

ABSTRACT: DO VISIBLE TAXES CAUSE PROTEST? TAX INSTITUTIONS AND TAX PROTEST  
IN RICH DEMOCRACIES

Under what conditions are people willing to pay for the welfare state? A growing literature in political sociology argues that the visibility of taxation is a crucial variable: expensive welfare states are only sustainable if they are based on "invisible" consumption taxes that provoke little protest. We provide new theoretical foundations for this hypothesis and derive observable indicators of visibility for various taxes. We then test the hypothesis on a new comparative data base of tax protest in thirteen OECD countries over a 35-year period. We employ multilevel logistic regression models that allow us to compare taxes within observation occasions within countries. We find that taxes do indeed differ systematically in their vulnerability to protest, but that the differences are not those predicted in the literature: consumption taxes are the most likely to provoke protest. Self-assessment renders taxes more visible, and withholding at source renders taxes less visible. Although these institutional differences are consequential for variance across taxes, they do not account for cross-national differences in tax protest. We conclude that the advantage of consumption taxes for large welfare states does not lie in any supposed immunity from protest. Our findings thus lend support to the alternative hypothesis that the advantage of consumption taxes for large welfare states lies instead in their favorable treatment of capital.

The paper has not yet been presented at any conference, and we would love the opportunity to discuss it at RC-19. A draft of the full paper is available at this address:

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