Dear CPW,

Not too much to read from me this week! This began as a comprehensive overhaul of my prospectus, and now has been pared back to the most basic elements of my “puzzle” and theory. (It’s never a good sign when you delete more from the document than you add in any given sitting.) I would appreciate your feedback on the motivation, initial theoretical insight, and potential steps toward formally modeling this. Also, I would love to hear if you think the large-N data sources I cite at the end will indeed be helpful when it comes to empirical applications. (I am sorry I haven’t included much on my plan for the “small-N” case studies yet. This will be wrapped into grant proposals for fieldwork that I am working on separately.)

Thank you in advance for reading, and for your feedback!

Best,

Diana
Revenue Generation in New States and Other Transitional Contexts

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(Draft Research Proposal)

1. Introduction

“When I called Acting Governor Hussein Maar…to ask him about the future plans to address the insecurity in Jonglei state, he says they don’t [have] resources to do the job. It is understandable to claim that there are no resources but where and when will the resources come?”

– Philip Thon Aleu, South Sudanese journalist, on the provision of security and policing in one of South Sudan’s restive regions (“Is there a need for state government in Jonglei?,” Sudan Tribune, 23 Oct 2013).

Weak states underprovide basic goods and services to their population, including security and infrastructure. They are unsuccessful at redirecting revenue from private production toward public gain, and alternative sources of funding may be both costly to obtain and volatile. In such contexts, from “where and when will the resources come” is a nagging question for both political leaders and citizens. My dissertation will follow a long tradition of research that aims to understand why some states are more successful at mobilizing revenue than others. This proposal outlines the first part of my project, which focuses on new and aspiring states. I will analyze the financing strategies of political organizations over the course of their evolution from secessionist or independence movements to, in some cases, governing powers in newly recognized states. In doing so, I will aim to answer the intermediate question: does the sequence of institutional development in a new state influence the ease with which revenue is mobilized in the future?1 In particular, I hypothesize that popular expectations about government spending patterns matter in determining compliance with revenue mobilization strategies, and that such expectations can be

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1 Throughout this paper, I will use the terms “secessionist movement” and “independence movement” interchangeably. Like Coggins (2011), I include both secessionist and anticolonial independence movements in my population of interest, as “[b]oth are attempts to separate from one state to form a newly independent state,” (Coggins 2011, 437). Since the population of interest includes both secessionist/independence movements and new states, I will often use the term “political organization” to refer to any individual unit from my population of cases. Thus, “political organization” in this context may refer to an as yet unsuccessful secessionist movement or a newly established state.
informed by an organization’s history of governing prior to achieving statehood. These expectations may vary across states or within states, geographically and over time.

I do not assume that any moment on an organization’s trajectory is a “critical juncture,” generating either irreversible or even strongly path-dependent outcomes. Instead, I plan to formulate and test an argument about how, and under what conditions, early fiscal strategies and outcomes matter for the state’s future revenue production. Because the scope of this project will examine political organizations at all stages of the state formation process, including some that are not as-of-yet recognized states, it will intersect with a rapidly developing area of research on governance within non-state movements (Weinstein 2005, Mampilly 2011, Arjona 2013). Additionally, because state formation can be a violent process, this focus also intersects with work on conflict and post-conflict institution building.

The rest of this proposal proceeds as follows. In section (2), I review existing research on state formation and revenue mobilization. In section (3), I present my initial theoretical insights about the role of popular expectations in facilitating compliance. In section (4), I describe initial strategies for empirical analysis. A small-N analysis will involve detailed case analyses of Fatah and the Palestinian Liberation Organization (PLO) in the West Bank and the Sudanese People’s Liberation Movement/Army (SPLM/A) in South Sudan. A large-N analysis will supplement an existing dataset on secessionist and independence movements (Coggins 2011) and will create another dataset on worldwide tax rebellions. Section (5) concludes and discusses a possible extension of the project to include not only state formation, but also cases of regime change.

2. Existing Literature

There is a large body of literature on the role of taxation in state formation, and an increasing amount of work is being done on cases other than those in Western Europe. Below, I

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discuss how my work will build on this existing research. In addition, the dominant narrative explaining weak fiscal contracts in the developing world continues to be the “resource curse” argument in its various forms. In resource-dependent states, the incentives for establishing compliance-based fiscal exchange between the state and its population are minimal. However, cases of new state formation necessarily entail a change in the state’s resource base and/or the actors involved in fiscal extraction. Below, I describe why our expectations during such transitional moments remain under-theorized.

**Taxation and State Formation**

Taxation has been an integral part of the formation of the state according to numerous scholars of the Western European experience. For some, the very definition of the state depends on its ability to raise revenue from the local population. North (1981) describes the state as “an organization with a comparative advantage in violence, extending over a geographic area whose boundaries are determined by its power to tax constituents,” (21, emphasis added) while Levi (1988) famously claims that “[t]he history of state revenue production is the history of the evolution of the state,” (1). Modern states, according to this literature, have needed sustainable revenue extraction strategies to survive and flourish. In one of the most widely cited theories of state formation, Tilly (1992) argues that extractive institutions initially set up to finance war and the control of territory become important for administering and providing services to local populations. Bargaining with capital-holders and local populations over extraction was embedded in the process of state formation. According to Tilly, convergence on the sovereign “national state” model of governance was partially a result of these successful extractive strategies.
More recent scholarship has probed the apparent virtuous cycle between taxation, state capacity development, and democracy. Historical and contemporary examples abound of excessive extraction by the state. As Evans (1995) describes, Mobutu Sese Seko’s regime in today’s Democratic Republic of the Congo “systematically looted Zaire’s vast deposits of copper, cobalt, and diamonds, extracting vast personal fortunes” for the regime while “[i]n return for their taxes, Zairians could not even count on their government to provide minimal infrastructure” and basic goods, such as roads, degenerated.3 Further, casual observation teaches us that people often resist taxation, whether through open rebellion, as studied in some of the social movement literature, or through more private forms of tax evasion, which behavioral economists and others have examined (see Slemrod 2007 for a review). The development of fiscal capacity does not have unconditionally positive effects on states and societies. For example, in a study of a number of Western European countries, Dincecco (2011) argues that fiscal centralization only spurred positive fiscal and economic outcomes when it was coupled with constraints on executive power.

Understanding when new tax systems defuse, as opposed to enflame, sources of social conflict is critical, especially for today’s aspiring states. What is different about state formation today? Unlike historic cases, today’s new and aspiring states show us that extractive capacity can, and often does, develop well after the development of distributive capacity. Secessionist movements often obtain access to initial funding from foreign patrons, natural resource rents, or more nefarious forms of plunder and do not set up regulated forms of taxation until after they have begun to provide, at a minimum, security and protection for the population and, sometimes, additional goods and services. In many ways, this turns the traditional state-building process on

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3 In the same vignette, Evans also describes the regime’s brutal response to the killing of a state tax collector: “two detachments of soldiers...killed seven hundred of the local people. Later fourteen men were hanged as ‘ringleaders’ in the tax collector’s death,” (43).
its head: protection and services are provided before popular compliance is even sought whereas, according to early European accounts, these processes went hand-in-hand.

*The Resource Curse*

In particular, much of the research on taxation in developing countries attributes its relative weakness to some variety of the “resource curse,” or the apparent correlation between dependence on natural resource rents and suboptimal political outcomes. “In the interests of a better-governed world,” Moore (2008) notes, “we should be thinking of ways of reducing the financial dependence of many of the poorest countries on aid and natural resource rents,” (in Brautigam et al. eds, 2008, 37). A number of scholars have explored the contingencies and mechanisms underlying this theory (see e.g. Okruhlik 1999, Herb 2005, Dunning 2008, Luong and Weinthal 2010). I hope to to build on this body of work by focusing on contemporary cases during moments when resources, actors, and institutions of revenue mobilization are undergoing change.

I argue that there can be expectations of responsiveness and accountability without taxation. Even prior to the establishment of a robust tax system, local populations will learn how political and military elites manage funds and allocate resources and sometimes will attempt to influence how these resources are spent. When tax systems are implemented, a population’s willingness to comply may be affected by these early experiences.

3. **Theoretical Contribution: Institutional Change and Revenue Generation**

My dissertation will develop and test a theory of the relationship between early practices of fiscal exchange between governing organizations and their populations and the ease with which revenue is mobilized in newly independent states. An initial hypothesis is that popular expectations matter in determining whether they will (voluntarily) comply with revenue
extraction. In settings where a political organization (a secessionist or independence movement, e.g.) has had the opportunity to govern prior to achieving statehood, individuals will gain information about the organization’s spending priorities and whether they are likely to benefit from these or not. In the event that independence/secession is achieved and this organization assumes power, popular compliance with revenue extraction in the new state will be influenced by this prior information. For example, early experiences with the Sudanese People’s Liberation Movement/Army (SPLA/M) while they were fighting against the Sudanese government and other factions in South Sudan will influence compliance with the revenue-generating policies of the new South Sudanese government, in which the SPLM is the ruling party.

On the other hand, in contexts where a political organization takes power in a new or transitioning state without a prior history of governing – i.e. when the diaspora-based Fatah leaders came back to the Palestinian Territories from exile in Tunisia to govern the newly-created Palestinian Authority in 1994 – there is much more uncertainty in popular expectations about spending patterns and goods provision. Note that this does not yet generate predictions about whether average levels of compliance will be higher or lower in either setting. A model that compares equilibrium outcomes with and without updating will assist me in generating more concrete predictions about overall levels of compliance in each setting.

As mentioned earlier, it is not frequently argued that popular expectations about government services matter in resource-dependent states. A couple of anecdotes may help to illustrate the point. In December 2012, sensing general apathy about the upcoming Palestinian Authority municipal elections, I asked a friend in the West Bank whether she planned to vote. She laughed and said: “When I see some gardens or new streets in my neighborhood, then I will

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4 Note that both South Sudan and the West Bank derive the majority of their revenues from non-tax resources, so in this informal comparison, we are holding resource dependence somewhat “constant.”
vote! Until then, I will not.” (see Greenwald 2013). The Palestinian Authority, an aspiring state, derives about one-half of its operating budget from foreign aid, not tax revenues. Still, she expected tangible results from government spending. In some cases, governing organizations may be expected to operate under an exchange-based model with their population even when reliance on taxation is low.

Additional anecdotal evidence supports the idea that reputation matters. For example, in Northern Bahr al-Gazal state of the newly independent South Sudan, local officials reportedly arrested over 100 individuals for failure to pay a household tax of 30 South Sudanese pounds. A resident commented:

“Frankly speaking, I do not know why these taxes are collected. I am not opposed to collection but what is it that the government does with these taxes[?] We know people collect these taxes during the war in order to support the SPLA soldiers who were fighting voluntarily but why now since we are already an independent state[?]” (Sudan Tribune, 2013).

While a single quote in isolation cannot tell us much, it does reflect an interesting shift in perceptions of the governing organization as it transitioned from resistance movement to governing power in a newly recognized state.

4. Data and Research Design

Small N analysis: Cases of Palestine and Sudan-South Sudan

Ideally, my fieldwork will consist of both interviews and a survey in at least one location. I plan to speak to individuals who were supporters, members, and leaders of Fatah/PLO (in the Palestinian Territories) and the SPLA/M (in Sudan/South Sudan), and also those who were merely witnesses to the development of these organizations over time. Through these interviews, I will attempt to reconstruct narratives of the extractive policies of these organizations as they developed and levels of resistance.
In at least one location, I hope to run a survey experiment to assess levels of tax evasion. List and endorsement experiments are promising methods for eliciting truthful responses to sensitive questions (see Corstange 2012 for a recent example, and Blair and Imai 2012 for proposed statistical estimation techniques). However, hidden forms of evasion that occurred much earlier in time, prior to the conducting of the survey, will be almost impossible to capture due to the lack of documented records and error in individual recall. My measurement of tax resistance for earlier periods of history (i.e. those that I cannot access through surveys) will need to rely on documented accounts of open rebellion or resistance to extractive policies.

Large N analysis

A dataset compiled by Coggins (2011) includes all secessionist movements from 1931 to 2010: 256 movements in total. While her dataset includes various variables on the conflict environment, the structure of the movement, and its eventual outcome, it does not include variables on taxing and spending patterns. My goal is to add several variables to the dataset, coding all movements for revenue sources, forms of extraction, and levels of public goods provision. Since coding all movement-years seems unrealistic, I will likely focus on only the few years leading up to the year the movement achieved independence or ended unsuccessfully. In any case, this will be a labor-intensive effort, since public fiscal records are not available for a majority of these organizations prior to obtaining independence, and thus it will require archival research to fill in the gaps. Missing data may still pose a challenge.

Ultimately, this will allow me to test for relationships between pre-independence governance patterns and movement success (in achieving secession or independence). Of course there are lots of other variables to consider that may shape a movement’s ultimate success, however if I am able to show a systematic relationship between revenue sources and state
formation, this suggests that changes to these practices after the state is recognized may affect compliance and resistance patterns.

I am limiting my attention to more recent cases of state formation via secession or independence in the 20th and 21st century (and thus I exclude cases of early European state formation, for example). This decision was made for several reasons. First, existing theories of state formation have not been adequately extended to more recent cases, as discussed earlier. Thus, this study will provide an opportunity to relate more contemporary experiences to existing theories. Second, all future state formation will have to take place through secession or partition of some kind. Thus, to maximize the relevance of this study to future generations of scholars and policymakers, I focus on the contemporary cases.

A second data source for me will be Burg (2004)’s *A World History of Tax Rebellions*. This encyclopedia documents hundreds of instances of tax resistance from ancient Babylonia through 2002. I intend to transform Burg’s catalog into a dataset, coding each rebellion on a number of salient features, such as: (1) Did the rebellion occur in a new state or where a new governing authority was in power? (2) Was it in response to a new tax or an increase/change to existing tax? (3) Who were the main participants? (4) Was it successful (i.e. in getting the policy repealed)? From this, I should be able to extract descriptive statistics and conduct further multivariate analysis to explore conditions associated with rebellion. (Burg’s database appears to have over 250 cases after 1500 and even more if pre-1500 examples are included.) While open rebellion is only one form of non-compliance, its correlates may be of interest for studying other forms of non-compliance (i.e. tax evasion).

5. Conclusion [FORTHCOMING]
Works Cited


Comparative Politics 31(3): 295-315.


