

Nontaxation and Representation: The Fiscal Foundations of Political Stability. By Kevin M. Morrison. New York: Cambridge University Press, 2015. 170p. \$88.00.

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It is commonly assumed that increased taxation leads to representation as citizens exchange some of their income for a greater say in political matters. *Nontaxation and Representation*, an important contribution to the public finance and political economy literature, calls this standard view into question. Kevin Morrison provides two related arguments regarding the relationship between tax revenue, government spending, and government stability.

First, higher levels of taxation have a destabilizing effect on political regimes and their leaders. Under authoritarian regimes increased taxation can, in fact, lead to greater levels of representation by destabilizing the ruling regime. At the same time, increased taxation by democratic regimes can also have a destabilizing effect, resulting in less representation. This latter point is often neglected in discussions of the relationship between taxation and representation because democratic regimes are treated as being distinct from authoritarian regimes.

Second, non-tax revenues, which refer to money available to a regime for spending that is not the result of taxing citizens, can have a stabilizing effect on governments able to access these income streams. This is because non-tax revenue allows regimes to reduce taxation while simultaneously increasing their spending. Since taxation is a cost borne by citizens, while public spending is a benefit they receive, reduced taxation coupled with increased spending is a dual benefit for citizens which enhances support for the regime. This line of argumentation stands in contrast to the view, often associated with the resource curse, that non-tax revenue has a destabilizing effect on the regime in power.

Together, the book's central argument can be summed up as follows: taxation harms regimes and spending benefits them, while non-tax revenue increases the stability of political regimes. Morrison employs various methods to develop and argue these central points. He first provides a theoretical framework to understand the connection between taxation, stability, and non-tax revenue. He then uses cross-national time-series analysis to provide empirical evidence for his central claims. This is supplemented by two detailed case studies—Mexico and Kenya—which attempt to explore some of the micro-level causal mechanisms. Finally, he uses Brazil as a natural experiment to study intergovernmental transfers in order to explore the relevance of his theory at the municipal level within a country.

This book has several strengths. Perhaps the most significant is that Morrison is able to take a straightforward, yet overlooked, idea and clearly demonstrate its broad implications. The idea that taxation can be either stabilizing (where taxes are decreased) or destabilizing (where taxes are increased) is an important one because it forces the analyst to take a more comprehensive view of regime persistence and change. Instead of focusing on the transition from authoritarian regimes to democracies or from democracies to authoritarian regimes as distinct and separate events, Morrison provides a single framework that offers insight into both scenarios.

Within this framework, increased taxation can lead to more representation by destabilizing an authoritarian regime and subsequently creating space for the emergence of a more democratic government. At the same time, increased taxation by a democratic regime can have a destabilizing effect resulting in a more authoritarian regime where representation is reduced. Increased taxation is destabilizing for both types of regimes and does not necessarily lead to more representation. One implication is that democracies and dictatorships are more

similar than many scholars often realize. These similarities becomes even more evident when Morrison makes clear that both types of regimes benefit from increased spending and non-tax revenue.

Second, *Nontaxation and Representation*, expands the existing discussion of non-tax revenue, which typically focus on resource revenues or foreign aid within these categories considered independently from one another. Morrison's framework allows him to employ a broader notion of nontax revenue which includes: foreign aid, resource revenues (from state-owned enterprises), borrowing, and inter-governmental transfers. In doing so, his analysis shows what these different sources of non-tax revenue have in common in terms of their effect on regime stability.

A final strength of the book is the effective employment of various forms and sources of evidence. The reliance on empirical data, quantitative case studies, and a natural experiment allows Morrison to triangulate his evidence and provide a broad base of support for this theory. By themselves, each of the approaches has their weaknesses (another, related, strength is that Morrison carefully clarifies the limitations of his methods throughout), but together they provide a convincing case in support of the book's central propositions.

Nontaxation and Representation concludes with a discussion of the theoretical and policy implications of the analysis. In doing so Morrison makes an important connection to the literature on institutions and outcomes. As the rules of the game, institutions create payoffs which, for better or worse, incentivize the behaviors of actors embedded in those arrangements. The book's argument fits nicely within this literature. We should expect the effects of non-tax revenue to be positive in countries with high-quality institutions characterized by private property and constraints on government power which limit abuses. In these cases non-tax

revenue will strengthen the regime and its existing institutions. In contrast, the effects of non-tax revenue will tend to be negative in countries with low-quality institutions, since this income will further entrench government actors who already face weak, or altogether absent, constraints on their behavior.

If the book has a weakness, it is that institutions appear too late in the story. It would have been beneficial to incorporate the role of institutions throughout the analysis. Granted, it would have made the theory more complicated, but it would have also made it more nuanced.

For example, when developing his theory of nontax revenue, spending, and taxation, Morrison assumes that the weight that government places on each citizen's utility remains constant and does not change with the different types of non-tax revenue. For modeling purposes this assumption makes sense. It would be interesting, however, to consider how different forms of non-tax revenue influence political institutions and how these changes may influence the weight that government places on the utility of different citizens. Another interesting avenue would be to consider how non-citizens—e.g., external donors—influence both domestic institutions and the weights that domestic governments place on the utility of citizens. A final area of inquiry, one highlighted by Morrison himself, is the micro-level operation of taxation, spending, and non-tax revenue across different types of regimes and public finance arrangements. The specific nature of public finance operations across regimes will be a function of context-specific institutions.

Overall, *Nontaxation and Representation* makes an important contribution to our understanding of the interplay between taxation, spending, non-tax revenue, and regime stability. It will be of great interest to scholars in both political science and economics who are interested in these issues and their nuances. It not only offers a unified framework to understand these

topics, but also opens the door to a broader set of research questions regarding the economic and political performance of different regimes and their influence on the well-being of citizens.