

War, Inequality, and Redistribution

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Abstract

Why do governments redistribute? A recent literature argues that mass war mobilization was responsible for fiscal redistribution because conscription raised the compensatory demand for taxation on the rich during the World Wars. This demand-side explanation of fiscal redistribution, however, ignores the mechanism through which large-scale wars destroy elites' wealth and therefore reduce their willingness to supply redistribution to the poor. In this article, we argue that war mobilization leads to a class conflict in which the poor want compensatory redistribution in exchange for conscription and the rich want lower taxes because they expect war-related losses of their wealth. War leads to fiscal redistribution when elites lack economic resources to prevent redistributive policies. By contrast, war mobilization is unlikely to lead to higher taxes or even leads to lower taxes for the rich when elites remain economically powerful vis-à-vis the poor. Using the data on top income shares as an indicator of elites' economic prowess, we find robust empirical support for our argument that elites' share of national income conditions how war mobilization shapes the trajectories of tax regimes for a sample of up to 18 countries from the late 19th century to the 2010s.

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Introduction

Why do some societies redistribute more than others? This fundamental research question of redistributive politics has puzzled scholars of both American and comparative politics. Recent research has demonstrated that elected officials in the U.S. rarely care about the policy preferences and interests of low-income Americans (Gilens and Page 2014). Empirical studies have found that American legislators from both the Republican and Democratic parties primarily represent the interests of the rich (Bartels 2008; Gilens 2012). Scholars of comparative political economy have sought explanations of redistribution in social and ethnic divisions, as well as the notion of fairness.

In this article, we investigate the roles of war mobilization and inequality in shaping the policy outcomes of redistributive politics. Previous studies focus on the demand side of redistribution by exploring factors that shape elites' willingness to make redistributive concessions, or the poor's demand for redistribution. For instance, a number of studies argue that mass conscription generates a compensatory demand among the poor for more redistribution and that elites are more likely to impose higher taxes on the rich in response to the poor's wartime sacrifice (Scheve and Stasavage 2010; 2012; 2016). The seminal literature on inequality proposes that varying levels of inequality affect the extent to which the rich are willing to grant the poor more redistribution or representation (Acemoğlu and Robinson 2006; Boix 2003; Houle 2009).

While war mobilization compels the poor to seek more redistribution, it also induces the rich to seek lower taxes because the rich expect war-related losses of their economic assets. Wars create a sharp preference divergence between the rich and the poor over national redistributive policies. The existing literature's focus on demand-side explanations, however, cannot make theoretical predictions on who wins this class conflict. Assuming that the relative economic power of the rich vis-à-vis the poor is critical in understanding the policy outcomes of this class conflict over redistribution, one of the determinants of redistributive policies is the level of economic inequality between the rich and the poor.

When the rich do not wield enormous economic influence, war mobilization leads to fiscal redistribution as the poor's compensatory demand dominates the policymaking process. By contrast, war mobilization is unlikely to lead to higher taxes on the rich or even leads to lower taxes when elites can use their immense influence to capture government policies.

Our theoretical framework conceptualizes war mobilization as producing demands that exacerbate the class conflict over redistribution, and economic inequality as a supply-side factor that determines the extent to which the rich can capture the national policymaking process. We explicitly model how war affects the relative economic influence of the rich vis-à-vis the poor by interacting mass war mobilization with inequality. Our empirical analysis with data of up to 18 countries between the late 19th century and the 2010s provides a number of tests of the fairness argument and whether rising inequality leads to more redistribution. From our analysis of national tax policies, we show that war leads to higher inheritance and income taxes for the rich when the rich possess less income, but leads to lower tax rates for the rich when the rich wield more economic influence.

In this article, we first elaborate on the causal mechanisms driving these results. Using the difference-in-differences framework, we then conduct several empirical analyses of inheritance and income taxes by interacting the war mobilization variable in Scheve and Stasavage (2016) with the data on top income shares assembled by Alvaredo et al. (2016). The evidence suggests that mass war mobilization does not always lead to higher taxes for the rich and that economic inequality, operationalized by top income shares, plays a critical role in shaping the politics of redistribution, especially during war. Furthermore, we find strong evidence that an increase in economic inequality leads to *less* redistribution and that war exacerbates this negative correlation between economic inequality and redistribution. Our results imply that we cannot conceptualize economic inequality as a determinant of elites' willingness to grant redistribution to the poor. Instead, it is more plausible to think of economic inequality as the ability of the rich to capture national economic policies.

In short, we agree with Scheve and Stasavage (2010; 2012; 2016) that mass war mobi-

lization elicits a compensatory demand for redistribution among the poor as a result of conscription. The studies, however, overlook how war mobilization can simultaneously accentuate the rich's aversion to higher taxation. We argue that economic inequality conditions whose policy preferences manifest into redistributive policy outcomes. Based on our results, we agree with Alesina and Glaeser (2004, pp. 59) that governments in unequal societies tend to engage in less redistribution because "in countries with greater income inequality, the poor may not have enough political influence and hence may not be able to extract much redistribution from the rich." The political effects of inequality are better understood when scholars think of inequality as the rich's relative economic influence and their ability to influence policies. When modeled properly with a variable that indicates shifting societal preferences (i.e. war), variation in inequality has significant predictive power in explaining redistributive policy outcomes over time.

Supply and Demand of Redistribution

Standard political-economy models of redistributive politics focus on the societal cleavages between the rich and the poor. On the one hand, the demand-side explanations deduce societal preferences in favor of or against redistribution based on societal actors' income or wealth. The supply-side explanations then explore whether these societal actors are more capable of translating their policy preferences into actual policy outcomes. For instance, the seminal model of redistributive politics originally proposed by Romer (1975) and developed by Meltzer and Richard (1981) (henceforth RMR) focuses on the preferences of the median voter as a decisive factor in shaping redistributive policy outcomes. Since the median voter possesses the pivotal vote required to win an election (Downs 1957), extending the franchise to poorer segments of society should increase the level of income redistribution by shifting the median voter's income downward. As reelection-minded policymakers accommodate the poor median voter's preference for more redistribution,

they are more likely to impose higher taxes on the rich. In short, the RMR model makes two general assumptions about the demand for and the supply of redistribution from the perspective of the median voter. First, the median voter *supplies* policy outcomes. Second, the poorer median voter is more likely to *demand* redistribution.

Scholars interested in the demand-side explanations have examined the role of economic inequality in shaping society's aggregate demand for redistribution. For instance, if the rich prefer lower taxes and the poor prefer higher taxes, greater degrees of inequality should lead to higher levels of taxation since it is in the median voter's interest to redistribute the income of the rich (Persson and Tabellini 1994; Alesina and Rodrik 1991). While within-country empirical evidence conforms to the predictions proposed by the RMR model (Kenworthy and Pontusson 2005; Milanovic 2000), cross-national empirical evidence shows a negative correlation between inequality and taxation (Bénabou 1996; Moene and Wallerstein 2001). One explanation for this empirical divergence is that individuals do not see all redistribution as the same. For instance, individuals may oppose redistribution to an out-group because they view the exchange as less fair than redistribution to their in-group members (Tajfel et al. 1971). Studies operationalizing these group dynamics have shown that individual preferences for redistribution vary across salient social divisions, such as race and class (Luttmer 2009; Alesina and Ferrara 2002), and that these group preferences do indeed aggregate to account for cross-national differences in redistributive policies (Alesina and Glaeser 2004; Lupu and Pontusson 2011).

Other scholars have paid more attention to the supply-side explanations, specifically whether democratization increases the level of redistribution by shifting the ideal point of the median voter. Despite the elegant framework of the RMR model, empirical evidence has been mixed with both supportive (Lapp 2004; Persson and Tabellini 2003; Rodrik 1999; Acemoglu and Robinson 2000; Boix 2003) and contrary (Gradstein and Milanovic 2004; Perotti 1996; Acemoglu et al. 2013) findings on the impact of democracy on redistribution. Other studies emphasize the causal role of other factors on the supply side, including

electoral rules (Persson and Tabellini 2003) and government partisanship (Iversen and Soskice 2006).

A recent literature focuses on the principle of fairness across social groups to explain the within-country variation in redistribution over time. For instance, progressive taxation systems are fair only if the redistribution is meant to compensate for other burdens that have been distributed unjustly (Murphy and Nagel 2002). Taking the canonical emphasis on fairness in politics, Scheve and Stasavage (2010; 2012; 2016) argue that war mobilization raised the compensatory demand for taxation during the First (WWI) and Second World Wars (WWII), resulting in higher taxes on the rich. In other words, the rich should tolerate a more progressive taxation system if they do not bear a proportionate cost of war. This fairness argument suggests that elites are willing to compensate the social classes that bear the greater burden of war but are less willing to redistribute during peacetime since the lower classes do not bear any disproportionate burden.

Although the existing theoretical frameworks allow scholars to incorporate both the demand for and the supply of redistribution in deriving observable implications, previous models of redistributive politics focus either on a demand-side factor or on a supply-side factor while making a simple static assumption about the other. Consequently, the literature on the political economy of redistribution has developed something of two parallel universes. Many scholars, using “political economists’ favorite toy,” have focused on the role of shifting the median voter in the policymaking process (Przeworski 2010, pp. 85). This exclusive focus on the median voter has led them to ignore political processes under which elites can overcome the preferences of the median voter to influence policies. In the meantime, the recent growth of the literature on redistributive politics has centered on factors that shape societal preferences for redistribution. For instance, Scheve and Stasavage (2010; 2012; 2016) offer a demand-side factor (i.e. war mobilization) as an alternative explanation to a supply-side factor (i.e. the franchise) in explaining the variation in taxation policies. While these studies recognize the importance of supply-side

factors and how these factors may reinforce or dampen the effects of war on redistribution, they find no support for the roles of the franchise and capital controls in changing how war mobilization affects redistributive outcomes.

War, Inequality, and Class Conflict over Redistribution

Empirical analyses of war show that the great wars in Europe significantly decreased economic inequality by destroying the wealth of the rich disproportionately. For instance, Piketty (2014) proposes inflation, destruction of property, bankruptcy, and expropriation as possible causes of reduction in economic inequality during the First and Second World Wars as well as the interwar period. To finance WWI, many European countries incurred massive foreign debts. The governments of these countries printed more money to pay back their enormous public debts. By abandoning the gold standard and relying on loose monetary policy, these economies had to endure a very high inflation rate exceeding 17 percent per year in Germany and 13 percent per year in France after WWI (Piketty 2014, pp. 107). The owners of capital and upper-income groups lost the most from high inflation, as their primary income share derived from returns on capital (Hibbs 1977).

Moreover, the financial costs of the great wars fell primarily upon owners of capital since the great wars had destroyed substantial physical capital, such as buildings, factories, and infrastructure. France lost capital worth nearly a year of national income while Germany incurred a loss worth a year and a half of national income (Piketty 2014, pp. 147). The destruction of capital during the wars especially hurt those who accumulated the most (Collier and Hoeffler 1998). WWII had a more significant impact in the United States, with historic low prices of stocks and real estate and a sharp increase in public debt (Piketty 2014, pp. 153). In short, it was the chaos of war between 1914 and 1945 that resulted in one of the lowest points of inequality in Europe and North America, reinforced by a series of

bankruptcies during the Great Depression (Piketty 2014, pp. 275).¹

Whether wars are fought at home or abroad, the rich should expect some financial losses in the long run. As we have mentioned earlier, war financing through public debts leads to inflation, to which the rich are more vulnerable. In anticipation of home-front wars, the rich should expect more destructive consequences, including both short-term and long-term financial losses, as home-front wars inevitably lead to physical destruction of industries and properties. Given the immediate and the future costs of mass warfare, the rich are unlikely to accept higher top tax rates without resistance. While the poor may present a compensatory argument for higher tax rates on the rich in exchange for conscription, the rich seek ways to resist this redistributive pressure by using their economic resources. This is why war creates a sharp preference divergence over national taxation policies between the rich and the poor.

While the rich are more likely to oppose redistribution during wartime, they face a dilemma as some wars are more likely to reduce their economic influence by shifting the level of economic inequality drastically. Shifts in economic inequality have important implications for our understanding of redistributive politics. The literature on democratic capture offers four broad frameworks on how economic inequality can shape policy outcomes (Scheve and Stasavage 2017). First, some scholars have argued that power is proportional to economic influence in policymaking (Gilens and Page 2014). According to this view, a growing level of economic inequality implies more political influence of the wealthy. The second view suggests a more passive role of money in politics. Although owners of capital may not use their wealth to influence policymaking directly, policymakers in need of capital for economic growth have to accommodate the preferences of capital owners (Przeworski and Wallerstein 1988). When capital owners have a larger share of the economic pie, the dependence of policymakers on capital should grow. Third, Bartels

¹Piketty (2014) elaborates on the mechanism through which inflation, as a result of massive public debts, contributed to a reduction in inequality in North America where neither Canada nor the U.S. fought home-front wars.

(2008) and Gilens (2012) provide some evidence that the voting behavior of legislators in the U.S. is most highly correlated with their high-income constituents. Finally, others have paid more attention to the mechanisms through which the rich can translate their resources into de facto political power, and ultimately their preferred policy outcomes (Acemoglu and Robinson 2008). From this perspective, the positive correlation between war and increased taxes in the literature could support a capture hypothesis if war is also associated in a reduction in the de facto political power of the rich relative to the poor.

In this article, we test a theory of redistribution based on both a demand-side and a supply-side factor. In particular, we focus on a factor that creates a sharp preference divergence between the rich and the poor (i.e. war) and another that shifts the ability of the rich to capture national policies vis-à-vis the poor (i.e. economic inequality). Building on Scheve and Stasavage (2010; 2012; 2016), we agree that mass war mobilization increases the poor's compensatory demand for redistribution in exchange for conscription. We, however, emphasize that the rich also seek to lower their shares of taxation during mass war mobilization because they expect wartime financial losses. Then, we build on the seminal model of democratic capture by the rich (Bartels 2008; Gilens 2012) and the resource model of political participation (Verba, Scholzman and Brady 1995) to propose a more realpolitik view of redistributive politics under which the rich seek to decrease their tax contributions during wartime, but fail to influence the policymaking process because they lack economic resources. In sum, wars compel policymakers to impose higher taxes on the rich when elites lack economic resources to prevent redistributive policies. By contrast, war mobilization is unlikely to induce policymakers to favor higher taxes, or even causes them to lower taxes for the rich when elites remain economically powerful vis-à-vis the poor.

These theoretical predictions can guide us in illustrating how different levels of inequality condition whether war mobilization increases or decreases the tax rates on the rich. In more equal societies, the rich do not possess sufficient economic resources to impose

their preferred policies. In highly unequal societies, the rich's demand for lower taxes during war becomes the primary driving force of the national taxation policies as stated in HYPOTHESIS 1A. As the rich lose more economic influence relative to the poor, the poor's compensatory demand becomes more dominant. HYPOTHESIS 1B summarizes our second observable implication.

Hypothesis 1a: War mobilization reduces tax rates on the rich in less equal societies.

Hypothesis 1b: War mobilization increases tax rates on the rich in more equal societies.

Given that we treat economic inequality as the share of the wealthy's resources that can be turned into de facto political influence, we can also make some general predictions about how an increase in economic inequality affects redistributive policy outcomes. If our conceptualization of inequality as the de facto power of the rich is plausible, we should expect empirical evidence to support the following hypothesis:

Hypothesis 2a: An increase in economic inequality reduces tax rates on the rich.

As we have argued before, the rich are more likely to seek lower taxes during war. Then an increase in the rich's ability to influence policy during war should affect their tax rates at a higher degree. Therefore, we should expect a more pronounced effect of an increase in economic inequality on the tax rates during war.

Hypothesis 2b: The degree to which an increase in economic inequality reduces tax rates on the rich is higher during war.

Empirical Setup

Our empirical analysis estimates the conditional effects of war on national taxation policies from the late 19th century to the 2010s. We specify our models to compute the marginal effects of war mobilization at various levels of economic inequality. Following Berry, Golder and Milton (2012), we also graph the second marginal model plot that illustrates the conditional effects of inequality on national taxation policies during wartime and peacetime.² For this empirical assessment, we combined the income inequality data from Alvaredo et al. (2016) and the comparative income taxation data from Scheve and Stasavage (2016). In this section, we describe the variables used in our empirical models and specify the models we use for estimating the relationships between our variables.

Variables of Interest

While redistributive taxation takes many forms, we restrict our analysis to taxation rates levied on the most wealthy individuals in each country. Following Scheve and Stasavage (2010; 2012; 2016), we examine the tax rates with the most significant distributive consequences: the top marginal inheritance (*Top Inheritance Tax*) and income tax rates (*Top Income Tax*). By analyzing the top rates of taxation, we measure the tax burden faced only by the top income earners in a country. In short, our findings are robust to both measures of redistributive taxation, covering up to 19 countries with a time coverage as broad as years between 1821 to 2011.

In keeping with previous studies, we measure war in the form of mobilized citizens (Scheve and Stasavage 2010; 2012; 2016). In our main models, we use *War Mobilization*, a binary indicator of whether at least two percent of the total population of the country was enlisted and served in the military. Operationalizing war in this fashion provides a

²We compute this “reverse” interaction term (i.e. the effect of Z on Y conditional on X) as opposed to the initial interaction term (i.e. the effect of X on Y conditional on Z), to assess whether our conceptualizations of economic inequality and war mobilization are plausible. See Berry, Golder and Milton (2012) for more information.

necessary element for testing the compensatory mechanisms outlined by previous scholarship. Measuring the extent to which citizens were conscripted into the military, instead of indicating if the country was simply engaged in armed conflict, defines a threshold at which the poor's burden of fighting can trigger a compensatory demand. Since the majority of conscripted soldiers came from the non-elite social classes, this variable indicates whether the poor's wartime sacrifice was excessive. Using a specific percentage for wartime enlistment isolates wartime activities fueled by conscription from other combat operations using a volunteer army. We have considered alternate specifications for War Mobilization by increasing the minimum enlistment to five percent of the total population, and our results remain robust to this specification. Increasing this threshold, however, severely reduces the number of wartime observations. Under the five-percent specification, the United States would only have "mobilized" for WWII during 1943-1945, excluding earlier engagement in WWII as well as the country's entire involvement in WWI and the Korean War. Our main models make use of the lower population threshold since it includes more conflicts relevant to our theory.

The scale of conscription also shapes elites' expectation of the extent to which they will incur financial costs of war. In deciding whether they want to oppose fiscal redistribution driven by grievances of the compensatory demand, elites form their expectations about the future costs of war. When they observe a larger scale of conscription, they should expect higher future losses of their wealth. The two-percent threshold indicates a point at which the rich expect more costs than gains, such as war profits, from war. Since wars that require lower levels of conscription can result in more economic gains for the rich, using a continuous measure of war mobilization may not be appropriate to operationalize the rich's averseness toward redistribution when their country is mobilizing for war.

our independent variable. Although the pre-tax inequality variable is useful for specifying the causal mechanism clearly, the variable can inflate the relative economic influence of the rich by overlooking the post-tax deductions of income, resulting in lower levels of income inequality. We will address this issue in model specifications by including the lagged dependent variable and lagging all of our independent variables.

In our analysis, we first consider *Top 1% Income Share*, representing the proportion of a country's total income earned by the top one percent of income earners. We also test our hypotheses with data on *Top 10% Income Share*. Using the data on Top 1% Income Share instead of Top 10% Income Share data increases our observations by approximately 450, more than a 50-percent increase in the number of observations with four additional countries included in the sample.³ We prefer this measure of inequality over an alternative Gini coefficient since we believe top income earners are able to influence government policy beyond their electoral capacity. Measuring inequality through an aggregate measure, such as the Gini coefficient, only indirectly captures the economic prowess of top income earners.

The World Wealth and Income Database (Alvaredo et al. 2016) remains the most comprehensive dataset on cross-national income shares. Yet the lack of consistent reporting can be an impediment to our analysis due to many missing country-year observations. Systematic missingness poses a threat to the assumptions of independent and identically drawn observations (Honaker and King 2010). In our dataset, most of the missing observations occur in planned intervals for each country. For example, between 1944 and 1994, Switzerland reported inequality measures every two years. Similarly, Germany reported inequality statistics only every three years between 1966 and 1999. Since the reporting is scheduled at these timed intervals, the missing years are not associated with wholesale changes in inequality or in combat activities. As a result, the missing observations will contribute to a loss in efficiency for our models, but missing inequality data should not

³In addition, we use the Top 5% Income Share measure and find similar results in Table A10.

introduce substantial bias into our empirical models. Although reporting on inequality improves over time, we find no evidence of statistical association of the missingness on inequality with income tax rates or with war mobilization when controlling for the temporal component of the missingness. In any given year within our sample, each country has a statistically equivalent chance of reporting the share of income earned by the top 1% of income earners.⁴

Control Variables

In analyzing the influence of elite capture on redistributive taxation, we control for other factors which may be correlated with our independent variables and also contribute to the variation in taxation policy. Our argument is based on the notion that individuals with different levels of economic wealth hold different levels of power over government policymaking. In particular, we argue that the de facto influence of the rich over government policymaking should increase as their share of the country's total income increases. As political institutions that link money and power vary both cross-sectionally as well as over time, we control for the de jure power of each social class. We include a measure of citizen voting rights since expanding the franchise is meant to equalize the political power structure across social classes. We include *Universal Male Suffrage* which is measured dichotomously and set equal to one for years in which all adult men were eligible to vote in national level elections. In addition, a theoretical extension to the RMR democratization model argues that the political ideology of the government should influence the level of enacted redistribution (Iversen and Soskice 2006). In this model, leftist governments should prefer greater redistribution than non-leftist governments. We control for this potential confound by including a lagged value of *Left Executive* which equals 1 if the executive is from a socialist or other left-leaning party. Some scholars have also argued that the overall

⁴We, however, find that data on Top 10% Income Share are more likely to be missing when Top Inheritance Tax is lower. See Table A16 for the results.

level of development may lead citizens to hold different preferences about government's role in redistribution (Inglehart and Welzel 2005). To control for this potential confound, we include a lagged value of real GDP Per Capita. In the end, our empirical strategy closely replicates some of the empirical models in Scheve and Stasavage (2010; 2012; 2016) while adding both a constitutive term of income inequality and its interaction term with War Mobilization.

Sample Characteristics and Trends

Table 1 portrays the descriptive statistics of our dependent and independent variables. We report the mean and maximum values for the top tax rates. The minimum rates for most countries are zeros in our sample. The modal values for Top Income Tax Rate and Top Inheritance Tax Rate are zeros since the sample includes country-year observations before a national tax was adopted in some countries. The country-year observations only include politically independent countries. For instance, France under the German occupation during WWII is not included in the empirical models.

Figure 1 illustrates the relationships between war mobilization, the top tax rates, and the top 1-percent income share for the United States. The first legend, WWII & Korean War, indicates years of war mobilization involving at least 2-percent of the population. Solid lines trace the top tax rates with the darker line indicating Top Inheritance Tax Rate and the lighter line indicating Top Income Tax Rate. The common scale of these tax rates is shown in the left y-axis. The dashed line follows the trend of Top 1% Income Share over time, the scale of which is shown on the right y-axis. We want to note that 1918, albeit not shown in Figure 1, is coded as a WWI year of war mobilization involving at least 2-percent of the population in our dataset.

Consistent with Piketty (2014), the data show that income inequality tends to decline during war. The degree to which inequality declines during WWI, WWII, or the Korean War also corresponds to the scale of each respective war. For instance, the top 1-percent

Table 1: Descriptive Statistics

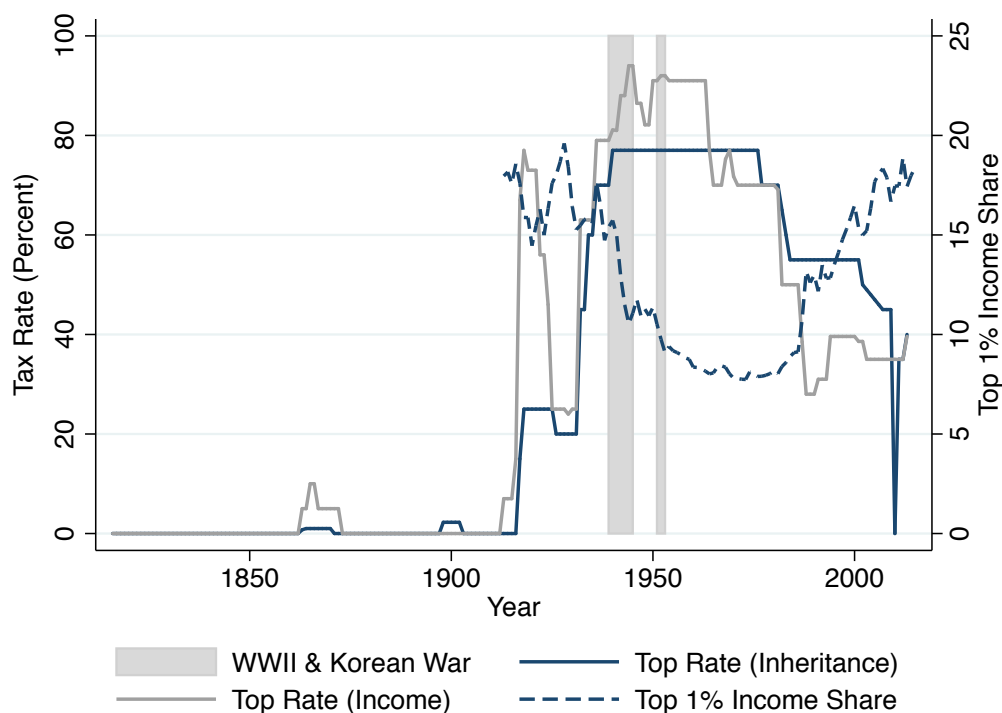
Country	Top Income Tax Rate		Top Inheritance Tax Rate		Top 10% Income Share			Top 1% Income Share		
	Mean	Max	Mean	Max	Min	Mean	Max	Min	Mean	Max
Australia	46.48	92	9.75	27.9	23.99	27.61	34.61	4.44	7.82	14.13
Austria	23.33	62	6.88	18						
Belgium	26.94	80	10.41	30						
Canada	35.89	95	10.18	54	35.05	37.56	45.30	7.6	11.28	18.41
Denmark	16.39	48.85	8.80	32				5.00	9.71	27.61
Finland	38.21	62	11.94	16				3.49	8.82	15.27
France	23.67	72	13.97	45.6	29.42	35.37	46.61	6.99	10.84	20.65
Germany	32.06	60	16.20	75	30.3	36.46	41.98	8.84	14.43	22.42
Ireland	60.56	80	40.87	55	27.29	33.42	47.61	5.64	8.53	16.93
Italy	37.80	95	16.52	47.30	26.04	30.09	34.12	6.34	7.97	9.86
Japan	26.80	85	24.69	90	26.81	33.01	41.03	6.43	12.24	19.92
Netherlands	23.42	75	7.99	27	27.47	36.28	53.31	5.24	11.79	27.88
New Zealand	30.89	79.98	21.03	60				4.88	8.14	13.44
Norway	39.65	75	23.71	35	21.83	29.31	42.19	4.13	7.26	17.98
South Korea	47.85	70	56.72	90	27.03	35.61	44.87	6.58	8.90	12.25
Spain	16.83	68.47			31.64	33.47	35.66	7.50	8.26	9.14
Sweden	20.36	70	16.89	70	22.3	29.36	52.97	3.97	7.72	28.04
Switzerland	5.33	20	0.00	0	29.65	31.38	33.63	8.39	9.82	11.78
United Kingdom	32.60	97.5	28.87	80				5.72	9.88	19.59
United States	27.98	94	26.37	77	31.38	38.04	47.76	7.74	12.88	19.60

income share declined from 15-percent to 10-percent throughout WWII, compared to smaller declines during WWI (less than four percent) and the Korean War (less than two percent). Overall, the wartime changes in inequality are consistent with our historical understanding of WWI, WWII, and the Korean War.

As the level of inequality decreases during war, we also see increases in the top tax rates. The negative correlation is especially striking between the top income tax rate and the top 1-percent income share. Even the degree to which the income tax rate increases during each war seems correlated with the wartime reduction of inequality. We see that the three major spikes of income tax rate increases in Figure 1 are all associated with major reductions in the top 1-percent income share.

Even in the absence of war, the top 1-percent income share exhibits a strong negative correlation with the top tax rates. This is especially relevant during the interwar period

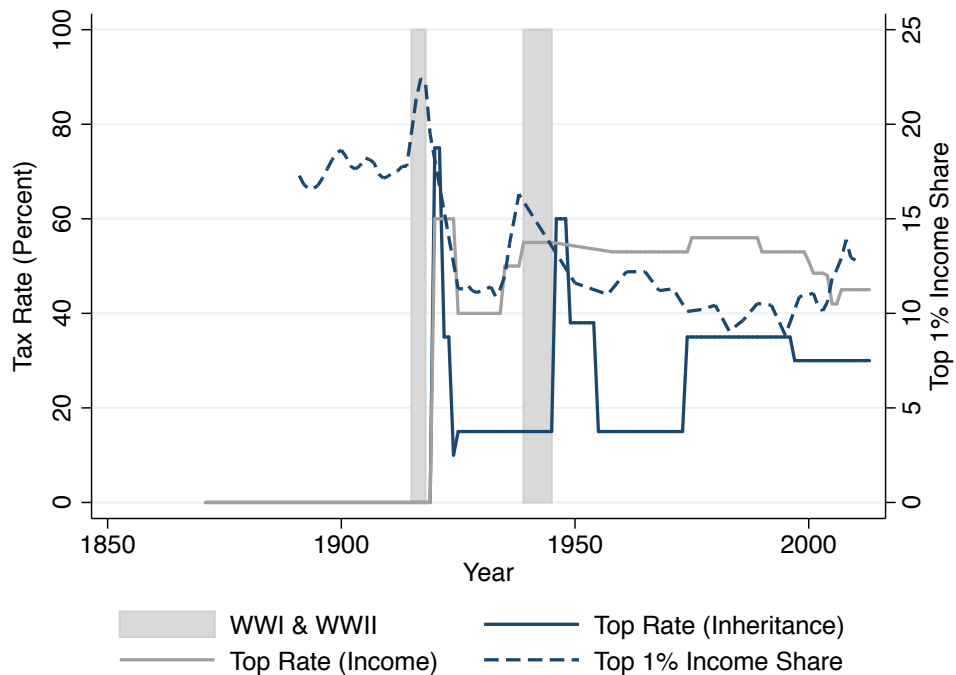
Figure 1: War, Inequality, and Taxation in the U.S.



and since the 1980s. The level of inequality in the 2000s returned to the pre-WWII level of inequality while both the income and inheritance tax rates have decreased substantially in the past several decades.

As we have concurred with Piketty (2014), our argument is based on the empirical regularity that wartime inequality tends to be lower than peacetime inequality. In the German case during WWI, however, we observe that the top 1-percent share had reached its highest level in the middle of WWI mobilization. After the war, the top 1-percenters of the Weimar Republic of Germany lost an enormous amount of wealth vis-à-vis the poor due to three years of hyperinflation between June 1921 and January 1924. Notice that the introduction of the first inheritance and income taxes on the rich in Germany did not occur during WWI but after WWI, a period in which German elites lost a significant amount of economic influence. By contrast, the top 1-percent share decreased substantially during WWII, leading to an increase in the inheritance tax rate in the final year of WWII.

Figure 2: War, Inequality, and Taxation in Germany



From the data of other countries, we find that the short-term relationship between WWI and the top income shares (1 or 10-percent) is ambiguous although inequality declined after WWI, irrespective of whether the country won or lost the war. In contrast, we tend to see the largest reduction in the top income shares during WWII after which the trends of inequality become more stable. In the appendix, we report the results from our analysis of the top income shares with war mobilization as our independent variable. While there is some evidence of an unconditional negative correlation between war and inequality as shown in Table A3 and A4, some other factors, such as war technology and the composition of wealth, are likely to condition this relationship. For instance, if military technologies can target the properties of the ruling class disproportionately, we should see a stronger negative correlation between war and inequality. Moreover, the income of capitalists is more susceptible to inflation risks created by massive war debts than income from other sources of wealth, such as land. We find that this negative correlation between war and

inequality becomes more evident, especially after the interwar period.

In the end, it does not matter to our analysis whether this unconditional relationship between war mobilization and inequality reduction exists since we explicitly model the connections between war, inequality, and taxation. Although wartime inequality tends to be lower than peacetime inequality, we still see some variation in wartime reductions in inequality. This variation is useful in our analysis since it provides us with an empirical ground to estimate the differential effects of war on taxation policies.

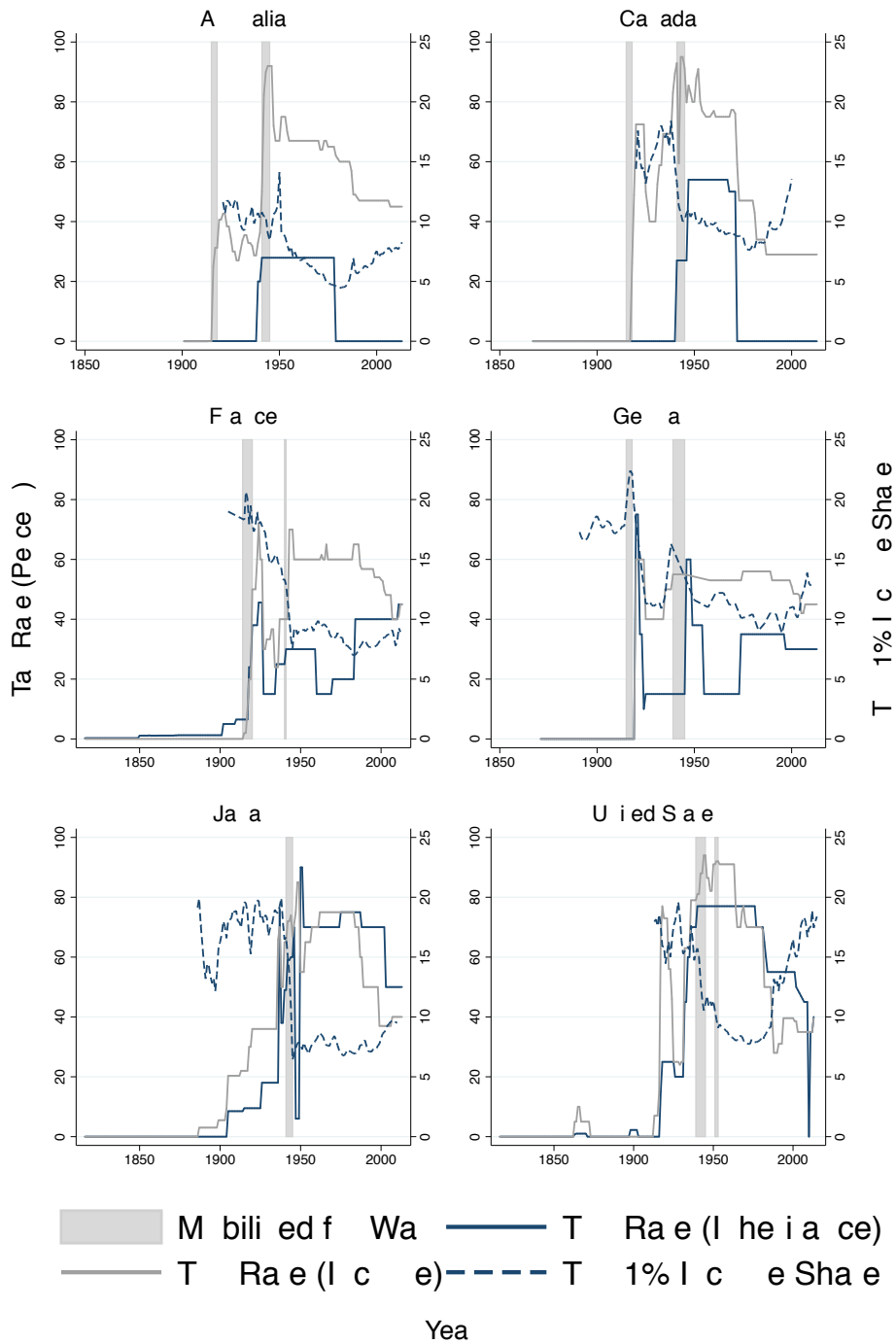
Model Specifications

Our difference-in-differences framework employs the following ordinary least squares (OLS) specification with panel-corrected standard errors (PCSEs):

$$T_{i,t} = \alpha + \beta_1 T_{i,t-1} + \beta_2 C_{i,t-1} + \beta_3 W_{i,t-1} + \beta_4 C_{i,t-1} \times W_{i,t-1} + \gamma X_{i,t-1} + \eta_i + \theta_t + \eta_{it} + \epsilon_{i,t},$$

where i indexes each independent country and t indexes time in years. Our main models also include both time (θ_t) and country fixed effects (η_i) as well as country-specific time trends (η_{it}). We treat the top income tax rate ($T_{i,t}$) as a function of the tax rate from the previous year ($T_{i,t-1}$) and the interaction between the share of income earned by the top 1-percent of income earners ($C_{i,t-1}$) and mobilization for mass warfare ($W_{i,t-1}$). $\epsilon_{i,t}$ is the error term. $X_{i,t}$ represents a vector of control variables discussed in the previous section. Taxation rates influence the behavior and outcomes of many sectors of the economy and politics, which means that any one of the specified independent variables within our model has a potentially endogenous relationship with taxation rates. To account for this issue of reverse causality, we lag each of the right-hand variables by one year to establish the temporal priority of the independent variables within our models.

Figure 3: War, Inequality, and Taxation in Select Countries



Our choice of including one-year lags is theoretically driven. From Figure 2, we see that the effect of WWI on the top tax rates was delayed until the very end of WWI war

mobilization. In our view, this was not coincidental but an outcome of inequality dynamics. As we have mentioned earlier, the German top 1-percent income share reached its highest point during WWI and had only started declining toward the very end of WWI. This co-movement of inequality and the tax rates is the reason why there seems to be an arbitrary lag of WWI's effect on the German inheritance and income taxation policies. In countries where the top income shares declined during war, we observe immediate effects of war mobilization on the top tax rates as shown in Figure 3. Lagging the independent variables by more than a year would not capture these short-term dynamics precisely. Moreover, using five-year intervals would forgo this detailed information about how the level of inequality can condition when the effect of war mobilization materializes into policy outcomes.⁵

Including the lagged dependent variable also mitigates the degree of bias introduced into the model by using the pre-tax inequality variable instead of the post-tax inequality variable. As we have mentioned before, using the pre-tax inequality variable lessens the threat of reverse causality through which inheritance and income tax rates may affect the level of *post-tax* inequality. Yet the pre-tax inequality may not capture the actual post-tax economic influence of the rich. Controlling for the tax policies in time, $t - 1$, is one way to capture this post-tax element of inequality while using pre-tax inequality. We address this concern by lagging both the tax rates and the pre-tax inequality into the same previous period.

⁵In Tables A6 and A8, we report the estimation results for five-year and three-year intervals, respectively. We find support for the unconditional effect of war mobilization on the inheritance and income tax rates, consistent with Scheve and Stasavage (2016). However, we do not find support for our interactive hypothesis. We replicate the models in Tables A6 and A8 without the lagged dependent variable and report the results in Tables A7 and A9, respectively. The results still yield no support for our interactive hypothesis.

Estimation Results

We report the main estimation results in two tables. Table 2 portrays the coefficients of the independent variables for Top Inheritance Tax while Table 3 shows the results for Top Income Tax. In each table, we include the results of regression specifications with Top 1% and 10% Income Shares. Our results remain robust to these different measures of income inequality. The coefficients of country and year fixed effects as well as country-specific time trends are included in our empirical models but are not reported in the tables.

Table 2: War Mobilization, Inequality, and Top Inheritance Tax

Model	(1)	(2)	(3)	(4)
Time Coverage	1821– 2010	1887– 2010	1887– 2010	1892– 2010
Top Inheritance Tax (t-1)	0.909*** (0.010)	0.898*** (0.002)	0.893*** (0.002)	0.887*** (0.004)
War Mobilization (t-1)	1.713** (0.595)	1.328*** (0.185)	3.022*** (0.577)	19.628*** (2.587)
Top 1% Income Share (t-1)			-0.183*** (0.022)	
War Mobilization × Top 1% Income Share (t-1)			-0.134*** (0.033)	
Top 10% Income Share (t-1)				-0.062** (0.022)
War Mobilization × Top 10% Income Share (t-1)				-0.544*** (0.072)
Universal Suffrage (t-1)	-0.172 (0.410)	1.313*** (0.240)	1.453*** (0.288)	-1.910*** (0.305)
Left Executive (t-1)	0.484* (0.238)	0.427*** (0.066)	0.399*** (0.065)	0.297*** (0.082)
GDP Per Capita (t-1)	-0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)	-0.000* (0.000)
Observations	2773	1225	1225	780
Countries	19	17	17	13

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of Top Inheritance Tax in year t . All independent variables are taken from year $t - 1$. Panel-corrected standard errors are shown in parentheses. ***, **, * and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects as well as country-specific time trends are included in all models.

In Model (1), we do not include the interaction term of War Mobilization and Top Income Share. Instead, we only include War Mobilization (a minimum of the two-percent

population-share threshold) and the control variables. This is to demonstrate that an analysis of Top Inheritance Tax using our sample lends support for the unconditional relationship between War Mobilization and Top Inheritance Tax, which would be consistent with the previous scholarship's empirical findings. In Model (2), we only include country-year observations for which the data on Top 1% Income Share are available. This is to show that the loss of observations due to missing values in Top 1% Income Share is not responsible for the results in Model (3). In Model (3), we include War Mobilization, Top 1% Income Share, and their interaction term. In Model (4), we replace Top 1% Income Share with Top 10% Income Share and report the results. Notice that the data on Top 10% Income Share are more sparse than the data on Top 1% Income Share, reducing the sample to 780 observations with 13 countries from 1,225 observations with 17 countries.

In all of the models in Table 2, the coefficients of the main covariates have the expected signs. For instance in Model (1), the coefficient of War Mobilization is 1.713 implying the previous year's war mobilization leads to a 1.713-point increase in Top Inheritance Tax Rate, a finding consistent with the compensatory/fairness argument. This, however, is a small number given the large wartime increases of the top inheritance tax rates shown in Figure 3. Similarly, the coefficient of War Mobilization is 1.328 in Model (2) under which we have 1,225 country-year observations with non-missing data on Top 1% Income Share. Once we interact War Mobilization with a measure of inequality in Models (3) and (4), we get larger coefficients of War Mobilization with narrower confidence intervals. These coefficients, 3.022 and 19.628 in Models (3) and (4), respectively identify the correlations of War Mobilization in $t - 1$ with Top Inheritance Tax in t when the level of inequality is zero. These coefficients are out-of-sample predictions because the values of the top income shares never take zeros in our sample as shown in Table 1. They, however, reveal useful information about our hypotheses when interpreted with the coefficient of the interaction term which is -0.134 in Model (3). This means a one-point increase in the Top 1% Income Share reduces the effect of War Mobilization on Top Inheritance Tax by 0.134. This is

consistent with Hypotheses 1a and 1b. The results in Model (4) are similar and yield larger coefficients of War Mobilization and the interaction term.

To evaluate Hypotheses 1a and 1b more precisely and intuitively, we use the results in Models (3) and (4) to graph the marginal effects of War Mobilization on Top Inheritance Tax while varying the level of the top income shares. Figure 4a shows that as Top 1% Share of Income decreases, War Mobilization leads to higher taxes on the rich with a 2.5-point increase when Top 1% Share of Income is held at 4 percent, which signifies a relatively egalitarian society. The histogram indicates the distribution of all country-year observations of countries if their governments have ever conscripted at least two percent of the population for war between 1887 and 2010.⁶ From Figure 4a, we find ample empirical support for Hypothesis 1b but not for Hypothesis 1a.⁷ Individuals in the top one percent of the population need to earn more than 25 percent of the national income to be able to reduce the inheritance tax rate and therefore win this class conflict created by War Mobilization.

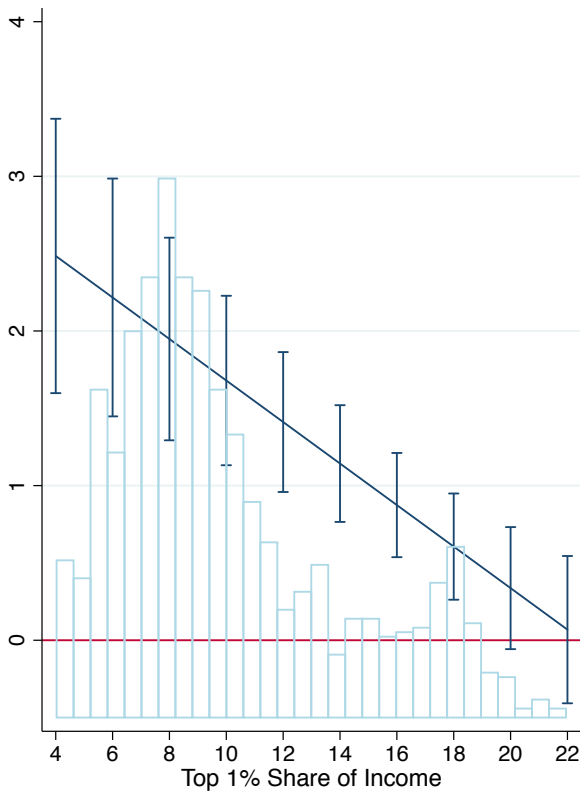
Figure 4b yields strong evidence for both Hypotheses 1a and 1b. When individuals in the top 10 percent receive 48 percent of the national income, War Mobilization leads to a 5-point reduction in the inheritance tax rate. This is a large difference given that the inheritance taxes do not change often over time. In contrast, the poor's compensatory demand dominates in policymaking when the top 10 percent accounts for a smaller share of the national income. Although the top 10 percenters owning 24 percent still suggests a moderately skewed distribution of income across different social classes, the poor's sacrifice through conscription becomes more important when the rich are not as economically powerful.

Notice that most country-year observations in the sample tend to be clustered around the lower end of the top income shares. For instance in Figure 4a, the modal top one-percent

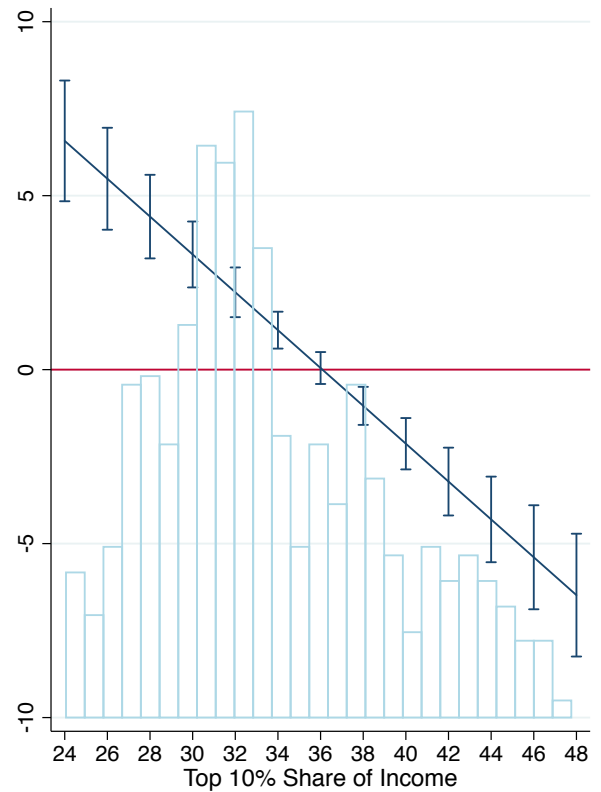
⁶The distribution of the entire sample is very similar to this.

⁷Recall Hypothesis 1a: War mobilization reduces tax rates on the rich in less equal societies; and Hypothesis 1b: War mobilization increases tax rates on the rich in more equal societies.

Figure 4: Marginal Effects of War Mobilization on Top Inheritance Tax with 95% CIs



(a) Model 3 (Top 1% Income Share)

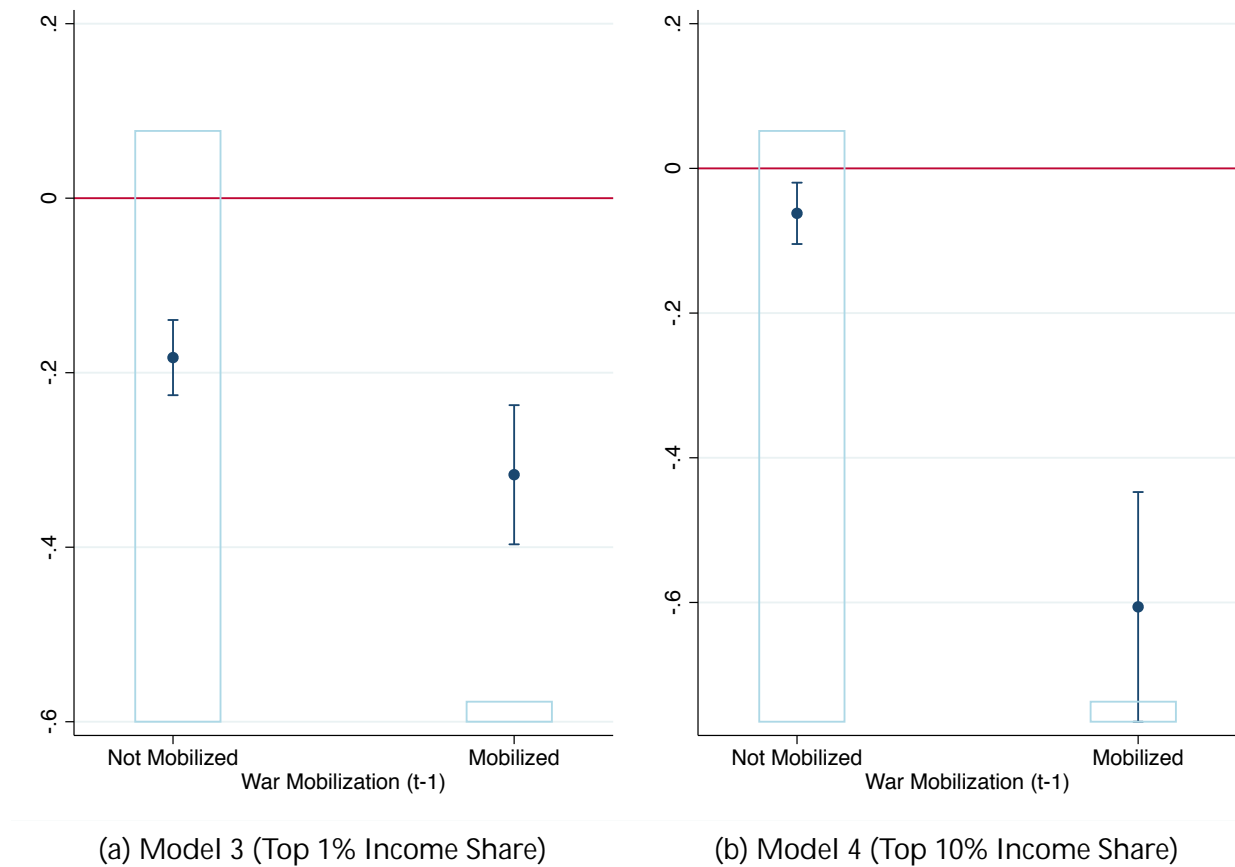


(b) Model 4 (Top 10% Income Share)

income share is around 10 percent. In Figure 4b, the modal range of the top 10% income share is between 30 and 34 percent. This skewed distribution of the top income shares can explain why the unconditional correlation between War Mobilization and Top Inheritance Tax tends to be positive. Another lesson from Figures 4a and 4b is that individuals in the top one percent need society’s broader support to resist the redistributive pressure caused by mass military conscription. One-percenters need political support from the next nine percentiles to resist the compensatory pressure from the poor and to reduce the inheritance tax rates to their advantage. This finding on the importance of the next nine percentiles in the politics of redistribution resonates with Lupu and Pontusson (2011)’s conclusion that the structure of inequality matters for redistributive outcomes.

We have so far focused on the marginal effects of War Mobilization on Top Inheritance

Figure 5: Marginal Effects of Inequality on Top Inheritance Tax with 95% CIs



Tax while holding the value of the top income shares at various levels. We find stronger evidence for Hypotheses 1a and 1b when operationalizing inequality with Top 10% Income Share. If our conceptualization of the top income shares as elites' de facto political power is correct, we should also observe a negative correlation between the degree of redistribution and the top income shares. The coefficients of both Top 1% and 10% Income Shares are negative within the 5-percent statistical significance level. These coefficients indicate the correlations between the covariates in the absence of War Mobilization. This negative relationship between the degree of redistribution and the level of inequality only becomes stronger during War Mobilization. We illustrate these differential effects of inequality on Top Inheritance Tax in Figure 5.

The findings are consistent with Hypothesis 2a that an increase in economic inequality

reduces the tax rates on the rich. Figures A8 and A9 illustrate this negative relationship between the top tax rates and the top income shares by country. More precisely, both Figures 5a and 5b lend empirical support for the overall negative relationship between economic inequality and redistribution. Since the rich are more likely to seek lower taxes during war, an increase in the rich's ability to influence policy should affect their tax rates at a higher degree. The clear differences in the marginal effects of Top Income Shares between peacetime and wartime country-year observations corroborate Hypothesis 2b.

The so-called "reverse" marginal effects graph illustrated in Figure 5 provides an additional empirical test of our theoretical framework. If we conceptualize the level of inequality as elites' willingness to provide policy concessions to the poor, elites should redistribute more in response to rising inequality during war mobilization according to the compensatory argument. We observe the opposite. We not only find that the previous year's inequality is negatively associated with redistribution but also that war mobilization exacerbates this negative relationship. The empirical findings in Figure 5 also mitigate the concern for reverse causality that inequality is a consequence of taxation policies. We have argued that our use of lagged pre-tax inequality variables lessens the possibility of our dependent variables, the inheritance and income tax policies, causing variation in our independent variables, the top income shares. For this reverse causality to be true, we should observe an unconditional correlation between inequality and taxation regardless of war. We, however, clearly see that war mobilization conditions this relationship in accordance with our theoretical predictions.

The coefficients of the control variables are largely consistent with those in previous studies. First, we do not find definitive empirical support for the role of universal suffrage in shaping the inheritance tax policy.⁸ Second, left governments tend to impose higher

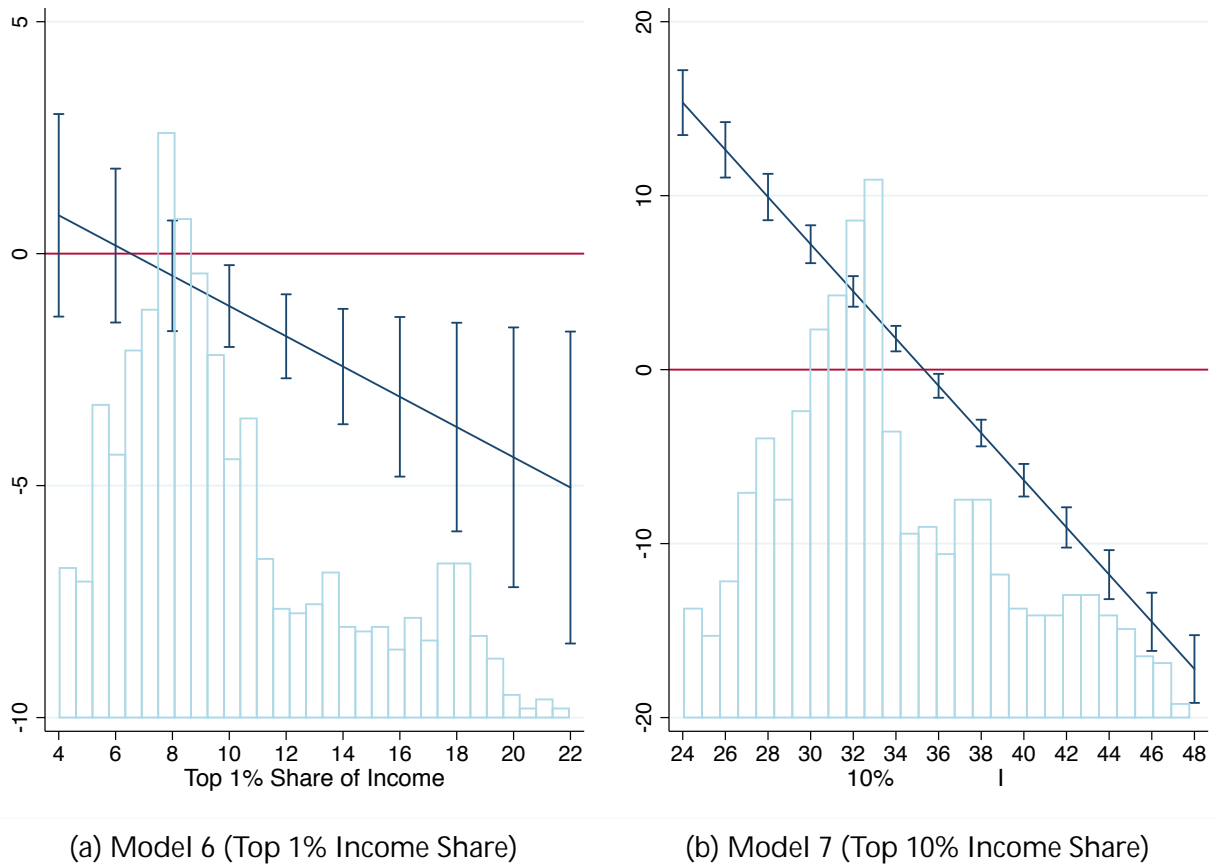
⁸The coefficient of Universal Suffrage tends to be negative and significant within the .1-percent significance level. Some of the empirical models in Scheve and Stasavage (2012) also find support for this negative correlation. Since this variable does not vary at all once it takes the value of one, it does not have much predictive power in explaining the variation in inheritance tax rates. It is possible that governments impose more taxes on non-elite individuals once representation is granted to them, reducing the need to tax the rich.

inheritance tax rates on the rich although policy changes introduced by left governments are negligible. While this negligible effect of government partisanship may be due to the inclusion of the lagged dependent variable (Achen 2000), both Figures 4 and 5 provide useful reference points to which we can compare the coefficient of government partisanship. For instance in Model (4), the coefficient of Left Executive is about .3 which is equivalent to the effect of a 5-point decrease ($-5 \times$

analysis of the income taxation policy. We repeat our empirical venture with a new dependent variable, Top Income Tax from Scheve and Stasavage (2016). From Figure 3, we see that Top Inheritance and Top Income Taxation Rates tend to covary. This pattern is theoretically plausible because if the rich can decrease their fiscal obligation in the inheritance taxation policy, they should also be able to reduce their share of income taxation. In Models (5), (6), and (7), we regress Top Income Tax on its one-year lag and the same set of the independent variables, and report the results in Table 3. Model (5) repeats the same process used in Model (2). The coefficient of War Mobilization ($t - 1$) is *negative* and significant within the .1-percent significance level. In Model (6), we find ample support for Hypothesis 1a but not for 1b. This finding juxtaposes the finding in the analysis of Top Inheritance Tax in which we find support for Hypothesis 1b but not for 1a. The results from Model (7), however, corroborate both Hypotheses 1a and 1b. In a country where individuals in the top 10% account for 24 percent of national income, War Mobilization leads to a 15-point increase in Top Income Tax. This is a substantively large effect compared to wars' effects on inheritance taxation. In contrast, when individuals in the top 10 percent make about half of national income, War Mobilization leads to a reduction in the top income tax by 18 points.

We now compute the marginal effects of inequality on Top Income Tax for wartime and peacetime country-year observations in Figure 7. As illustrated by Figure 7a, we do not find empirical support for Hypothesis 2a when using Top 1% Income Share, although there is some evidence for Hypothesis 2b. At conventional levels of statistical significance, the p-values for the coefficient of Top 1% Income Share are too large for us to reject the null hypothesis. Evidence from Model (7) using Top 10% Income Share, however, supports both Hypotheses 2a and 2b. Even in the absence of war mobilization, an increase in Top 10% Income Share leads to a reduction in Top Income Tax. This effect is even stronger when countries are mobilized for war. A one-point increase in Top 10% Income Share leads to a 1.4-point reduction in Top Income Tax. This is more than twice the coefficient of Top

Figure 6: Marginal Effects of War Mobilization on Top Income Tax with 95% CIs

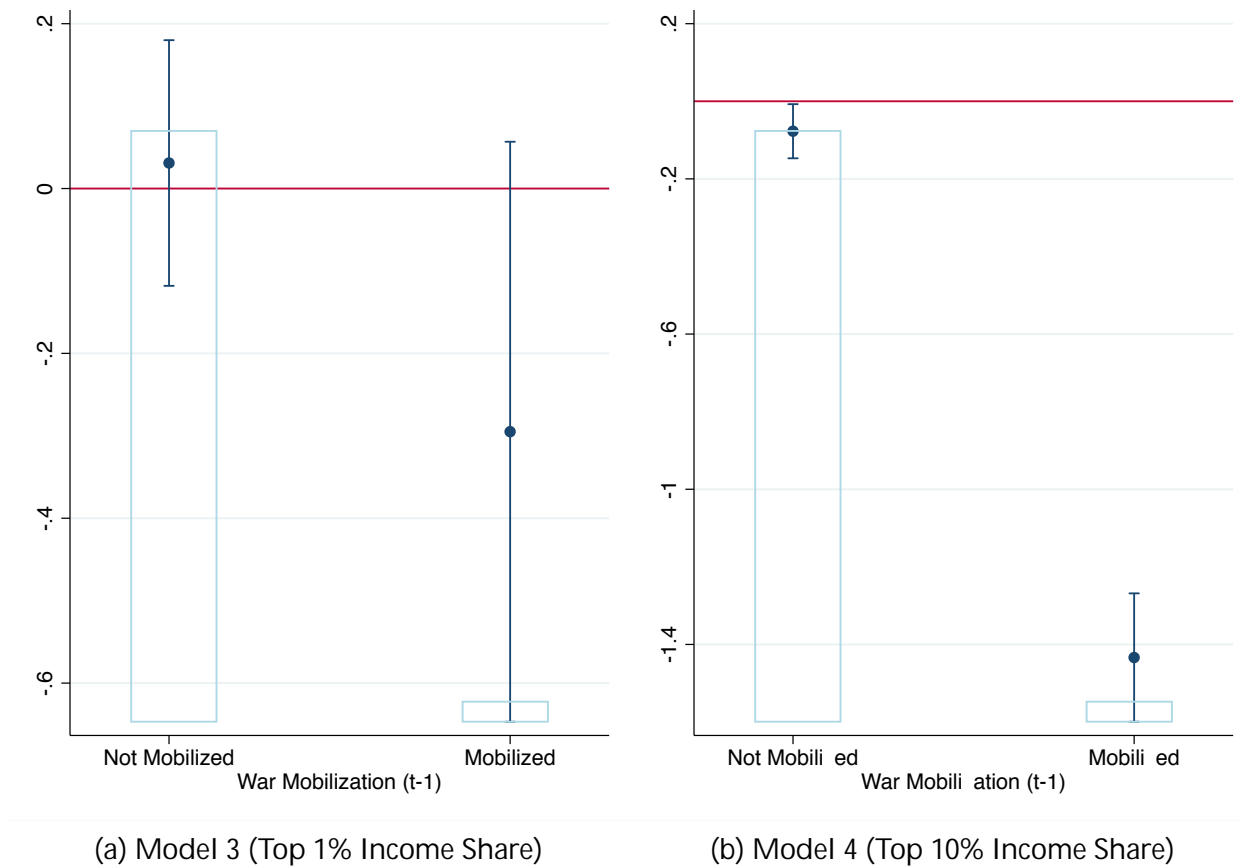


10% Income share in Model (4) in the analysis of Top Inheritance Tax.

Comparing the results of Models (3), (4), (6), and (7), we discover some interesting patterns. First, using Top 10% Income Share yields definitive support for all of the hypotheses in the analyses of both inheritance and income taxation policies. Evidence is mixed when using Top 1% Income Share. Suspecting that these slight differences in the results may arise from the differences in the samples due to more missing values of Top 10% Income Share, we have restricted the analyses of Models (3) and (4) only to samples consisting of country-year observations in which that data on Top 10% Income Share are not missing. With this adjustment, we find strong empirical support for all hypotheses but 2a in Model (6) using Top 1% Income Share.⁹ Second, the coefficients of the covariates of

⁹We report the results in Table A15.

Figure 7: Marginal Effects of Inequality on Top Income Tax with 95% CIs



our interests are substantially larger in the analyses of Top Income Tax than the coefficients in the analyses of Top Inheritance Tax. This implies inheritance tax policy tends to be more persistent and is more difficult to change than income tax policy.

Robustness Checks and Empirical Extensions

We consider several robustness checks on our models. First, we note that our use of both the lagged dependent variable and country fixed effects makes our estimation open to the Nickell bias (Nickell 1981). Although our long panel spanning over a century lessens the concern for a biased OLS estimator, we estimated the models with or without the lagged dependent variable or country fixed effects. Our results only improve in favor of

the hypotheses when we exclude either of the two.¹⁰ Second, instead of using Universal Suffrage, we estimated our models again with a continuous indicator of democracy such as the Polity score. Our results remain robust with the coefficient of the Polity score being positive in most models.¹¹ In addition, an analysis of the top taxes using the top 5% income share yields very similar results.

Table 4: War Mobilization, Top Taxes, and Top 10%-1% Inequality

	Model (8)	(9)
Top Tax Type	Inheritance Tax	Income Tax
Time Coverage	1892–2010	1892-2010
Top Inheritance Tax (t-1)	0.891*** (0.003)	
Top Income Tax Rate (t-1)		0.839*** (0.012)
War Mobilization (t-1)	0.882 (2.092)	22.449*** (2.314)
Top 10% - 1% Income Share (t-1)	-0.105*** (0.028)	-0.262** (0.081)
War Mobilization × Top 10% - 1% Income Share (t-1)	-0.048 (0.094)	-1.045*** (0.105)
Universal Suffrage (t-1)	-2.112*** (0.303)	-3.590*** (0.348)
Left Executive (t-1)	0.383*** (0.080)	1.327*** (0.264)
GDP Per Capita (t-1)	-0.000 ⁺ (0.000)	-0.000 (0.000)
Observations	780	809
Countries	13	14

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of Top Inheritance Tax and Top Income Tax in year t . All independent variables are taken from year $t - 1$. Panel-corrected standard errors are shown in parentheses. ***, **, * and ⁺ indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects as well as country-specific time trends are included in all models.

Given the slightly different results when using Top 1% and 10% Income Shares, we create a new income share variable by subtracting Top 1% Income Share from Top 10% Income Share. This new variable indicates the income share of individuals known as the next nine percentiles who belong to the top ten percent of population in terms of income,

¹⁰We report the results in Tables A11 without the lagged dependent variable and A12 without country fixed effects.

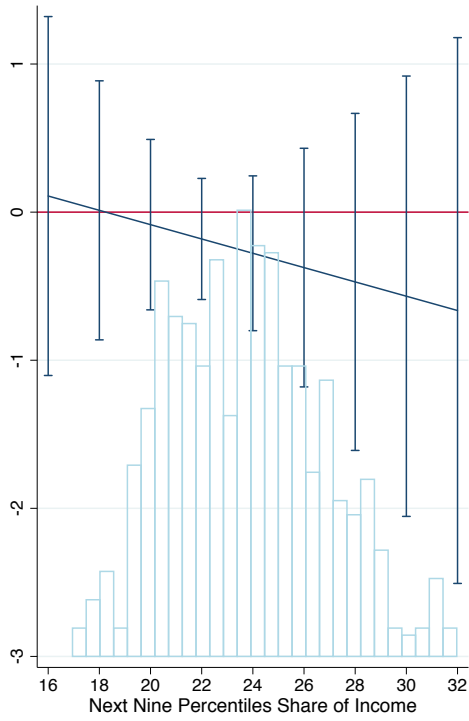
¹¹See Table A13 for the results.

but are excluded from the group of one-percenters. We use this new income share variable to re-estimate our models to see whether these next nine percentiles account for changes in the inheritance and income tax policies. We report the results in Table 4 and illustrate the marginal effects in Figure 8. The next nine percentiles are an important group in shaping the income taxation policy, but not the inheritance policy. Since inheritance taxes target the very top portion of the income ladder, this could explain why using the next nine percentiles does not lend empirical support for most of the hypotheses with respect to the inheritance taxation policy.

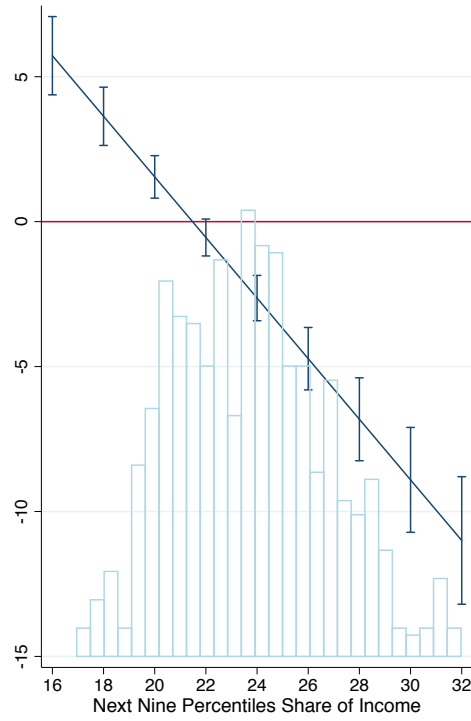
Our justification for using the top *income* shares instead of the top *wealth* shares is both theoretical and empirical. Theoretically, wealth shares may not indicate the extent to which individuals can use disposable economic resources to influence government policies, especially if wealthy individuals cannot liquidate their assets quickly to put into use for political gains. Under these circumstances, individuals' economic power essentially stems only from the constant streams of income flowing from their assets. Empirically, the data on the top wealth shares are scarce. Using the data assembled by Roine and Waldenström (2015), we only obtain up to 8 countries with 245 and 224 country-year observations when we use Top 1% and 10% Wealth Shares, respectively. The models in Table A5 do not provide empirical support for the hypotheses.¹² While this null result may be due to the scarcity of data on the top wealth shares, the correlation between the top income shares and the top wealth shares is approximately .6, indicating that wealth does not necessarily capture the role of income in policymaking.

¹²See Figure A1 for the marginal effects.

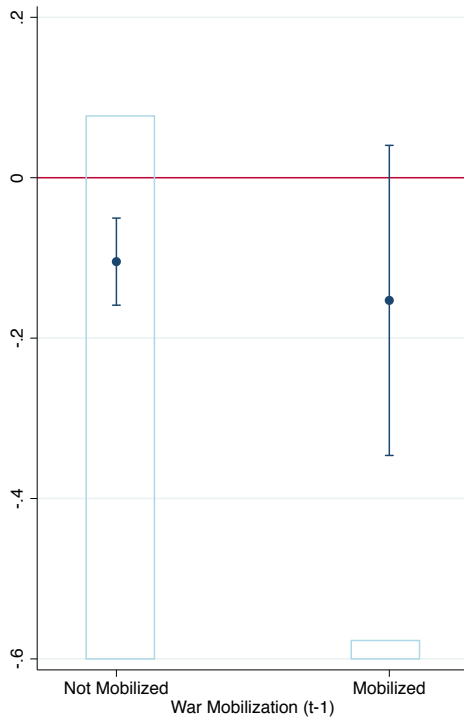
Figure 8: Marginal Effects on Top Taxes (Top 10%-1% Income Share) with 95% CIs



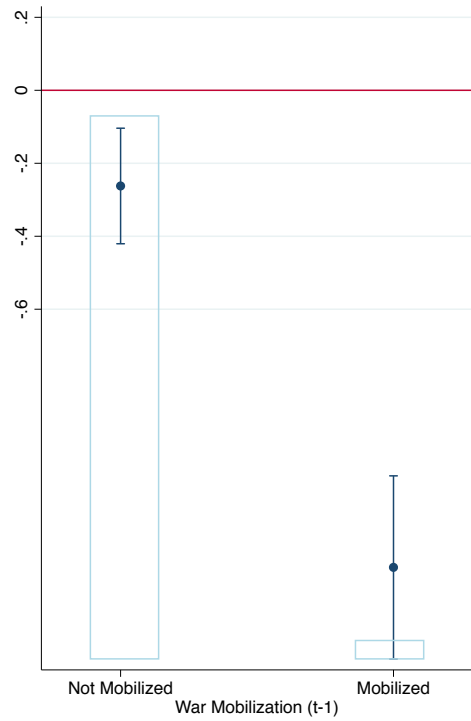
(a) Model 8 (War on Inheritance)



(b) Model 9 (War on Income)



(c) Model 8 (Inequality on Inheritance)



(d) Model 9 (Inequality on Income)

Although we have assessed the independent role of Universal Suffrage throughout our empirical models, we have not considered how political institutions may accentuate or attenuate the causal relationships between the dependent variables and the independent variables. Similarly, we have not investigated whether leftist governments are more likely to accommodate the compensatory pressure from the poor during mass war mobilization. We interact our key independent variables with Universal Suffrage or Left Executive and include the interaction terms with additional constitutive terms. Since these models include triple interaction terms that are difficult to interpret, we only provide the marginal effects of war and inequality in Figures A2, A3, A4, and A5. There is some evidence that governments elected under universal suffrage accommodate the poor's compensatory demand more only when the level of inequality is low as shown in Figure A2d. Moreover, empirical support for our hypotheses tends to be stronger when we focus on country-year observations of universal suffrage.

Finally, we find overwhelming support for Hypotheses 1a and 1b when we only look at tax policies of leftist governments as illustrated by Figure A4. We also find some evidence that rising inequality leads to higher taxes under leftist governments when countries are not mobilized for war (Figure A5).¹³ Since country-year observations under right governments represent 83% of the sample, Figures 5 and 7 show an overall negative correlation between Top Income Shares and Taxation Rates, regardless of war mobilization. Although this runs counter to our initial prediction (Hypothesis 2b), this partisan difference disappears during war; both left and right governments tend to increase the tax rates on the rich as the top income shares decrease during war (Figure A5).

¹³We find similar results when we restrict our analysis to country-year observations of universal suffrage. See Table A14 and Figures A6 and A7.

Conclusion

Why do some governments redistribute to the poor more than others? We sought our answers in the existing literature by examining both the supply and demand sides of redistribution. We have relied on the assumption that the rich and the poor alike seek to influence redistributive policies at all times; the rich want to lower their tax obligations while the poor want to impose higher taxes on the rich. Mass war mobilization exacerbates this difference in fiscal policy preferences by forcing conscription upon the poor and shaping the belief of the rich that war will destroy their economic assets. This wartime class conflict over taxation policies is the core element of our theory of redistribution. To understand whether the rich or the poor win this political showdown, we have examined the role of economic inequality, specifically the income shares of wealthy individuals. In countries where the rich own larger shares of the national income, redistributive policies swing toward the preferences of the rich. When the rich lack economic influence, the poor's compensatory demand manifests into policy outcomes. Our findings resonate with the literature on capture by emphasizing the role of economic influence in shaping the wealthy's relative political strength and policy outcomes.

Our results indicate that sharp declines in economic inequality during mass warfare are responsible for previous studies' empirical support for the compensatory or fairness argument. We have found some evidence that more recent global wars involving modern military technologies led to a more disproportionate destruction of wealth against the interest of the rich. This reduction in economic inequality affected the development of taxation regimes by influencing the relative de facto political power of the rich throughout history, but especially in times of war during which the class conflicts between the rich and the poor were most contentious.

Our interpretations of the results have the following implications for the politics of redistribution. First, we find indirect evidence for the demand side of the compensatory argument outlined by Scheve and Stasavage (2010; 2012; 2016). This, however, alone does

not provide a complete picture of wartime redistributive politics. The level of inequality ultimately determines whether the poor's demand can turn into actual taxation policies. Second, the levels of inequality, more specifically the top income shares, are negatively associated the degrees of redistribution represented by the inheritance and income tax rates. We, however, find some support for the argument that an increase in inequality leads to more redistribution only under leftist governments when countries are not mobilized for war. This partisan divergence, however, is absent when we focus on wartime country-year observations.

Our theory of redistributive politics examines both demand-side and supply-side factors. Future research programs exploring a social conflict over redistribution should consider the role of inequality in shaping the relative strengths of various domestic interests. While other forms of inequality may generate grievances in social cleavages and play an important role in shaping different actors' policy preferences, our findings suggest that inequality, at least in the way it is operationalized in this article, is a supply-side factor and can be better understood as elites' ability to capture the national policymaking. Future research should focus on how government partisanship and political institutions might condition the effects of inequality on redistribution.

In an attempt to explain the rising trends of inequality across the globe, scholars of international political economy have focused their attention on international factors, such as capital mobility and international trade. Our findings demonstrate that domestic conditions still matter for domestic policies even in the age of globalization. As individuals in the top income shares carve out more portions of the economic pie, we should expect governments to impose lower tax rates on the rich. Perhaps, the so-called race to the bottom is not driven by systemic factors, but by rising levels of inequality that seem to be occurring across multiple countries simultaneously. Given the significant political implications of asymmetric economic influence, future studies should explore determinants of inequality and the ways in which the wealthy try to gain more economic power.

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Appendix

Summary Statistics and Correlation Matrices

Table A1: Summary Statistics

Variable	Mean	Std. Dev.	Min.	Max.	N
Top Income Tax Rate	27.57	28.24	0	97.5	3382
Top Inheritance Tax Rate	16.72	21.79	0	90	3201
Top 10% Income Share	32.87	6.28	13.96	53.31	998
Top 1% Income Share	10.78	4.87	2.65	37.24	1756
War Mobilization	0.03	0.18	0	1	3352
Universal Suffrage	0.62	0.49	0	1	3534
Left Executive	0.17	0.37	0	1	3405
GDP per Capita	7498	6740	681.19	31654	2987

Table A2: Correlation Matrix

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1)	1							
(2)	0.781*	1						
(3)	-0.272*	-0.089*	1					
(4)	-0.441*	-0.315*	0.847*	1				
(5)	0.109*	0.075*	0.097*	0.142*	1			
(6)	0.615*	0.446*	-0.271*	-0.411*	0.073*	1		
(7)	0.338*	0.206*	-0.377*	-0.326*	-0.008	0.343*	1	
(8)	0.423*	0.340*	0.252*	-0.461*	-0.081*	0.469*	0.336*	1

* $p < 0.05$

Variable List:

(1) Top Income Tax Rate, (2) Top Inheritance Tax Rate, (3) Top 10% Income Share, (4) Top 1% Income Share, (5) War Mobilization, (6) Universal Suffrage, (7) Left Executive, (8) GDP per Capita

Additional Tables and Figures

Table A3: Top 1% Income Share Regressed on War Mobilization

War Mobilization Measure	Model (A1) 2%	(A2) 2%	(A3) Population %	(A4) Population %	(A5) WWI & WWII	(A6) WWI & WWII
Top 1% Income Share (t-1)	0.911*** (0.032)	0.851*** (0.034)	0.923*** (0.032)	0.855*** (0.025)	0.914*** (0.034)	0.848*** (0.034)
War Mobilization (t-1)	-0.470 ⁺ (0.275)	0.299 (0.273)				
Mobilization % (t-1)			-3.137 (3.634)	4.991 ⁺ (2.928)		
WWI & WWII (t-1)					-0.351 ⁺ (0.205)	0.418 (0.339)
Universal Suffrage (t-1)	-0.344 (0.261)	-0.303 (0.334)	-0.316 (0.305)	-0.383 (0.417)	-0.235 (0.283)	-0.430 (0.382)
Polity2 (t-1)	-0.032 (0.043)	-0.039 ⁺ (0.023)	-0.022 (0.047)	-0.042 (0.031)	-0.038 (0.043)	-0.034 (0.026)
Left Executive (t-1)	-0.005 (0.108)	-0.053 (0.107)	0.043 (0.109)	-0.016 (0.093)	-0.005 (0.109)	-0.054 (0.116)
GDP Per Capita (t-1)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
ln(Population) (t-1)	-0.316 (0.988)	0.515 (1.372)	-0.423 (0.886)	0.509 (1.553)	-0.334 (0.964)	0.578 (1.459)
Observations	1144	1144	975	975	1125	1125
Countries	18	18	17	17	18	18
Year FE	No	Yes	No	Yes	No	Yes

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of Top 1% Income Share in year t . All independent variables are taken from year $t - 1$. Cluster-robust standard errors are shown in parentheses. ***, **, * and ⁺ indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country fixed effects and country-specific time trends are included in all models. Models (1) and (2) use the population-share threshold of 2 percent to indicate years of mass war mobilization; (3) and (4) use continuous measures indicating population shares of conscription; (5) and (6) use the population-share threshold of 2 percent to indicate war mobilization during WWI and WWII.

Table A4: Top 10% Income Share Regressed on War Mobilization

Model	(A7)	(A8)	(A9)	(A10)	(A11)	(A12)
War Mobilization Measure	2%	2%	Population %	Population %	WWI & WWII	WWI & WWII
Top 10% Income Share (t-1)	0.901*** (0.030)	0.827*** (0.046)	0.896*** (0.026)	0.848*** (0.036)	0.895*** (0.031)	0.816*** (0.047)
War Mobilization (t-1)	-0.744** (0.285)	0.129 (0.357)				
Mobilization % (t-1)			-12.046*** (3.290)	-2.447 (6.685)		
WWI & WWII (t-1)					-0.806 (0.518)	-0.820* (0.417)
Universal Suffrage (t-1)	-0.293 (0.653)	0.733 (0.531)	-0.052 (0.689)	0.962* (0.479)	-0.143 (0.635)	0.866 (0.615)
Polity2 (t-1)	0.011 (0.083)	-0.015 (0.049)	0.003 (0.091)	0.009 (0.051)	-0.013 (0.090)	-0.025 (0.051)
Left Executive (t-1)	-0.070 (0.190)	-0.036 (0.198)	0.073 (0.208)	0.055 (0.223)	-0.072 (0.210)	-0.045 (0.231)
GDP Per Capita (t-1)	0.000 ⁺ (0.000)	0.000 (0.000)	0.000* (0.000)	0.000 (0.000)	0.000* (0.000)	0.000 (0.000)
ln(Population) (t-1)	-0.935 (1.251)	-2.096 (3.345)	-1.406 (1.021)	-1.496 (2.845)	-0.864 (1.530)	-2.117 (3.212)
Observations	720	720	584	584	701	701
Countries	14	14	13	13	14	14
Year FE	No	Yes	No	Yes	No	Yes

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of Top 10% Income Share in year t . All independent variables are taken from year $t - 1$. Cluster-robust standard errors are shown in parentheses. ***, **, * and ⁺ indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country fixed effects and country-specific time trends are included in all models. Models (1) and (2) use the population-share threshold of 2 percent to indicate years of mass war mobilization; (3) and (4) use continuous measures indicating population shares of conscription; (5) and (6) use the population-share threshold of 2 percent to indicate war mobilization during WWI and WWII.

Table A5: War Mobilization, Top Taxes, and Top 1% & 10% Wealth Inequality

Model	(A13)	(A14)	(A15)	(A16)
Top Tax Type	Inheritance	Inheritance	Income	Income
Time Coverage	1821– 2010	1821– 2010	1821– 2010	1821– 2010
Top Inheritance Tax (t-1)	0.949*** (0.025)	0.939*** (0.023)		
Top Income Tax (t-1)			0.952*** (0.022)	0.959*** (0.042)
War Mobilization (t-1)	-8.771 (6.927)	-7.360 (46.130)	-12.550** (4.168)	14.899 (18.372)
Top 1% Wealth Share (t-1)	-0.145 (0.158)		-0.232* (0.104)	
War Mobilization × Top 1% Wealth Share (t-1)	0.251 (0.193)		0.230* (0.108)	
Top 10% Wealth Share (t-1)		-0.018 (0.062)		-0.057 (0.081)
War Mobilization × Top 10% Wealth Share (t-1)		0.160 (0.592)		-0.195 (0.245)
Universal Suffrage (t-1)	-1.172 (2.519)	0.004 (4.174)	-3.170 (2.948)	1.351 (1.753)
Left Executive (t-1)	0.841 (0.777)	0.942 (0.981)	-0.079 (0.863)	-0.147 (0.923)
GDP Per Capita (t-1)	0.001 ⁺ (0.000)	0.001 (0.001)	0.000 (0.000)	0.000 (0.000)
Observations	245	224	245	224
Countries	8	8	8	8

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of Top Inheritance Tax and Top Income Tax in year t . All independent variables are taken from year $t - 1$. Cluster-robust standard errors are shown in parentheses. ***, **, * and ⁺ indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects as well as country-specific time trends are included in all models.

Table A6: War Mobilization, Top Taxes, and Inequality (5-Year Time Trends)

Model	(A17)	(A18)	(A19)	(A20)	(A21)	(A22)	(A23)	(A24)	(A25)	(A26)
Top Tax Type	Inherit.	Inherit.	Inherit.	Inherit.	Inherit	Income	Income	Income	Income	Income
Top Inheritance Tax (t-1)	0.740*** (0.068)	0.721*** (0.049)	0.734*** (0.049)	0.703*** (0.049)						
Top Income Tax (t-1)							0.657*** (0.044)	0.385*** (0.054)	0.415*** (0.052)	0.504*** (0.061)
War Mobilization (t-1)	11.729* (5.895)	5.689+ (3.293)	1.496 (2.975)	-28.143*** (5.418)	-135.490*** (32.390)	12.040* (5.043)	9.249*** (2.658)	8.667*** (2.546)	-23.072*** (6.334)	-84.572*** (30.011)
Top 1% Income Share (t-1)				0.116 (0.223)					0.094 (0.228)	
War Mobilization × Top 1% Income Share (t-1)				2.301*** (0.447)					2.474*** (0.441)	
Top 10% Inc. Share (t-1)					0.348* (0.160)					0.423* (0.204)
War Mobilization × Top 10% Inc. Share (t-1)					3.866*** (0.808)					2.648*** (0.780)
Universal Suffrage (t-1)	-1.100 (2.662)	-1.232 (1.681)	3.154 (2.159)	2.871 (2.088)	-2.738 (3.930)	-7.252** (2.216)	-2.652+ (1.463)	-3.546 (2.403)	-3.594 (2.312)	-4.585 (4.439)
Left Executive (t-1)	0.255 (2.011)	1.365 (1.371)	2.387 (1.547)	2.503+ (1.513)	4.842*** (1.296)	4.775** (1.686)	2.848** (1.067)	0.081 (1.005)	0.117 (0.987)	0.006 (1.200)
GPD Per Capita (t-1)	0.003** (0.001)	0.001+ (0.001)	0.000 (0.001)	0.001 (0.001)	0.001* (0.001)	0.000 (0.001)	-0.001* (0.000)	-0.001+ (0.000)	-0.001 (0.000)	-0.002+ (0.001)
Observations	518	518	246	246	157	516	514	245	245	156
Countries	19	19	17	17	13	19	19	17	17	13
R ²	0.862	0.934	0.926	0.929	0.946	0.904	0.945	0.924	0.927	0.943

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of Top Inheritance Tax and Top Income Tax in year t . All independent variables are taken from year $t - 1$. Panel-corrected standard errors are shown in parentheses. ***, **, * and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects as well as country-specific time trends are included in all models.

Table A7: War Mobilization, Top Taxes, and Inequality
(5-Year Time Trends Excluding Lagged Dependent Variable)

Model	(A27)	(A28)	(A29)	(A30)
Top Tax Type	Inheritance	Inheritance	Income	Income
War Mobilization (t-1)	-15.871 (11.337)	-59.799 (53.328)	-12.982 (8.038)	-42.820 (41.473)
Top 1% Income Share (t-1)	-0.744 (0.487)		-0.120 (0.299)	
War Mobilization × Top 1% Income Share (t-1)	1.795 ⁺ (0.955)		1.625* (0.688)	
Top 10% Income Share (t-1)		-0.091 (0.268)		0.172 (0.254)
War Mobilization × Top 10% Income Share (t-1)		1.846 (1.493)		1.526 (1.170)
Universal Suffrage (t-1)	-4.884 (4.264)	-16.098 ⁺ (8.851)	-8.847** (2.927)	-14.327* (5.779)
Left Executive (t-1)	2.326 (2.202)	5.232* (2.492)	1.543 (1.296)	2.333 (1.773)
GPD Per Capita (t-1)	0.001 (0.001)	-0.000 (0.001)	-0.001 (0.000)	-0.002* (0.001)
Observations	246	157	245	156
Countries	17	13	17	13
R ²	0.850	0.890	0.908	0.920

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of Top Inheritance Tax and Top Income Tax in year t . All independent variables are taken from year $t - 1$. Panel-corrected standard errors are shown in parentheses. ***, **, * and ⁺ indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects as well as country-specific time trends are included in all models.

Table A8: War Mobilization, Top Taxes, and Inequality (3-Year Time Trends)

Model	(A31)	(A32)	(A33)	(A34)	(A35)	(A36)	(A37)	(A38)	(A39)	(A40)
Top Tax Type	Inherit.	Inherit.	Inherit.	Inherit.	Inherit.	Income	Income	Income	Income	Income
Top Inheritance Tax (t-1)	0.841*** (0.031)	0.828*** (0.029)	0.824*** (0.029)	0.823*** (0.028)						
Top Income Tax (t-1)							0.803*** (0.022)	0.773*** (0.040)	0.775*** (0.037)	0.753*** (0.029)
War Mobilization (t-1)	9.620** (3.643)	4.905*** (1.471)	6.185** (2.349)	-21.366** (6.770)	-105.106*** (17.148)	6.927* (2.789)	4.012** (1.271)	6.267*** (1.831)	-2.447 (5.545)	-3.061 (20.601)
Top 1% Income Share (t-1)				-0.205 (0.132)					0.005 (0.169)	
War Mobilization × Top 1% Income Share (t-1)				1.979*** (0.443)					0.631+ (0.337)	
Top 10% Inc. Share (t-1)					0.024 (0.086)					0.068 (0.104)
War Mobilization × Top 10% Inc. Share (t-1)					3.057*** (0.435)					0.242 (0.521)
Universal Suffrage (t-1)	1.682 (2.262)	-0.191 (0.940)	0.519 (1.291)	-0.601 (1.239)	-2.922+ (1.556)	-4.451* (1.952)	-1.452+ (0.824)	-2.422 (1.491)	-2.787+ (1.516)	-2.114 (2.010)
Left Executive (t-1)	0.743 (1.603)	0.865 (0.747)	2.187** (0.744)	2.068** (0.744)	4.209*** (0.963)	4.529*** (1.260)	1.916*** (0.563)	0.538 (0.697)	0.529 (0.692)	0.599 (0.820)
GPD Per Capita (t-1)	0.002*** (0.000)	0.000 (0.000)	0.000* (0.000)	0.001* (0.000)	0.000 (0.000)	-0.001+ (0.000)	-0.001* (0.000)	-0.001* (0.000)	-0.000* (0.000)	-0.001** (0.000)
Observations	884	884	420	420	277	881	880	419	419	276
Countries	19	19	17	17	13	19	19	17	17	13
R ²	0.826	0.950	0.941	0.943	0.947	0.886	0.960	0.935	0.935	0.941

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of Top Inheritance Tax and Top Income Tax in year t . All independent variables are taken from year $t - 1$. Panel-corrected standard errors are shown in parentheses. ***, **, * and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects as well as country-specific time trends are included in all models.

Table A9: War Mobilization, Top Taxes, and Inequality
(3-Year Time Trends Excluding Lagged Dependent Variable)

Model	(A41)	(A42)	(A43)	(A44)
Top Tax Type	Inheritance	Inheritance	Income	Income
War Mobilization (t-1)	-4.956 (18.000)	-88.633* (34.642)	9.870 (10.940)	-12.276 (36.210)
Top 1% Income Share (t-1)	-1.493*** (0.396)		-1.073* (0.441)	
War Mobilization × Top 1% Income Share (t-1)	1.331 (1.230)		-0.139 (0.756)	
Top 10% Income Share (t-1)		-0.265 (0.208)		-0.434+ (0.232)
War Mobilization × Top 10% Income Share (t-1)		2.861** (0.958)		0.647 (1.003)
Universal Suffrage (t-1)	2.066 (3.406)	-4.228 (3.773)	-11.167** (3.610)	-12.666** (4.875)
Left Executive (t-1)	1.321 (1.787)	4.289+ (2.249)	3.974* (1.636)	4.281+ (2.487)
GPD Per Capita (t-1)	0.002** (0.001)	0.001+ (0.001)	-0.001* (0.000)	-0.002** (0.001)
Observations	420	277	419	276
Countries	17	13	17	13
R ²	0.812	0.810	0.839	0.850

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of Top Inheritance Tax and Top Income Tax in year t . All independent variables are taken from year $t - 1$. Panel-corrected standard errors are shown in parentheses. ***, **, * and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects as well as country-specific time trends are included in all models.

Table A10: War Mobilization, Top Taxes, and Top 5% Income Share

Model	(A45)	(A46)	(A47)	(A48)
Top Tax Type	Inheritance	Inheritance	Income	Income
Top Inheritance Tax (t-1)	0.900*** (0.002)	0.894*** (0.002)		
Top Income Tax (t-1)			0.846*** (0.014)	0.841*** (0.014)
War Mobilization (t-1)	-0.026 (0.220)	8.736*** (1.637)	-1.695** (0.644)	24.253*** (3.318)
Top 5% Income Share (t-1)		-0.141*** (0.026)		0.124* (0.052)
War Mobilization × Top 5% Income Share (t-1)		-0.330*** (0.055)		-0.967*** (0.136)
Universal Suffrage (t-1)	0.516 ⁺ (0.289)	0.561 (0.364)	-2.824* (1.253)	-2.054 ⁺ (1.221)
Left Executive (t-1)	0.402*** (0.075)	0.410*** (0.086)	1.356*** (0.267)	1.230*** (0.274)
GDP Per Capita (t-1)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Observations	789	789	818	818
Countries	12	12	13	13
R ²	0.953	0.953	0.967	0.968

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of Top Inheritance Tax and Top Income Tax in year t . All independent variables are taken from year $t - 1$. Panel-corrected standard errors are shown in parentheses. ***, **, * and ⁺ indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects as well as country-specific time trends are included in all models.

Table A11: War Mobilization, Top Taxes, and Inequality (No LDV)

Model	(A45)	(A46)	(A47)	(A48)	(A49)	(A50)	(A51)
Top Tax Type	Inherit.	Inherit.	Inherit.	Inherit.	Income	Income	Income
War Mobilization (t-1)	6.600*** (1.979)	11.038*** (1.875)	14.276** (4.706)	94.161*** (16.739)	-1.245 (1.372)	18.447*** (4.155)	87.399*** (12.180)
Top 1% Income Share (t-1)			-1.505*** (0.114)			-0.513*** (0.103)	
War Mobilization × Top 1% Income Share (t-1)			-0.347 (0.354)			-1.473*** (0.375)	
Top 10% Inc. Share (t-1)				-1.286*** (0.124)			-0.687*** (0.088)
War Mobilization × Top 10% Inc. Share (t-1)				-2.510*** (0.501)			-2.452*** (0.367)
Universal Suffrage (t-1)	-0.773 (1.369)	-5.679*** (0.808)	-4.763*** (0.760)	-12.726*** (1.421)	-10.907*** (1.407)	-9.523*** (1.461)	-16.212*** (1.250)
Left Executive (t-1)	-0.038 (0.848)	0.467 (0.721)	0.210 (0.662)	1.494 ⁺ (0.885)	2.803*** (0.328)	2.755*** (0.323)	3.092*** (0.561)
GPD Per Capita (t-1)	0.001* (0.000)	-0.000 (0.000)	0.000 ⁺ (0.000)	-0.001*** (0.000)	0.000 (0.000)	0.000* (0.000)	0.000 (0.000)
Observations	2773	1225	1225	780	1253	1253	809
Countries	19	17	17	13	18	18	14
R ²	0.804	0.790	0.799	0.815	0.878	0.881	0.898

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of Top Inheritance Tax and Top Income Tax in year t . All independent variables are taken from year $t - 1$. Panel-corrected standard errors are shown in parentheses. ***, **, * and ⁺ indicate statistical significance levels of .1, .5 and 10 percent, respectively. Country and year fixed effects as well as country-specific time trends are included in all models.

Table A12: War Mobilization, Top Taxes, and Inequality (No Country Fixed Effects)

	Model	(A52)	(A53)	(A54)	(A55)	(A56)	(A57)	(A58)
Top Tax Type	Inherit.	Inherit.	Inherit.	Inherit.	Inherit.	Income	Income	Income
Top Inheritance Tax (t-1)	0.917*** (0.010)	0.919*** (0.003)	0.908*** (0.003)	0.908*** (0.003)	0.908*** (0.003)	0.924*** (0.007)	0.920*** (0.008)	0.907*** (0.010)
Top Income Tax (t-1)						-1.399** (0.515)	-0.360 (1.207)	35.154*** (2.217)
War Mobilization (t-1)	1.513* (0.590)	1.345*** (0.196)	2.409*** (0.672)	9.128*** (2.119)				
Top 1% Income Share (t-1)			-0.275*** (0.014)				-0.095 (0.064)	
War Mobilization × Top 1% Income Share (t-1)			-0.100* (0.040)				-0.084 (0.108)	
Top 10% Inc. Share (t-1)				-0.133*** (0.014)				-0.064 ⁺ (0.035)
War Mobilization × Top 10% Inc. Share (t-1)				-0.238*** (0.057)				-0.971*** (0.058)
Universal Suffrage (t-1)	0.057 (0.304)	-0.248*** (0.063)	0.042 (0.102)	-1.204*** (0.268)		-0.948 (0.627)	-0.868 (0.653)	-0.613 (0.377)
Left Executive (t-1)	0.420 ⁺ (0.234)	0.442*** (0.088)	0.432*** (0.078)	0.624*** (0.109)		0.932*** (0.153)	0.942*** (0.154)	1.194*** (0.240)
GPD Per Capita (t-1)	0.000 (0.000)	0.000 ⁺ (0.000)	0.000*** (0.000)	-0.000*** (0.000)		-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Observations	2773	1225	1225	780		1252	1252	809
Countries	19	17	17	13		18	18	14
R ²	0.962	0.953	0.953	0.953		0.961	0.961	0.968

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of Top Inheritance Tax and Top Income Tax in year t . All independent variables are taken from year $t - 1$. Panel-corrected standard errors are shown in parentheses. ***, **, * and ⁺ indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Year fixed effects as well as country-specific time trends are included in all models.

Table A13: War Mobilization, Top Taxes, and Inequality (Polity)

Model	(A59)	(A60)	(A61)	(A62)	(A63)	(A64)	(A65)
Top Tax Type	Inherit.	Inherit.	Inherit.	Inherit.	Income	Income	Income
Top Inheritance Tax (t-1)	0.920*** (0.020)	0.915*** (0.002)	0.913*** (0.002)	0.923*** (0.004)	0.834*** (0.009)	0.832*** (0.010)	0.837*** (0.011)
Top Income Tax (t-1)							
War Mobilization (t-1)	0.935 (1.427)	0.457* (0.205)	0.306 (0.654)	15.600*** (2.555)	-3.395*** (0.559)	0.589 (1.667)	50.838*** (2.408)
Top 1% Income Share (t-1)			-0.070** (0.026)			0.044 (0.072)	
War Mobilization × Top 1% Income Share (t-1)			0.009 (0.043)			-0.284+ (0.145)	
Top 10% Inc. Share (t-1)				-0.076** (0.027)			-0.026 (0.032)
War Mobilization × Top 10% Inc. Share (t-1)				-0.450*** (0.069)			-1.431*** (0.067)
Polity (t-1)	0.045 (0.051)	0.170*** (0.013)	0.165*** (0.013)	0.049+ (0.026)	0.124* (0.053)	0.130* (0.052)	-0.066** (0.021)
Left Executive (t-1)	0.611 (0.796)	0.570*** (0.064)	0.561*** (0.064)	0.463*** (0.095)	0.981*** (0.159)	0.991*** (0.159)	0.983*** (0.257)
GPD Per Capita (t-1)	-0.000 (0.000)	0.000** (0.000)	0.000*** (0.000)	-0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	-0.000 (0.000)
Observations	2015	1201	1201	763	1231	1231	793
Countries	19	17	17	13	18	18	14
R ²	0.966	0.962	0.962	0.966	0.965	0.965	0.972

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of Top Inheritance Tax and Top Income Tax in year t . All independent variables are taken from year $t - 1$. Panel-corrected standard errors are shown in parentheses. ***, **, * and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects as well as country-specific time trends are included in all models.

Table A14: Left Executive Extension: Universal Suffrage = 1

	Model Top Tax Type	(A66) Inheritance	(A67) Inheritance	(A68) Income	(A69) Income
Top Inheritance Tax (t-1)		0.882*** (0.003)	0.867*** (0.005)		
Top Income Tax (t-1)				0.814*** (0.013)	0.806*** (0.018)
War Mobilization (t-1)		4.276*** (1.051)	15.854 (12.344)	-11.702*** (2.548)	130.634*** (10.351)
Top 1% Income Share (t-1)		-0.390*** (0.030)		0.011 (0.090)	
Left Executive (t-1)		-2.828*** (0.205)	-5.516*** (0.704)	-3.170*** (0.427)	-9.212*** (1.432)
War Mobilization × Top 1% Income Share (t-1)		-0.314*** (0.062)		0.632** (0.209)	
War Mobilization × Left Executive (t-1)		4.060** (1.329)	23.985+ (13.441)	26.963*** (2.393)	-65.156*** (11.551)
Top 1% Income Share × Left Executive (t-1)		0.407*** (0.025)		0.509*** (0.045)	
War Mobilization × Top 1% Income Share × Left Executive (t-1)		-0.486*** (0.080)		-1.863*** (0.183)	
Top 10% Income Share (t-1)			-0.044+ (0.025)		-0.196** (0.065)
War Mobilization × Top 10% Income Share (t-1)			-0.445 (0.309)		-3.361*** (0.260)
Top 10% Income Share × Left Executive (t-1)			0.188*** (0.022)		0.333*** (0.050)
War Mobilization × Top 10% Income Share × Left Executive (t-1)			-0.741* (0.342)		1.551*** (0.299)
Universal Suffrage (t-1)		4.154*** (0.790)	-1.542 (1.617)	-0.396 (2.589)	3.151* (1.337)
GDP Per Capita (t-1)		0.000*** (0.000)	0.000+ (0.000)	0.000 (0.000)	0.000 (0.000)
	Observations	1122	726	1149	755
	Countries	17	13	18	14
	R ²	0.951	0.951	0.965	0.974

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of Top Inheritance Tax and Top Income Tax in year t . All independent variables are taken from year $t - 1$. Panel-corrected standard errors are shown in parentheses. ***, **, * and + indicate statistical significance levels of .1, .5 and 10 percent, respectively. Country and year fixed effects as well as country-specific time trends are included in all models.

Table A15: Model 6 using Observations of Non-Missing Top 10% Income Share Values

	Model (A70)
Top Tax Type	Income
Top Income Tax (t-1)	0.838*** (0.013)
War Mobilization (t-1)	9.644*** (1.115)
Top 1% Income Share (t-1)	0.173** (0.067)
War Mobilization × Top 1% Income Share (t-1)	-0.821*** (0.080)
Universal Suffrage (t-1)	-3.051*** (0.364)
Left Executive (t-1)	1.151*** (0.256)
GDP Per Capita (t-1)	-0.000 (0.000)
Observations	809
Countries	14
R ²	0.969

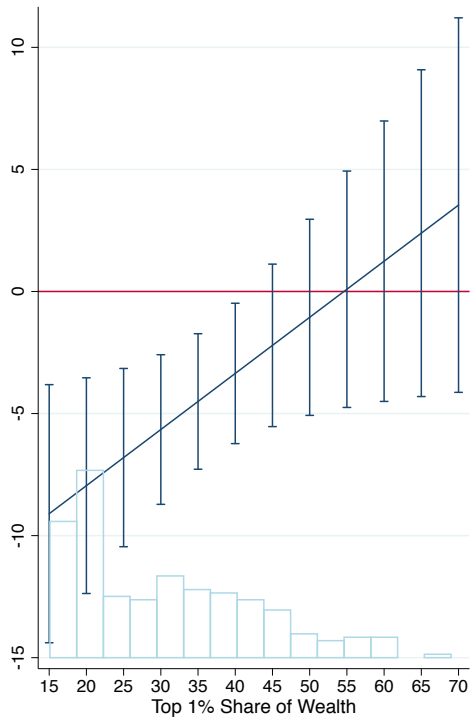
Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of Top Income Tax in year t . All independent variables are taken from year $t - 1$. Panel-corrected standard errors are shown in parentheses. ***, **, * and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects as well as country-specific time trends are included in all models.

Table A16: Missingness on Top Income Shares

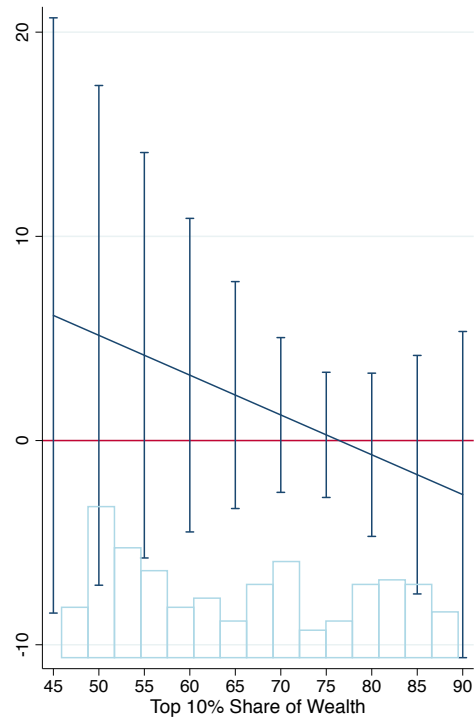
Model	(A71)	(A72)	(A73)	(A74)
Missing Value	Top 1%	Top 1%	Top 10%	Top 10%
Top Inheritance Tax	-0.008 (0.011)		-0.031** (0.011)	
Top Income Tax		0.011 (0.020)		0.009 (0.024)
Observations	2003	2099	1474	1567

Note: This table provides logit regression coefficients on the probability of a missing value across different tax types. Country-clustered standard errors are shown in parentheses. ***, **, * and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects are included in all models.

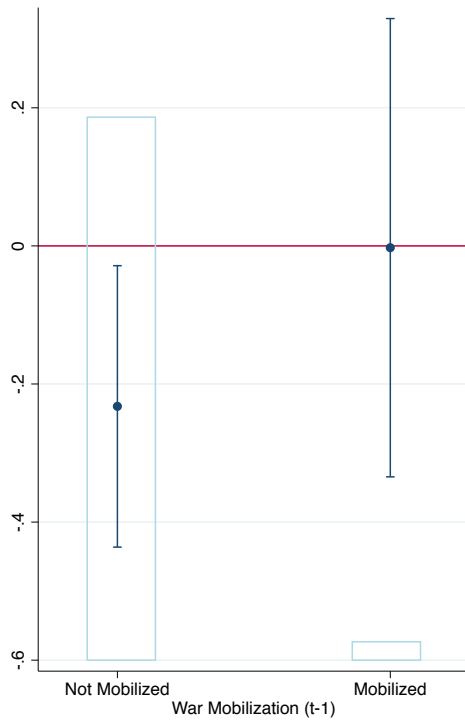
Figure A1: Marginal Effects (MEs) on Top Income Tax (Wealth Shares) with 95% CIs



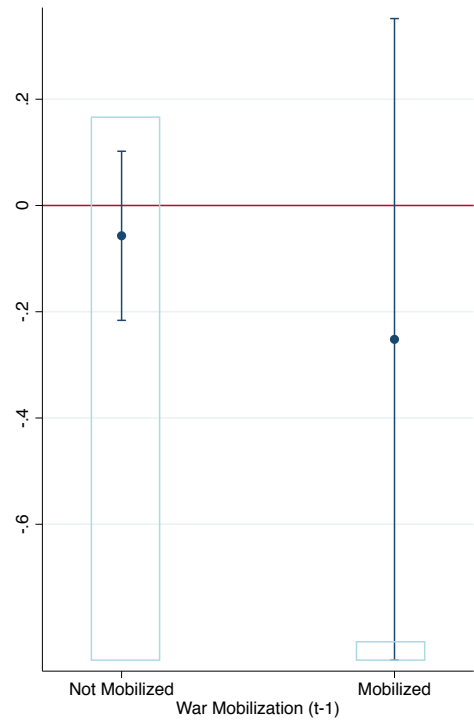
(a) MEs of War (Model A15)



(b) MEs of War (Model A16)

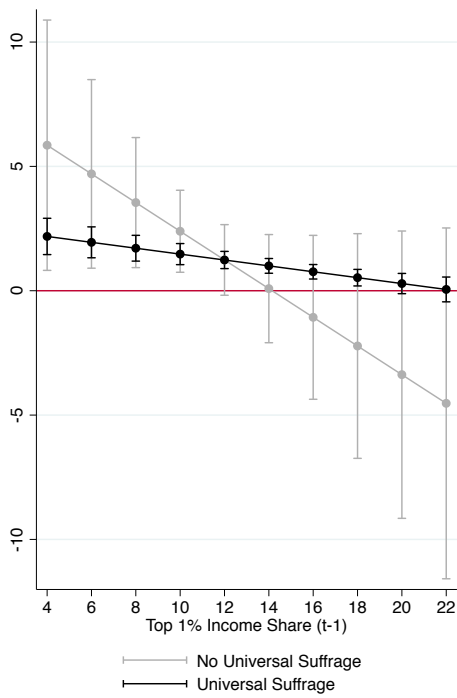


(c) MEs of Top 1% Income Share (Model A15)

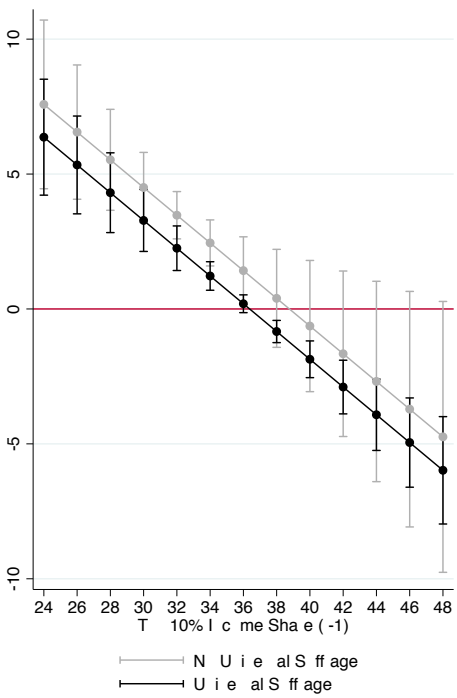


(d) MEs of Top 10% Income Share (Model A16)

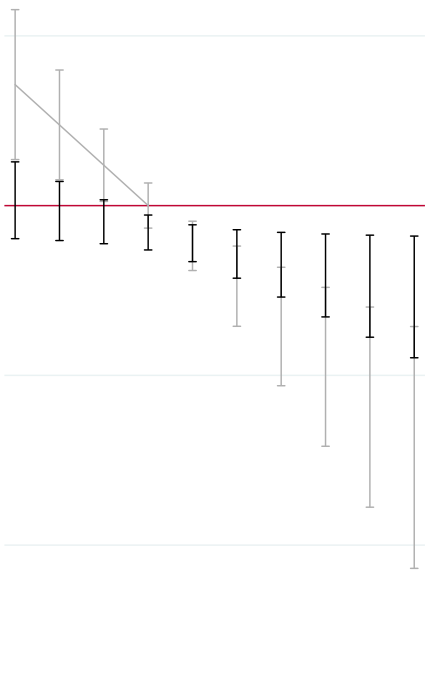
Figure A2: Marginal Effects of War on Top Tax Rates (Universal Suffrage) with 95% CIs



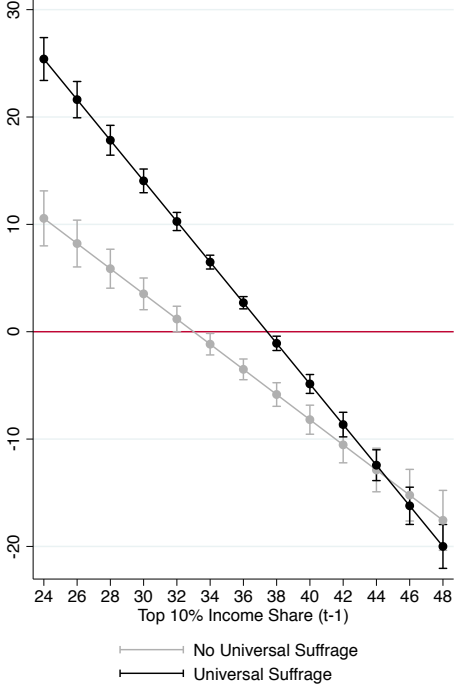
(a) Inheritance Taxation and Top 1% Income Share



(b) Inheritance Taxation and Top 10% Income Share

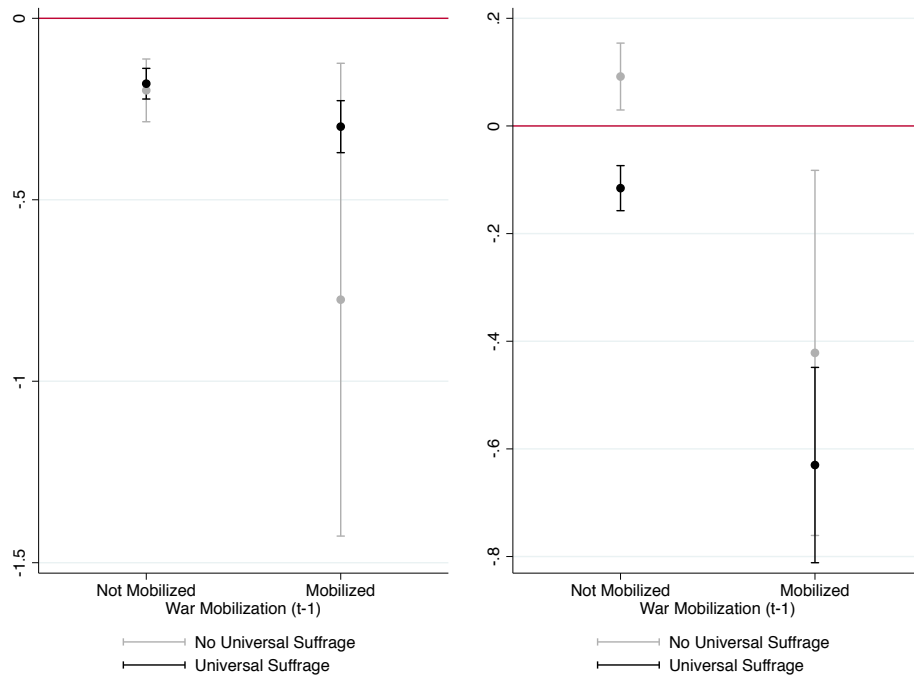


(c) Income Taxation and Top 1% Income Share

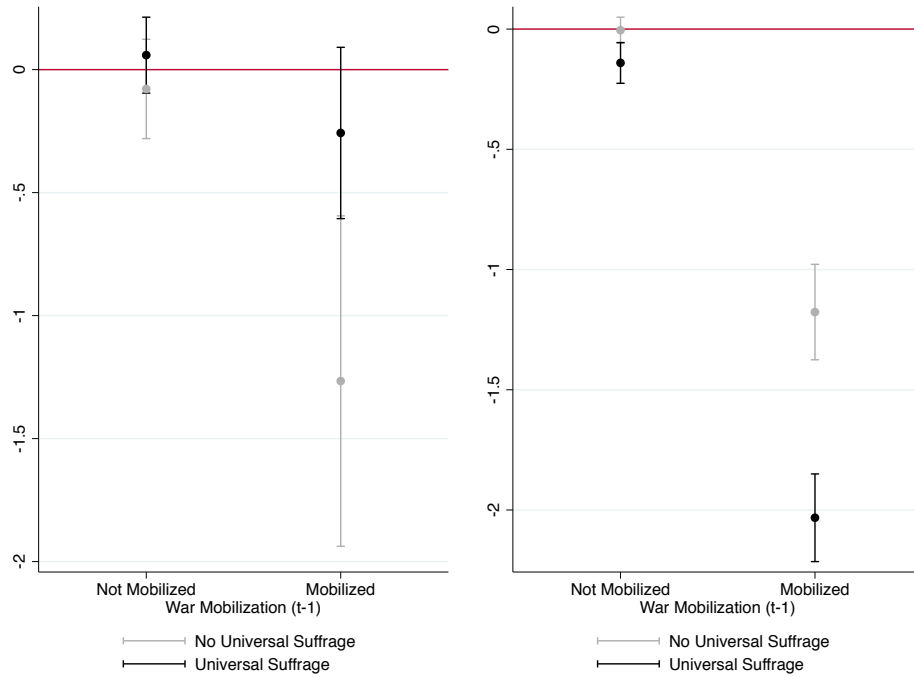


(d) Income Taxation and Top 10% Income Share

Figure A3: Marginal Effects of Inequality on Top Tax Rates (Universal Suffrage) with 95% CIs

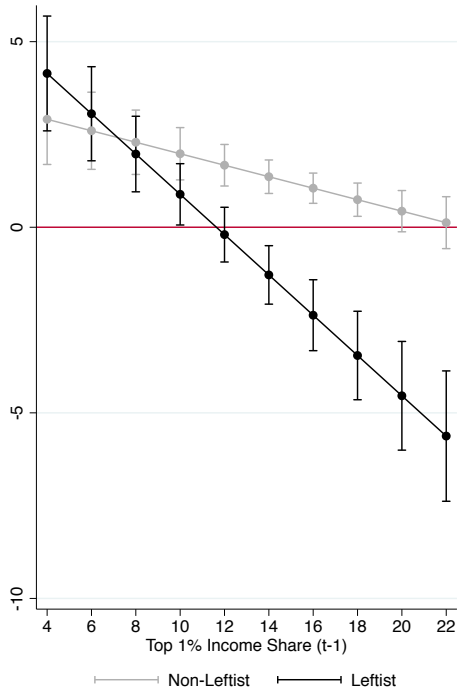


(a) Inheritance Taxation and Top 1% Income Share (b) Inheritance Taxation and Top 10% Income Share

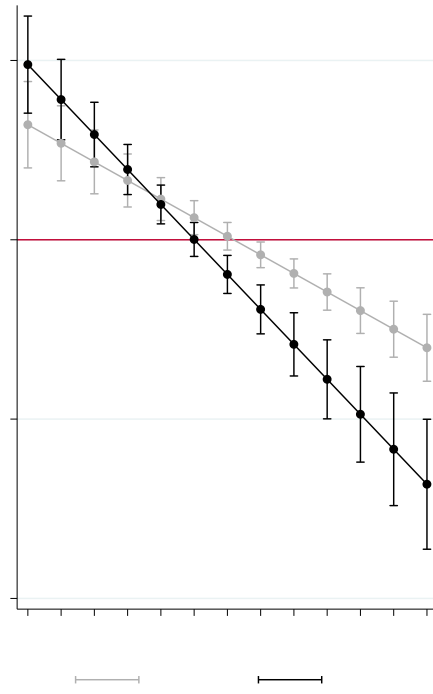


(c) Income Taxation and Top 1% Income Share (d) Income Taxation and Top 10% Income Share

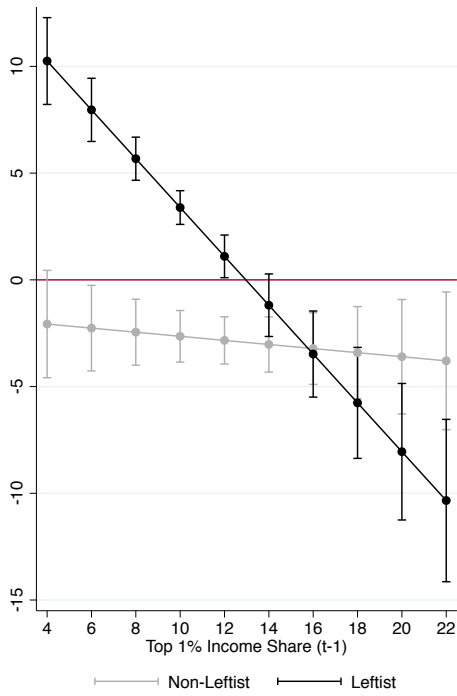
Figure A4: Marginal Effects of War on Top Tax Rates (Left Executive) with 95% CIs



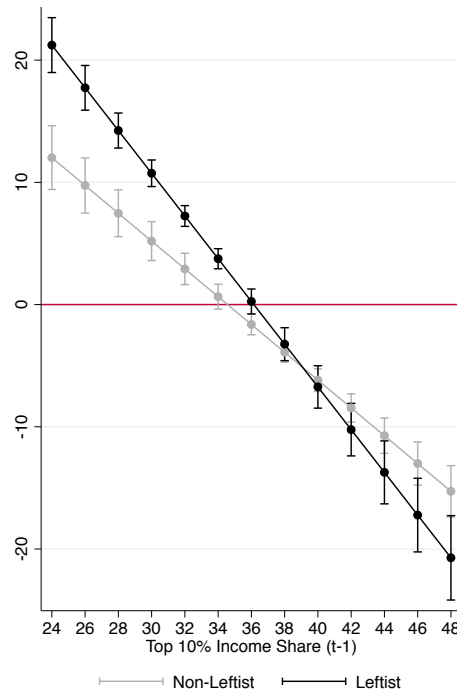
(a) Inheritance Taxation and Top 1% Income Share



(b) Inheritance Taxation and Top 10% Income Share

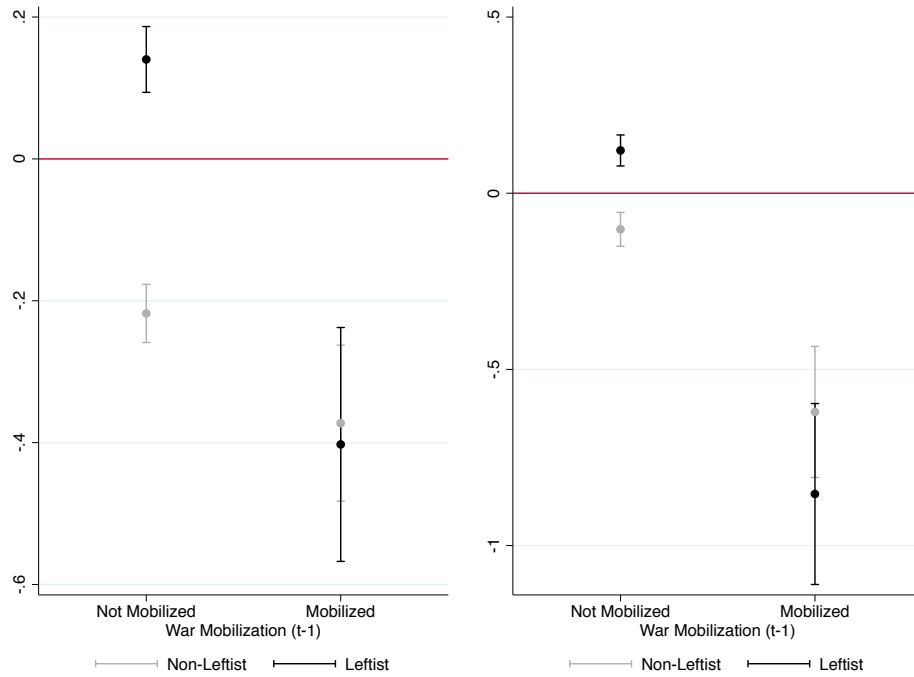


(c) Income Taxation and Top 1% Income Share

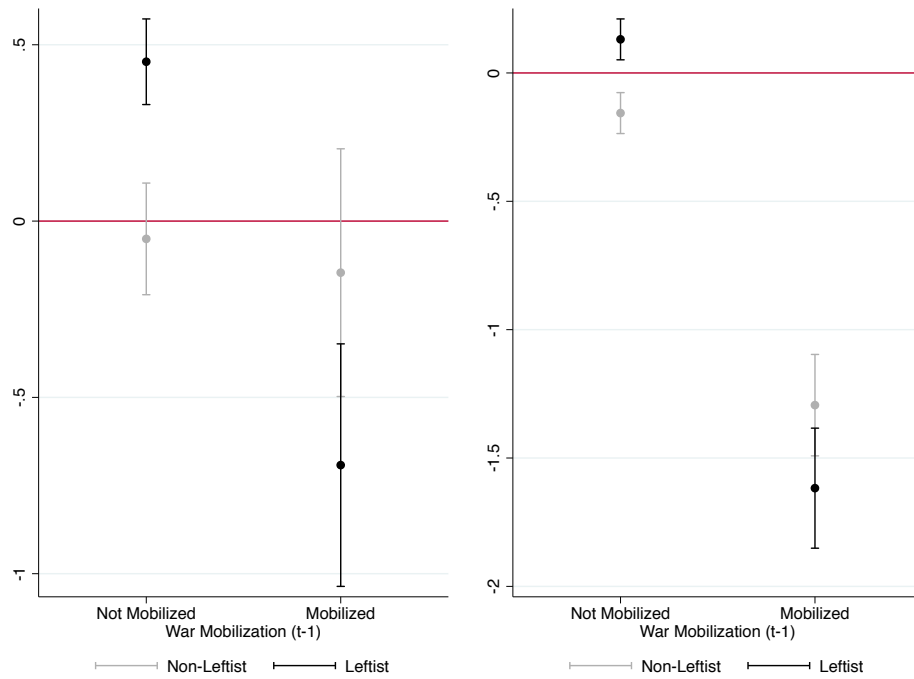


(d) Income Taxation and Top 10% Income Share

Figure A5: Marginal Effects of Inequality on Top Tax Rates (Left Executive) with 95% CIs

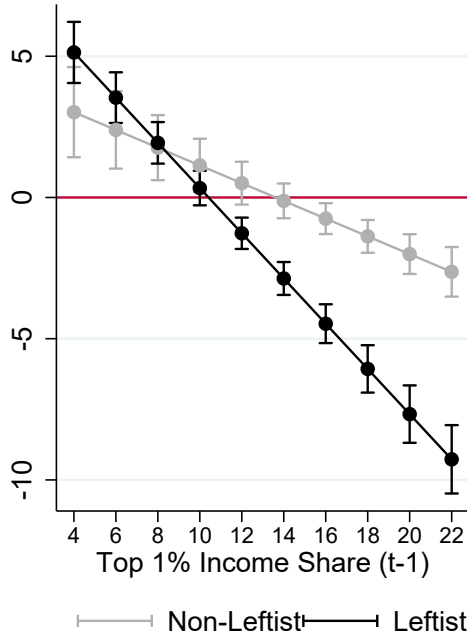


(a) Inheritance Taxation and Top 1% Income Share (b) Inheritance Taxation and Top 10% Income Share

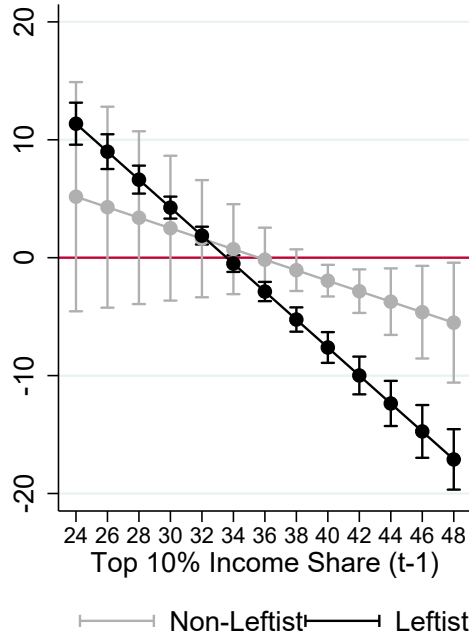


(c) Income Taxation and Top 1% Income Share (d) Income Taxation and Top 10% Income Share

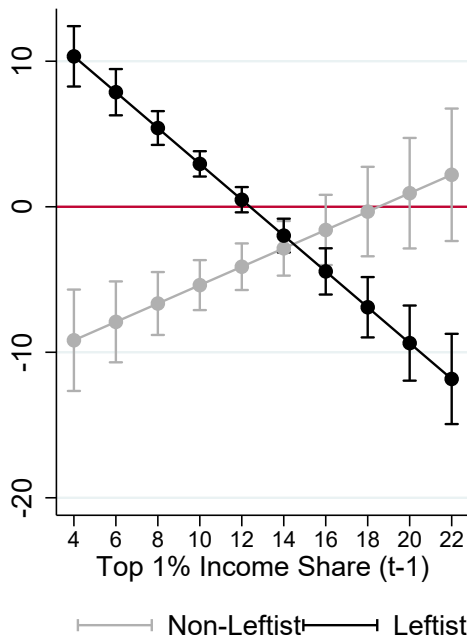
Figure A6: Marginal Effects of War on Top Tax Rates
 (Left Executive when Universal Suffrage = 1) with 95% CIs



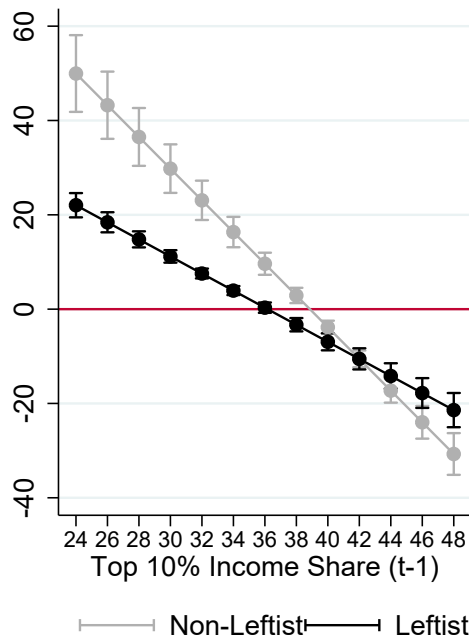
(a) Inheritance Taxation and Top 1% Income Share



(b) Inheritance Taxation and Top 10% Income Share

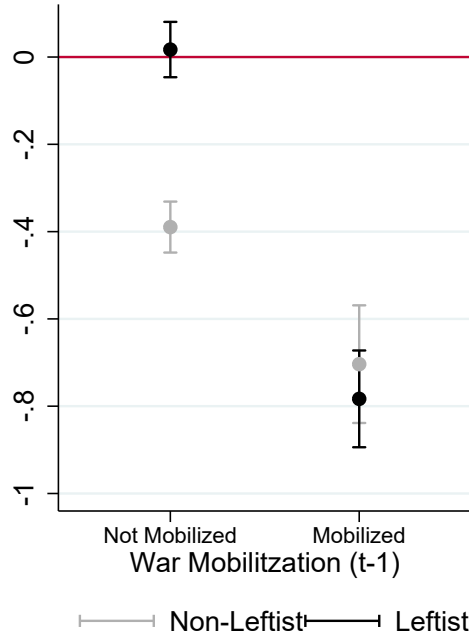


(c) Income Taxation and Top 1% Income Share

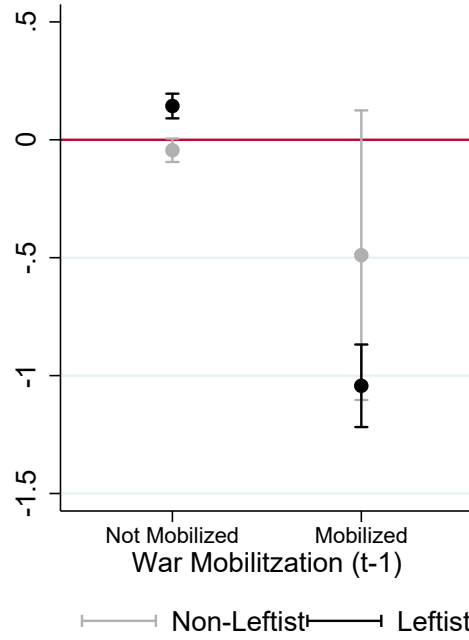


(d) Income Taxation and Top 10% Income Share

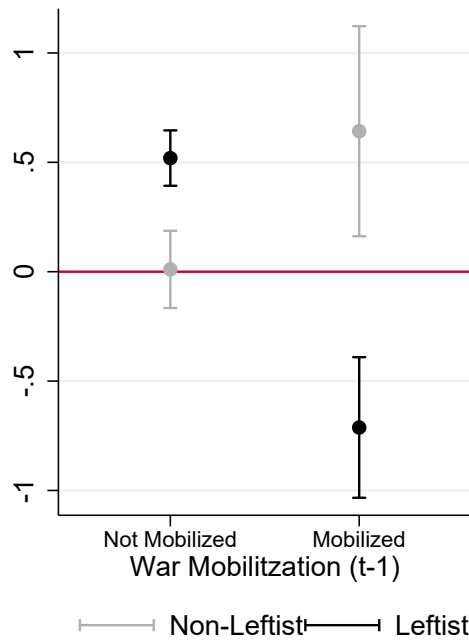
Figure A7: Marginal Effects of Inequality on Top Tax Rates
 (Left Executive when Universal Suffrage = 1) with 95% CIs



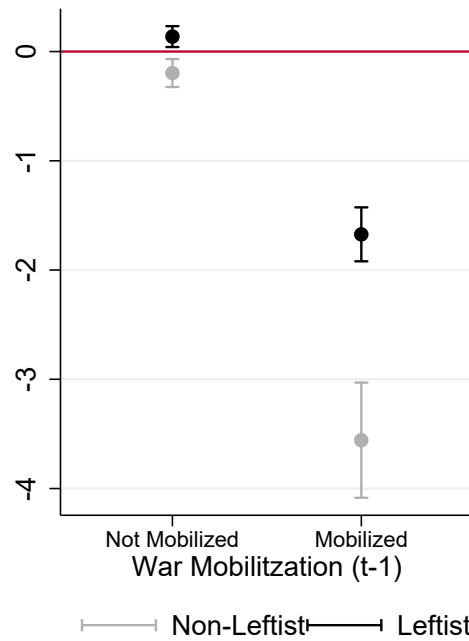
(a) Inheritance Taxation and Top 1% Income Share



(b) Inheritance Taxation and Top 10% Income Share

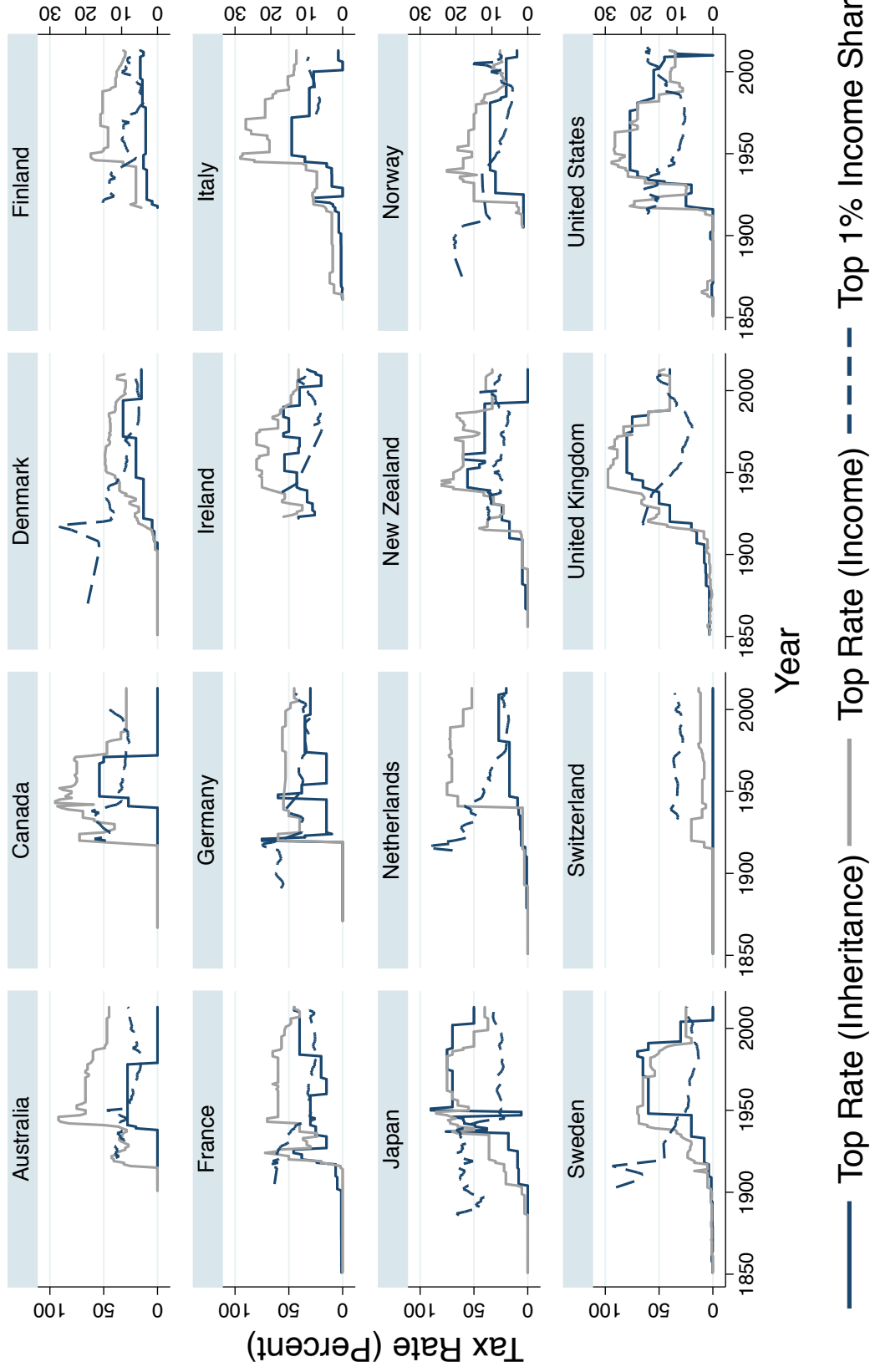


(c) Income Taxation and Top 1% Income Share



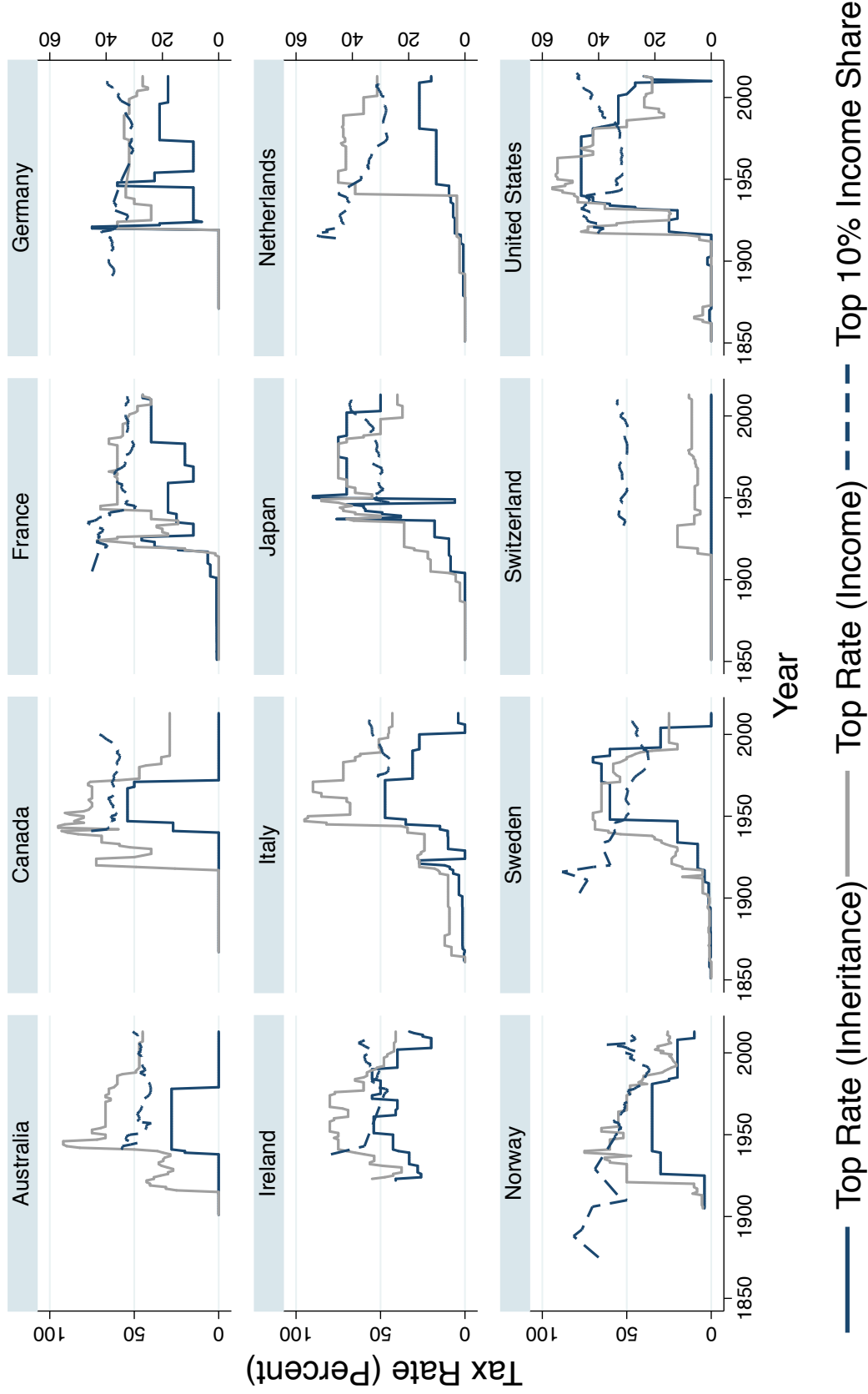
(d) Income Taxation and Top 10% Income Share

Figure A8: Top 1% Income Share and the Top Tax Rates



Note: The right y-axis indicates the scale for Top 1% Income Share.

Figure A9: Top 10% Income Share and the Top Tax Rates



Note: The right y-axis indicates the scale for Top 10% Income Share.