.01

Note: Indicators for German, Scandinavian, and Socialist legal origin are all included but omitted from the analysis. There are no countries with socialist legal origin in the sample, German legal origin predicts failure perfectly, and Scandinavian legal origins are picked up by Europe FE.

# A6: Tax Swap

Figure A6.1 below shows the share of revenue from taxes on international trade before and after the adoption of the PIT. The sample only includes non-democratic states. The figure looks identical if all countries are included. Figure A6.2 shows overall revenues before and after PIT-introduction

Figure A6.1: Customs revenue and PIT adoption.

Chart, scatter chart

Description automatically generated

Years before and after PIT-introduction

Figure A6.2: Tax revenues before and after PIT-adoption

Chart, scatter chart

Description automatically generated

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