Title of Workshop:	The New Politics of Taxation

Outline of topic:	The global financial crisis exposes the need to take a fresh look at the politics of taxation. Current international orthodoxy would have it that governments should not increase taxes. They should manage public finances through downward pressure on spending, because markets impose limits on states' revenue-raising efforts. However, the new fiscal sociology of the state prompts us to take a long view of historical and cross-national variations in tax policy (Martin et al., 2009). There may be multiple equilibria in the tax-spending mix. The tax system is not only the product of technical decision, but is profoundly shaped by political and social interests, including international obligations such as those arising from participation in European Economic and Monetary Union. Moreover, consistent, effective, and equitable tax policy implementation and tax compliance cannot always be assumed. Tax policy, in other words, is deeply political. Who pays tax, and how much they pay, is at the heart of politics itself. There is much to learn about the underlying politics of taxation. This Workshop brings political science and political economy perspectives to bear on the analysis of taxation. The aim is to identify the key analytical and methodological challenges, and to consider how these can be addressed. Key questions include these: 1. How have governments responded to the political challenge of funding the state in the last decades, in both good and bad times? What accounts for variation in the balance struck between tax and spending? 2. How can we best explain variation in the composition and distributive consequences of different tax mixes? What is the role of interests, institutions and ideas in shaping the evolution of tax policies? 3. Do markets impose limits to the state's capacity to extract revenues from society – is there a limit to the 'tax state'? 4. Why is tax implementation more problematic in some countries than others? How is tax compliance best explained?

Relation to existing research:	Compared with the extensive literature on welfare states, taxation has attracted surprisingly little attention from scholars working in political science and political economy. Important recent contributions have come from economic sociology (Martin et al., 2009). The current financial crisis is raising new questions about taxation, spending, and, debt which require systematic attention (Streeck, 2014, Mian and Sufi, 2014). The recent work of Thomas Piketty on wealth and inequality points to the importance of taxation not only in the politics of distribution, but also in shaping the functioning of markets themselves (Piketty, 2014, Atkinson and Piketty, 2014). It is timely to ask a range of questions about the politics of taxation. This workshop will focus on four themes: 1. fiscal crisis and the fiscal underpinnings of the welfare state; 2. the composition and incidence of taxation; 3. the boundaries of the tax state; 4. tax administration and tax compliance.

1. Fiscal crisis is as much an issue of under-funding as over-spending

Democratic demand for the expansion of welfare services did not follow a uniform timescale. While the richer countries already had developed welfare states by the 1970s, relatively poorer countries in Europe were still developing theirs over the following decades, requiring an expansion in the tax take to match increases in welfare commitments (Guillén and León, 2011, Ferrera, 2005, Flora, 1987).

New pressures to reform the funding of welfare programmes have swept across Europe over the last two decades. These require not only building social consent to changes in welfare entitlements, but negotiating changes in the tax underpinnings of social spending, and there are wide variations in the outcomes of these reform programmes (Hemerijck, 2012, Häusermann, 2010).

Different profiles of vulnerability to the effects of financial crisis has raised new questions about 'fiscal headroom': the Scandinavian countries' pre-crisis fiscal surplus contrasts with hidden fiscal vulnerabilities of countries such as Ireland and Spain (Dellepiane-Avellaneda et al., 2013). Then again, the priority accorded to maximizing tax revenue can undermine other social and economic objectives (Gehlbach, 2008).

There is a lot of variation in the discourse surrounding the scope for tax adjustment; the political actors driving change and the resistance they encounter; and the institutional mechanisms through which change is achieved or opposed (Martin and Gabay, 2013).

These issues extend well beyond Europe too. Japan has oscillated between cutting taxes to provide stimulus, and raising taxes to fix the deficit. In contrast, increasing tax capacity is central to the new anti-poverty politics in middle-income countries such as Brazil and Argentina (Bergman, 2003, Brautigam et al., 2008, Kato and Rothstein, 2006, Eccleston, 2007).

2. The composition and incidence of taxation is deeply political

The modern neo-classical synthesis in economics sees tax policy as a technical, optimizing exercise (Mirrlees et al., 2011a, Mirrlees et al., 2011b). But the profile of the tax system and the distribution of the tax burden should also be seen as historically conditioned and path-dependent (Martin et al., 2010, Levi, 1988, Skocpol, 2008, Morgan and Prasad, 2009). We need to analyse the evolution of tax policy priorities 'in time and space' (Hall, 2010, Pierson, 2004), and over a long *durée* (Daunton, 2007a, Dellepiane-Avellaneda and Hardiman, 2014, in press, Cardoso and Lains, 2010, Daunton, 2007b).

The composition of taxes may have important consequences for both production incentives and distributive outcomes. The effects of corporate tax on investment are not straightforward, and corporate tax and income tax policies can interact in complex ways (Ganghof and Genschel, 2008, Swank and Steinmo, 2002). Ideas about what is appropriate in tax policy have changed over time: while progressive income tax was broadly taken for granted until the 1980s, a 'level playing field' with few bands and lower rates became the international norm (Steinmo, 2003, Genschel and Schwarz, 2011).

Building and sustaining democratic support for high levels of taxation to support welfare programmes is problematic. In Denmark, for example, high income tax is the key. Then again, Junko Kato found that resilient welfare spending depends, paradoxically, not on progressive tax structures, but on strong regressive taxation. In the US, in contrast, the trend in recent decades has been toward the upward redistribution of income through tax changes favourable to the rich and super-rich (Ganghof, 2005, Kato, 2003, Hacker and Pierson, 2010). Ireland has long used tax incentives to achieve a wider range of economic and social objectives than other countries (Christensen, 2013, Hardiman, 2002, Hardiman et al., 2006).

Partisan-based explanation of variation is insufficient by itself. The outcomes of tax policy decision-making are also mediated by institutional frameworks, and by the prevailing framework of ideas – including the international diffusion of norms affecting tax policy priorities – that shape policy preferences in national politics (Ganghof, 2007, Goldscheid, 1958, Hardiman, 2002, Skocpol, 1985, Steinmo, 2003, Steinmo, 1993).

	3. The boundaries of the tax state remain uncertain The limits to the state's capacity to raise taxes are contested. Classic authors thought that the rise of the tax state would be self-limiting; in more recent times, many predicted a secular fiscal crisis of the state (Schumpeter, 1954, O'Connor, 2001). What ensued, however, was the co-evolution of spending commitments and revenue capacity, but with different patterns (Besley and Persson, 2011). Some countries (especially Scandinavia) stabilized at a high-tax, high-spend equilibrium; others at a low-tax, low-spend level (eg Ireland, many post-communist countries). Some were able to move both tax and spending smoothly upward (e.g. Spain, Portugal), while elsewhere the fiscal gap constantly risks widening (Greece, Italy). Some authors have argued that globalization itself imposes limits on the tax capacity of the modern state, since in the absence of effective cross-national economic governance, competitiveness pressures force countries to adopt market-conforming adjustments. States are thus compelled to hold down their tax rates (including but not only corporate tax), and therefore their welfare commitments, to prevent capital flight, with implications for democratic legitimacy (Palan et al., 2010, Streeck, 2010, Pierson, 2001, Genschel, 2002, Ganghof and Genschel, 2008). In the wake of the global financial crisis of 2008, the 'orthodox' stance held that spending cuts were preferable to tax increases as a means of stimulating recovery. However, the validity of these claims has been widely challenged, not least by the IMF (Kumar et al., 2007, Leigh, 2010). States may still have scope for political choice, depending on variation in their susceptibility to international pressures (Deeg and Pérez, 2000, Ganghof, 2000). **4. Effective tax administration and extensive tax compliance is a puzzle, not a given** There is wide variation in states' capacity to implement effective tax regimes and to ensure broad-based tax compliance. For example, Sweden had reformed its tax collection system by the mid-19th century, while Greece's fiscal deficit during the crisis would have been significantly less if the revenue system had been efficient and effective (Teorell and Rothstein, 2012, Kaplanoglou and Rapanos, 2013). The design of the Greek tax administration can be seen as the product of long-term path-dependent evolution. But many other countries also have sizeable 'black' economies and problematic tax policy implementation (Murphy, 2012). The sequencing of state-building and democracy can have profound implications for the development of the state's fiscal capacity (D'Arcy, 2012). But compliance rates can be hindered by the availability of tax havens that limit the reach of national or even regional regulatory and compliance requirements (Shaxson, 2012, Palan et al., 2010). A growing literature suggests that the behaviour of taxpayers is shaped to a considerable extent by institutional design and institutional practice (Picciotto, 2007, Bergman, 2003), and that the political legitimation of tax regimes depends on building trust in good governance (Uslaner, 2008, Daunton, 2007a, Rothstein, 2011). New developments in behavioural economics can also cast light on variations in individuals' tax compliance (Leviner, 2008, Sunstein, 2013, Shafir, 2012).

Type of Papers required:	This Workshop invites papers addressing any of the themes outlined here, and answering any of the questions we have posed concerning the politics of taxation. How have governments responded to the political challenge of funding the state in the last decades, in both good and bad times? What accounts for variation in the balance struck between tax and spending? How can we best explain variation in the composition and distributive consequences of different tax mixes? What is the role of interests, institutions and ideas in shaping the evolution of tax policies? Do markets impose limits to the state's capacity to extract revenues from society – is there a limit to the 'tax state'? Why is tax implementation more problematic in some countries than others? How is tax compliance best explained?

	We are interested in identifying the key analytical and methodological challenges involved, with a view to developing a cross-national research programme on the politics of taxation. We hope the Workshop will make it possible to build a strong scholarly network from which publication plans can be developed. Diverse methodological approaches are welcome. We welcome mixed-method research design (Goertz and Mahoney, 2012, Gerring, 2010). Papers based on comparative large-N quantitative analysis are welcome. So too are qualitative comparative case studies, theoretically selected, to provide structured-focused comparative analysis, using analytic narrative and process-tracing techniques (Tarrow, 2010, Bennett, 2010, Rodrik, 2003, Grzymala-Busse, 2011). We expect that these issues will mostly attract papers from people working in political science and political economy, but we are open to papers from other disciplines, as long as they clearly address the political aspects of any of the questions raised here. We encourage papers analysing non-European as well as European experiences. This Workshop welcomes an appropriate mix of early-stage and established researchers.

Biographical notes:	**Niamh Hardiman** teaches in the School of Politics and International Relations at University College Dublin. She studied in Dublin and Oxford, and is a former Fellow and Tutor in Politics at Somerville College, Oxford. Her research interests include the politics of economic governance and comparative public policy. She has published in journals including *West European Politics, Irish Political Studies, Economic and Social Review, Public Administration*, and has recently edited *Irish Governance In Crisis* (Manchester University Press, 2012). She is currently leading a collaborative research project, funded by the Irish Research Council, on 'The political economy of the European periphery', with Sebastian Dellepiane, Spyros Blavoukos, and George Pagoulatos, for a book that is under contract with Oxford University Press. Email: Niamh.Hardiman@ucd.ie **Sven Steinmo** is known for his contributions in the fields of comparative politics, public policy and institutional theory. He has been awarded multiple international honours over his career including the *Riker Prize* for the best book in Political Economy (APSA), the *Gabriel Almond Prize* for the best dissertation in Comparative Politics (APSA) as well as the *German Marshall Fellowship*, the *Abe Fellowship* and the *STINT Advanced Researcher Grant*. Steinmo's most recent book, *The Evolution of the Modern State: Sweden, Japan and the United States* was recently awarded the *Gunnar Myrdal Prize* (2011), by the European Association for Evolutionary Political Economy. Professor Steinmo currently holds the Chair in Political Economy at the European University Institute (EUI) in Florence, Italy. He is also a Senior Visiting Research Fellow at Nuffield College, Oxford University and an Honorary Professor at the University of Southern Denmark, Odense, Denmark. In 2012 he received a major five-year European Research Council Advanced Grant to conduct research on his project, 'Willing To Pay? Testing Historical Arguments with Experiments'. Email: Sven.Steinmo@eui.eu

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