1 The Thunder of History: The Origins and Development of the New Fiscal Sociology

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> The spirit of a people, its cultural level, its social structure, the deeds its policy may prepare – all this and more is written in its fiscal history, stripped of all phrases. He who knows how to listen to its message here discerns the thunder of world history more clearly than anywhere else.
>
> – Joseph Schumpeter [1918] 1991

Everyone knows that taxation is important. Political scientists know that tax cuts are a major partisan battleground in the United States today, and that the rise of neoliberal ideology has propelled taxation onto the international policy agenda. Legal scholars know that the tax code has become the preferred vehicle for promoting an enormous variety of domestic policies – from social provisions to industrial policies to educational subsidies. Historians know that taxation has been a pivotal source of conflict and change from the American Revolution to the Reagan revolution, and that taxes have been central to the formation of civic identity across place and time. Sociologists know that nearly every issue with which they are concerned – the obligations of the individual to society; the powers and legitimacy of the state; the allocation of public and private resources; the rise of bureaucratic administration; the reproduction of class, race, and gender inequalities – runs through the issue of taxation.

There are good reasons why many scholars have recognized the importance of taxation. Taxes formalize our obligations to each other. They define the inequalities we accept and those that we collectively seek to redress. They signify who is a member of our political community, how wide we draw the circle of "we." They set the boundaries of what our governments can do. In the modern world, taxation *is* the social contract.

Some scholars also know that a new wave of multidisciplinary scholarship on taxation is poised for a significant intellectual breakthrough. In recent decades, scholars in economics, sociology, political science, history, and law – among other disciplines – have begun to recognize the central importance of taxation to modernity and produce innovative comparative historical scholarship on the sources

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and consequences of taxation (see, e.g., Steinmo 1993; Howard 1997; Kornhauser 1985, 1990; Avi-Yonah 2000, 2004; Bank 2003; Brownlee 1996; Zelizer 1998; Lindert 2004; Gould and Baker 2002; Mumford 2002). This research has the potential to challenge conventional understandings of the world in which we live. Current tax scholarship is overturning standard understandings of racial inequality (Moran and Whitford 1996; Brown 2007), gender and family (Jones 1988; Staudt 1996; Brown and Fellows 1996; McCaffery 1997; Kerber 1999; Alstott 2001), the origins of western democracy (Einhorn 2006a; Kwass 2000) and the welfare state (Howard 1997; Hacker 2002; Klein 2004), and many other things. We think that the field may be poised to rewrite conventional accounts of modernity itself by placing the social relations of taxation at the center of any historical or comparative account of social change.

We call this emerging field *the new fiscal sociology*. By using this name, we do not intend to claim the new field exclusively for academic sociology departments. The disciplinary affiliations of the contributors to this field – as of the contributors to this volume – span the fields of economics, political science, law, history, and public policy in addition to sociology. We chose the name *fiscal sociology* to honor the economist Joseph A. Schumpeter, who borrowed that term from his Austrian contemporary Rudolf Goldscheid (1917) to suggest a science that would transcend increasingly narrow disciplines and unite the study of economics with the study of history, politics, and society.

The well-known epigraph that begins this chapter summarizes the promise that Schumpeter saw in fiscal sociology. Schumpeter called for students of public finance to take a comparative and historical approach to their subject, and to treat tax policy as both a "symptom" and a "cause" of large-scale changes in the economy and society. "The public finances are one of the best starting points for an investigation of society, especially though not exclusively of its political life," Schumpeter explained. Of fiscal sociology he wrote, "much may be expected" (Schumpeter [1918] 1991: 101).

For most of the twentieth century, scholars in history and the social sciences with rare exceptions heeded only one part of Schumpeter's call: the admonition to treat taxation as a *symptom* of social change – a useful index, say, of democracy, capitalism, the rise of the state, or the modernization of society. In part, this was because Schumpeter himself emphasized the search for the "*symptomatic* significance of fiscal history" rather than its "causal" aspects (Schumpeter [1918] 1991: 101, emphasis in the original). Because of this, modern scholars discounted the role of taxation as a cause or engine of change, and privileged the symptomatic or reflective aspects of fiscal sociology.

There are many reasons why tax policy makes an excellent index of social change, and thus why scholars have been attracted to studying taxation. Data on tax revenues are abundant, relative to many of the other things that historians and social scientists are interested in. Tax records are among the earliest surviving written records (Webber and Wildavsky 1986), and tax revenues are among the longest-running statistical series in existence (see Mann 1980). Quantitative tax data of relatively high quality and comparability are available for an extraordinarily long swath of historical time and an unusually large number of countries. These

advantages make tax policy well suited for use as "a measurement instrument for societal-level analyses" (Lieberman 2002: 91), in applications that range from studies of the rise of the state to studies of inequality to studies of social solidarity (see, e.g., Mann 1980; Kraus 1981; Chaudhry 1997; Piketty and Saez 2003, 2006).[1]

What is new about the new fiscal sociology is its recognition that taxation has a theoretical or causal – and not just a symptomatic or methodological – importance. This stems from the definition of taxation itself. *Taxation* consists of the obligation to contribute money or goods to the state in exchange for nothing in particular.[2] To be sure, taxes are sometimes earmarked for particular uses, and in modern, democratic societies, taxation carries the implicit promise that the resources will be spent on public goods (Webber and Wildavsky 1986).[3] Nevertheless, a tax is not a fee paid in direct exchange for a service, but rather an obligation to contribute that the state imposes on its citizens and, if necessary, enforces.

Taxation, so defined, has several features that suggest it may have far-reaching consequences for understanding modern social life. First, taxation establishes one of the most widely and persistently experienced relationships that individuals have with their government and – through their government – with their society as a whole. Despite the fragmentation of modern societies into myriads of subcultures, roles, and status groups, paying taxes is one thing that everyone has to do, whether they are consumers, homeowners, wage earners, or investors. This generality makes taxation a crucial element in the development of the "imagined community" (Anderson 1983) of the modern nation-state. When we comply with our tax obligations, we do not know who in particular shares in our contributions; when we make use of roads, schools, and other public goods and services, we do not know from whose tax payments in particular we are benefiting. Taxation enmeshes us in the web of generalized reciprocity that constitutes modern society.

Second, taxation establishes a dynamic relationship between the taxpayer and the state, in which there always exists a potential conflict of interest. Taxation is

[1] The quality of tax records is, of course, highly variable, but – as Robin Einhorn points out in Chapter 9 – even inaccurate records may be inaccurate in symptomatic ways that provide invaluable evidence about the past.

[2] As early as 1888, the American political economist Richard T. Ely carefully defined taxes as "one-sided transfers of economic goods or services demanded of the citizens by the constituted authorities of the land, for meeting the expenses of government, or for some other purpose, with the intention that a common burden shall be maintained by common contributions or sacrifices" (Ely 1888: 6–7). A century later, the World Bank (1988) similarly defined taxes as "unrequited, compulsory payments collected primarily by central governments." Our definition differs from Ely's and the World Bank's insofar as we define taxation as the socially recognized obligation to pay rather than the payment itself. This definition makes it possible to say, for example, that someone has failed to meet his or her duty to pay his or her income tax – a statement that would be meaningless if the tax were defined as the payment.

[3] A great deal of welfare spending is accomplished through payroll taxes that are earmarked for particular purposes. Many scholars suspect that one of the sources of welfare state resilience is the taxpayers' sense that they have "bought" rights to welfare state provision through such payments. However, there is no one-to-one correspondence between the costs any particular taxpayer pays and the benefits he or she receives: for example, a taxpayer who never uses the health services is still required to finance them.

perhaps the only state policy that can be counted on to generate frequent resistance throughout history and all over the world (see, e.g., Burg 2004). The degree of actual conflict between taxpayer and ruler varies across place and time, but the potential for conflict makes this a dynamic relationship. The state, the very guarantor of social order in the modern world, depends on a relationship that always contains the latent possibility of conflict and disorder. State authorities have historically responded to this latent potential for conflict with new forms of taxation and new forms of rule. The form of tax obligations is constantly changing as different taxpayers and different rulers seek to renegotiate the relationship to their advantage (see Tilly, Chapter 10). Because social order depends on the state, and the state depends on the resources provided by taxation, this relationship may be renegotiated, but it will not be severed. The possibility of tension will be continually reproduced rather than resolved.[4]

Third, taxation furnishes fungible resources to the state. In this respect, it is unlike other sacrifices that the state demands from its citizens (e.g., compliance with traffic laws), and even unlike other forms of state extraction (e.g., conscripted military service). The resources extracted through taxation are exchangeable for other resources; they make possible not just one state action, but most if not all of the state's activities. And the more extensive the activities of the state, the more extensive the reliance on taxation – and the broader the potential ramifications of changes in tax policy. Even the decision to decrease taxes – to diminish the obligation to contribute to the state – generates controversy and conflict. In modern states, therefore, taxation is not only a dynamic, potentially conflictual relationship, but one whose changing forms may have potentially far-reaching implications. The taxpayer's decision to evade or resist taxation may challenge the existing social order, as well as the very basis for enforcing social order – in a way that decisions to evade or resist speed limits, social policies, or sumptuary laws do not. The state's mode of establishing and enforcing taxation may shape the social order in its turn. The dynamic relations of taxation may thus influence an enormous range of social outcomes – from the extension of democracy to the formation of the family – as we detail later.

In short, the relations of taxation are pervasive, dynamic, and central to modernity. Why then did it take so long for social scientists to take up Schumpeter's project of fiscal sociology? Why were those scholars who initially responded to Schumpeter's clarion call mainly preoccupied with the reflective aspects of taxation and not its causal effects?Our answers begin with the fragmentation of classical public finance. In the rest of this chapter, we describe the classical roots of Schumpeter's project, and how the disciplinary fragmentation of the modern

[4] This is what distinguishes taxes from pillage. Ardant (1965: 35) illustrates this point by recounting a debate recorded among members of Genghis Khan's retinue. Having conquered China, the Khan was advised by one of his generals to slaughter the Chinese peasants and take their land for pasture; a perspicacious local advisor named Yelü Chucai persuaded him that he could instead generate more hay for his horses by letting Chinese cultivators live and imposing an annual tax. This policy was good for the Khan and good for the peasants. Yet it also allowed peasants to live again to fight another day – and thereby ensured that the conflict of interest between peasants and their exploiters would remain perennially unresolved.

research university and the accelerating specialization of intellectual life split the emerging fiscal sociology apart into several separate and isolated strands of scholarship. Finally, we describe the new fiscal sociology that weaves these strands together – and points the way toward the future of fiscal sociology.

THE CLASSICAL ROOTS OF FISCAL SOCIOLOGY

Schumpeter issued his call for a new fiscal sociology during the fiscal crisis occasioned by World War I, in the dying days of the Austro-Hungarian Empire (McCraw 2007; Swedberg 1991). His manifesto was itself the last gasp of classical political economy rather than the first breath of a new science. It seemed to mark the apogee of a long tradition of general studies of public finance instead of catapulting the start of an innovative field of study. The theorists of classical political economy had been broad-minded students of the social sciences as well as public finance. As Beverly Moran reminds us in Chapter 12, Adam Smith was a sociological as well as an economic thinker, who consistently studied taxes in comparative and historical perspective. Smith was just as interested in the social consequences of taxation as in its economic consequences, and he offered innovative analyses of how taxes could create conflict and provide the means for cementing feelings of inclusion in a common status of citizenship (Smith [1776] 1977). In the mid-nineteenth century, John Stuart Mill reminded his contemporaries that public finance had an institutional basis, and situated his discussion of public finance in the context of a broad theory of modernity and progress (Mill [1871] 2004).

Nineteenth-century European social theorists, for their part, were also catholic students of public finance. Tocqueville ([1856] 1955) famously traced the class conflict that erupted during the French Revolution to origins in the prerevolutionary tax code (see also Kwass 2000), and argued explicitly that England had avoided a violent revolution because English tax laws did not draw an explicit boundary between the nobility and the middle classes. Other early sociological theorists also devoted attention to the social sources and consequences of taxation. Herbert Spencer's *Principles of Sociology* devoted a chapter to the growth of taxation, which he attributed to the influence of war (Spencer [1876–96] 1967: 213). Adolph Wagner, a member of the nineteenth-century German Historical School of economics, linked a country's level of economic development to the increase in the relative size of its public sector and, hence by implication, its revenue-generating abilities (Wagner 1890). Karl Marx identified taxes as "the source of life" of the capitalist state, and he and Friedrich Engels advocated for steeply progressive income taxes in the *Communist Manifesto* (Marx 1852; Marx and Engels 1848). Emile Durkheim's dissertation on the *Division of Labor in Society* was, among other things, an extended argument that social development tends inevitably toward the confiscatory taxation of inherited wealth ([1893] 1984: 316–22; see also [1892] 1965: 533–4). Max Weber saw tax policy as a proving ground for his theories of state authority and social conflict. Paralleling Rudolf Goldscheid, Weber portrayed tax policy as an outcome of economic struggle among classes, parties, and status groups, and he offered the prophetic observation that modern democracies were more and more "cautious toward the propertied" because governments

increasingly must compete with one another to attract a tax base of mobile capital (1978 [1922]: 352).

Against this background, the mystery is not why Schumpeter dreamed of a fiscal sociology, but why his call went unanswered for so long. One reason is institutional rather than intellectual. Schumpeter wrote at a time when the forces of professionalization and academic specialization were sundering public economics from history and the other social sciences (Furner 1975; Ross 1991; Haskell 1977; Bender 1997). Academic entrepreneurs of Schumpeter's generation sought to distinguish these disciplines from one another by delineating areas of study proper to each. Many questions at the intersection of these disciplines consequently fell through the cracks that opened when they pulled apart. As Neil Smelser and Richard Swedberg write, sociological studies of economic life more generally "declined after 1920 and would not return to full vigor before the 1980s" (Smelser and Swedberg 2005: 11). Fiscal sociology declined as well.

The new scholarly division of labor created efficiencies, but it also had perverse consequences. For much of the twentieth century, most historians, sociologists, legal scholars, and political scientists did not ask questions about the social or institutional roots or consequences of taxation, because they had surrendered the study of public finance to economists. Economists did not ask questions about the social or institutional roots or consequences of taxation, because they had surrendered the study of such questions to sociologists and other social scientists. Progress in public finance came at the price of narrowing the field. As the field of public economics came to dominate the study of taxation, noneconomic questions seemed to fall away. Gone were the "detailed descriptions of tax rules or administrative issues that characterized many earlier public finance books," wrote Martin Feldstein approvingly, as he reflected on the contents of a 1959 textbook that was the so-called bible of public economics when he entered the field; their place had been taken by "graphs and algebra showing the partial equilibrium effects of taxes on prices and quantities and the associated effects on deadweight losses" (Feldstein 2002: xxvii). With the detailed descriptions of tax institutions went the theoretically informed study of their social origins and their social consequences.

THE FRAGMENTATION OF FISCAL SOCIOLOGY

The roots of today's new fiscal sociology lie in the separate scholarly traditions that followed this breakup. Schumpeter's prophetic essay had presented taxation as an actually existing social contract, the outcome of a historic bargain between rulers and ruled forged in a particular time and place. His essay raised several fundamental questions about that contract: Why does the bargain take particular forms? How is the bargain maintained – or what sustains taxpayers' consent to be taxed on an ongoing basis? And how does the fiscal bargain affect the culture and "forms of life" (Schumpeter [1918] 1991: 100) prevailing in a society? These questions did not vanish with the splintering of the social sciences.

For most of the twentieth century, however, the scholars who pursued these questions were isolated from each other. Small groups of scholars in academic

institutions outside of the United States, and in historically oriented corners of the professions of economics and law, nurtured relatively insular theoretical traditions. Each tradition emphasized one of Schumpeter's fundamental questions, to the near exclusion of the others. And – although most scholars sought to answer these questions by discovering universal laws about the interplay of taxation and fundamental social forces – each tradition drew on different classical sources and emphasized different forces. These traditions painstakingly assembled the building blocks of the syncretic new fiscal sociology, although their results were often unsatisfying on their own terms.

Modernization Theory and the Consequences of Economic Development

The first question of traditional fiscal sociology was why tax systems took a particular form; and the first strand of fiscal sociology argued that the answer lay in economic development. We call this strand *modernization theory* because it resembled and sometimes overlapped more general theories of modernization in sociology and political science (e.g., Rostow 1960). In fiscal sociology, modernization theory drew on work by early institutional economists, most notably the writings of Edwin R. A. Seligman (1895–1931, 1902, 1911), who was heavily influenced by the writings of the German Historical School (Mehrotra 2007). It was kept alive into the mid-twentieth century by scholars of economics and law who advanced it as the so-called progressive interpretation of American tax history (Blakey and Blakey 1940; Ratner 1942; Paul 1954), and by development economists from the United States and Western Europe who were called on to advise tax officials in developing countries in the context of decolonization and Cold War foreign aid. As W. Elliot Brownlee shows (Chapter 14), Carl Shoup was a leader among this group of development tax economists. Advisors like Shoup found themselves confronted with the questions of which tax policies were best suited to which social environments, and how tax institutions responded to social and economic change.

Scholars in this tradition sought in particular to explain how and why states develop modern tax systems, where *modern* was understood to mean a common set of tax instruments that were efficient, productive, and equitable. The answer was that economic development inevitably led societies to develop modern forms of taxation. Seligman gave this thesis its classic and most categorical statement: "Fiscal conditions are always an outcome of economic relations" (1895–1931: 1). And economic relations, it was assumed, followed a common developmental trajectory. Traditional agrarian societies at first produced relatively little surplus to tax. States in these societies were therefore likely to levy low taxes, and to levy those taxes mainly in kind – for example, as a share of the harvest – rather than in money. The growth of markets and the development of industrial production gradually made new kinds of taxes possible. Economic development increased wealth, making a greater surplus available to tax. The increase of trade made it possible for the first time to levy taxes on trade rather than on the produce of land. And development also provided a convenient way to measure the tax base – in the form of money prices (Eisenstadt 1963; Bird and Oldman 1964; Ardant 1965; Hinrichs 1966; Musgrave 1969; Seebohm 1976).

Economic development was also said to bring democracy (cf. Lipset 1959), which positively impelled states to implement modern taxes by multiplying the legitimate claims on the state's financial resources. Expanding markets created new demands for infrastructure – roads, schools, utilities – that required the state to raise ever larger sums for public goods (Wiseman and Peacock 1961). And political equality led to demands for redistributive taxation. Seligman's comparative and historical studies of nearly every aspect of taxation expressed this view of the relentless drive of egalitarian forces: the history of all tax policy was a series of successively closer approximations to an egalitarian ideal, of which the modern American tax state might have been the end point (Seligman 1895–1931). Subsequent progressive historians modified this seemingly whiggish assumption of a historical teleology – but retained the assumption that modernization brought democracy and equality in taxation. With the advent of widespread suffrage for the lower economic strata, "the people" triumphed over "the rich" or "the interests," democracy triumphed over privilege, and tax policy became increasingly egalitarian (Blakey and Blakey 1940; Ratner 1942; Paul 1954; Buenker 1985).

The great lacuna in modernization theory was its inability to explain variation in tax systems among modern societies. To be sure, modernization theorists did not always predict that societies would converge on the same tax system. The sweeping synthesis by Hinrichs (1966) argued that modernization would ultimately lead tax systems to diverge, because the growth and differentiation of modern economies allowed authorities more choices among policy instruments and "tax handles." Yet having pointed out the diversity of modern tax systems, Hinrichs and other modernization theorists threw up their hands. The residual variation that could not be explained by economic development was simply chalked up to "culture," understood to mean a set of preferences that were unique, unchanging, and ultimately inaccessible to scientific or historical explanation (see also Webber and Wildavsky 1986). With this linear view of historical change, modernization theory proved in retrospect to be highly ahistorical, ignoring the specificity of cultural and institutional factors that could produce tremendous variation within similarly developed economies and polities.

Elite Theory: Why People Consent to Taxes

The second school of traditional fiscal sociology focused on what might be called the "noncontractual basis" of the fiscal contract (cf. Durkheim [1893] 1984) – the institutionalized norms that led taxpayers to consent to a particular fiscal bargain. During the early and mid-twentieth century, applied studies of taxpayer compliance proliferated in the disciplines of law, criminology, accounting, psychology, and economics. The broader question of taxpayer consent, however, as Evan Lieberman points out in Chapter 6, encompasses not only individual compliance but also political acquiescence. Taxpayers who comply with taxes – in the narrow sense that they pay what is legally required – might nevertheless protest those taxes, vote to change them, or even take up arms against them.

Scholarship on taxpayer consent in this broader sense was largely confined to a tradition that drew on the classical Italian sociology of elites (Michels [1915] 1968;

Mosca 1994; Pareto [1916] 1963). We call this tradition *elite theory*.[5] The most influential text in this strand of fiscal sociology was probably the *Theory of Fiscal Illusions* written in the 1890s by the Italian economist Amilcare Puviani ([1903] 1973). Elite theory survived into the postwar era among European scholars of public finance (Laure 1956; Schmölders 1960; Volpi 1973). Under the influence of the economist James Buchanan, who encountered the Italian *scienza delle finanze* during a Fulbright year abroad, elite theory entered American public economics in the 1960s and was an important influence on the development of public choice theory (see Buchanan 1960). For American economists who were critical of the Keynesian consensus that dominated the profession in the post-World War II era, elite theory's disenchanted view of public officials was appealing, and this tradition of fiscal sociology provided powerful tools for questioning the benevolence and efficacy of state planning (Medema 2000; Morgan and Rutherford 1998).

Proponents of elite theory described a fundamental conflict of interest between rulers and subjects. Rulers sought to maximize their revenues. Subjects sought to keep resources for themselves. Why then would rational taxpayers consent to their own exploitation? The answer advanced by Puviani was that they had incorrect information (Puviani [1903] 1973). Rulers could exploit their subjects' pocketbooks most thoroughly by designing tax policies to exploit their subjects' perceptual biases.[6]

The imperative to conceal taxes explained many of the common institutional features of modern tax systems. Puviani's treatise took the form of a catalog of techniques by which policy makers could conceal the burden of taxation and exaggerate the benefits of public spending. By the 1970s, there was a small literature exploring the hypothesis that "fiscal illusion" explained why voters consent to heavy taxes (for critical reviews, see Gemmell, Morrissey, and Pinar 2002; Mueller 1989; Oates 1988).

Another strand of elite theory, drawing heavily on the economics and sociology of Pareto ([1916] 1963), led public choice scholars in the United States to explore the role of formal political institutions. Led by Buchanan and Gordon Tullock (1962), public choice scholars explored the constitutional rules that might allow democratically elected governments to be manipulated by rent-seeking bureaucrats, politicians, and special-interest groups. With the Leviathan captured by special interests, they argued, political leaders could use taxation to redistribute resources for the benefit of an elite minority. In subsequent decades, U.S. economic and political historians motivated by public choice theory and sympathetic to a growing conservative intellectual and political movement came to see the growth of taxation as an expression of the power of special-interest groups. They portrayed the creation of new tax powers and the suppression of tax protests as critical

[5] We call this stream of fiscal sociology *elite theory* to emphasize its continuity with the classical study of elites in Italian sociology and political science. It should not be confused with the *power elite theory* more familiar to American and British political sociologists, which treated the state as an instrument for powerful capitalist interests (Domhoff 1998; Miliband 1974; Mills 1956).

[6] In this way, elite theory can be seen as a forerunner of a more recent interest in behavioral public finance, which also attends to cognitive biases and limitations, although without seeking to privilege the position of elites. See McCaffery and Slemrod (2006).

episodes in the struggle of rent-seeking groups to expand their influence (Higgs 1987; Baack and Ray 1985; Beito 1989).

The tradition of elite theory no doubt contributed to many varieties of "new institutionalism" in the 1980s, and public choice theory continues to yield new insights into the political economy of taxation. Yet many scholars found the theory unsatisfactory for its neglect of the question of the historical development of institutions.[7] Its focus on explaining why taxpayers consent to a particular equilibrium left it ill equipped to study how institutions change over time, or why different societies might develop different sets of institutional arrangements. For broader insights into the patterns of institutional change, scholars of fiscal sociology turned back to modernization theory – or to a third tradition that emphasized war.

Militarist Theory: The Consequences of Taxes for State Capacity

The third tradition of post-WWII–era fiscal sociology followed Schumpeter's interest in the social and cultural outcomes of taxation. The development of sophisticated tools for measuring the economic consequences of taxation was one of the great triumphs of public economics in the postwar era, but few scholars took up Schumpeter's call to study social and cultural consequences. How did particular fiscal bargains affect civilizations, cultures, and ways of life? For Schumpeter, these were crucial questions of fiscal sociology. The third strand of postwar fiscal sociology posed these questions – and developed an answer that had been proposed by Schumpeter himself. The social consequence of taxation lay primarily in its importance for military conquest.

We call this tradition *militarist theory*, because scholars in this tradition argued that military competition and the development of taxation went hand in hand. Like elite theory, militarist theory had classical roots. It can be traced to Spencer's *Principles of Sociology*, and it later became popular among German and Austrian social theorists in the early twentieth century (Goldscheid [1925] 1962; Hintze 1975; Schumpeter [1918] 1991; Weber [1922] 1978). It gained new traction in the 1970s at a time when western political economies were confronting the socioeconomic dislocations associated with the end of Fordism. Consequently, modernization theory lost its cachet. Critics of modernization theory in the disciplines of history, sociology, and political science who sought to understand the pattern of European state formation turned to militarist theory instead (Finer 1975; Mann 1980; Tilly 1975).

The central question for militarist theory was to explain the rise of the modern bureaucratic state. In the classical version of this theory as expounded by Schumpeter, taxation was the key to the rise of the state, because taxation furnished the resources that allowed states to make war and eliminate their competitors. As Schumpeter told the story, the princely households of the European Middle Ages had drawn their funds not from taxes, but from personal dues owed to the princes as individuals and from the exploitation of their own lands. At the turn of the sixteenth century, however, "the growing expenses of warfare" rendered this system obsolete. As the costs of warfare escalated, princes turned to consultative bodies of

[7] For a general criticism of "rational choice institutionalism" along these lines, see Thelen (1999).