War Violence Exposure and Tax Compliance

Abstract

Does exposure to war violence affect individuals' willingness to comply with the tax law? Using newly digitized historical administrative records on individual tax declarations in Italy's aftermath of World War I, we find that having a family member who died on the battlefield significantly decreases tax compliance. To account for potential endogeneity of the treatment, we use an instrumental variable strategy exploiting the exogenous allocation of soldiers to more/less risky military units. Our findings are consistent with the idea that war can undermine individuals' trust in the state, reducing their willingness to contribute to public goods via the tax system.

This paper is joint work with Sergio Galletta (ETH)

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