

Summary

This paper studies the impact of democracy on taxation. The topic may be interesting, but the author does not justify the research significance. Using data from 74 countries, the author tries to find the causal evidence. In my opinion, this paper needs more patience and effort on its theoretical elaboration, language expression and some key empirical designs. Finally and also importantly, I recommend the author to think carefully about how to write an economic paper for publication. To encourage the author, I do not judge the quality of this paper, but I think that the paper needs to be much more prepared for publication.

Thus paper includes, but not excluded to, following issues. However, I think the paper can get a significant improvement after addressing them.

Important issues.

1. The author does not justify the research significance in the introduction. Explain the reality or contribute the existing economic theories, or both?
2. What is the literature gap? The author has not clarified it in the introduction or literature review. In fact, it should be done in the introduction. The gap should not only be clarified but also refined; otherwise, your contribution cannot be worth consideration for publication.
3. This paper does not provide a decent basis for the later investigation. Specifically,

Section 2.3 explains the determinants of taxation, but the author needs to focus on the points instead of the details. For one thing, the author provides a thin analysis for the effect of democratization on taxation (the 1st paragraph of Section 2.3); for another, (s)he spends too much effort on the explanation for the control variables (all remaining paragraphs of Section 2.3). This puts the cart before the horse. Moreover, this section makes points with reference to scholars one by one, this is unacceptable. (S)he needs to use its own ideas to justify the predictions for later investigations.

4. I really cannot understand the relationship between the variable of interest, D_{ct} , and the variables for institutional variations. The author mentions how these variables are measured; but (s)he also mentioned that “we document the institutional variations which this democracy measure captures and which are used to define a country’s political system as democratic or autocratic.” What is the relationship between D_{ct} and the other institutional variables? In fact, I cannot find the institutional variables in later results. (S)he may use institutional variables to define D_{ct} , but (S)he also mentions that D_{ct} is a dummy. I am confused by that.

5. The author needs to lag all independent variables one period. The author needs to carefully check it not only for the results (i.e., tables) but also for the equations and not only for the 1st-stage estimations but also for the 2nd-stage estimations

6. Standard errors are clustered at which level, a geographical region or not?

7. The author explains why the jack-knifed average of democracy is related to the

variable of interest. This is expected, however, the author does not realize that the jack-knifed average of democracy also has a direct effect on taxation; namely, the IV is imperfectly exogenous. The author has two options. First, to use a series of robustness tests and falsification tests to show the imperfect exogeneity is not a big issue for this paper; the second is to apply the plausible exogeneity theory (Conley et al., 2012). For example, Acemoglu et al. (2014) uses a formal analysis to justify the IV has no direct effect on their dependent variable (GDP per capita); by contrast, the author just follow Acemoglu et al. (2014) to use the IV but without the consideration of exclusion restriction.

Conley, T.G., Hansen, C.B., and Rossi, P.E., 2012. Plausibly exogenous. *Review of Economics and Statistics*, 94(1): 260–272.

8. The author does not realize that the control variables may also be endogenous; I recommend to carefully add control variables. Otherwise, there will be a bad-control issue (Angrist and Pischke, 2008). If one particular control variable really needs to be controlled, we can manipulate the measures of the variable to avoid or lessen the endogeneity issue. For example, a dummy tends to be less endogenous than a continuous variable.

Angrist, J. D., Pischke, J.-S., 2008. *Mostly Harmless Econometrics: An Empiricist's Companion*, Princeton: Princeton University Press.

9. The author does not need to explain all findings; (s)he only need to explain the counter-intuitive results despite the ones for the variable of interest. Above all, we cannot ensure that the findings related to control variables are really credible.

Minor issues

1. Section 2.1 seems irrelevant. It is entitled as “taxation and democratization”, but it only describes the democratization history that is not really relevant for the research scheme.
2. Section 2.2 also runs out of track. The author can use one cause of democratization as an IV; it does not mean that authors need to make a survey for that.
3. See the third comment above mentioned, Section 2.3 demands a thorough revision.
4. I cannot find fixed effects in the result tables, but the author mentions them in the text. I suggest keeping consistency. Readers often put an important attention on the contents in tables.

Language issues

First, the author needs to be simply and focuses on his/her idea. For example, the first paragraph of the introduction is very, very, very important, but the paragraph is not only unattractive at all, but also unclear for readers. The language may have no important problems, but I recommend the author to revise the paper to ensure that readers can comfortably read it. Moreover, some words are not strictly correct. For example, in the second paragraph of Introduction, the first word, “initially” should be

replaced by “first”. Finally, authors are required to simplify their expressions.

This issue can be relieved with more careful editions, but it really demands authors more patience to make a more mature writing. If the author does not mind, I want to remind you that the sentences should be (1) correct, (2) clear, and more practically (3) easy to read. At the same time, the author should refine the idea to become simple and rigorous, so you had better focus on what is necessary to write.