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The Historical Origins of Wealth Taxation

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Abstract

Which factors have driven wealth taxation over the long run of history? We look at a new dataset on the first permanent introduction of taxes on net wealth, i.e. recurrent taxes levied based on the absolute value of an individual's financial assets, to answer this question. First, we place the introduction of wealth taxation in the historical genesis of the modern tax state. We find that recurrent taxes on net wealth are a more recent, yet less widely spread phenomenon than other progressive taxes. Second, we analyse the historical drivers of wealth taxation. In particular, we argue that the net wealth tax was mainly used as an 'emergency tax' when countries faced major shocks. Utilising event history analyses, we compare the impact of two major types of shocks: wars and recessions. Our results show that wealth taxes were primarily introduced in the aftermath of major economic recessions, whilst wars do not speed up the uptake of wealth taxes. In contrast to other modern tax introductions, we do not find that countries are generally more likely to introduce wealth taxes as a result of broader societal change such as modernisation or democratisation.

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1 Introduction

Wealth taxation has made a spectacular comeback into the political arena. In France, the abolition of the net wealth tax has fuelled political anger amongst the *gilets jaunes*, a protest movement that started in late 2018 (Economist, 2019). In Bolivia, the COVID-19 crisis has led to new discussions about introducing a wealth tax to pay for the costs of the pandemic (O'Boyle, 2020). Even in Germany, more than 20 years after its repeal in 1996, the wealth tax has found its way back into public policy debates (Böcking, 2019). Political contention has been closely followed by academic interest. An increasing number of studies aim to uncover the politics of wealth taxation in the 21st century (Profeta, Scabrosetti, & Winer, 2014; Saez & Zucman, 2019). Against this backdrop, it is surprising that the historical roots of wealth taxation have gained hardly any attention. After all, finding out about the determinants of wealth tax legislation over the long run of history can help to predict future tax policy dynamics. Which factors have driven the introduction of wealth taxes historically?

This article investigates the origins of wealth taxation to answer this question. More specifically, we look at the historical rise of the net wealth tax, i.e. a recurrent tax that is levied based on the absolute value of an individual's financial assets. Using a new dataset on net wealth tax introductions in 45 countries, we first map the introduction of recurrent taxes on net wealth against the backdrop of the rise of the modern tax state (Genschel & Seelkopf, 2021; Seelkopf et al., 2019). Whilst introductions do not show specific geographical patterns, net wealth taxes have been far less common than other modern taxes. Furthermore, wealth taxes were often introduced after the main pillars of modern progressive taxation (personal and corporate income taxes, inheritance taxes) had been established. Based on this descriptive information, we argue that the rise of the wealth tax has not been driven by broad societal developments such as economic modernisation or democratisation dynamics. Instead, the wealth tax was mainly used as an 'emergency tax' to generate additional revenue after major shocks. We focus on two particularly influential types of shocks: interstate wars and recessions. Event history analyses reveal that mass wars do not increase the

likelihood of introducing a net wealth tax. In contrast, recessions make wealth tax adoptions more likely. These results hold for a large battery of robustness tests and alternative model specifications.

Our contribution to the literature is twofold. First, we speak to the literature on the historical origins of the tax state (Limberg, 2020; Morgan & Prasad, 2009; Seelkopf et al., 2019). So far, this literature has put a lot of attention on income taxes (Aidt & Jensen, 2009; Emmenegger, Leemann, & Walter, 2020; Mares & Queralt, 2015), consumption taxes (Ganderson & Limberg, 2021; Haffert & Schulz, 2020; Keen & Lockwood, 2010), and – to a lesser extent – inheritance taxes (Scheve & Stasavage, 2012). In contrast, net wealth taxes have largely been overlooked. This is surprising given their prominence in current political and academic discussions. Based on a new, self-collected dataset, our article aims to situate today's debates in their historical context. Second, we stress the role of the wealth tax as an 'emergency tax' that was mainly established in the wake of economic crises. From this perspective, the introduction of the wealth tax cannot solely be understood as a result of domestic political power struggles over redistribution. Major policy deadlocks over the tax were only overcome when states were in dire economic situations. These findings indicate that – almost 150 years after its invention – the recent COVID-19 crisis and its economic fallout could lead to a comeback of the net wealth tax.

This article is structured as follows. The next session maps the wealth tax introductions against the background of the historical evolution of the tax state. Afterwards, we discuss the potential impact of two different drivers of tax introduction - long-term trends and short-term shocks. We then systematically test which explains wealth tax introductions. The final section concludes.

2 Wealth Taxation and the Genesis of the Modern Tax State

Taxes are compulsory payments to the state 'in exchange for nothing in particular' (Martin, Mehrotra, & Prasad, 2009, p3). They fall on three bases: consumption, income, or assets. Whereas consumption taxes are regressive[1], taxes on income and assets are mostly progressive, i.e. they put a higher relative tax burden on the rich than on the poor. Taxes on assets tend to be particularly progressive (Messere, de Kam, & Heady, 2003). Whereas income and consumption taxes and their historical roots are widely debated in the literature (Aidt & Jensen, 2009; Ganderson & Limberg, 2021; Keen & Lockwood, 2010; Mares & Queralt, 2015; Seelkopf et al., 2019), we know relatively little about asset taxation. In particular, taxes on net wealth have received hardly any scholarly attention. Hence, before we discuss what we can learn about the drivers of tax introductions from the more general literature on the development of the modern tax state, we give a short overview of our new dataset on net wealth tax introductions, and situate the tax in the broader historical context.

We focus on the net wealth tax defined as a recurrent tax that is levied based on the absolute value of an individual's financial assets. Following recent work on the introduction of modern taxes (Genschel & Seelkopf, 2019; Seelkopf et al., 2019), we code the first permanent introduction of net wealth taxes at the national level.[2] It is important to keep in mind that in some countries, regional government have introduced net wealth taxes as well. For instance, Prussia introduced a wealth tax in 1892 a few decades before the tax was introduced at the federal level in Germany. Switzerland has never introduced a wealth tax at the national level. However, starting with Basle City in 1840, the Swiss cantons have introduced net wealth taxes at the subnational level (Krenek & Schratzenstaller, 2018).

Importantly, the net wealth tax is not the only tax on assets. Apart from taxing net

[1] At least in advanced economies without large informal sectors.

[2] We define a tax as permanent if it has been in place for at least 5 years. See the codebook in the Appendix for further information.

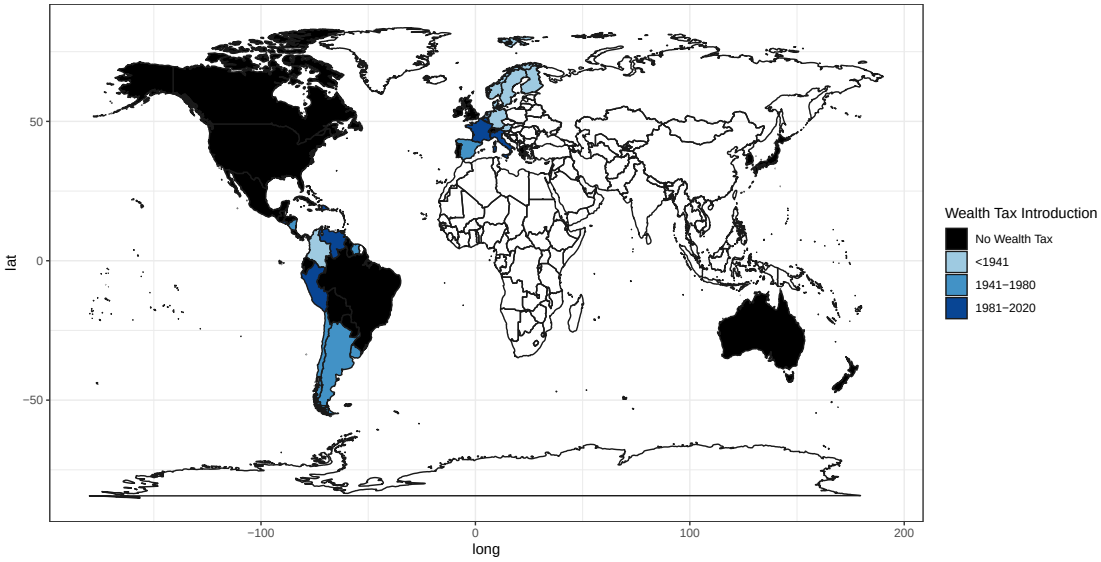
wealth, states can 1) levy a tax on the transfer of wealth by introducing inheritance and gift taxes, 2) tax the profits made on the sale of assets via capital gains taxes, and 3) tax real estate by levying a recurrent tax on immovable property.[3] In contrast to inheritance taxes and capital gains taxes, net wealth taxes are due on a recurrent (predominately annual) basis irrespective of a specific event such as death or the sale of assets. Furthermore, unlike taxes that solely fall upon real estate and immovable property, net wealth taxes are levied on the value of financial assets. Thus, a pure tax on real estate and immovable property is not a wealth tax according to our definition. However, in some countries wealth from financial assets and real estate is summed up and taxed under a single wealth tax. We code such encompassing taxes as wealth taxes since they cover financial assets.

One time levies on wealth – such as the German "Wehrbeitrag" in 1913 or the "Reichsnotopfer" in 1919 – are not coded as wealth taxes as they are not recurrent. Hence, according to our coding it took nine more years since the first one time capital levy until Germany permanently introduced a recurrent net wealth tax in 1922. In contrast, we do code emergency taxes such as the wealth tax introduced by the military government in Argentina in 1976 as permanent introductions as they are kept subsequently and are therefore de facto permanently introduced (despite different intentions upon introduction). Furthermore, we are solely referring to wealth taxes on individual person. Thus, we do not code taxes that exclusively fall onto companies' wealth. We focus on the introduction of the wealth tax as this is a public - and hence very political - event that firmly marks the salient starting point of a new path towards more progressive taxation.

While many scholars focus their research on wealth taxation in contemporary advanced democracies, we broaden our sample to also include countries that were considered advanced in a more historical context. These mostly include states in Latin America. All in all, we have information for 45 countries in Western Europe, the

[3]Capital gains taxes are often incorporated into the income tax system. Thus, one could argue that they lie at the intersection on income and asset taxation.

Figure 1: Introduction of Net Wealth Taxes, 1880–2020



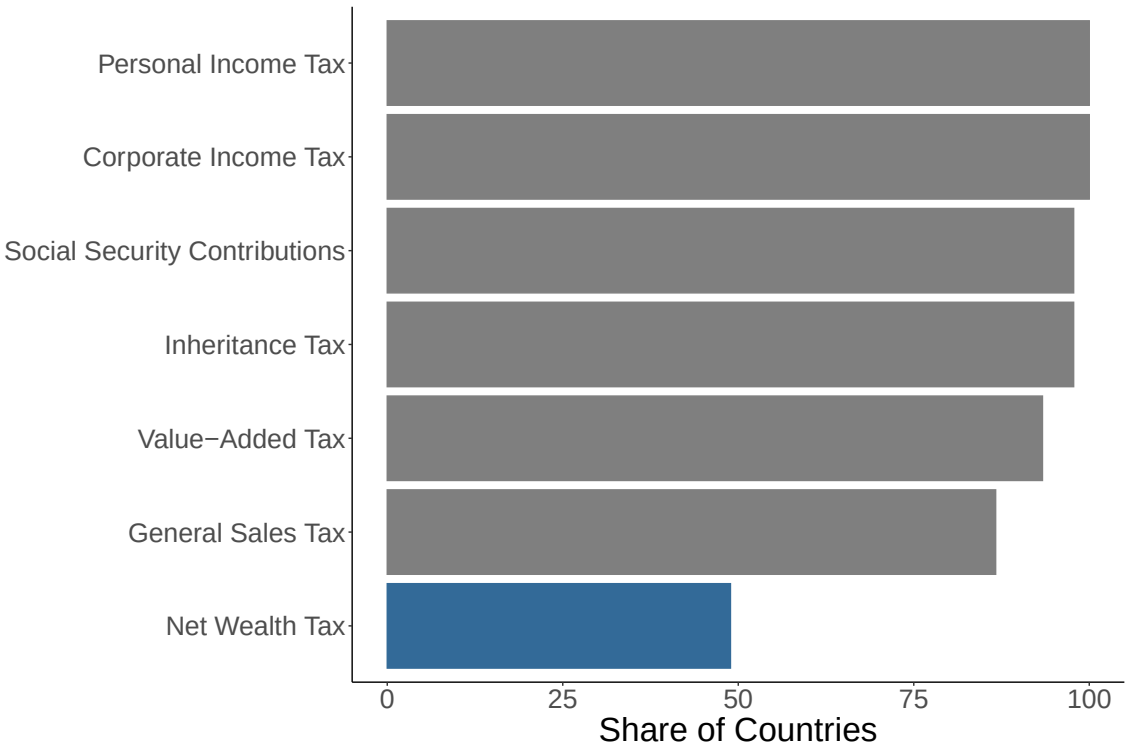
Data: Own coding.

Americas and Asia-Pacific from 1880 until today.[4] To the best of our knowledge this is the broadest dataset of historical net wealth taxation created so far. Figure 1 shows the historical timing of wealth tax introductions in our sample. The first country to introduce a permanent wealth tax at the national level was the Netherlands in 1892. The last wealth tax introduction in the OECD happened in Belgium in 2017. Crucially, wealth taxes have not been limited to today's OECD states. Several Latin-American countries have introduced wealth taxes as well and variation in the timing of introduction is similar. For instance, Colombia introduced its wealth tax in 1935, whereas the Dominican Republic did so in 2005. The incidence and timing of wealth tax introductions in Europe and Latin America seems to be fairly similar. In contrast, none of the Asian-Pacific countries in our sample has introduced a net wealth tax so far. These non-introducers are joined by several European countries such as the United Kingdom or Portugal as well as other American countries like the United States, Canada, and Mexico. Hence, it seems that classic modernisation theory, which predicts that countries expand their fiscal toolkit as they become richer, cannot explain this intriguing empirical variation in net wealth taxation.

Figure 2 compares the introduction of the wealth tax to six other modern taxes on

[4]See Table C1 in the Appendix for a full overview of countries and wealth tax introduction dates.

Figure 2: Share of Countries in the Sample that Have Introduced the Respective Tax at Some Point in Time



Data: Own coding as well as Genschel and Seelkopf (2019); Seelkopf et al. (2019).

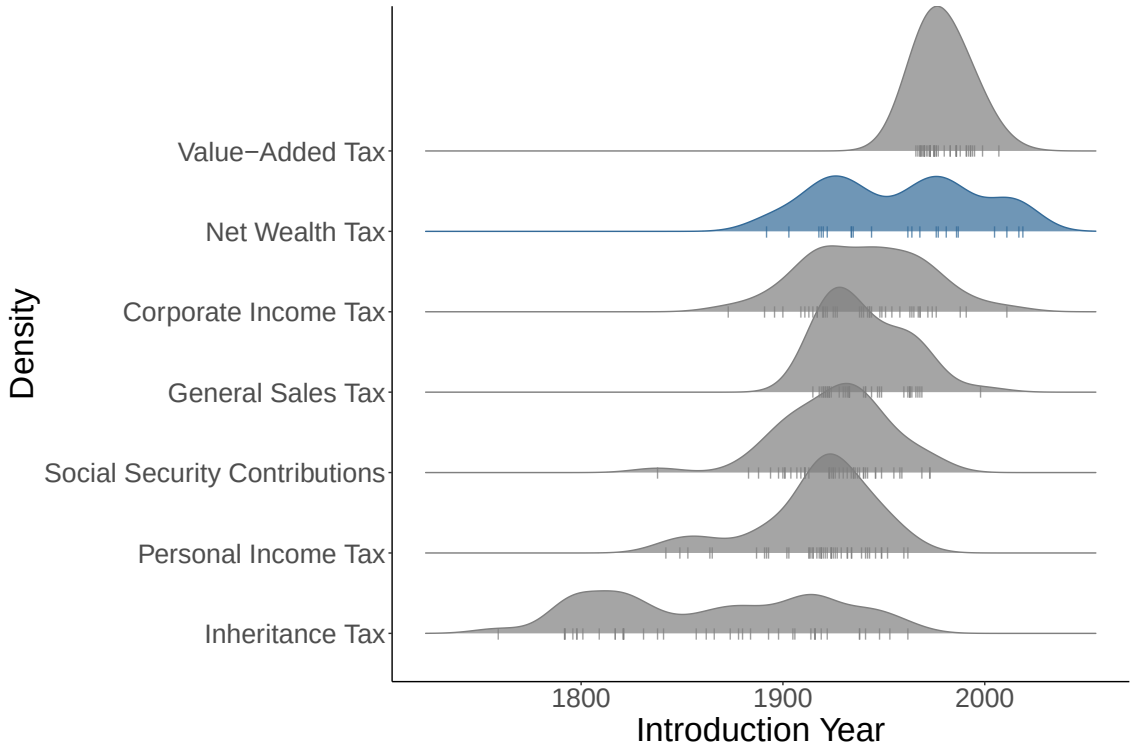
consumption (general sales tax and value-added tax), income (personal and corporate income tax as well as social security contributions), and inheritances (inheritance tax). Data come from the Tax Introduction Dataset collected by Philipp Genschel and Laura Seelkopf. The figure highlights the universality of the modern tax state (see also Genschel & Seelkopf, 2021). With very few exceptions, all countries in our sample have introduced these six taxes[5]. This is different for the net wealth tax. Only half of the countries in our sample have introduced a permanent wealth tax at the national level.[6] Taxing net wealth seems to be an additional fiscal option rather than an essential element of modern, democratic tax states.

As Figure 1 illustrated, wealth taxes were introduced throughout the past 140 years. In this, and not only their adoption frequency, wealth taxes crucially differ

[5]The slightly lower numbers for GST/VAT stem from the fact that the VAT is a more modern version of the GST, which some countries such as Cuba and Suriname still have to introduce. If we take these together, every country in our sample with the exception of the United States taxes consumption at the national level.

[6]Coding non-events is generally more difficult than coding events. Thus, all instances of non-introductions come with a baseline level of uncertainty.

Figure 3: Wealth Taxation and the Genesis of the Modern Tax State



Data: Own coding as well as Genschel and Seelkopf (2019); Seelkopf et al. (2019).

from many other modern taxes as well. As Figure 3 highlights, most taxes spread rather quickly after their first introduction. This pattern is particularly pronounced for the most modern of these six taxes, the value-added tax. After its invention, it diffused rather rapidly around the world. Income taxes took a little longer, but also had relatively clear peak periods of international diffusion. Interestingly, the other tax on assets, the inheritance tax, took quite a long time to diffuse as well. Yet, this is maybe less of a surprise given its age (the first inheritance tax was introduced in Austria-Hungary in 1759) and the fact that some of today's advanced democracies (e.g. Australia and Germany) did not even exist in the early 19th century and hence could not have introduced the tax. In contrast, the net wealth tax only started to spread widely in the 20th century and took much longer to diffuse. Again, this hints towards a much less universal pathway to net wealth taxation. Broad societal trends such as economic development and democratisation that all the countries in our sample have in common seem to be less able to explain the introduction of this particular tax. In the next section, we will discuss what the academic literature on

the origins of the tax state tells us about long- and short-term factors influencing the adoption of modern taxes.

3 The Historical Origins of the Modern Tax State in the Literature

Whilst we know much about the economic consequences and the contemporary dynamics of wealth taxes (Bach, Beznoska, & Steiner, 2014; Krenek & Schratzenstaller, 2018), knowledge about their origin is scarce (Bird, 1991; Glennerster, 2012). We thus turn to the broader literature on the development of the modern tax state to review the main drivers of tax introductions. We identify two broad arguments. One focuses on more long-term trends such as economic modernisation and democratisation that can lead to the introduction of more efficient new taxes. The other has identified more short-term fiscal shocks from wars and recessions as drivers of new taxes. We discuss each in turn.

3.1 Long-term Trends and Tax Introductions

The first set of arguments stresses the impact of long-term trends on the development of modern tax states. Modern taxes are seen as necessary instruments of revenue generation in advanced capitalist democracies. Therefore, countries are expected to differ in the timing of adoption depending on the speed of their development processes, but they should all eventually bow to these common trends and introduced a core set of modern taxes.

Modernisation

Probably the oldest insight into the development of the modern tax state is that it goes hand in hand with the development of the nation state itself. As societies and their economies become more modern, this also impacts their spending needs. Urbanisation, specialisation, and general economic development lead to new demands

for public goods and a larger state. The government needs new taxes to provide these goods and has now also the taxable surplus to do so (Hinrichs, 1966; Kiser & Karceski, 2017). Hence, governments introduce new taxes that were not possible in a more subsistence economy with a less capable administration (Besley & Persson, 2013). Fiscal modernisation simply follows economic modernisation trends. Once administrations, businesses, and individual taxpayers are able to asses income and monitor consumption flows, governments start to rely on broad-based income and consumption taxes instead of easier to administer tax handles such as window or stamp taxes. This does not only allow for more efficient taxation, but generally enables countries to increase the tax yield to unprecedented levels.

Democratisation

Several authors have argued that especially the introduction of more progressive taxes such as wealth or income taxes is driven by democratisation pressures in society (Aidt & Jensen, 2009; Seelkopf & Lierse, 2020). As more and more people become enfranchised, they demand higher levels of public expenditure and more redistribution of income and wealth. Governments follow these demands by introducing (progressive) new taxes.[7] Additionally, taxpayers are more willing to quasi-voluntarily comply as institutions become more accountable (Levi, 1989). In other words, democratic control over the government strengthens the fiscal contract. Whilst there is a considerable debate whether democratisation did historically fuel the development of the modern European tax state (Aidt & Jensen, 2009; Mares & Queralt, 2015; Scheve & Stasavage, 2010), there is some evidence that it does so worldwide (Kato & Tanaka, 2019; Seelkopf & Lierse, 2020). In the process of democratisation, modern taxes serve not only as instruments to generate revenue for welfare states and to curb inequalities at the top of the income and wealth distribution, but also as important information instruments for democratic politicians and their voters to gauge how much is owned, earned, and consumed in a society.

[7] Note that this is the more general argument of left party politics.

3.2 Short-term Shocks and Tax Introductions

Whereas the literature on modernisation and democratisation has highlighted long-term societal trends, other scholars emphasise the importance of short-term revenue shocks for tax introductions. Thus, they focus on one of the main function of taxation, which is revenue generation for the state (Musgrave, 1959). Whilst most of the literature looks at war as the main shock affecting fiscal policy-making, newer work has started to highlight the importance of economic recessions.

Wars

Historically, war-making has been a way of state-making (Tilly, 1990). In Europe, interstate wars were a common empirical phenomenon and a dire threat to the survival of (mostly autocratic) governments and their populations. Hence, people rallied around the fiscal flag and governments introduced new taxes to finance wars and to pay off war debts (Spencer, 1898; Walter & Emmenegger, 2021). Given that wars were mostly fought by the young and relatively poor, they also often led to more progressive taxation to equalise the sacrifice (Scheve & Stasavage, 2010). We see this war effect for the first modern tax ever introduced, the inheritance tax in the Habsburg Empire, which was adopted in 1759 to pay for the debt of the Seven Years' War. Taxes introduced after and during the First and Second World War are another example for this so-called bellicist theory. For instance, Germany introduced general sales and personal income taxes in 1918 and 1920 respectively to pay for the costs of the First World War. Similarly, Japan adopted social security contributions for pensions of blue colour workers during the Second World War.[8] All these taxes remained in place long after the wars were fought, even if they were in some cases only ever intended as short-term measures. However, the literature on warfare and fiscal capacity building has also shown that wars do not always lead to an expansion of the fiscal toolkit. For instance, factors such as the type of war (Thies, 2010), war intensity (Centeno, 2002),

[8] See `tid.seelkopf.eu/country_profile.php` for these and more examples from Genschel and Seelkopf (2019).

and the availability of alternative funding sources (Queralt, 2019) can moderate the effect of war on tax policy-making.

Recessions

Yet, a war is not the only major shock a society can face. Even more common are recessions that lead to revenue shortfalls for governments. They require governments to levy policies that minimise the negative economic effects on the population, i.e. increase spending, at the same time as they lower the capacity of governments to do so. As alternative financing forms such as borrowing are severely restricted during economic downturns, tax increases and the introduction of new taxes is often the only way to face these financing gaps (Gillitzer, 2017; Papadia & Truchlewski, 2021). When the costs of recessions fall mostly on the poor and are perceived to be caused by the rich, the likelihood of more progressive taxation increases (Limberg, 2020). For instance, Chile introduced both an inheritance tax and an income tax in 1878 during the Long Depression, the worst economic crisis the country had ever faced until then. Another example is the case of Spain, which introduced a personal income tax in 1932 to to deal with deteriorating government finances due to the Great Depression (Genschel & Seelkopf, 2019). Again, these modern taxes were introduced as a reaction to immediate fiscal problem pressure, but remained in place to sustain the budgetary needs of capitalist welfare states for a long time to come.

In sum, the literature on the introduction of modern taxes distinguishes between long-term trends and short-term shocks. It focuses mostly on major revenue generators such as personal income or general sales taxes. We know almost nothing about the historical roots of net wealth taxes. Thus, we mostly rely in the more general literature on the development of the modern tax state. Given the limited distribution of net wealth taxes in our sample of relatively rich and mostly democratic nation states, it seems that short-term fiscal shocks are more likely to lead to the introduction of wealth taxes rather than the long-term trends that drove more common tax instruments such as the personal income or value added tax. Whilst wealth taxes existed

since the 19th century in the fiscal toolkit, they never gained the prominence and almost inevitability of other modern taxes. This contradicts theories of modernisation and democratisation as these would expect economic development and an expansion of democratic principles to lead to the introduction of (wealth) taxes in all countries.

The next section tests whether it really was a shock therapy that formed the origins of wealth taxation and, if so, whether bellicist or economic shocks were more likely to lead to the introduction of net wealth taxes.

4 Empirical Analysis

In this section, we analyse the determinants of wealth tax introductions. Since we are interested in policy change, we focus on legislative introductions. We transform our data into a time-series cross-sectional format. The start year is set at 1880, thus more than a decade before the first tax on net wealth was introduced in the Netherlands in 1892. In other words, we assume countries to be at risk of introducing a wealth tax from 1880 onwards. Some countries in our sample only gained independence after 1880 (e.g. Ireland in 1922). In these cases, the respective country enters the risk set at the year of independence (Coppedge et al., 2019).

Our dependent variable is binary. It turns from 0 to 1 when a country introduces a net wealth tax permanently for the first time. Once a country has a wealth tax, it is not at risk of introducing one anymore. Therefore, the country drops out of our risk set. For instance, the time series for the Netherlands starts in 1880 and ends in 1892. Countries that have not introduced a wealth tax by 2019 are right censored.

Beck, Katz, and Tucker (1998) have shown that time-series cross-sectional data with a binary dependent variable are the same as grouped duration models. Thus, a normal logit model would cause biased results as the data generation process is temporally dependent. We use a cubic polynomial approximation (t, t^2 , and t^3) to model the time dependency of our data (Carter & Signorino, 2010). However, we additionally check our results by using different econometric specifications such as

rare event logistic regressions, Cox proportional hazard models, and linear probability models (Table B1 – Table B4 in the Appendix).

4.1 Trends or Shocks?

Let us now look at the impact of long-term trends (modernisation and democratisation) and short-term shocks (wars and economic crises) on the introduction of the net wealth tax. For modernisation, we take data which measures a country's GDP per capita (logged) in a respective year (Gapminder Foundation, 2020), whilst democracy is measured via V-DEM's electoral democracy index (Coppedge et al., 2019). For wars, we create a dummy variable that takes the value '1' if a country participated in a major interstate war with more than 1000 battle-related deaths in the previous 5 years (Sarkees & Wayman, 2010). Finally, we include a dummy variable which measures whether a country has faced a major recession with a drop in GDP by more than 5% in the previous 5 years (Gapminder Foundation, 2020).

In addition to these main variables of interest, we add several covariates. As inheritance taxes and wealth taxes have a similar tax base (i.e. assets), we include a dummy that indicates whether a country has had an inheritance tax in place in a respective year (Genschel & Seelkopf, 2019; Seelkopf et al., 2019). Furthermore, countries with federal structures might levy wealth taxes at the subnational level. Thus, they might be less likely to introduce a wealth tax at the national level. Therefore, we control for the existence of regional governments (Coppedge et al., 2019). Finally, not all countries have had full autonomy over domestic policies since they became independent for the first time. For instance, several countries have experienced periods of occupation. We control for this by adding an item from the V-Dem Dataset which measures the extent to which countries are autonomous from other states (Coppedge et al., 2019). Higher values indicate higher levels of autonomy.

Table 1 shows the results. We start by running bivariate models and then expand our list of covariates subsequently. The coefficients for GDP per capita and for the electoral democracy index are positive, but do not reach conventional levels of sta-

tistical significance (Model 1 & Model 2). These findings hold when expanding our models (Model 5 & Model 6). Thus, general trends of modernisation and democratisation do not seem to drive the introduction of net wealth taxes. The results are in line with the descriptive evidence presented above, which showed that wealth taxes were not a universal phenomenon. Interestingly, this finding stands in contrast to the introduction of other modern taxes (Seelkopf et al., 2019). Wealth taxes have much narrower origins.

Table 1: Results of Logit Models for Net Wealth Tax Introductions

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
GDP per Capita (log)	0.1686				0.0435	0.0241
	(0.3139)				(0.4214)	(0.4258)
Electoral Democracy		0.7036			0.8108	0.9444
		(0.9248)			(1.2112)	(1.2507)
War			0.4366		0.2199	0.1177
			(0.7585)		(0.7664)	(0.7830)
Major Recession				1.1497***	1.1832***	1.1699***
				(0.4394)	(0.4471)	(0.4488)
Inheritance Tax in Place						0.2779
						(0.6583)
Regional Government						0.4418
						(0.6356)
State Autonomy						−0.0800
						(0.2820)
t	−0.0153	−0.0160	−0.0104	−0.0128	−0.0191	−0.0168
	(0.0393)	(0.0392)	(0.0386)	(0.0388)	(0.0397)	(0.0409)
t^2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
t^3	−0.0000	−0.0000	−0.0000	−0.0000	−0.0000	−0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
AIC	285.2058	284.2102	285.1999	279.1170	283.4001	288.6507
Log Likelihood	−137.6029	−137.1051	−137.6000	−134.5585	−133.7000	−133.3254
Deviance	275.2058	274.2102	275.1999	269.1170	267.4001	266.6507
Num. obs.	4722	4614	4722	4722	4614	4614

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Turning to the impact of shocks, we see that the coefficient for war is positive, but statistically insignificant. This finding also fits to the descriptive evidence. Although a

few countries have introduced a net wealth tax right after a major interstate war (e.g. Austria in 1920), many countries that have fought in both World Wars have never introduced a net wealth tax at all (e.g. the United States or the United Kingdom). This also follows the insights from Figure 3, which revealed that the diffusion of net wealth taxes spans across a large time period and was not clustered around the years of the World Wars. Thus, wars are not universal drivers of wealth taxation. In contrast to the overall insignificant coefficient for warfare, we find robust evidence that wealth tax introductions are more likely after major recessions. The coefficient is positive and statistically significant throughout all models. Thus, recessions tend to be general drivers of wealth tax introductions.

With regard to our further control variables, the coefficient for our inheritance tax dummy is positive, but fails to reach conventional levels of statistical significance. The same holds for the variable measuring the existence of regional governments. Finally, the coefficient for state autonomy is negative, but again statistically insignificant.

To check that our results are not driven by our model specifications, we conduct a battery of robustness checks. First, one issue that might arise is the extent to which wars and economic crises are independent of one another. After all, the two factors are historically strongly connected. In the main models, we try to deal with this issue by testing the impact of both factors separately at first (Table 1). However, one might argue that the impact of economic recession on wealth tax introduction depends on the experience of a prior war. For instance, the German wealth tax introduction in 1922 happened during a major recession, but this economic downturn was strongly connected to World War I. We run interaction effects to check whether the effect of recessions is contingent on the experience of mass warfare (Table A8). We find that the effect of recessions on wealth tax uptake does not depend on war participation. Recessions have a positive and statistically significant effect on wealth taxation even in the absence of war experience.

Second, we control for additional covariates. We include an temporarily lagged equally weighted spatial lag (Table A1) as wealth tax introduction might be interde-

pendent between countries. Results hold. Furthermore, the coefficient for the spatial lag is not statistically significant, pointing again to the much more sparse and drawn-out introduction of wealth taxes. Second, we include a dummy for Latin American countries (Table A2). The results stay similar and we do not find significant differences in wealth tax uptake between Latin America and the other countries in the sample. This underlines the descriptive findings based on Figure 1. The historical origins of the net wealth tax in the Americas were not fundamentally different from their historical counterparts in Western Europe. This also supports our approach of including them in our analyses since patterns of wealth tax introduction resemble the ones in today's advanced economies. We further check whether the effects of modernisation, democratisation, wars, and major recessions are different in Latin American countries. We do so by running interaction effects between our main variables of interest and the dummy for Latin American countries (Table A3). The findings show that the effect of these factors is not significantly different in Latin American countries. Most importantly, major recessions speed up wealth tax introductions both inside and outside Latin America.[9]

Furthermore, results could be biased due to different historical timings of state formation. We control for this by adding the start date of independence as a covariate. Our main results hold (Table A5). Moreover, the literature on progressive taxation has stressed the importance of country size for tax competition (Genschel, Lierse, & Seelkopf, 2016). To account for this, we additionally control for the size of the population (logged values). Again, our main finding that economic shocks speed up wealth tax uptake holds (Table A6). Thus, the origins of this tax do not seem to be affected by globalisation-induced tax competition. We also check whether the effect of recessions on wealth tax introductions varies over time. We find that recessions have facilitated the introduction of the wealth tax in all time periods (Figure A1). Interestingly, the effect is stronger prior to 1930, i.e. at a time when not all countries

[9]Some authors have argued that Latin American often fought low intensity wars which did not trigger bellicist mechanisms (Centeno, 2002). We check whether war intensity moderates the effect of war on wealth tax adoption by running interaction effects between our war dummy and the number of battle-related deaths. The interaction effect is positive, but statistically insignificant (Table A4).

had introduced the full toolkit of other modern taxes yet. Intra-elite competition could be another potentially interesting driver of wealth taxes (Mares & Queralt, 2015). In particular, countries where old, landed elites from rural areas possess more political power might introduce net wealth taxes to shift the tax burden onto new, industrial urban elites.[10] In Table A7, we test this by including a variable that measures the distribution of political power by urban-rural location (Coppedge et al., 2019). Higher values indicate that people in rural areas have more political power. Our main results remain robust and we find some evidence that rural political power facilitates wealth tax uptake. We also check our results by applying a lower threshold for identifying major recessions (-1% instead of -5%). Results hold (Table A9).

Finally, we check our results by running alternative econometric specifications. First, we run a Cox Proportional Hazard model instead of a logit model with cubic approximation. Our main findings stay robust (Table B1). In addition, proportional hazard (PH) test shows that the PH assumption holds, i.e. the effects of the covariates on the hazard rate remain stable over time. Second, we run logit models where we use year fixed effects instead of a cubic time approximation (Table B2). Again, our findings stay robust. Third, one major shortcoming of logit regressions is that their results are hard to interpret substantially. Looking at the results of a linear probability model helps to get a better idea of the effect size (Table B3). We find that each year the variables for a previous major recession turns '1' increases the likelihood of a wealth tax uptake by nearly 0.6 percentage points. As the variable measures whether there has been a recession in the previous five years, each major recession increases the likelihood of introducing a wealth tax by roughly 3 percentage points in total. Finally, we run rare event logit regressions (Table B4). Our results remain robust.

5 Conclusion

What has driven the initial introduction of net wealth taxes in the last 140 years? Based on a new, self-coded dataset on wealth tax policy legislation, our analysis re-

[10] We are thankful to one of the anonymous reviewers for raising this point.

veals two main results. First, wealth taxes are by far not as widespread as other modern taxes. They also tend to be newer than most other taxes on the rich such as inheritance or personal income taxes, yet they diffused much slower over the course of history. Second, there are also fewer pathways to wealth taxation. As we have shown in our analysis, wealth taxes were mainly introduced after countries faced major economic shocks. In contrast, neither bellicist theories nor broader trends of economic or political development can explain the huge variation in whether and when countries legislate wealth taxes. Net wealth taxes were reactions to shock-induced revenue needs in some countries, but never made it into the core toolkit of modern taxation.

Our findings align well with Richard Bird's observation that wealth taxes were "fathered by the need for revenue, nurtured and developed by the milk of equity, and have recently, in some countries, been abandoned by their parents" (Bird, 1991, p. 323). Although redistributive aspects are at the heart of today's discussions about wealth taxation, fiscal imperatives in times of economic crises have historically prevailed. Expanding tax progressivity was a by-product, but not the main goal of wealth taxation. Mostly, wealth taxes were introduced as reactions to economic shocks and accompanying fiscal problem pressure. Our findings suggest that general discussions centred around the wealth tax redistributive character are unlikely to lead to (re-)introductions of net wealth taxes.

Our findings open up fruitful avenues for further research. First, although we have shown that major economic crises generally increase the likelihood of wealth tax adoption, countries like the UK and the US have never had a net wealth tax although they have experienced numerous major economic downturns. The closest the UK ever came to introducing a wealth tax was in 1974 when the government of Prime Minister Harold Wilson faced a major economic downturn (Glennerster, 2012). Under which conditions do economic crises lead to net wealth tax adoptions? To answer this question, we should not ignore the fact that different progressive taxes can be used as policy substitutes (Hope & Limberg, 2021). However, it still remains unclear why certain governments prefer some progressive taxes over others in times of crises. In-

vestigating whether political/and or economic structures can have an impact on these tax policy choices is an interesting topic for future analyses. Ultimately, answering this question requires a more zoomed in approach that makes use of historical case studies and that especially focuses on tax policy discussions in times of economic crises. Second, economic crises can vary substantially (Reinhart & Rogoff, 2009). Disentangling different types of crises could help to get a more nuanced picture of wealth tax policy-making in dire economic times. Finally, many net wealth taxes have been abolished in the last decades (Lierse, 2020). Although this article has dealt with the origins of wealth taxation, our findings would lead us to assume that wealth tax abolition is easier during times of economic expansion. For instance, Colombia abolished its wealth tax in the late 1980s after several years of stable economic growth, Denmark repealed its net wealth tax in the mid-1990s during an economic upswing, and Finland, Luxembourg, and Sweden stopped taxing the net wealth of individuals during times of economic expansion in the mid-2000s. Thus, analysing whether the business cycle has a symmetric effect on wealth taxation might be another interesting approach for future studies.

In sum, this article has shown that wealth taxes were often emergency taxes used in times of major economic crises. Against this backdrop, the recent COVID-19 crisis and the strong economic downturn in many countries around the world due to lockdown measures might make the (re-)introduction of net wealth taxes much more likely. Just like previous crises, wealth taxes that are levied as crisis measures could remain in place long after the pandemic shock has been overcome – turning emergency taxes into long-term government fiscal policy tools as many other times before in history.

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Appendix

A Robustness Checks – Additional Covariates

Table A1: Results of Logit Models for Net Wealth Tax Introductions, Equally Weighted Spatial Lag

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
GDP per Capita (log)	0.1867				0.0799	0.0624
	(0.3140)				(0.4213)	(0.4267)
Electoral Democracy		0.7209			0.7520	0.9001
		(0.9362)			(1.2289)	(1.2657)
War			0.4042		0.1946	0.1001
			(0.7612)		(0.7664)	(0.7800)
Major Recession				1.1785***	1.2093***	1.1904***
				(0.4404)	(0.4474)	(0.4489)
Inheritance Tax in Place						0.2850
						(0.6618)
Regional Government						0.3889
						(0.6413)
State Autonomy						−0.0948
						(0.2803)
Spatial Lag	−0.0719	−0.0689	−0.0619	−0.0803	−0.0810	−0.0758
	(0.0937)	(0.0936)	(0.0916)	(0.0872)	(0.0889)	(0.0903)
t	−0.0013	−0.0021	0.0022	0.0036	−0.0033	−0.0017
	(0.0442)	(0.0444)	(0.0436)	(0.0435)	(0.0441)	(0.0455)
t^2	−0.0000	−0.0000	−0.0000	−0.0000	−0.0000	−0.0000
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
t^3	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
AIC	286.6895	285.7342	286.7925	280.3882	284.6808	290.0313
Log Likelihood	−137.3448	−136.8671	−137.3962	−134.1941	−133.3404	−133.0156
Deviance	274.6895	273.7342	274.7925	268.3882	266.6808	266.0313
Num. obs.	4722	4614	4722	4722	4614	4614

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Table A2: Results of Logit Models for Net Wealth Tax Introductions, Latin America Dummy

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
GDP per Capita (log)	0.0671				−0.0349	−0.0746
	(0.4263)				(0.4695)	(0.4712)
Electoral Democracy		0.5806			0.6924	0.7694
		(1.1407)			(1.2547)	(1.3062)
War			0.3482		0.1183	−0.0191
			(0.7758)		(0.8120)	(0.8357)
Major Recession				1.2146***	1.2061***	1.2033***
				(0.4464)	(0.4517)	(0.4553)
Inheritance Tax in Place						0.2780
						(0.6612)
Regional Government						0.4891
						(0.6441)
State Autonomy						−0.0650
						(0.2806)
Latin America	−0.2049	−0.0975	−0.2319	−0.4192	−0.2320	−0.2955
	(0.5921)	(0.5356)	(0.4431)	(0.4386)	(0.6112)	(0.6208)
t	−0.0132	−0.0153	−0.0108	−0.0137	−0.0169	−0.0148
	(0.0401)	(0.0395)	(0.0388)	(0.0391)	(0.0404)	(0.0415)
t^2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
t^3	−0.0000	−0.0000	−0.0000	−0.0000	−0.0000	−0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
AIC	287.0865	286.1771	286.9252	280.1972	285.2570	290.4266
Log Likelihood	−137.5433	−137.0885	−137.4626	−134.0986	−133.6285	−133.2133
Deviance	275.0865	274.1771	274.9252	268.1972	267.2570	266.4266
Num. obs.	4722	4614	4722	4722	4614	4614

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Table A3: Results of Logit Models for Net Wealth Tax Introductions, Latin America Dummy Interaction

	Model 1	Model 2	Model 3	Model 4
GDP per Capita (log)	−0.3502	0.0286	−0.0663	0.0341
	(0.4772)	(0.4979)	(0.4714)	(0.4820)
Electoral Democracy	0.9280	0.1318	0.7599	0.6824
	(1.2154)	(1.5973)	(1.3056)	(1.2831)
War	−0.2019	−0.1111	0.0575	−0.1836
	(0.8472)	(0.8522)	(0.8509)	(0.8427)
Major Recession	1.0807**	1.1774**	1.1864***	1.7351***
	(0.4616)	(0.4578)	(0.4579)	(0.6264)
Inheritance Tax in Place	0.2480	0.3211	0.2688	0.3575
	(0.6692)	(0.6642)	(0.6616)	(0.6690)
Regional Government	0.4176	0.4616	0.4779	0.5362
	(0.6531)	(0.6489)	(0.6448)	(0.6431)
State Autonomy	−0.1282	−0.0869	−0.0652	−0.0278
	(0.2745)	(0.2780)	(0.2792)	(0.2829)
Latin America	−8.4516	−0.8546	−0.2645	0.2624
	(5.2234)	(1.0435)	(0.6275)	(0.7695)
Interaction GDP per Capita (log) - Latin America	0.9271			
	(0.5878)			
Interaction Electoral Democracy - Latin America		1.2064		
		(1.8383)		
Interaction War - Latin America			−12.4963	
			(921.9529)	
Interaction Recession - Latin America				−1.1075
				(0.9266)
t	−0.0196	−0.0184	−0.0147	−0.0177
	(0.0403)	(0.0413)	(0.0414)	(0.0407)
t^2	0.0000	0.0000	0.0000	0.0000
	(0.0001)	(0.0001)	(0.0001)	(0.0001)
t^3	−0.0000	−0.0000	−0.0000	−0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
AIC	289.8538	292.0055	292.2066	290.9923
Log Likelihood	−131.9269	−133.0028	−133.1033	−132.4962
Deviance	263.8538	266.0055	266.2066	264.9923
Num. obs.	4614	4614	4614	4614

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Table A4: Results of Logit Models for Net Wealth Tax Introductions, War – Battle-Related Deaths Interaction

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
GDP per Capita (log)	0.1686				0.0577	0.0355
	(0.3139)				(0.4252)	(0.4297)
Electoral Democracy		0.7036			0.7543	0.8678
		(0.9248)			(1.2093)	(1.2472)
War			0.9755		0.6597	0.5622
			(0.7596)		(0.7724)	(0.7918)
Major Recession				1.1497***	1.1451**	1.1336**
				(0.4394)	(0.4498)	(0.4516)
Inheritance Tax in Place						0.2744
						(0.6575)
Regional Government						0.4490
						(0.6354)
State Autonomy						−0.0598
						(0.2836)
Interaction Previous War - Battle Deaths			0.0033		0.0042	0.0043
			(0.9585)		(0.9674)	(0.9636)
t	−0.0153	−0.0160	−0.0107	−0.0128	−0.0190	−0.0173
	(0.0393)	(0.0392)	(0.0386)	(0.0388)	(0.0397)	(0.0408)
t^2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
t^3	−0.0000	−0.0000	−0.0000	−0.0000	−0.0000	−0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
AIC	285.2058	284.2102	286.7512	279.1170	285.3921	290.6532
Log Likelihood	−137.6029	−137.1051	−136.3756	−134.5585	−132.6961	−132.3266
Deviance	275.2058	274.2102	272.7512	269.1170	265.3921	264.6532
Num. obs.	4722	4614	4722	4722	4614	4614

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Table A5: Results of Logit Models for Net Wealth Tax Introductions, Year Independence

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
GDP per Capita (log)	0.1691				0.0511	0.0276
	(0.3145)				(0.4228)	(0.4272)
Electoral Democracy		0.7049			0.8016	0.9328
		(0.9270)			(1.2245)	(1.2594)
War			0.4456		0.2585	0.1520
			(0.7686)		(0.7740)	(0.7916)
Major Recession				1.1699***	1.2014***	1.1819***
				(0.4439)	(0.4496)	(0.4506)
Inheritance Tax in Place						0.2992
						(0.6638)
Regional Government						0.4143
						(0.6421)
State Autonomy						−0.0691
						(0.2862)
Year Independence	−0.0010	−0.0020	−0.0030	−0.0135	−0.0160	−0.0124
	(0.0405)	(0.0405)	(0.0411)	(0.0419)	(0.0419)	(0.0433)
t	−0.0151	−0.0156	−0.0099	−0.0107	−0.0166	−0.0153
	(0.0400)	(0.0399)	(0.0395)	(0.0403)	(0.0413)	(0.0421)
t^2	0.0000	0.0000	0.0000	−0.0000	−0.0000	−0.0000
	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)
t^3	−0.0000	−0.0000	0.0000	0.0000	0.0000	0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
AIC	287.2053	286.2077	287.1945	281.0133	285.2560	290.5696
Log Likelihood	−137.6026	−137.1038	−137.5973	−134.5067	−133.6280	−133.2848
Deviance	275.2053	274.2077	275.1945	269.0133	267.2560	266.5696
Num. obs.	4722	4614	4722	4722	4614	4614

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Table A6: Results of Logit Models for Net Wealth Tax Introductions, Population (log)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
GDP per Capita (log)	0.2696				0.1710	0.1795
	(0.3278)				(0.4336)	(0.4301)
Electoral Democracy		0.8669			0.6946	0.8257
		(0.9346)			(1.2030)	(1.2389)
War			0.6338		0.5202	0.5723
			(0.7897)		(0.8071)	(0.8272)
Major Recession				1.1473***	1.1690***	1.1335**
				(0.4392)	(0.4462)	(0.4484)
Inheritance Tax in Place						0.5980
						(0.6810)
Regional Government						0.7714
						(0.6613)
State Autonomy						0.0112
						(0.2919)
Population (log)	−0.1646	−0.1682	−0.1500	−0.1185	−0.2093	−0.3431
	(0.1727)	(0.1677)	(0.1692)	(0.1660)	(0.1825)	(0.2152)
t	−0.0144	−0.0138	−0.0072	−0.0100	−0.0161	−0.0146
	(0.0393)	(0.0392)	(0.0387)	(0.0390)	(0.0396)	(0.0405)
t^2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
t^3	−0.0000	−0.0000	0.0000	0.0000	−0.0000	−0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
AIC	286.2745	285.1745	286.3932	280.5951	284.0357	287.9251
Log Likelihood	−137.1373	−136.5872	−137.1966	−134.2976	−133.0179	−131.9626
Deviance	274.2745	273.1745	274.3932	268.5951	266.0357	263.9251
Num. obs.	4722	4614	4722	4722	4614	4614

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Table A7: Results of Logit Models for Net Wealth Tax Introductions, Rural Political Power

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
GDP per Capita (log)	−0.2348				−0.2465	−0.2629
	(0.3446)				(0.4245)	(0.4186)
Electoral Democracy		−0.2501			0.4054	0.3557
		(1.0856)			(1.3260)	(1.3726)
War			0.2529		0.0222	−0.0269
			(0.7676)		(0.7794)	(0.7991)
Major Recession				1.0608**	1.0424**	1.0374**
				(0.4609)	(0.4661)	(0.4696)
Inheritance Tax in Place						−0.0202
						(0.6722)
Regional Government						0.4919
						(0.6416)
State Autonomy						−0.0157
						(0.2914)
Rural Political Power	0.3704*	0.3296	0.3004*	0.3307*	0.3566	0.3778*
	(0.2053)	(0.2121)	(0.1823)	(0.1843)	(0.2209)	(0.2273)
t	−0.0044	−0.0077	−0.0085	−0.0126	−0.0095	−0.0083
	(0.0387)	(0.0387)	(0.0381)	(0.0389)	(0.0395)	(0.0411)
t^2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
t^3	0.0000	−0.0000	−0.0000	−0.0000	0.0000	0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
AIC	267.2255	267.2105	267.5689	262.7303	268.0115	273.3476
Log Likelihood	−127.6128	−127.6052	−127.7844	−125.3651	−125.0058	−124.6738
Deviance	255.2255	255.2105	255.5689	250.7303	250.0115	249.3476
Num. obs.	3893	3849	3893	3893	3849	3849

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Table A8: Results of Logit Models for Net Wealth Tax Introductions, Interaction Effect War – Recession

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
GDP per Capita (log)	0.1686				0.0598	0.0344
	(0.3139)				(0.4212)	(0.4241)
Electoral Democracy		0.7036			0.7358	0.8386
		(0.9248)			(1.2096)	(1.2535)
War			0.4366	−13.7563	−13.7666	−13.7932
			(0.7585)	(771.9941)	(771.0643)	(769.0175)
Major Recession				0.9876**	1.0359**	1.0325**
				(0.4665)	(0.4720)	(0.4725)
Inheritance Tax in Place						0.2513
						(0.6579)
Regional Government						0.4215
						(0.6370)
State Autonomy						−0.0428
						(0.2768)
Interaction Recession - War				14.5590	14.4937	14.4070
				(771.9945)	(771.0647)	(769.0179)
t	−0.0153	−0.0160	−0.0104	−0.0119	−0.0186	−0.0174
	(0.0393)	(0.0392)	(0.0386)	(0.0388)	(0.0397)	(0.0407)
t^2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
t^3	−0.0000	−0.0000	−0.0000	0.0000	−0.0000	−0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
AIC	285.2058	284.2102	285.1999	281.1239	283.6177	288.9956
Log Likelihood	−137.6029	−137.1051	−137.6000	−133.5619	−132.8088	−132.4978
Deviance	275.2058	274.2102	275.1999	267.1239	265.6177	264.9956
Num. obs.	4722	4614	4722	4722	4614	4614

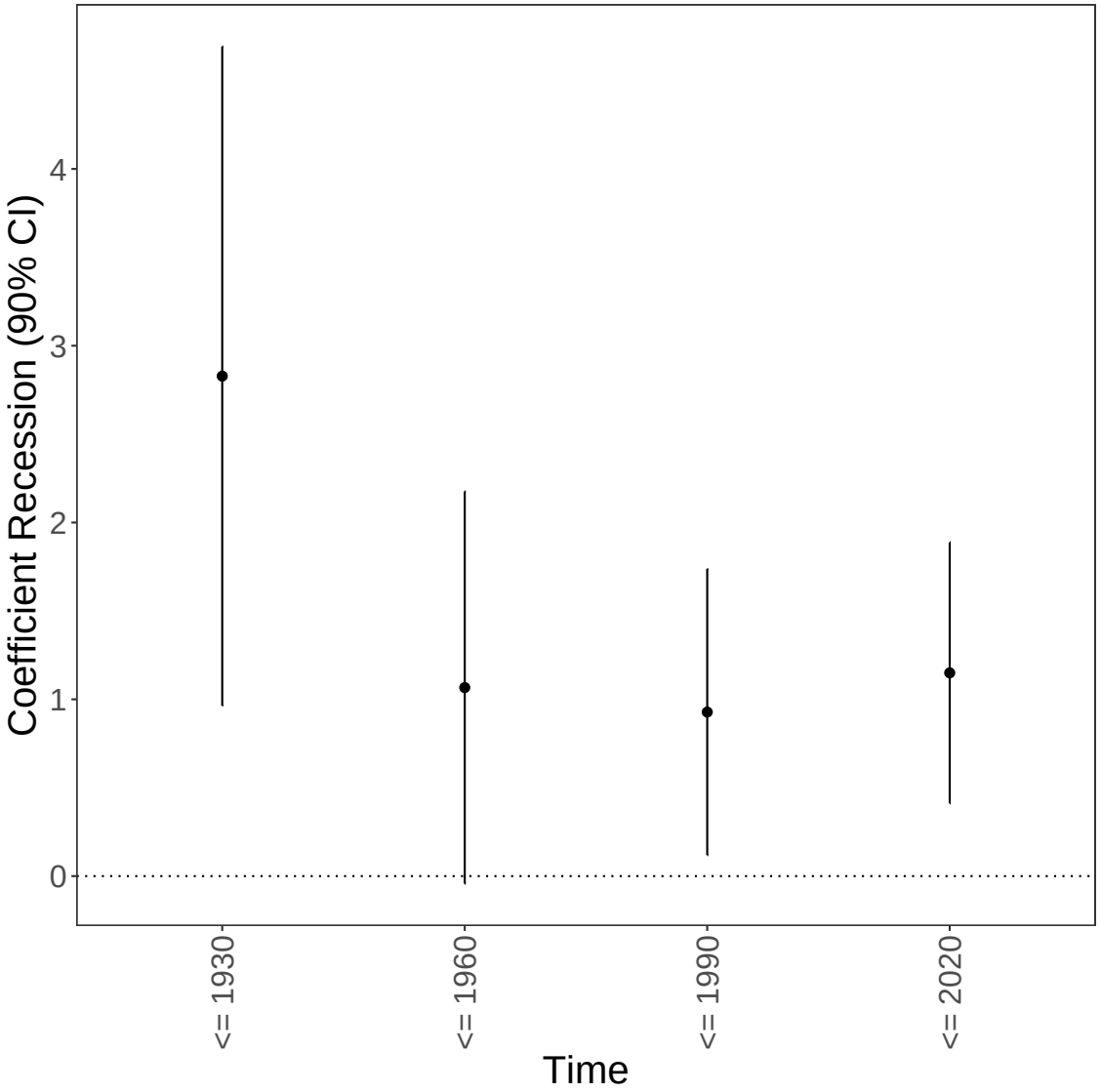
$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Table A9: Results of Logit Models for Net Wealth Tax Introductions, Lower Recession Threshold

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
GDP per Capita (log)	0.1686				0.0101	0.0053
	(0.3139)				(0.4139)	(0.4189)
Electoral Democracy		0.7036			0.6748	0.8202
		(0.9248)			(1.2225)	(1.2554)
War			0.4366		0.3030	0.1996
			(0.7585)		(0.7622)	(0.7775)
Major Recession (1% Threshold)				1.0679**	1.0469**	1.0465**
				(0.4892)	(0.4903)	(0.4922)
Inheritance Tax in Place						0.2802
						(0.6596)
Regional Government						0.4654
						(0.6347)
State Autonomy						−0.1224
						(0.2856)
t	−0.0153	−0.0160	−0.0104	−0.0187	−0.0223	−0.0193
	(0.0393)	(0.0392)	(0.0386)	(0.0387)	(0.0394)	(0.0407)
t^2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
t^3	−0.0000	−0.0000	−0.0000	−0.0000	−0.0000	−0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
AIC	285.2058	284.2102	285.1999	280.0897	284.8026	289.9033
Log Likelihood	−137.6029	−137.1051	−137.6000	−135.0449	−134.4013	−133.9516
Deviance	275.2058	274.2102	275.1999	270.0897	268.8026	267.9033
Num. obs.	4722	4614	4722	4722	4614	4614

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Figure A1: Effect of Major Recessions on Wealth Tax Introduction, Varying Time Periods



B Robustness Checks – Different Model Specifications

Table B1: Results of Logit Models for Net Wealth Tax Introductions, Interaction Effect War – Cox Proportional Hazard Models

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
GDP per Capita (log)	0.2140				−0.0846	−0.0980
	(0.3295)				(0.4548)	(0.4683)
Electoral Democracy		0.8842			1.0998	1.2934
		(0.9078)			(1.2592)	(1.3223)
War			0.2651		0.2197	0.1727
			(0.8031)		(0.8440)	(0.8600)
Major Recession				1.0355**	1.0539**	1.0277*
				(0.5104)	(0.5188)	(0.5280)
Inheritance Tax in Place						0.2870
						(0.6681)
Regional Government						0.4243
						(0.6409)
State Autonomy						−0.1260
						(0.3178)
AIC	146.0835	145.0750	146.4085	142.5315	146.9370	152.2146
Num. obs.	4722	4614	4722	4722	4614	4614
PH test	0.2064	0.0944	0.7651	0.9836	0.6121	0.6815

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Table B2: Results of Logit Models for Net Wealth Tax Introductions, Year Fixed Effects

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
GDP per Capita (log)	0.3094				0.0460	−0.0219
	(0.3322)				(0.4553)	(0.4700)
Electoral Democracy		1.0383			1.0294	1.2377
		(0.9404)			(1.2960)	(1.3524)
War			0.1975		0.0634	−0.0477
			(0.8113)		(0.8477)	(0.8661)
Major Recession				0.9805**	1.0079**	0.9875*
				(0.4956)	(0.5018)	(0.5148)
Inheritance Tax in Place						0.3717
						(0.6677)
Regional Government						0.6056
						(0.6459)
State Autonomy						−0.0637
						(0.2699)
AIC	475.6060	474.7009	476.4307	472.6767	476.6927	481.4585
Log Likelihood	−96.8030	−96.3505	−97.2154	−95.3384	−94.3463	−93.7293
Deviance	193.6060	192.7009	194.4307	190.6767	188.6927	187.4585
Num. obs.	4722	4614	4722	4722	4614	4614

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Table B3: Results of Linear Probability Models Models for Net Wealth Tax Introductions

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
GDP per Capita (log)	0.0008				−0.0001	−0.0001
	(0.0015)				(0.0020)	(0.0020)
Electoral Democracy		0.0037			0.0044	0.0049
		(0.0045)			(0.0059)	(0.0060)
War			0.0020		0.0009	0.0006
			(0.0040)		(0.0041)	(0.0041)
Major Recession				0.0064***	0.0066***	0.0065***
				(0.0024)	(0.0025)	(0.0025)
Inheritance Tax in Place						0.0009
						(0.0026)
Regional Government						0.0019
						(0.0025)
State Autonomy						−0.0005
						(0.0013)
t	−0.0000	−0.0000	−0.0000	−0.0000	−0.0000	−0.0000
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
t^2	0.0000	0.0000	−0.0000	−0.0000	0.0000	0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
t^3	0.0000	−0.0000	0.0000	0.0000	−0.0000	0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
AIC	−11966.8071	−11586.6722	−11966.7563	−11973.6162	−11588.0782	−11582.7937
Log Likelihood	5989.4036	5799.3361	5989.3781	5992.8081	5803.0391	5803.3968
Deviance	21.8741	21.8713	21.8743	21.8426	21.8362	21.8328
Num. obs.	4722	4614	4722	4722	4614	4614

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Table B4: Results of Logit Models for Net Wealth Tax Introductions, Rare Events Logit

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
GDP per Capita (log)	0.1593				0.0309	0.0112
	(0.3139)				(0.4214)	(0.4258)
Electoral Democracy		0.6794			0.7875	0.9200
		(0.9248)			(1.2112)	(1.2507)
War			0.6458		0.4306	0.3742
			(0.7585)		(0.7664)	(0.7830)
Recession				1.1479***	1.1763***	1.1620***
				(0.4394)	(0.4471)	(0.4488)
Inheritance Tax in Place						0.1196
						(0.6583)
Regional Government						0.3039
						(0.6356)
State Autonomy						−0.1168
						(0.2820)
t	−0.0080	−0.0086	−0.0039	−0.0088	−0.0139	−0.0091
	(0.0393)	(0.0392)	(0.0386)	(0.0388)	(0.0397)	(0.0409)
t^2	0.0000	0.0000	−0.0000	0.0000	0.0000	0.0000
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
t^3	0.0000	−0.0000	0.0000	0.0000	−0.0000	0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
AIC	285.2058	284.2102	285.1999	279.1170	283.4001	288.6507
Log Likelihood	−137.6029	−137.1051	−137.6000	−134.5585	−133.7000	−133.3254
Deviance	275.2058	274.2102	275.1999	269.1170	267.4001	266.6507
Num. obs.	4722	4614	4722	4722	4614	4614

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

C Sample and Introduction Years

Table C1: Country Sample and Years of Wealth Tax Introduction

	Country	Introduced	Introduction Year of the Net Wealth Tax
1	Argentina	1	1976
2	Bolivia	0	
3	Brazil	0	
4	Chile	1	1968
5	Colombia	1	1935
6	Costa Rica	0	
7	Cuba	0	
8	Dominican Republic	1	2005
9	Ecuador	0	
10	El Salvador	1	1986
11	Guatemala	0	
12	Guyana	0	
13	Honduras	0	
14	Jamaica	0	
15	Mexico	0	
16	Nicaragua	1	1962
17	Panama	0	
18	Paraguay	0	
19	Peru	1	1987
20	Suriname	1	1944
21	Uruguay	1	1964
22	Venezuela	1	2019
23	Australia	0	
24	Austria	1	1920
25	Belgium	1	2017
26	Canada	0	
27	Denmark	1	1903
28	Finland	1	1919
29	France	1	1981
30	Germany	1	1922
31	Greece	0	
32	Ireland	0	
33	Italy	1	2011
34	Japan	0	

35	Luxembourg	1	1934
36	Netherlands	1	1892
37	New Zealand	0	
38	Norway	1	1918
39	Portugal	0	
40	South Korea	0	
41	Spain	1	1977
42	Sweden	1	1934
43	Switzerland	0	
44	United Kingdom	0	
45	United States	0	

D Codebook "Wealth Taxes"

Anonymous

This Version: November 2020

D.1 Definition

We define a wealth tax as a recurrent tax that is levied based on the absolute value of an individual's financial assets. Thus, a pure tax on real estate and immovable property is not a wealth tax according to our definition. However, in some countries wealth from financial assets and real estate is summed up and taxed under the same wealth tax. In these cases, we code the tax as a wealth tax since it covers financial assets. One time levies on wealth – such as the German "Wehrbeitrag" in 1913 – are not coded as wealth taxes as they are not recurrent. Furthermore, we are solely referring to wealth taxes on individual persons – not on companies' wealth.

D.2 Level of Government

We exclusively code taxes that are levied on the national level. If subnational entities (like the German Länder or the US states) have levied a wealth tax prior to national legislation, we indicate this by a 1 in the subnational column. Otherwise, the column takes the value 0.

D.3 Introduction

We only introduce permanent wealth tax introductions. Hence, the tax should be in place for at least 5 years. This is irrespective of the initial intention of introduction: if a tax is first introduced as a temporary measure with a sunset clause but subsequently becomes a permanent feature of the tax system, we still code the initial introduction. We differentiate between legislative introduction and effective introduction:

- Legislative Introduction: This indicates the year in which the legislation that introduces a wealth tax was passed.

- Effective Introduction: This indicates the first year the tax is collected.

For example, Germany introduced a wealth tax in 1922, but only started collecting it from 1923 onwards.

D.4 Repeal (and reintroduction)

Many wealth taxes have been repealed. Mirroring our coding approach for introductions, we code the year of legal repeal as well as the year of effective repeal (which is the first year a tax is not collected anymore). Some countries have reintroduced their wealth taxes a few years after abolition. We code these reintroductions in the columns intro-legislation-2 and intro-effective-2. The same holds for re-repeals.

D.5 Rates and allowances

In addition to the information on years of intro/repeal, we code the top tax rates and allowances at the time of first introduction and first repeal. The top tax rate is the highest statutory tax rate for net wealth. For example, if a tax is levied at rates varying from 1-5% based on total amount of wealth, we would code the top tax rate as 5%. The allowance is the basic amount of wealth that is tax free. Please also add the national currency.

D.6 Additional Information

We include all additional information of qualitative sorts (circumstances of intro/repeal, revenues, actors, etc.) into the "additional-info (qualitative)" column.

D.7 Sources

Sources are listed with page number in the sources columns. We just indicate the sources like this: First Name Year, page numbers, for example Smith 2019, p. 187. Furthermore, please add a zotero entry (see examples for Germany). The respective sources are saved as pdfs in the respective Zotero entry.

D.8 Miscellaneous

- If a country has never introduced or/and repealed a wealth tax, we indicate this in the respective column by writing NA. This also applies to the second intro/repeal.
- For wealth tax repeals in Europe, the Taxes in Europe Database is a helpful source. Please safe respective information as a pdf (ctr + p).