Do Gains in Political Representation Sweeten Tax Reform in China? It Depends on Who You Ask

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Abstract

Governments can grant political concessions to induce quasi-voluntary compliance with taxation, yet empirical evidence probing the taxation-representation connection remains inconclusive. We contend that this association remains valid but it is primarily confined to business elites in nondemocratic regimes because the same wealth that exposes them to state predation also incentivizes them to endorse tax policies that offer greater political representation. We test our argument by evaluating preferences for hypothetical tax reforms in separate samples of business elites and ordinary citizens in China. We find that business elites show stronger preference than nonelites for tax policies that include advances in political representation. We explore various mechanisms for our results and find support for government credibility, tax ownership, and tax salience considerations.

Keywords: Taxation; Political Influence; Credibility; Tax Salience; Business Elites; China.

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1 No Taxation Without Representation?

Bargaining over taxation between rulers and taxpayers lie at the heart of theories of consent and representation in early modern Europe (Bates and Lien, 1985; Levi, 1988; North and Weingast, 1989) and democratization transitions at the turn of the nineteenth century (Acemoglu and Robinson, 2006; Boix, 2003). Despite the prominence of the "fiscal contract hypothesis" in modern-day political science, empirical evidence of the *taxation–representation connection* remains largely mixed. Although some studies show a positive relationship between taxation and representation in cross-country analysis (Prichard, Salardi and Segal, 2014; Wiens, Poast and Clark, 2014), others show that results are sensitive to measurement and model specifications (Garcia and von Haldenwang, 2016; Prichard, 2015; Ross, 2004).[1]

Attempts to overcome the empirical conundrum with individual-level experimental data have led to similarly inconclusive findings. Some researchers find supportive evidence that taxation induces political participation and pressure for political accountability (Paler, 2013; Weigel, 2020), but others show that taxation does not lead to greater demand for accountability relative to non-tax revenue (de la Cuesta, Milner, Nielson and Knack, 2019). The absence of consistent evidence of the taxation–representation connection in contemporary settings is concerning because the fiscal contract hypothesis is central to theories of democratization and (re)distributive politics.

Understanding the taxation–representation connection requires analytical clarity about key aspects of the fiscal contract negotiation. Who are the relevant players; what are their preferences, bargaining power, and enforcement mechanisms; and in which venue does bargaining take place? We take a first stab at this endeavor by focusing on nondemocratic contexts and mapping preferences over hypothetical tax reforms that may or may not include advances in political representation and by taking into account the elite status (or lack thereof) of the individual.

[1] Surveying a large body of case studies, Brautigam, Fjeldstad and Moore (2008) and Moore, Prichard and Fjeldstad (2018, ch.8) conclude that the taxation–representation connection is more complex and context-dependent than often assumed.

We contend that in nondemocratic regimes business elites possess stronger preferences than nonelites for tax policies that offer greater political representation. Our argument is built on seminal theoretical contributions in the fiscal contract literature. Ansell and Samuels (2010) and Bates and Lien (1985), for instance, maintain that merchants (in early modern Europe) and industrialists (in the Industrial Revolution)—not ordinary people—were at the forefront of demands for representation in return for taxation. Today, business elites in industrializing autocracies are the closest equivalent to merchants and industrialists in the past. First, business owners are disproportionally exposed to higher tax burdens, even expropriation because state predation targets large income streams rather than atomized individuals (Gehlbach, 2008). Second, business elites have a good understanding of the tax burden and tax incidence, activating the "ownership effect of taxation" that connects taxation with political accountability (de la Cuesta, Martin, Milner and Nielson, 2022). Third, business elites have a *comparative advantage* in using various resources to advance their interest if channels of political influence are opened by the state (Grossman and Helpman, 2001).

Taken together, these three points led us to the expectation that the taxation–representation connection is stronger among business elites than nonelites and particularly in autocratic settings, where incumbents face substantial credibility issues respecting private wealth. We test the hypothesis in modern-day China, a paramount autocratic regime that has experienced rapid economic growth over the last four decades. Our design entails two major departures from previous studies. The first is the sampling choice: We recruited separate *business elite* and *nonelite* samples. The elite sample draws from a dedicated panel of business owners and managers; and the nonelite sample, from a standard panel of ordinary citizens. Second, we solicit preferences over political influence by running a conjoint experiment in an autocratic setting, where government credibility issues are severe. With this design we can produce a preference order over various aspects of a hypothetical tax reform by elite status in a politically sensitive environment. In particular, the conjoint experiment enables us to estimate whether business elites attach greater weight to political influence than nonelites

in a hypothetical world in which everyone is allowed to choose among predefined tax policy menus.[2] The results generate important implications about which players would be more likely to demand gains in political influence associated with tax reform if that opportunity arose.

Among nondemocratic regimes, China is perhaps one of the least likely cases in which business elites embody strong preference for political representation. Scholars have argued that business elites in China are allies of the regime and exploit the existing political system to their own advantage (Chen and Dickson, 2010; Hou, 2019; Truex, 2014). If these business elites are satisfied with the existing institutional configuration or fear expressing their political preferences, we should observe null results in the conjoint experiment and auxiliary questions.

Nonetheless, our conjoint experiments reveal compelling evidence that the taxation–representation connection is actually stronger for business elites than nonelites. We evaluate the *representation* aspect by examining preferences for four political outcomes—electoral accountability, policy responsiveness, fiscal transparency, and guarantees of property rights protection—which we collectively refer to as *Institutional Political Influence* (IPI). In contrast to business elites, we find that nonelites prefer relatively more public goods and services than IPI. The elite–nonelite differences that we observe in the data are robust to a number of considerations, including preference falsification, sensitivity to sample selection, and satisfaction with existing public goods provision.

To shed light on the business elites' preferences and their differences from those of nonelites, we explore a number of mechanisms and find suggestive evidence for three of them. First, business elites who do not trust the government express stronger attachment to IPI gains at time of tax reform, consistent with the credibility issues of the rulers in Levi (1988)

[2]This is a second-best design to examine tax bargaining. Ideally, we would like to know whether respondents would be willing to participate in tax bargaining, and what *political price* they would attach to their tax payment. However, that design would require direct questions about sensitive political outcomes and put our respondents in potential danger under the current political atmosphere in China. Furthermore, the conjoint design allows us to solicit *relative* preferences for *various benefits* in return for taxation, which is central to our theoretical framework.

and North and Weingast (1989). Second, elite–nonelite differences in preference for IPI are largest for tax reform involving income taxation. Whereas all our business elites qualify for paying individual income taxes, no respondent in the nonelite sample does because of their low income. The weight of difference in IPI between the groups, which also differ in their exposure to income taxation, is consistent with the so-called "ownership effect" of public funds that others have found to activate demands of political accountability in sub-Saharan Africa (de la Cuesta et al., 2022). Third, our analysis shows that the elite–nonelite gap in preference for IPI narrows as the tax rate increases, namely when taxation becomes a salient issue. Altogether, findings suggest that credibility issues, tax ownership, and tax incidence are important factors explaining preference formation for IPI in modern-day autocracies.

The incentives of rulers to selectively co-opt individuals and organizations to acquire private information, appease demands for change, and consolidate power has been examined in the literature on autocratic politics (Gandhi, 2008; Svolik, 2012). Our research, however, shifts attention to the demand side of that equation by studying *societal preferences* for representation in the context of a hypothetical tax reform. Our findings resonate with recent work showing the critical role of business elites in shaping (and gaming) political institutions to their own advantage and against that of competing elites and the populace (Albertus and Menaldo, 2018; Gehlbach and Keefer, 2012; Grzymala-Busse, 2002; Haggard and Kaufman, 2006).

The rest of the paper is organized as follows. In Section 2 we delineate the scope conditions of the taxation–representation connection based on our reading of canonical work on this topic. In Section 3 we outline the empirical strategy and report the main empirical results. Section 4 contains an evaluation of a number of potential mechanisms connecting taxation and representation for business elites and—to a lesser extent—nonelites. We conclude in Section 5 by discussing practical implications of our analysis for the study of political effects of taxation in *already* democratic settings.

2 Taxation, Political Influence, and Elite Status

Economic elites play a central role in theories of both limited government and democratization. The former emphasizes credibility issues in fiscal policy faced by monarchs when executive constraints were absent in early modern Europe (Bates and Lien, 1985; Levi, 1988; North and Weingast, 1989). Monarchs overcame credibility issues by sharing power over fiscal policy with powerful merchants, leading to the rise of representation and consent—the original *fiscal contract* hypothesis. Theories of democratization for the Industrial Revolution emphasize a different but related credible commitment: Traditional land-based elites in power could not credibly refrain from expropriating the wealth of the new industrial elites nor redistributing the tax burden toward the modern industrial sector (Ansell and Samuels, 2015; Mares and Queralt, 2015, 2020). To secure an even distribution of tax incidence across sectors and protect the property rights of industrial investors, the new industrial elites demanded franchise extensions and further political representation (Lizzeri and Persico, 2004; Llavador and Oxoby, 2005).

We contend that economic elites in modern-day autocracies resemble those in the past once scope conditions are adjusted for present times. To start, owners and managers of middle- and large-sized firms in modern-day industrializing autocracies resemble merchant elites in theories of limited government and democratization. These individuals accumulate considerable wealth but differ from highly connected plutocrats because they are not at the pinnacle of the economic *and* political system. Lacking institutionalized means to protect their wealth, business elites are disproportionally exposed to the threat of state predation in the form of confiscation and disproportional tax incidence (Dickson, 2008; Gans-Morse, 2012; Markus, 2012).

Business elites do not necessarily oppose taxation. They benefit from public spending that strengthens public infrastructure and improves the quality of the labor force (Beramendi, Dincecco and Rogers, 2019; Hollenbach, 2019). Nonetheless, the new elites have major concerns about whether the government will spend their tax money wisely or refrain

from imposing the incidence of taxation onto them—a covert form of property rights erosion. In order to mitigate predatory behavior by the state, business elites may prefer tax reforms that include some gains in Institutionalized Political Influence (IPI), such as fiscal transparency and electoral accountability. Those gains can be mutually beneficial for autocrats and business elites. Autocrats often agree to some power-sharing institutions to accommodate sectoral interests and preempt political contestation (Gandhi, 2008; Svolik, 2012). Meanwhile, business elites use institutionalized political influence in autocracies to advance their preference in policymaking, establish political connections to grow profit, and reduce risks of expropriation (Earle and Gehlbach, 2015; Fisman, 2001; Kung and Ma, 2018; Hou, 2019; Truex, 2014). As a corollary, that gains in IPI do not necessarily equate to democratization should now be evident.[3]

In the event of a fiscal reform, we expect business elites to hold stronger preference for IPI gains than nonelites for three reasons: First, state predation tends to prioritize high-yield economic assets owned or managed by business elites. Second, business elites have better information about the tax burden because they have to deal with tax codes on a regular basis to make profit-maximizing decisions, avoid taxation, or both. Awareness of the tax burden also makes business elites more likely to experience the "ownership effect," a psychological mechanism that makes people perceive government monies as their own, spurring preferences for political influence (de la Cuesta et al., 2022; Prichard, 2015; Weigel, 2020). Third, business elites tend to be more politically active in advancing their interests. In democratic contexts business elites make their voices heard,[4] raise and donate more money,[5] vote more often,[6] and run for office more often than ordinary citizens.[7] We contend that, relative to ordinary citizens, business elites have a *comparative advantage* in exploiting opportunities

[3]Indeed, history is full of examples in which oligarchic elites gained a seat at the table for purely self-interested reasons, not to advance the greater good (Stasavage, 2011).

[4]See Gilens (2012) for a theoretical overview; Lupu and Warner (2021) and Traber, Hänni, Giger and Breunig (2021) for cross-national evidence; and Bartels (2008, ch.7) and Carnes (2018) for applications to tax policy in the USA.

[5]Bonica, Chilton and Sen (2016).

[6]Kasara and Suryanarayan (2015).

[7]Carnes (2018) and Lupu and Warner (2021) for US and crossnational evidence, respectively.

created by Institutionalized Political Influence to advance their interests. Accordingly, we expect business elites to hold particularly high valuation of IPI gains in the autocratic context.

Conversely, we expect nonelites to attach less weight to IPI gains in the context of tax reform. First, their modest incomes make them less vulnerable to state predation, and even then ordinary citizens often demand tax breaks, not necessarily gains in IPI (Bernstein and Lü, 2003; Bianco, 2001; Tilly, 1993). Second, nonelites tend to underestimate the tax burden, particularly for low-salience taxes, such as tariffs and consumption taxes.[8] If taxpayers underestimate the tax burden, expecting tax reform to stimulate strong preference for political influence is unrealistic. Third, even when ordinary citizens are informed about the tax burden, they may lack key resources to advance their preferences into the policy-making arena: capital, time, expertise (Schlozman, Brady and Verba, 2018).

Based on the three points, we expect ordinary citizens' preferences for tax policy to follow a simpler "tax–for–services" (Ross, 2004) or "exchange of services for support" logic (Lake, 2016, p.17) when they think about changes in the tax code. Consistently, Beramendi and Rueda (2007) and Timmons (2005) show that ordinary citizens in wealthy and developing democracies pay taxes in expectation of public-funded goods and services, not political rights. Moreover, studies of patronage and clientelism extensively document citizens' willingness to relinquish their "paper stones" (Przeworski and Sprague, 1986) in exchange for public or private goods (Golden and Min, 2013). The tax–for–services calculus is also present in nondemocratic regimes. Public spending is shown to be a popular tool to garner political support in authoritarian regimes (Albertus, Fenner and Slater, 2018; Svolik, 2012). Certainly, an autocrat's promises to offer government services to ordinary citizens are not exempted from credibility issues. These likely exist, and strategic autocrats will do their best to keep citizens' expectations to a bearable minimum (Gottlieb, 2016).

We can summarize the preceding discussion in a single hypothesis:

[8]See, for example de la Cuesta et al. (2020); Fochmann et al. (2010); Moore (2004); Prichard (2015).

In conditions of autocratic rule, business elites would show stronger preferences for institutionalized political influence than nonelites should both groups participate in fiscal contract negotiations.

3 Empirical Design

To test our hypothesis, we examine the taxation–representation connection in China with separate samples of business elites and nonelites. In the next sections, we elaborate our case selection, experimental design, and sample recruitment strategies.

3.1 Case Selection

China is a compelling case to test our hypothesis, stated above: First, this country has experienced a significant economic transformation through industrialization and globalization during the last four decades, not only pushing close to 800 million out of poverty but also giving rise to an upper-middle and upper class, 16.17% and 1.44% of total population today, respectively.[9]

Second, Chinese business elites have been increasingly active in the political arena. The disproportional representation of wealthy individuals in the National and Local People's Congresses suggests that they find those opportunities profitable to advance their interests (Truex, 2014). Despite constituting 1.1% of the population in China, managers and entrepreneurs account for 26.6% of the seats in the National People's Congress (Truex, 2016, ch.5). The influence of the wealthy remains important also in the local People's Congress in China (Hou, 2019; Manion, 2017).

Third, China is a least likely case to identify a strong liking for Institutionalized Political Influence among business elites. Scholars have contended that business elites and members of the upper-middle class are allies of the state (Chen and Dickson, 2010) and that they

[9]Upper middle class is defined by the World Bank as individuals who spend between $20 and $50 per day, and the high class +$50. Source: China Power: https://chinapower.csis.org/china-middle-class/.

aim to exploit the existing political system to reap economic benefits. More importantly, those who are critical of the government and political leadership are likely to face severe repercussions with regard to their businesses and personal well-being.[10] If business elites are captured by the state, we should observe weak (if not null) association between tax reform and individual preferences for political influence within this collective.

3.2 Experimental Design

To evaluate the connection between political influence and tax policy, we implement a conjoint experiment. This is a survey method in that respondents compare and choose between pairs of hypothetical tax policies that include randomized combinations of IPI, government services, tax types, and tax rates

Motivation. We prefer a conjoint experimental design over a typical survey experiment design with question prompts for two reasons: relative preferences and social desirability bias. First, respondents may have a wide range of preferences in return for taxation, and Institutionalized Political Influence is a multifaceted phenomenon. The conjoint experiment allows us to evaluate the *relative* weight attached by elites and nonelites to different representation aspects attached to a hypothetical tax policy reform: elections, policy responsiveness, transparency, and property rights protection.

Second, a direct experimental manipulation involving how taxation may induce demand for representation suffers a severe social desirability bias because of the current political environment in China. A growing number of studies show that conjoint experiments potentially mitigate social desirability issues because sensitive items are made part of a choice bundle (Hainmueller, Hopkins and Yamamoto, 2014; Horiuchi, Markovich and Yamamoto, 2020). This feature is particularly important to solicit preferences for Institutionalized Political Influence in China, where we anticipate social desirability bias if preferences over IPI were

[10] One of most prominent cases is the treatment of Ren Zhiqiang, an outspoken real estate tycoon, who received a sentence of 18 years in jail in 2020 for his criticism of President Xi (BBC.com).

Figure 1: Attributes and Values in the Conjoint Experiment

Attributes	**Values**
Institutionalized Political Influence	No Change Citizens' Input Fiscal Transparency Direct Election Property Rights Protection
Government Services	No Change National Defense Education, Health Care, and Pensions Infrastructure Environmental Protection
Tax Type	Income Tax VAT
Tax Rate	1% 5% 10% 15% 20%

(a) Attributes and values

There are no right or wrong answers, please, just choose the policy that you personally prefer most between the following two policies.

	Policy 1	Policy 2
Institutionalized Political Influence	Policy transparency through publishing detailed government finance	Ability to directly elect district head
Government Service	Better social services (e.g., education, healthcare, pension) for your community	No Change
Tax Type	VAT	Income Tax
Marginal Rate	5%	5%

Please choose

Policy 1	Policy 2
○	○

How likely are you to support Policy 1 on a scale of 1 to 5, 1 being strongly support and 5 being strongly against?

Strongly support	Somewhat support	Neutral	Somewhat against	Strongly against
○	○	○	○	○

How likely are you to support Policy 2 on a scale of 1 to 5, 1 being strongly support and 5 being strongly against?

Strongly support	Somewhat support	Neutral	Somewhat against	Strongly against
○	○	○	○	○

(b) A randomly generated paired comparison

directly requested. Although conjoint experiments cannot completely eliminate the social desirability bias, we also chose this design because it minimizes any negative repercussion aimed at our respondents under an unfavorable political climate.

Conjoint Experiment Attributes. Each tax reform comprises four dimensions or *attributes*, the values of which are randomly drawn from a list of plausible values reported in Figure 1(a). The values of the IPI dimension are based on several considerations, key among them our determination to resort to familiar and understandable concepts to our respondents. We carefully choose values that match the conceptualization of political participation, accountability, and representation commonly used in the existing literature while maintaining consistency with local context and language.[11] For example, the *submission of citizens' opinions online or via telephone as well as through public hearing* is a typical form of political participation in China (Chen, Pan and Xu, 2016; Distelhorst and Hou, 2017; Shi, 2015). Meanwhile, *fiscal transparency* is often part of the open information campaign in many countries that aims at enhancing government accountability.

One may argue that the former two values are not necessarily strong enough to ensure representation and accountability because the government may choose not to respond to citizens' demands. We thus include a third value: citizens' ability to *elect the district government executive*, enabling responsiveness, representation, and accountability.

Last but not least, under IPI we list *property rights protection*, the primary concern among elites in the standard taxation–representation models (Ansell and Samuels, 2015; Bates and Lien, 1985). Although one could treat property rights protection as a government service, we group it with the rest of IPI values to emphasize the limits on state predation imposed by property safeguards.

Because our theoretical framework highlights the importance of tax-financed *government services* to ordinary citizens, we consider four types of public good in our conjoint experiment: *Education, health care, and pensions*; *National defense*; *Environmental policy*; and *Infrastructure*. These are all tax-funded, common-interest public goods and services in China.

The third and fourth attributes account for the implementation details of a hypothet-

[11] See Appendix D for the translation of the attribute values and a screenshot of the conjoint experiment.

ical tax reform. By randomizing the tax type and tax rate we intend to factor out any preconceived notion of what a tax reform is and how tax progressivity might influence the taxation–representation connection, an important consideration that we seek to analyze in future work. We consider two hypothetical tax types—the *income tax* and *VAT*—with five possible rates, starting at a negligible *1%* and up to *20%*. We purposively disregard a 0% rate to avoid impossible combinations with other values that involve government spending.

Figure 1(b) shows an example of a paired comparison in our conjoint experiment. Every respondent is asked to complete six rounds of paired comparisons. In each round respondents are assigned a different pair of randomly generated tax reform proposals and are requested to choose which is most preferred.[12] We then estimate the average marginal component-specific effect (AMCE), namely the unconditional marginal effect of an attribute value averaged over all possible values of the other attributes.[13] Altogether, the conjoint coefficients offer us a stylized map of the weights that respondents attach to different aspects of a hypothetical tax reform.

3.3 Samples

To solicit elite and nonelite preferences over taxation–representation bundles, we conducted original online surveys for an urban sample of Chinese respondents aged 18 and above. The urban focus is methodologically convenient because gains in all the four values of the IPI battery remain theoretically possible, including local elections.[14] We commissioned Survey Sampling International (SSI) to implement two identical, parallel surveys in fall 2017.[15]

[12]The order of attributes and attribute values are randomized across respondents to avoid framing effects of any attribute. We confirm that results are robust to profile and attribute order.

[13]The AMCE can be estimated with linear regression under conditional independent randomization of attribute values (Hainmueller, Hopkins and Yamamoto, 2014). We clustered the standard errors at the individual level.

[14]In rural China, village elections have been carried out since the 1980s; hence gains in this category of IPI are not logically meaningful.

[15]This study was granted IRB exemption by three universities.

Full and Screened Sample. To test our hypotheses, we recruited business elites and ordinary citizens in separate samples.[16] For the elite sample we recruited 349 business elites from the China business-to-business panel of the SSI. By design, these individuals hold top-level management positions: chairman of the board of directors, executive vice president, general manager, member of the board of directors, president or managing director, senior vice president, vice president, chief executive officer, and chief financial officer. The response rate for the business sample was 13 percent, a common rate for elite samples (Osgood, Tingley, Bernauer, Milner and Spilker, 2016).

Despite recruiting respondents directly from the Business-to-Business sampling pool, some of the respondents may not qualify as business elites because of their income level or firm characteristics. Hence, we applied two screening criteria to the SSI sample to ensure that our elite respondents approximate *business elite status*. First, we kept respondents whose monthly household income is at least twice the median income, +RMB15,000, *and* own or occupy managerial positions in *major* private firms and state-owned enterprises (SOEs) with an employment size in the top decile, corresponding to firms with 50+ employees.[17] The screening criteria reduce the effective business elite sample from 349 to 272, better approximating the target population.

For the nonelite group, we sampled respondents from urban districts ($N = 755$). Quota sampling based on age and gender were applied in the data collection. To approximate as much as possible the *nonelite status*, we kept wage earners in the private market, unemployed, retired, or students living in households whose total earnings were below the median monthly income. Upon imposing these additional requirements, our nonelite sample included 264 respondents.

[16]For our sampling strategies, see Appendix B for more details.

[17]Source: 2013 China Economic Census. Note that the median firm size in China is under 7 employees.

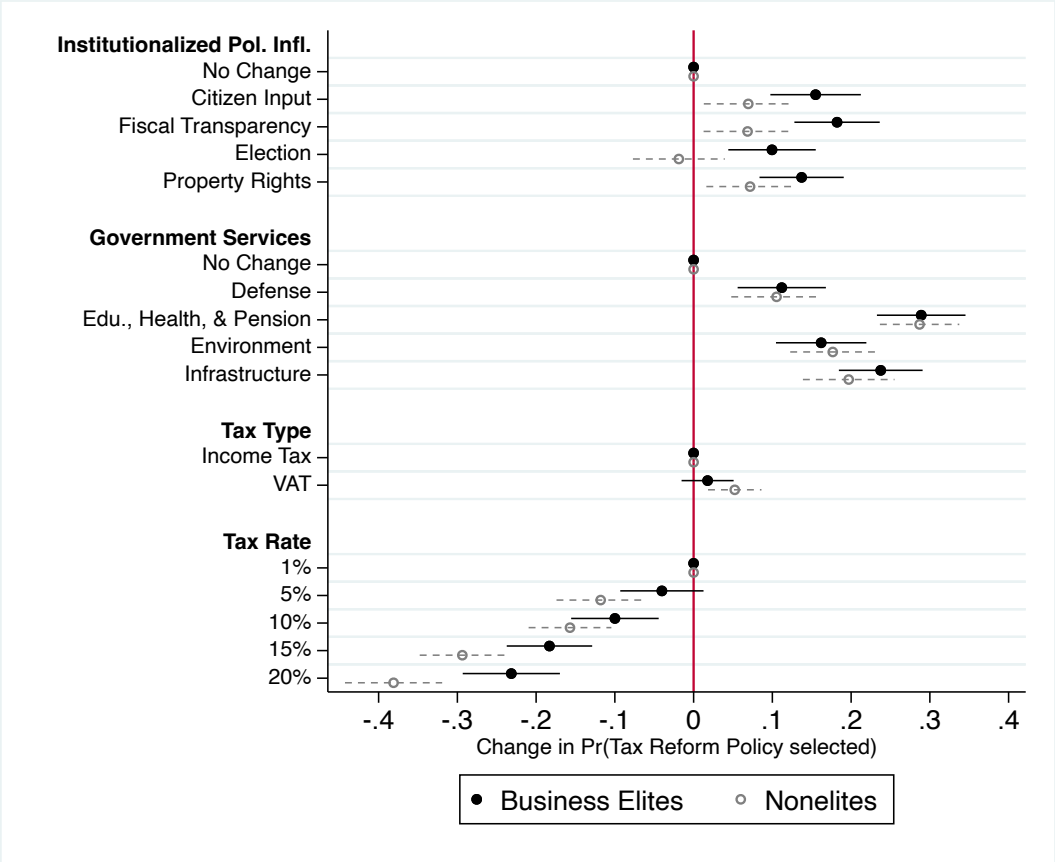
4 Main Findings

In this section we examine the conjoint estimates for both samples and assess whether they are different at conventional levels of statistical significance. We then complement the main analysis with a crude yet informative question in which respondents chose between two conceptualization of the tax contract: tax for services vs. tax for political influence.

4.1 Conjoint Results

Figure 2 reports the baseline conjoint coefficients for the screened elite and nonelite samples. Conveniently, these estimates are directly interpretable in percentage points and comparable within and across attributes. Consistent with our expectation, business elites show stronger preferences for every value of Institutionalized Political Influence than nonelites. Any given tax reform proposal accompanied by new opportunities for citizens to elect the district government executive (i.e., *Election*) increases support for that tax reform among business elites by almost 10 percentage points; by contrast, the point estimate of *Election* for nonelites is not statistically different from zero. In addition, a tax reform proposal that entails *Fiscal Transparency* increases support by 18.2 percentage points for business elites, but only 6.9 percentage points for nonelites. Finally, *Citizen Input* and *Property Rights* increase business elites' support by 15.5 percentage points and 13.7 percentage points, respectively. For nonelites, the increase is only 6.9 percentage points and 7.2 percentage points, respectively.

Figure 2: China Conjoint Experiment by Elite Status



Note: This plot shows estimates of the effects of randomly assigned attributes for tax reform dimensions on the probability of supporting a tax reform policy. Estimates are drawn from the screened samples. The model in regression format (also including socioeconomic controls) can be found in Appendix E. The bars indicate 95% confidence intervals.

Meanwhile, both elites and nonelites reveal similar preference for government services. *Education, Health Care, and Pensions* receive the highest score of all in both groups, followed by *Infrastructure*, *Environmental Policy*, and *National Defense*. Substantively, a tax reform proposal that increases spending on *Education, Health Care, and Pensions* would increase support by 28.9 percent points for elites and 28.7 percentage points for nonelites. This result is consistent with the tax–for–services rationale for tax compliance and seemingly applies to elites and nonelites.

Crucially, results reported in Figure 2 do not qualitatively change when we work with the original sample (i.e., a more liberal definition of elite) or when we focus only on owners

and managers of top 5% and top 1% firms based on employment size (i.e., a more conservative definition). In Appendix F we also confirm that individuals in the original nonelite sample who earn high income show slightly smaller estimates for IPI attributes compared to our elites. Altogether, these robustness tests show that the more individuals approach our definition of a business elite (i.e., managerial position plus high income), the more their preferences meet our expectations for that group; and the more individuals approach our definition of nonelite status (i.e., salaried or inactive individual with low income), the more their preferences meet our expectations for ordinary citizens.

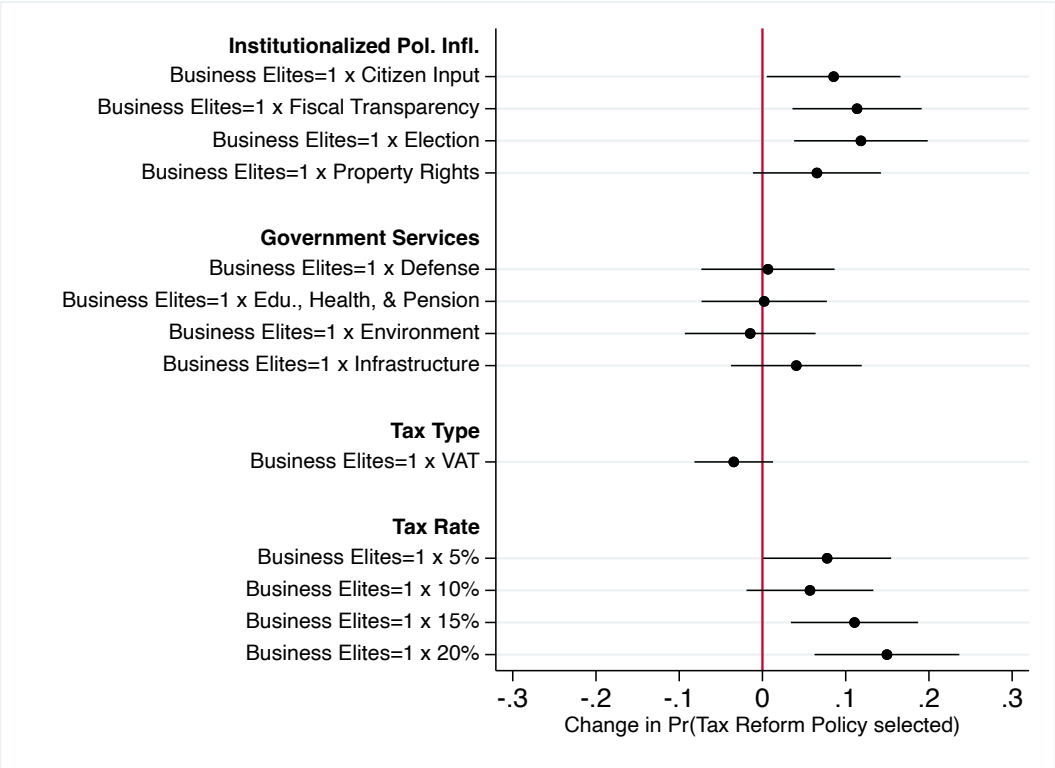
Elite-Nonelite Difference. Figure 2 suggests that Chinese citizens reveal strong preference for government services compared to Institutionalized Political Influence. This set of results is unsurprising in light of the Chinese government's strategies to use public spending to bolster regime support (Dickson, Landry, Shen and Yan, 2016; Lü, 2014). However, key to our argument is the elite–nonelite *difference* in the preference for IPI in our hypothetical, multifaceted tax reform. To evaluate this point in further detail, next we estimate between-group differences with the following interaction model:

$$\begin{aligned}\text{Preferred Tax Reform} = \; & \beta_0 + \beta_{1j}(\textstyle\sum_{j=1}^{4} IPI_j) + \beta_{2j}(\textstyle\sum_{j=1}^{4} GovtService_j) \\ & + \beta_{3j}(\textstyle\sum_{j=1}^{4} TaxRate_j) + \beta_{4j} VAT_j + \beta_5 Group_{g=elite} \\ & + \beta_{1jg}(\textstyle\sum_{j=1}^{4} IPI_j \times Group_{g=elite}) \\ & + \beta_{2jg}(\textstyle\sum_{j=1}^{4} GovtService_j \times Group_{g=elite}) \\ & + \beta_{3jg}(\textstyle\sum_{j=1}^{4} TaxRate_j \times Group_{g=elite}) \\ & + \beta_{4jg}(VAT_j \times Group_{g=elite}) + \epsilon_{jg}\end{aligned} \tag{1}$$

where $i \in \{1, 2, 3, 4\}$ denotes attributes, j values for each attribute, and group $g \in$ {business elites, nonelites}. Figure 3 shows the estimated between-group differences for each value in the conjoint experiment. Results confirm that elites and nonelites value government services to the same extent—differences overlap with the zero line. By contrast, business

elites attach stronger preference to IPI than nonelites. In particular, support for a hypothetical tax reform is 10+ points higher for business elites than nonelites if accompanied by advances in citizens' input, fiscal transparency, and local elections, holding everything else constant. The coefficient for property rights protection, although half the size, remains statistically different from zero with 90 percent confidence ($p = 0.078$, two-tailed). Taken together, Figure 2 and Figure 3 suggest that both elites and nonelites care about IPI and government services, but elites care disproportionally more about IPI than nonelites.

Figure 3: Differences in Conjoint Estimates Between Business Elites and Nonelites



Note: This plot shows the differences in AMCE between business elite respondents (*Business Elites =1*) and nonelite respondents (*Business Elites = 0*) as defined in Equation 1. Estimates are drawn from the screened samples. The bars indicate 95% CI. We report regression results in Appendix E.

Other dimensions of our hypothetical tax reform in the conjoint experiment—the tax *rate* and *type*—offer somewhat unexpected results. First, nonelites dislike higher tax rates more intensely than business elites perhaps because the latter are less averse to higher taxation if they anticipate a similar increase in government services than nonelites *plus* advances in

IPI. In other words, for any specific tax rate business elites may anticipate a larger "bang for the buck" than ordinary citizens. Second, nonelites do not penalize policy reform involving consumption taxes or VAT, often considered regressive. The mechanism section elaborates on the role of tax types and tax rates in the taxation–representation connection.

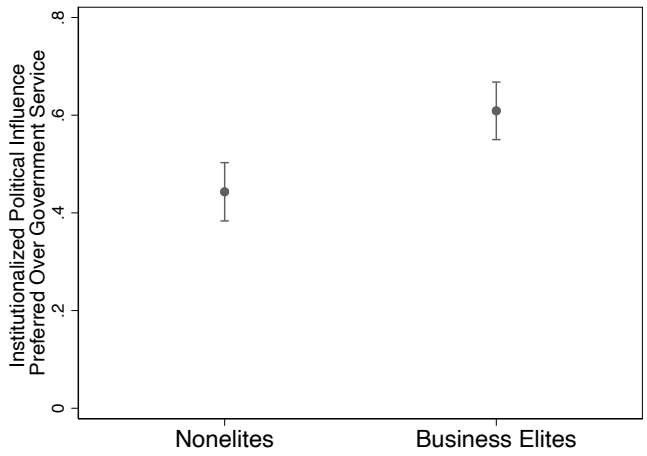
4.2 Direct Question

The conjoint experiment elicits respondents' preferences for IPI through a bundle of policy attributes. This technique is particularly advantageous in dealing with sensitive topics, but we also made respondents face a tradeoff between two ways of conceptualizing the connection between taxes and policy-making. The first option emphasizes gains in government services following taxation, explicitly excluding advancement in institutionalized political influence, whereas the second option explicitly connects political influence in policymaking with tax increases. Although institutionalized political influence may be a means toward better government services, our wording is meant to retrieve what respondents prioritize if faced with a stark choice. The key contrast between these two choices is the preference for representation in policy-making or lack thereof. The exact wording of the question in English reads as follows:

(a) `As long as government spends my tax money on high-quality and generous public goods, I do not care about participating in policy-making.`

(b) `In return for paying taxes, I would like to have some say in policy-making.`

Figure 4: Direct Request about Preferences for IPI and Government Services by Elite Status in China



Note: The vertical axis indicates the proportion of respondents who prioritize IPI over government services when they are directly requested. Estimates are drawn from the screened samples. The bars indicate 95% CI.

In Figure 4 we plot the proportion of respondents choosing option (b) in each group. This figure shows that business elites would be more inclined to prioritize gains in political representation than nonelites at the time of tax reform. The elite–nonelite difference spans 17 points and is statistically significant at 95%. Combined, Figures 3 and 4 indicate that elites and nonelites in authoritarian regimes differ in their preference over IPI gains in a hypothetical tax policy proposal. In Appendix G.4 we examine whether differences between groups may be driven by the preference falsification of nonelites, finding no supportive evidence.

5 Mechanisms

This section addresses two related questions: First, why do business elites value IPI? We argue that the autocrat's credibility problem in refraining from expropriating private assets is particularly salient for business elites because of their accumulated wealth. In addition to *motive*, business elites have better information and means (i.e., comparative advantage) to advance their interest if they are granted IPI, hence their stronger valuation of the latter.

Second, why do preferences for IPI differ between business elites and ordinary citizens in China? We consider competing (and not necessarily substitutional) mechanisms: (i) tax ownership, (ii) salience, (iii) awareness, and (iv) use of public services. We only found supporting evidence of the first two items in our data. We also discuss mixed evidence on other mechanisms, including the one we expected to confirm before analyzing the data: *VAT awareness*.

5.1 Credible Commitment

We expect business elites to have grave concerns about state predation, particularly those who do not find government's promises credible. Measuring the latter perception is challenging. Here we follow the lead of Levi (1998, p.85-6), who offers an extensive discussion on the relationship between credible commitment and trust in government:

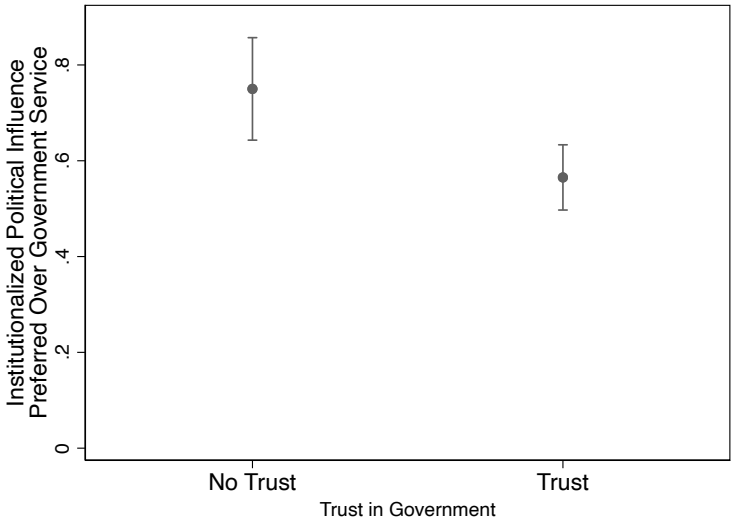
> Despite that trust and commitment are different mechanisms for resolving uncertainty, commitment is one of the means to create trust. [Levi adds,] credible commitments [...] reduce the citizen's need to make a personal investment in monitoring and enforcing government and thus enhance citizen trust of government.

Building on this reasoning, we split the respondents in the business sample into two groups—those who trust the government and those who do not[18]—then investigate differences in their preferences for government services and IPI using the survey instrument employed in Figure 4. Results, reported in Figure 5, suggest that preference for political say over government services in exchange for taxation is 18 points higher (and statistically significant at 95%) among those who do not trust the government, consistent with the idea

[18]Our survey included this question: *How much can you generally trust government officials to make good policies and implement them?* We collapse the four-category response into an indicator variable that equals 1 if respondents "strongly" or "somewhat trust" the government, and 0 if they "somewhat" or "strongly distrust" the government .

that IPI alleviates credibility issues of fiscal policy within the group that is most exposed to state predation.

Figure 5: Trust in Government and Preference for IPI among Business Elites



Note: This figure reports the proportion of business elites trusting and not trusting the government and who prioritize IPI over government services. Estimates drawn from the screened samples: N = 64 for Elite + No trust, and N = 208 for Elite + Trust. The bars indicate 95% CI.

The credibility of government promises may correlate with the ability to escape taxation. Next we consider two factors that alleviate exposure to state predation—asset mobility and state ownership—and examine whether they help explain within-elite variation in IPI preference.

5.1.1 Foreign vs. Domestic Firms

Asset mobility enhances the bargaining power of taxpayers because they can credibly threaten to flee to other jurisdictions if the ruler deviates from the agreed upon political compromise (Bates and Lien, 1985; Boix, 2003). If this rationale applies to China, business elites with mobile assets may attach higher valuation to gains in IPI than business elites without mobile capital, everything else constant.

China's Central Bank imposes tight capital control, hence business elites cannot easily move their assets out of the country at will. In the Chinese context, firms could alleviate

state predation through joint ventures with foreign firms. Wang (2015) argues that foreign corporations in China have stronger property rights protection because they can credibly reallocate to other jurisdictions. Wang shows that joint ventures between local and foreign corporations extend property rights protection to the domestic partners of the foreign firms.

In the spirit of Wang's (2015) argument, we compare conjoint results of business elite respondents working at *domestic private firms* to those working at *foreign firms* based in China. Unfortunately, the size of latter group is small (N=83), so results must be interpreted with caution. In our test (reported in Appendix G.3) the only statistically significant difference between groups is for holding local elections, possibly the strongest expression of IPI. This result is consistent with the logic of exit threats enforcing fiscal contracts. That is, mobile tax payers may attach higher valuation to elections because their mobility confers upon them some ability to make autocrats abide by the results of a hypothetical electoral contest.[19]

5.1.2 Private vs. State Ownership

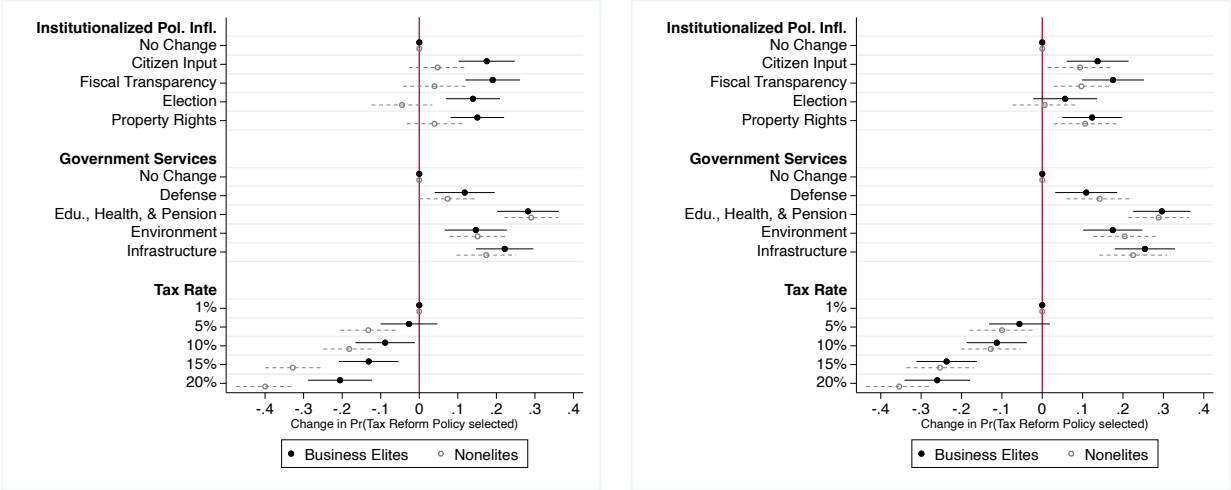
SOE managers and party members may be considered agents of the state and be already sheltered from predation (Hou, 2019). If this were the case, the inclusion of CCP members or SOE managers in the elite sample would attenuate differences between elites and nonelites. In our elite sample, 87 (31.98%) and 51 (18.75%) respondents are members of the CCP or working in an SOE, respectively. Appendixes G.1 and G.2 show no substantive change in the weight of IPI values when we exclude all CCP and SOE respondents from the sample. Those findings reassure us of the nature of our sample: Although the SSI business panelists are winners of economic modernization, they are still exposed to state predation and hence may value advances in IPI (if only for reasons of self-interest).

[19]In Appendix G.3 we discuss selection into foreign or local firms and find no differences between groups.

5.2 Ownership Effect

The connection between taxation and IPI might be a function of psychological ownership over public moneys. De la Cuesta et al. (2022) show that citizens who feel that the budget belongs to them are more willing to demand more accountability from leaders. In a related work, de la Cuesta et al. (2020) find that the ownership effect on demands for political accountability is stronger for direct taxes because of their high salience. In our sample, none of the nonelites qualify for the income tax because their low income exempts them. By contrast, all business elites in our sample qualify for income taxation.[20] The disproportional incidence of the income tax (a high salient tax) on business elites might accentuate their tax ownership effect, strengthening preferences for political influence associated with tax reform.

Figure 6: Conjoint Estimates of Business Elites and Ordinary Citizens by Tax Reforms Involving an Income Tax and VAT, Separately.



(a) Income Tax Reform (b) VAT Reform

Note: This plot shows ACME for Business Elites and Nonelites when we focus on reforms including an income tax (left) and a VAT (right). Estimates are drawn from the screened samples. The bars indicate 95% CI. All between-group differences in IPI values in the left panel are statistically different from zero at 95%.

We examine the ownership effect indirectly by studying separately responses to tax re-

[20] According to the Chinese income tax laws (Xinhuanet.com, Sep. 2018.), the first 60,000 yuan of individual yearly income would be exempted from income tax. For our nonelites, their household incomes fall into the exemption category.

forms involving an income tax and the VAT. Specifically, Figures 6a and 6b reports AMCE once we fix the tax type in our hypothetical tax reform to income tax and VAT, respectively. Whereas both sets of tax reforms induce preference for government services, results for IPI between groups are starkly different. Business elites attach positive weights to both IPI and government services regardless of the nature of the tax reform. Nonelites, by contrast, show positive weights for IPI for reforms involving the VAT but zero weight for reforms involving an income tax. This difference between elites and nonelites is consistent with the ownership effect: Because everybody pays VAT, changes in this tax are followed by stronger preference for both IPI and goods and services among elites and nonelites. By contrast, the relatively little experience of nonelites with income taxation made this group less inclined to demand gains in political influence in the hypothetical tax reform, everything else constant.

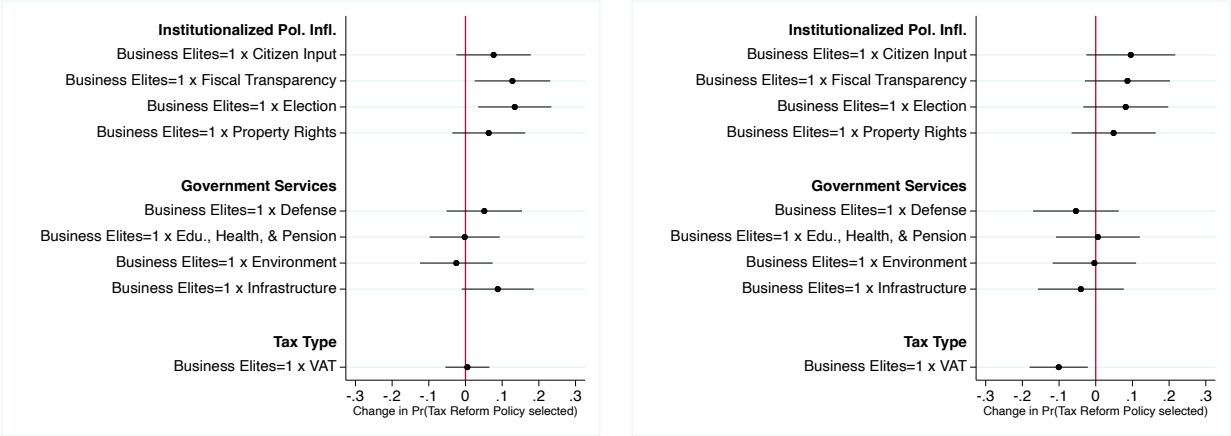
5.3 Tax Salience

The income tax is more salient than consumption taxes, but only high-income earners effectively pay income tax in China. Another way to examine the role of tax salience in shaping preferences for IPI is by separating the analysis for different tax rates. Arguably, when rates increase substantially, ordinary citizens might pay more attention to tax reform, potentially activating the taxation–representation connection (Prichard, 2015). We evaluate responses to different levels of tax rate in our conjoint estimation by dividing tax reforms into two groups: Those including a tax rate of 15 or 20 percentage points are listed under the *high tax rate* group; those including a tax rate of 1, 5, and 10 percent are listed under the *low tax rate* group.[21]

We report the results of this exercise in Figures 7(a) and 7(b). An interesting pattern emerges: The elites–nonelites differences in preferences for IPI are more pronounced for lower tax rates. When the hypothetical tax rate is mild, business elites show stronger preference for *Fiscal Transparency* and *Elections* than ordinary citizens. The elite–nonelite differences grow

[21] We collapse the five tax rates into two groups for statistical power considerations.

Figure 7: Differences in Conjoint Estimates between Business Elites and Ordinary Citizens for Tax Reforms with Low and High Tax Rates



(a) Low Tax Rate (b) High Tax Rate

Note: This plot shows the differences in estimates between business elite and nonelite respondents for high and low tax rates. In the low tax rate group, we pool all tax reforms that include 10%, 5%, and 1% tax rates, and in the high tax rate group we pool all tax reforms that include 15% and 20% tax rates. Estimates are drawn from the screened sample. 95% CI reported.

smaller and lose statistical significance in Figure 7(b) when we focus on policy bundles that include high tax rates only. These findings suggest that ordinary citizens may become more scrupulous in evaluating a tax reform when the proposed tax rates grow salient, everything else constant.

5.4 Other Mechanisms

We explore several potential mechanisms to explain the differences in preference profiles between elites and nonelites. First, business elites might have a better understanding of how the tax system works, thus be better equipped to establish a connection between taxation and institutionalized political influence. This was indeed our main expectation. The data, however, do not provide conclusive evidence to support this mechanism. Although business elites show higher understanding of the implementation mechanics of VAT, they do not have a better understanding of the distributional impact of consumption taxes relative to income taxes (see specifically Table A-6). In other words, we observe smaller differences in VAT

awareness than we originally expected. Consistently, we show in Appendix H.1 that the small differences in VAT awareness between groups do not systematically explain differences in preferences for IPI.[22]

Second, business elites may have access to better education or healthcare through private markets or have longer time horizons, enabling forward-looking calculations embedded in the taxation–representation connection. We find no supporting evidence for either of these two mechanisms: Although business elites show longer time horizons than nonelites, *patient* nonelites do not show stronger preference for IPI than *impatient* nonelites (refer to Appendix H.2). Nor do we find evidence that satisfaction levels with a wide range of public goods and services explain different preferences for business elites and nonelites (Appendix H.3).

6 Conclusion

Do gains in political representation shape preferences over tax policy? Despite mixed empirical support from recent studies, we contend that advances in institutional political influence can facilitate tax reform in autocratic contexts and especially so among business elites. Our argument builds upon a crucial but often overlooked scope condition in seminal studies of limited government: business elites are the main contender for political influence because they are disproportionally exposed to state predation.

Building on this insight, we design a survey experiment and recruit respondents into separate elite and nonelite samples. Our conjoint experiment lends compelling support to our hypothesis: business elites give more prominence to gains in institutionalized political influence than nonelites when considering two hypothetical tax policy proposals. The evidence in the mechanism section, although only suggestive, is consistent with (i) the autocrat's credibility issues pointed out in theories of democratization and (ii) tax ownership effects identified in Subsaharan Africa (de la Cuesta et al., 2022; Fochmann et al., 2010). In particular, the lower incidence of direct taxation among the nonelite likely attenuates the

[22]We thank an anonymous reviewer for the suggestion to explore in full the VAT awareness mechanism.

ownership effect, downplaying preferences for political accountability. This finding is consistent with the conclusions in Moore (2004) and Prichard (2015), among others, who suspect that low-salience taxation lies at the core of autocratic rule in large parts of the world.

Our empirical finding could be unique because of Chinese culture or the conjoint experimental design. We complement our main empirical analysis with a shadow test in Taiwan (reported in Appendix I). Exploiting key differences and commonalities with Mainland China—different political regimes but similar cultural legacies—we replicated the conjoint experiments with separate elite and nonelite samples in Taiwan. We found null results between taxation and IPI for both elites and nonelites, which is consistent with existing experimental research focusing on *already democratic* settings.

Results in our shadow case confirm the scope conditions of the original fiscal contract literature: preference for IPI is strong when rulers are unconstrained and have credibility issues. In democratic settings, we cannot expect individuals to demand policy concessions that are already in place, hence the importance of fine-tuning empirical designs to theoretical expectations.

Finally, this paper offers important implications to understand the political dynamics of tax policy in China's near future. The Chinese government has relied on indirect taxation (e.g., the VAT, consumption tax, and land conveyance fees) as the primary source of government funds since the reform era. However, the growth of fiscal revenues slowed down after 2012, and the Chinese government may have to consider alternative sources of revenue in the future. Our study shows that raising fiscal revenue through direct taxation, such as income and property taxes, is likely to carry significant political ramifications because of the ownership effect and tax salience. The recent development in China's property tax is a testimonial to the challenges that Chinese leaders face in terms of reforming direct taxation. Xi Jinping, arguably the most dominant CCP leader since Deng, has so far failed to roll out a country-wide property tax in urban areas.[23] Whether this tax reform (or others that may

[23]See "In Tackling China's Real-Estate Bubble, Xi Jinping Faces Resistance to Property-Tax Plan" (WSJ.com, October 2021.).

follow) will generate unintended political consequences for the regime leaders remains to be seen.

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NOT FOR PUBLICATION

Supplementary Online Appendices

"Do Gains in Political Representation Sweeten Tax Reform in China? It Depends on Who You Ask"

Political Science Research and Methods

These appendices contain materials, results and robustness checks that supplement the main text.

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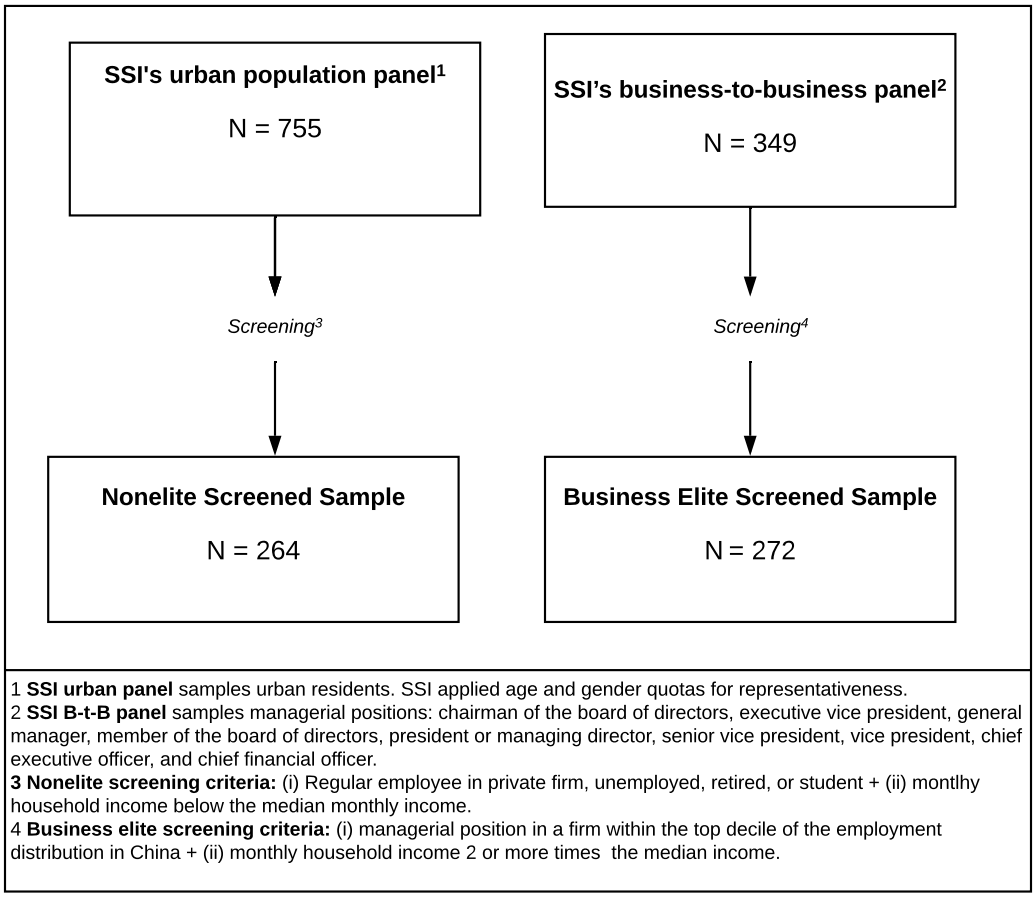
A Preregistration

The surveys for this manuscript were designed in 2016 and implemented in 2017. Since then we have learned the benefits of preregistration. In this manuscript, we try to be as transparent as possible about our coding decisions. We are happy to address any questions or clarifications about the data, coding, and modeling.

B Business and Nonelite Samples

Figure A-1 describes how we screened our original samples.

Figure A-1: Original and Screened Samples



1 **SSI urban panel** samples urban residents. SSI applied age and gender quotas for representativeness.
2 **SSI B-t-B panel** samples managerial positions: chairman of the board of directors, executive vice president, general manager, member of the board of directors, president or managing director, senior vice president, vice president, chief executive officer, and chief financial officer.
3 Nonelite screening criteria: (i) Regular employee in private firm, unemployed, retired, or student + (ii) montlhy household income below the median monthly income.
4 **Business elite screening criteria:** (i) managerial position in a firm within the top decile of the employment distribution in China + (ii) monthly household income 2 or more times the median income.

C Data Descriptives

Tables A-1 and A-2 report descriptive statistics for the original samples and the screened samples for business elites and nonelites, respectively.

Table A-1: Summary statistics (Business Elite Sample)

	Original Elite Sample					**Screened Elite Sample**				
Variable	*Mean*	*Std.Dev.*	*Min*	*Max*	*N*	*Mean*	*Std.Dev.*	*Min*	*Max*	*N*
Choice	0.54	0.499	0	1	346	0.507	0.501	0	1	270
Tax Conception†	0.605	0.49	0	1	347	0.609	0.489	0	1	271
Trust in Government	0.749	0.434	0	1	347	0.765	0.425	0	1	272
Time Horizon	0.556	0.498	0	1	347	0.515	0.501	0	1	272
Years paying Income Tax (Categorical)	4.049	0.948	1	5	346	4.115	0.903	1	5	270
Awareness of VAT existence	2.723	0.822	1	4	346	2.737	0.832	1	4	270
Satisfaction with Education	0.683	0.466	0	1	344	0.674	0.47	0	1	270
Satisfaction with Health Care	0.589	0.493	0	1	341	0.631	0.484	0	1	268
Satisfaction with Infrastructure	0.85	0.358	0	1	340	0.829	0.377	0	1	263
Satisfaction with Environment	0.64	0.481	0	1	344	0.637	0.482	0	1	270
Male	0.646	0.479	0	1	347	0.662	0.474	0	1	272
Age	35.487	6.903	20	59	347	36.331	7.652	20	61	272
Married	0.962	0.19	0	1	346	0.967	0.18	0	1	270
CCP Member	0.321	0.467	0	1	346	0.322	0.468	0	1	270
Income (Categorical)	9.779	2.421	4	14	346	10.515	2.089	8	14	270
Education (Categorical)	6.228	0.656	4	8	347	6.301	0.647	4	8	272

† Proportion of respondents that prefer political say over public goods when asked directly.

Note: In screening the business elite sample, we restricted the B-t-B SSI sample to respondents who (i) are owners or managers of firms hiring 50+ individuals—the threshold above which are the top 10% largest firms in China—and (ii) whose monthly household income is at least RMB15,001. Why this threshold? According to the National Bureau of Statistics in China, the median annual disposable income for an urban resident is 33,834 RMB. We assume the household income reported by our respondents derives from two wage earners. Hence, the median for an urban resident's monthly disposable income is around 5,639RMB. Thus our business elites' household income is approximately three times larger than the median urban household income in China. For more details about the raw data from the National Bureau of Statistics in China, see http://www.stats.gov.cn/tjsj/zxfb/201801/t20180118_1574931.html (last accessed: March 18, 2018).

Table A-2: Summary statistics (Nonelite Sample)

	Original Nonelite Sample					**Screened Nonelite Sample**				
Variable	*Mean*	*Std.Dev.*	*Min*	*Max*	*N*	*Mean*	*Std.Dev.*	*Min*	*Max*	*N*
Choice	0.536	0.499	0	1	701	0.565	0.497	0	1	262
Tax Conception†	0.497	0.5	0	1	714	0.443	0.498	0	1	264
Trust in Government	0.671	0.47	0	1	730	0.625	0.485	0	1	264
Time Horizon	0.65	0.477	0	1	732	0.64	0.481	0	1	264
Years paying Income Tax (Categorical)	3.814	1.352	1	5	714	3.629	1.512	1	5	264
Awareness of VAT existence	2.352	0.925	1	4	711	2.246	0.941	1	4	264
Satisfaction with Education	0.61	0.488	0	1	712	0.648	0.479	0	1	264
Satisfaction with Health Care	0.465	0.499	0	1	714	0.504	0.501	0	1	262
Satisfaction with Infrastructure	0.833	0.373	0	1	713	0.837	0.371	0	1	263
Satisfaction with Environment	0.53	0.499	0	1	711	0.546	0.499	0	1	260
Male	0.523	0.5	0	1	755	0.473	0.5	0	1	264
Age	39.095	13.089	19	72	755	39.182	14.664	19	72	264
Married	0.777	0.416	0	1	709	0.686	0.465	0	1	264
CCP Member	0.305	0.461	0	1	709	0.269	0.444	0	1	264
Income (Categorical)	7.296	2.138	1	14	705	5.841	1.188	1	7	264
Education (Categorical)	5.71	0.756	3	8	755	5.549	0.778	4	7	264

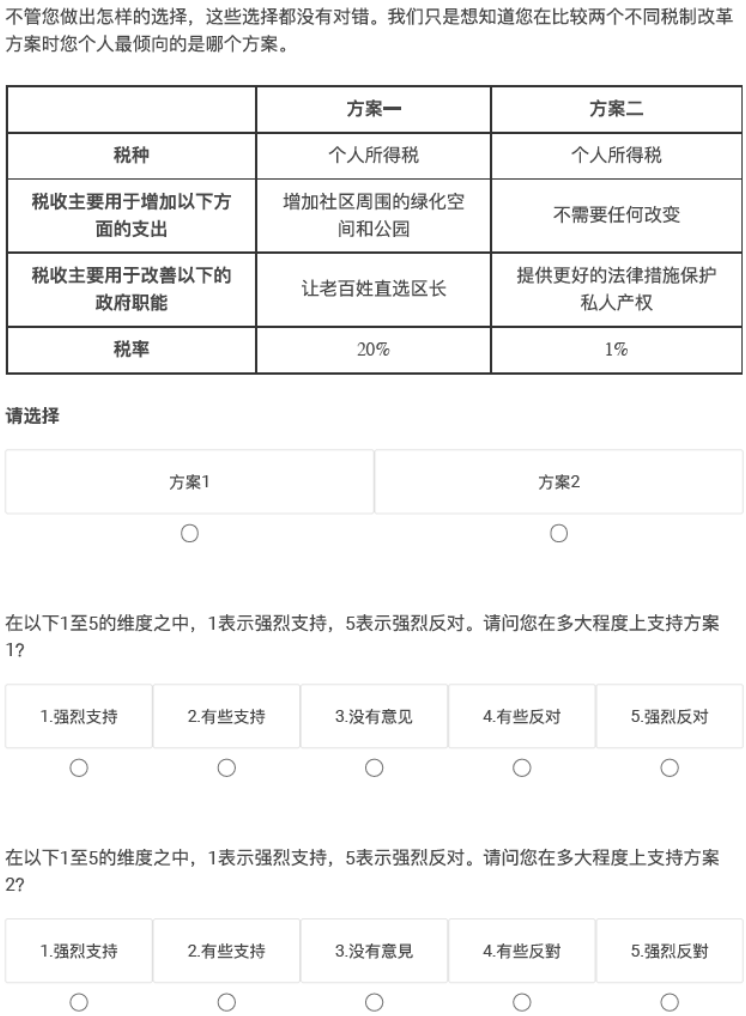
† Proportion of respondents that prefer political say over public goods when asked directly.

Note: The original SSI nonelite sample was designed with a quota system to enhance representation. The breakdown of the age and gender quota is as follows: aged 18-24: 19% aged 25-34: 22%; aged 35-44: 23%; aged 45-54: 21%; aged 55+: 16%; Male: 51%; Female: 49%. These quotas were based on the 2010 China Census for the urban population, the most recent census. We adjust the quotas slightly at the end of data collection because it was extremely difficult to fully fulfill the quota for the 55+ age groups in China.

D Conjoint Experiment: Implementation Details

In this section, we show a real screenshot of a randomly generated paired comparison in the conjoint analysis and the Chinese translation of all values in the conjoint experiment.

Figure A-2: Conjoint Analysis in China



不管您做出怎样的选择，这些选择都没有对错。我们只是想知道您在比较两个不同税制改革方案时您个人最倾向的是哪个方案。

	方案一	方案二
税种	个人所得税	个人所得税
税收主要用于增加以下方面的支出	增加社区周围的绿化空间和公园	不需要任何改变
税收主要用于改善以下的政府职能	让老百姓直选区长	提供更好的法律措施保护私人产权
税率	20%	1%

请选择

方案1	方案2
○	○

在以下1至5的维度之中，1表示强烈支持，5表示强烈反对。请问您在多大程度上支持方案1?

1.强烈支持	2.有些支持	3.没有意见	4.有些反对	5.强烈反对
○	○	○	○	○

在以下1至5的维度之中，1表示强烈支持，5表示强烈反对。请问您在多大程度上支持方案2?

1.强烈支持	2.有些支持	3.没有意見	4.有些反對	5.强烈反對
○	○	○	○	○

Attributes	**Values**
制度化的政治影响力	不需要任何改变
	透过网络和电话向政府反馈意见，或者经由听证会让政府知道老百姓的意见
	公布详细的政府财政信息来增加政策的透明度
	让老百姓直选区长
	提供更好的法律措施来保障财产权
政府服务	不需要任何改变
	增强国家安全与国防支出
	增加社区周围更好的社会服务（例如教育、医疗、退休福利等等）
	提供社区更好的基础建设（例如地方道路、高速公路、电力供应等等）
	增加社区周围的绿化空间和公园
税种	个人所得税
	增值税
税率	1%
	5%
	10%
	15%
	20%

Table A-3: Policy Dimensions and Values for the Tax Reform Conjoint Experiment in Chinese translation.

E Conjoint Experiment in Regression Format

In Tables A-4 and A-5 we report results in Figures 2 and 3 in the main text, respectively, in regression format.

Table A-4: Main Conjoint Experiment by Elite Status

	Business Elites		**Nonelites**	
	(1)	(2)	(3)	(4)
Institutionalized Pol. Infl.: Citizen Input	0.155***	0.153***	0.069**	0.071**
	(0.029)	(0.030)	(0.029)	(0.029)
Institutionalized Pol. Infl.: Fiscal Transparency	0.182***	0.183***	0.069**	0.069**
	(0.028)	(0.028)	(0.028)	(0.029)
Institutionalized Pol. Infl.:Election	0.100***	0.096***	-0.019	-0.019
	(0.028)	(0.029)	(0.030)	(0.030)
Institutionalized Pol. Infl.: Property Rights	0.137***	0.136***	0.072**	0.072**
	(0.027)	(0.028)	(0.028)	(0.028)
Government Service: Defense	0.112***	0.115***	0.105***	0.106***
	(0.028)	(0.029)	(0.029)	(0.030)
Government Service: Public Goods & Services	0.289***	0.295***	0.287***	0.288***
	(0.029)	(0.029)	(0.026)	(0.026)
Government Service: Environment	0.162***	0.160***	0.177***	0.177***
	(0.029)	(0.030)	(0.027)	(0.028)
Government Service: Infrastructure	0.238***	0.241***	0.197***	0.198***
	(0.027)	(0.027)	(0.030)	(0.030)
Type of tax reform: VAT	0.018	0.018	0.052***	0.053***
	(0.017)	(0.017)	(0.017)	(0.017)
Marginal Rates: 5%	-0.040	-0.043	-0.118***	-0.118***
	(0.027)	(0.027)	(0.028)	(0.029)
Marginal Rates: 10%	-0.100***	-0.101***	-0.157***	-0.158***
	(0.028)	(0.029)	(0.027)	(0.027)
Marginal Rates: 15%	-0.183***	-0.188***	-0.294***	-0.295***
	(0.028)	(0.028)	(0.027)	(0.028)
Marginal Rates: 20%	-0.231***	-0.234***	-0.381***	-0.383***
	(0.031)	(0.032)	(0.031)	(0.031)
N	3,240	3,144	3,144	3,144
Socio-Economic Controls	No	Yes	No	Yes
R-squared	0.089	0.090	0.120	0.121

Note: Estimates drawn from screened samples of business elites and nonelites. Constant not reported. Socio-economic controls are: Gender, age, education, marital status, and monthly household income. Cluster standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table A-5: Main Conjoint Experiment with Elite Status Interaction

	(1)	(2)
Business Elites	-0.145***	-0.190***
	(0.047)	(0.066)
Institutionalized Pol. Infl.: Citizen Input	0.069**	0.071**
	(0.029)	(0.029)
Institutionalized Pol. Infl.: Fiscal Transparency	0.069**	0.069**
	(0.028)	(0.029)
Institutionalized Pol. Infl.: Election	-0.019	-0.019
	(0.030)	(0.030)
Institutionalized Pol. Infl.: Property Rights	0.072**	0.072**
	(0.028)	(0.028)
Business Elites × IPI: Citizen Input	0.085**	0.082**
	(0.041)	(0.041)
Business Elites × IPI: Fiscal Transparency	0.114***	0.114***
	(0.040)	(0.040)
Business Elites × IPI: Election	0.118***	0.115***
	(0.041)	(0.041)
Business Elites × IPI: Property Rights	0.065*	0.064
	(0.039)	(0.039)
Government Service: Defense	0.105***	0.106***
	(0.029)	(0.030)
Government Service: Public Goods & Services	0.287***	0.288***
	(0.026)	(0.026)
Government Service: Environment	0.177***	0.178***
	(0.027)	(0.028)
Government Service: Infrastructure	0.197***	0.198***
	(0.030)	(0.030)
Business Elites × Government Service: Defense	0.007	0.008
	(0.041)	(0.042)
Business Elites × Government Service: Pub. Goods & Services	0.002	0.007
	(0.038)	(0.039)
Business Elites × Government Service: Environment	-0.015	-0.019
	(0.040)	(0.040)
Business Elites × Government Service: Infrastructure	0.041	0.043
	(0.040)	(0.040)
Type of tax reform: VAT	0.052***	0.052***
	(0.017)	(0.017)
Business Elites × Type of tax reform: VAT	-0.034	-0.035
	(0.024)	(0.024)
Marginal Rates: 5%	-0.118***	-0.118***
	(0.028)	(0.029)
Marginal Rates: 10%	-0.157***	-0.158***
	(0.027)	(0.027)
Marginal Rates: 15%	-0.294***	-0.295***
	(0.027)	(0.028)
Marginal Rates: 20%	-0.381***	-0.383***
	(0.031)	(0.031)
Business Elites × Marginal rate: 5%	0.078**	0.075*
	(0.039)	(0.040)
Business Elites × Marginal rate: 10%	0.057	0.058
	(0.039)	(0.039)
Business Elites × Marginal rate: 15%	0.111***	0.107***
	(0.039)	(0.039)
Business Elites × Marginal rate: 20%	0.150***	0.149***
	(0.044)	(0.045)
N	6,384	6,288
Socio-Economic Controls	No	Yes
R-squared	0.104	0.105

Note: Estimates drawn from business elite and nonelite screened samples in China. Constant not reported. Socio-economic controls are: Gender, age, education, job sector, CCP membership, and monthly household income, and marital status. Cluster standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

F Alternative Screening Criteria and Original Samples

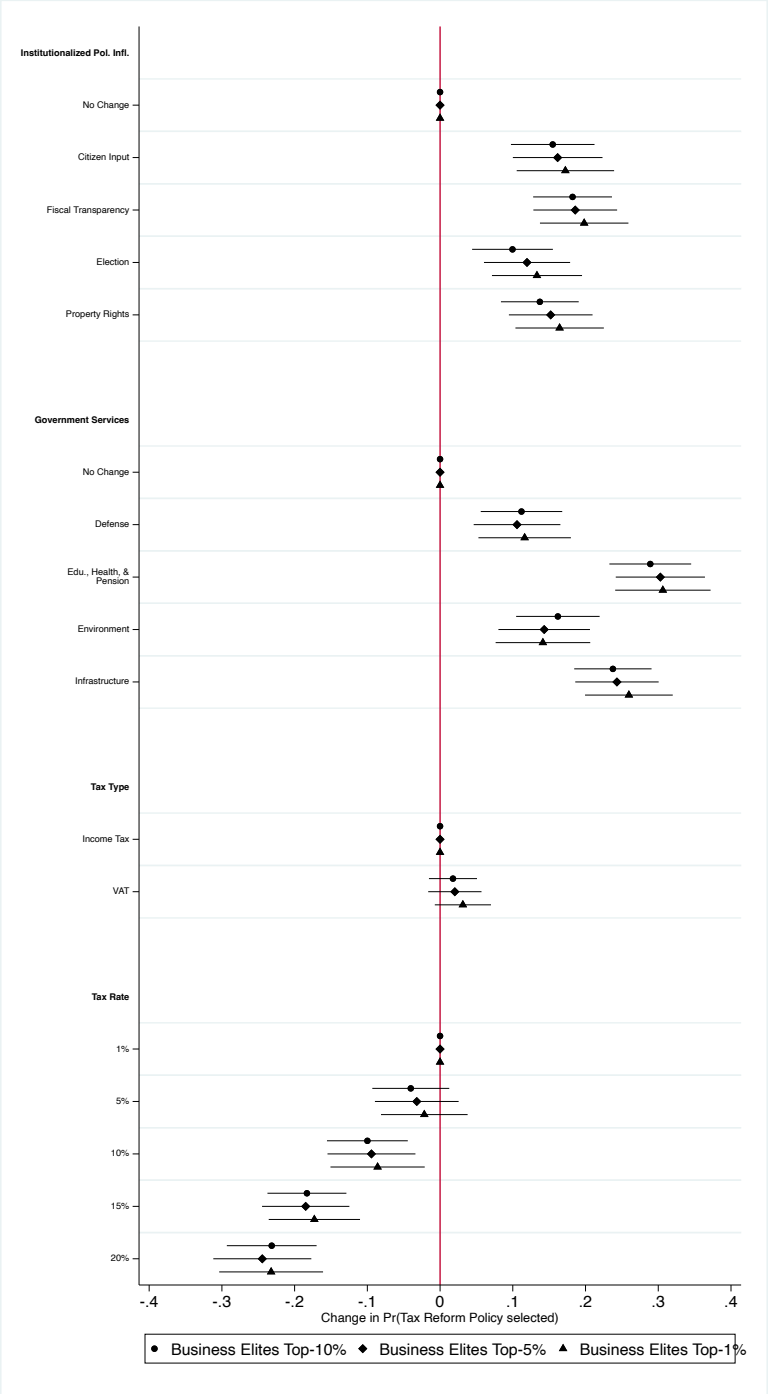
F.1 Stricter Screening

Here we change the definition of business elites by elevating the threshold to select respondents working at firms in the top 5% and top 1% employment distribution. The number of business elite observations changes as follows:

The number of elite observations based on different China elite firm size definitions:
Top 10% (50+ employees): N=272 (main text)
Top 5% (100+ employees): N=231
Top 1% (200+ employees): N=207

Figure A-3 plots undifferentiated AMCE when we restrict business elite status to belonging to the 5% largest and 1% largest firms in China. Results are virtually identical for the three definitions.

Figure A-3: Conjoint Experiment with Stricter Definition of Business Elite: Top 10%, 5%, and 1% firms, measured by total employees

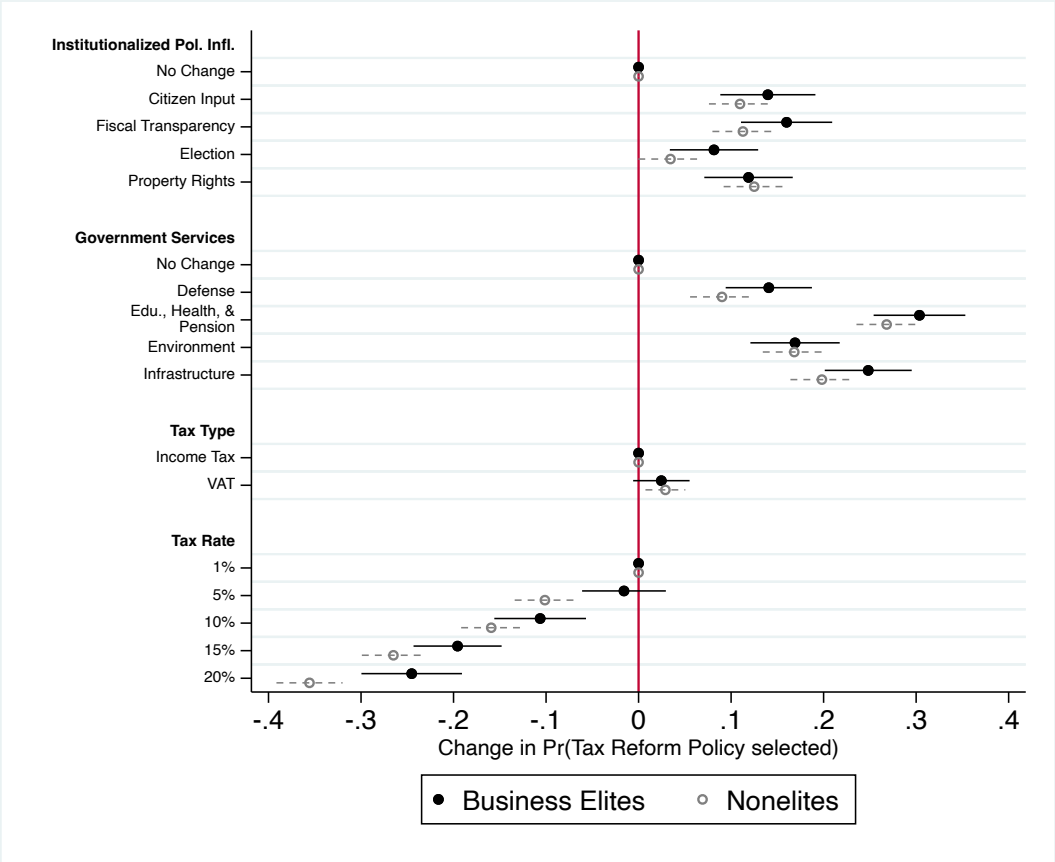


Note: This plot shows estimates of the effects of randomly assigned attributes for different tax reform dimensions on the probability of supporting a tax reform policy. Estimates drawn from China Business Elites samples. The bars indicate 95% CI.

F.2 Conjoint Experiment with Original Samples

In Figure 3 in the main text we report differences in conjoint estimates by elite and nonelites status. Figure A-4 below reports the analysis of elite and nonelite samples without applying any screening criteria (i.e., the original SSI samples).

Figure A-4: Conjoint Analysis Using Unscreened Sample



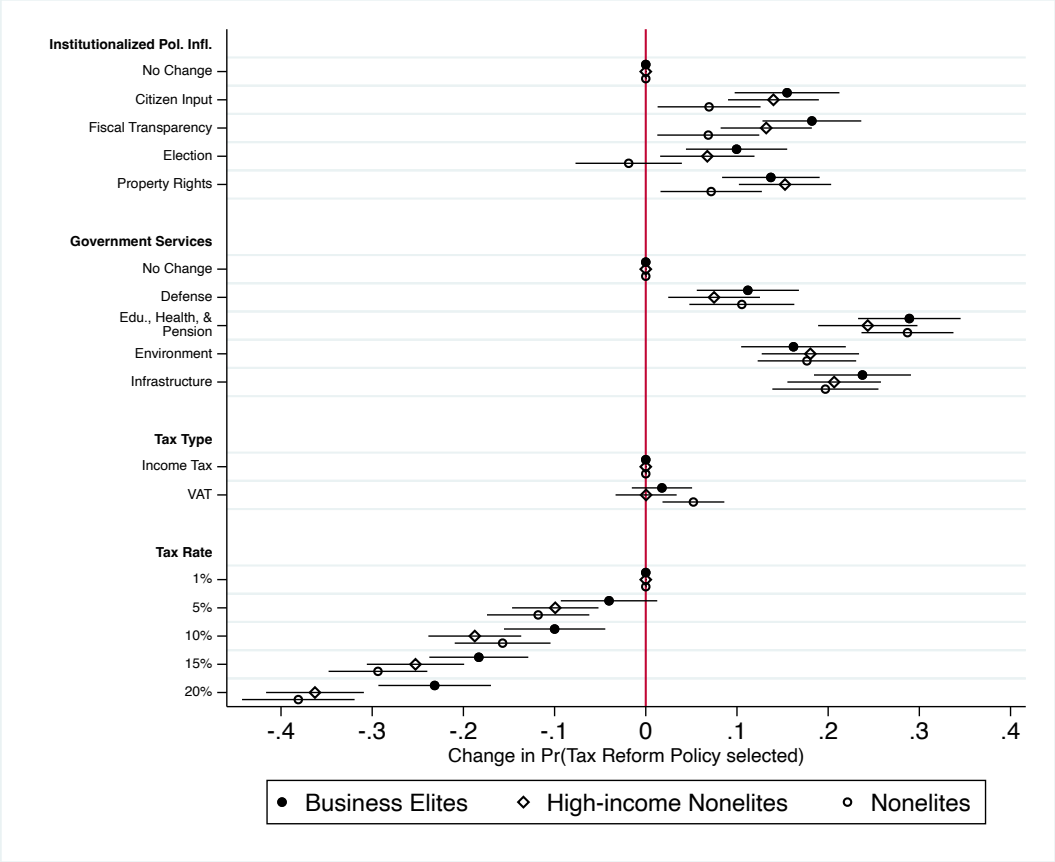
Note: This plot shows differences in AMCE by original elite and nonelites samples without imposing any screening criteria. The bars indicate 95% confidence intervals.

In Figure A-4 we still observe that respondents from the elite sample show stronger preference for IPI than nonelites, but the differences in point estimates are smaller, largely because some of the respondents in either sample cannot be qualified as business elites and nonelites due to their social economic stratus. Specifically, some respondents in our nonelite sample are high income earners while other respondents in the elite sample reported low income or small business characteristics.

F.3 Conjoint Experiment with High-Income Nonelites

Figure A-5 below reports the results for three groups: the business elite (screened sample), the nonelites (screened sample), and an additional in-between group, the high-income nonelites. The latter is populated by nonelites whose monthly household income is at least +RMB15,000. As we mention in the main text, the coefficients for this intermediary group fall in between of the two ideal types, consistent with the idea of an elite–nonelite continuum.

Figure A-5: Conjoint Analysis with High-Income Ordinary Citizens



Note: This plot reports ACME for business elites, high-income nonelites, and nonelites. The bars indicate 95% confidence intervals.

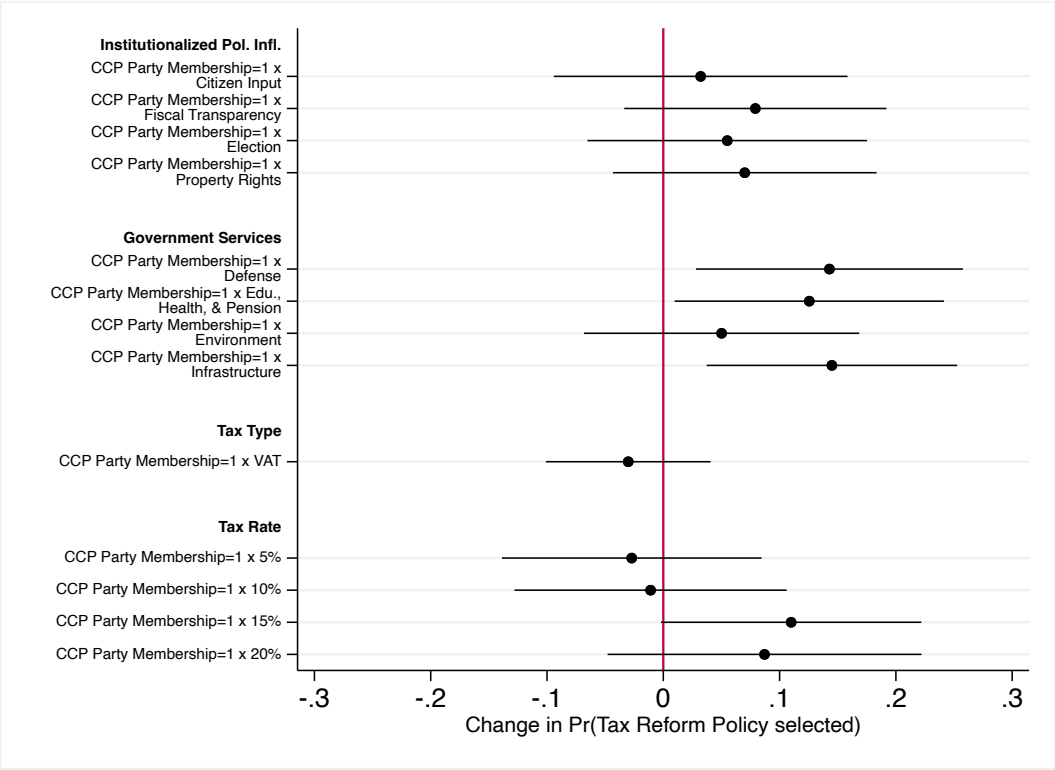
G Conjoint Experiment: Robustness Checks

G.1 Cooptation and Party Membership

If businessmen and women are captured by the state, their inclusion should attenuate differences between business elites and nonelites. But we still found significant differences in point estimates in the main analysis. Here we run two additional analyses by focusing on CCP party members:

First, Figure A-6 shows *differences* in AMCE by CCP membership within the business elite sample following Expression 1 in the main text. IPI coefficients do not change in any systematic change by party membership and if any, they move against the notion that CCP membership fully solves credibility issues.

Figure A-6: Conjoint Analysis by CCP membership China

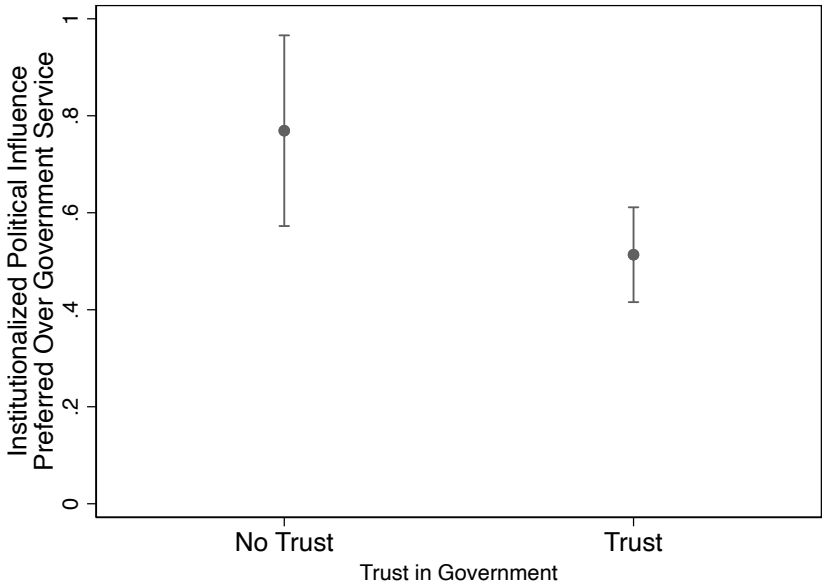


Note: This plot shows differences in AMCE by CCP membership within the business elite sample in China. IPI coefficients do not change in any systematic change by party membership and if any it moves against the notion that CCP membership fully solves credibility issues. Estimates are drawn from the screened sample. The bars indicate 95% confidence intervals.

Second, Figure A-7 shows that business elites who are also CCP members but distrust the government express stronger preference for gains in political say in the context of hypothetical tax reform (refer to the section *Direct Question* in the main text for the logic of this test).

The difference between groups is of 25.6 points, and it is significant at 90% level (p-value = 0.056) despite the small sample size.

Figure A-7: CCP Membership, Trust, and Political Say Among Business Elites in China

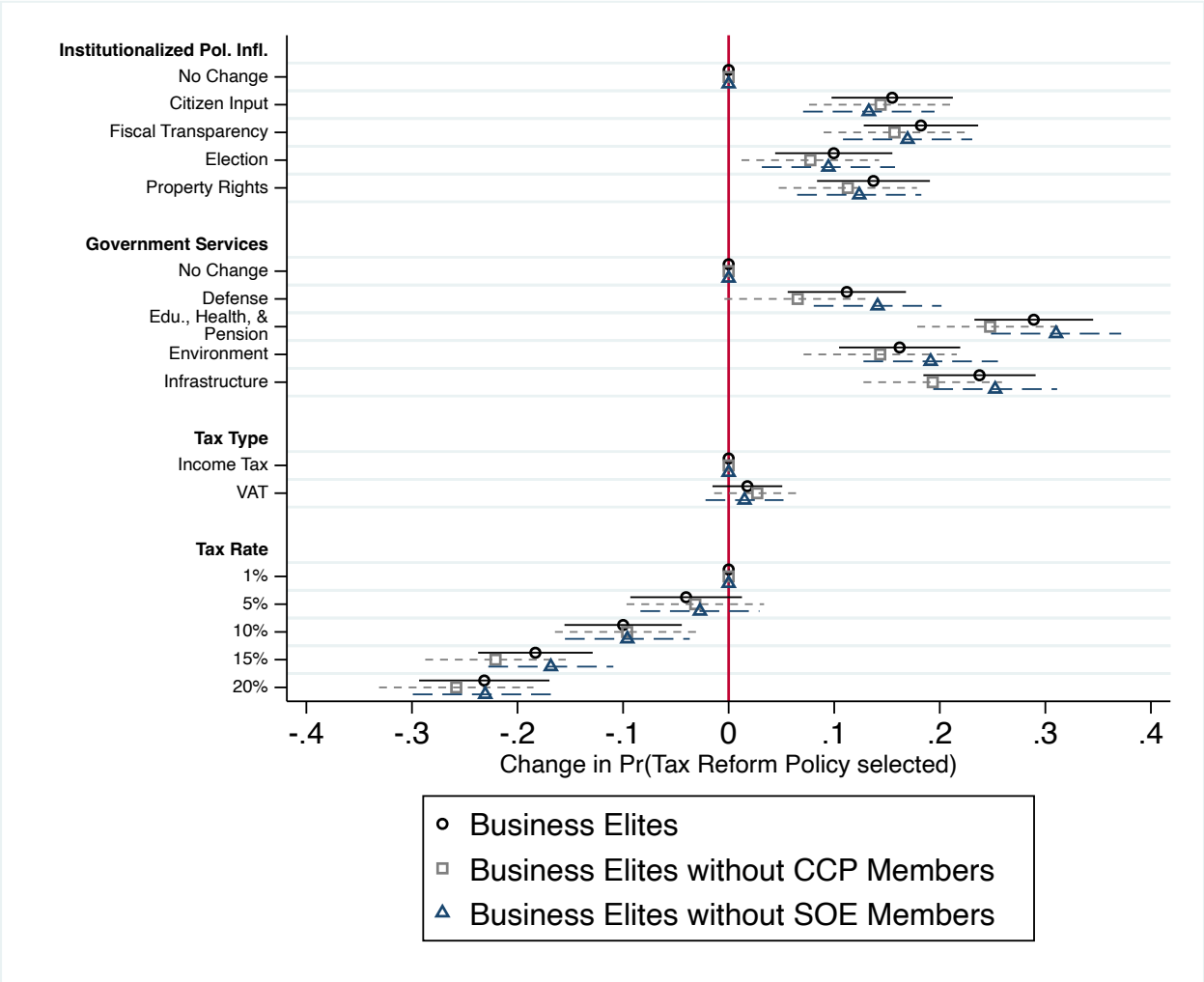


Note: This figure reports the proportion of business elites who are CCP members who prioritize IPI if tax burden increases (relative to those who prioritize government services) by levels of trust in the government. The group difference is of 0.256 points (p-value = 0.056, two-tailed). We measure trust by levels of agreement with "how much can you generally trust government officials to make good policies and implement them?" Estimate are drawn from the screened business elite sample in China: N = 13 for Elite + CCP + No trust, and N = 74 for Elite + CCP + Trust. The bars indicate 95% CI.

G.2 Excluding SOE and CCP respondents in the Business Sample

In Figure A-8, we report additional results with different definitions of business elites. Specifically, we exclude respondents in the elite sample working in an SOE or are CCP members. The point estimates of conjoint analysis using different elite samples are virtually indistinguishable from those reported in Figure 2 in the main text. In the interest of statistical power, we keep SOE and CCP respondents in the elite sample for the main analysis.

Figure A-8: Conjoint Analysis Without CCP and SOE Members

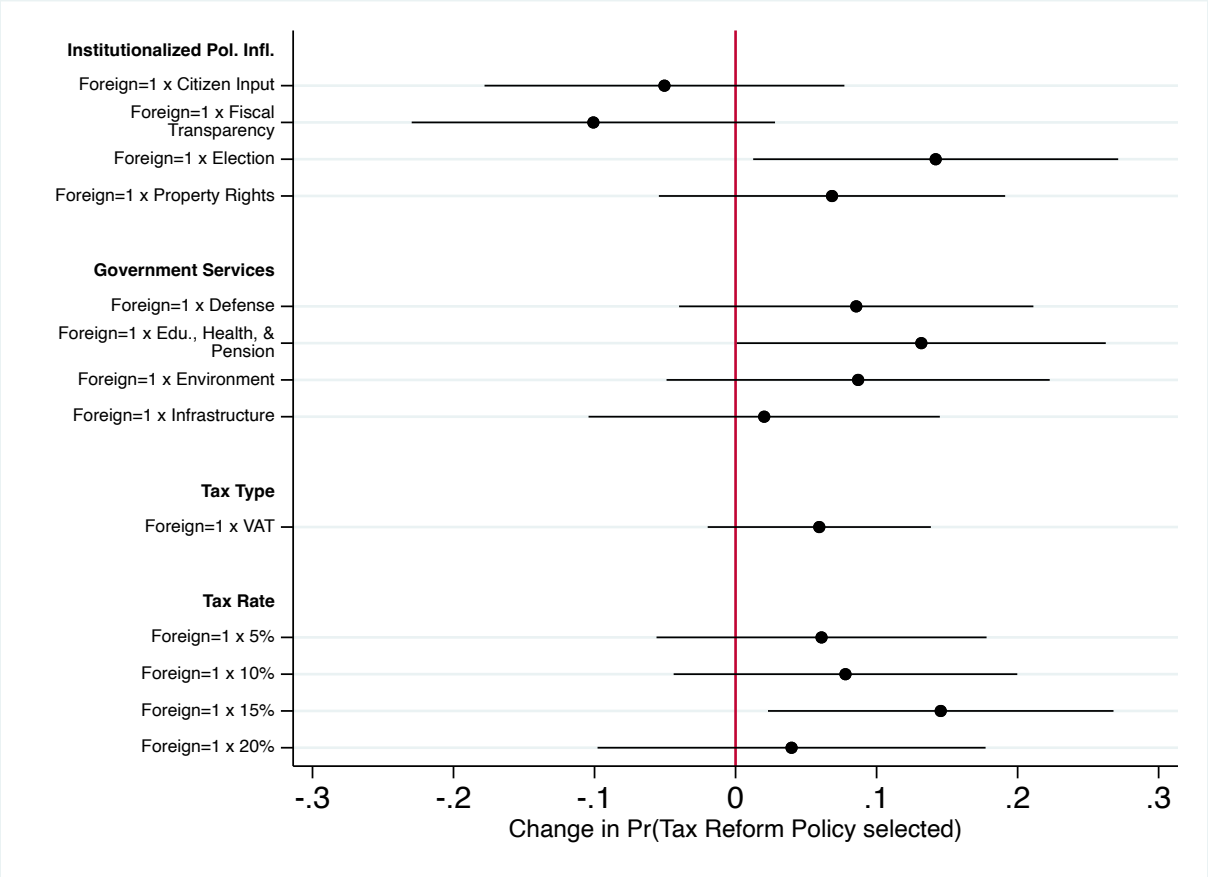


Note: This plot shows differences in AMCE by various definitions of business elite. Estimates are drawn from the screened sample. IPI coefficients do not change in any systematic change by definitions of elites samples. The bars indicate 95% confidence intervals.

G.3 Domestic vs. Foreign Firms

In this figure, we separate the elite sample between those who work at foreign/joint venture firms and those who work at domestic private firms. We only find significant differences for *Holding Local Elections*.

Figure A-9: ACME for Business Elites working at Domestic and Foreign Firms



Note: This plot shows differences in AMCE between business elites working at foreign and domestic firms (N = 83 and 118, respectively). The bars indicate 95% confidence intervals.

Respondents working at foreign firms may be more supportive of electoral accountability because they have traveled overseas or communicate with foreign nationals. Our questionnaire includes a short vignette that allows us to know whether respondents have ever been exposed to the "no-taxation-without representation" rationale.[24] Respondents working at local and foreign firms showed no statistically significant difference in knowledge levels of this answer (results available upon request) suggesting that the differences in preferences for elections are not driven by selection or exposure to foreign ideals.

[24]The vignette is about Karl Marx's initiative to boycott tax payments in Germany until the Austrian Emperor recognized the elected Parliament in Berlin. We focused on this case instead of the American Revolution to minimize ideological distance and avoid social desirability bias in a political sensitive context.

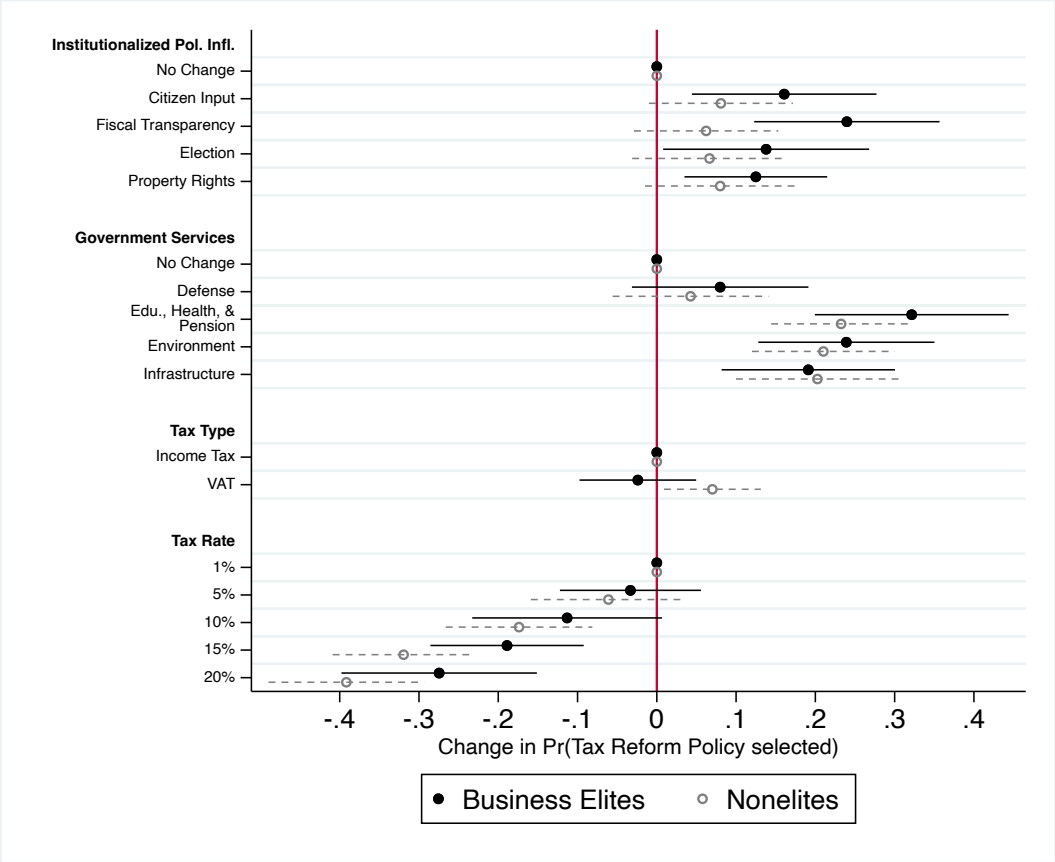
G.4 Social Desirability

Chinese respondents might refrain from openly expressing preferences for Institutionalized Political Preferences. In particular, social desirability would confound results in Figures 3 and 4 in the main text if bias was disproportionally concentrated among nonelites respondents.

To examine this possibility, we replicate the analysis reported in Figure 2 by restricting the sample to respondents who explicitly stated that they distrust the government (refer to fn.18 in main text for measurement details). The underlying assumption is that if a respondent openly stated that they do not trust the government, it is unlikely they would falsify their preferences in the conjoint experiment.

Table A-10 shows that our main findings remain robust within this group of "government distrustful" respondents. Specifically, we find that (i) *distrustful elites* hold stronger preference for IPI than *distrustful nonelites*, and (ii) *distrustful nonelites'* coefficients for IPI values remain indistinguishable from zero.

Figure A-10: Conjoint Analysis



Note: This plot shows differences in AMCE by business elites and nonelite who reported that they did not trust the government. The bars indicate 95% confidence intervals.

H Additional Tests for Elite–Nonelite Differences

H.1 VAT Awareness

Ordinary citizens often underestimate the tax burden of indirect taxes, such as sales tax and the VAT.[25] In the United States, cognitive biases have political ramifications: Elected politicians take advantage of low-salience local taxes to dodge electoral accountability.[26] Building on this literature, we conjecture that having some understanding of the tax burden is necessary to activate the taxation–representation connection.

The VAT is not explicitly presented in the vast majority of consumer receipts in China despite being the largest in East Asia (17 percent rate). Consistent with the low-visibility of the VAT, Figure A-11(a) shows that twice as many business elites state that VAT is levied often or always on purchases than nonelites. We further examine the tax awareness mechanism by considering two additional analyses.

In Figure A-11(b) we focus on elites and nonelites who score high on their VAT awareness and find that they have similar preferences. Notice that these estimates denote differences in AMCE, not the absolute values. The lack of statistical difference between both groups suggests that informed nonelites, although in the minority, show preference profiles similar to those of business elites.

In Figure A-11(c) we focus on VAT aware and unaware nonelites. We observe suggestive evidence that aware ordinary citizens show stronger preference for two of the four IPI values in the conjoint experiment—*Fiscal Transparency* and *Elections of Local Government*—than the unaware group, with differences being statistically significant at 90 percent confidence ($p = 0.049$ and $p = 0.095$, two-tailed, respectively).

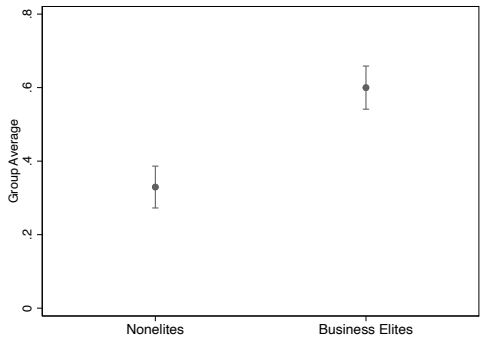
In Figure A-11(d) we repeat this exercise by focusing on the business elites. If the tax awareness argument is correct, business elites with higher VAT awareness should show higher preference for IPI. Against our expectation, we do not observe this pattern in our data. The IPI coefficients for VAT aware business elites are negative although far from being statistically significant. This unexpected result might be driven by idiosyncratic characteristics of the relatively few business elites who are not aware of the VAT. In light of this result, we are not confident that VAT awareness is the key mechanism driving the elite-nonelite differences in our data.

Interestingly, although business elites are more likely to be right on the frequency of VAT

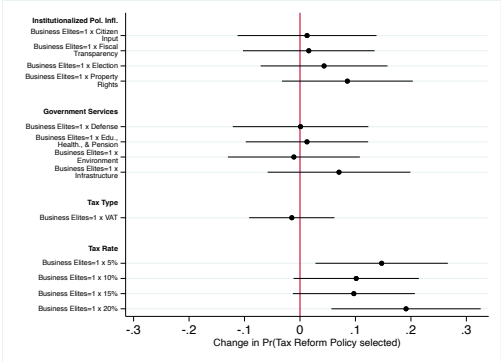
[25] Chetty, Raj, Adam Looney, and Kory Kroft. 2009. "Salience and Taxation: Theory and Evidence." *American Economic Review* 99(4):1145-77.

[26] Cabral, Marika and Caroline Hoxby, 2012. "The Hated Property Tax: Salience, Tax Rates, and Tax Revolts." Working Paper 18514 *NBER*; Finkelstein, Amy. 2009. "E-ztax: Tax Salience and Tax Rates." *Quarterly Journal of Economics* 124(3):969–1010.

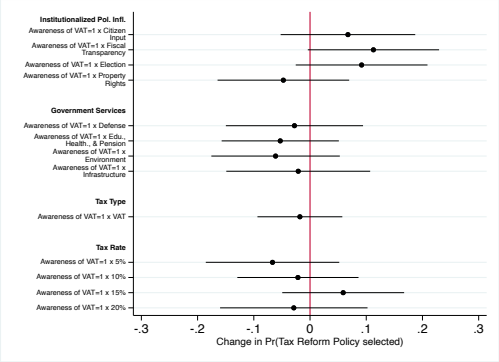
Figure A-11: Preference for IPI by VAT Awareness and Elite Status in China



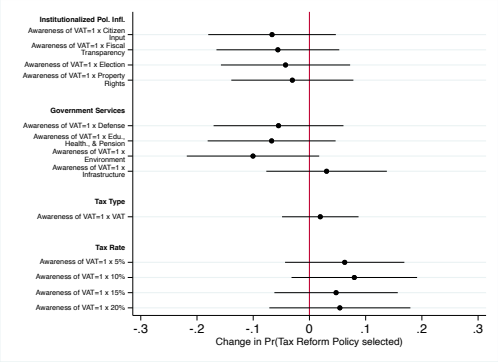
(a) VAT Awareness (Proportions)



(b) Differences between Aware Elites and Aware Nonelites



(c) Differences between Aware and Unaware Nonelites



(d) Differences between Aware and Unaware Elites

Note: We ask respondents how often the VAT is levied on purchases. We transform the four-category response into a dummy variable: Never/Seldom (0, or "nonaware") vs. Often/Always (1, or "aware"). In figure (a) we show the proportion of VAT awareness for business elites and nonelites; in figure (b) we compare elites and nonelites that score high in VAT awareness; in figure (c) we compare nonelites who are aware and unaware of the VAT; and in figure (d) we compare business elites who are aware and unaware of the VAT. Estimates in figures (b)–(d) follow the structure of Equation 1. Estimates are drawn from the screened samples. The bars indicate 95% CI.

on daily purchases, they do not seem to have a better understanding of the incidence of this tax between consumers and producers. When asked about it, answers from business elites and nonelites are fairly similar (see Table A-6). The lack of proper understanding of the pass-through nature of the VAT from producers to consumers might explain why within-elite differences in VAT awareness does not move in the direction that we expected. That is, business elites might know about the existence of the VAT, yet lack a proper understanding of its incidence.

Table A-6: How is VAT distributed between producers and consumers?

	Business Elites	Nonelites
Producers bear all	32 (11.81%)	40 (15.15%)
Producers bear most	123 (45.39%)	116 (43.94%)
Producers & Consumers 50/50	49 (18.08%)	45 (17.05%)
Consumers bear most	43 (15.87%)	38 (14.39%)
Consumers bear all	24 (8.86%)	25 (9.47%)
N	271 (100%)	264 (100%)

H.2 Time Horizons

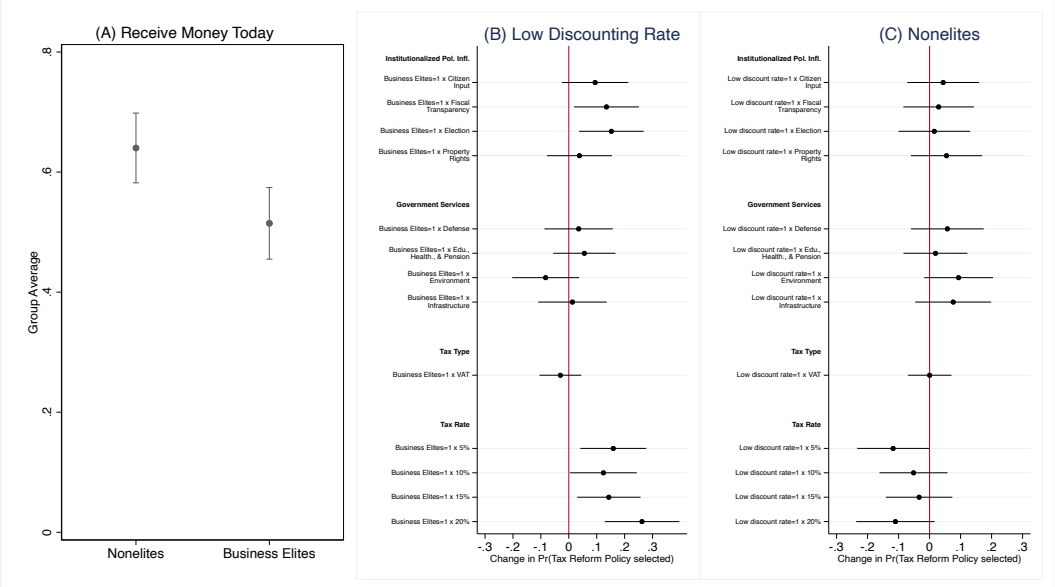
Levi (1988) argues that quasivoluntary tax compliance ensues when rulers and taxpayers have long time horizons. Nonelites might have shorter time horizons given, primarily, their worse economic circumstances relative to economic elites. Members of low income households might not be able to afford the uncertainty of a participatory process of public-policy making. They might prefer to secure a certain but plausibly suboptimal stream of public good in the short run. More generally, if low-income subjects discount the future at high rates, government services are expected to be preferred over institutionalized political influence, which produce the former with some unknown future probability.

Following our conjoint experiment, we solicit respondents' time horizon by asking them to choose between receiving, hypothetically, the equivalent to $100 today (shorter time horizon) or $200 in one year (longer time horizon). We run a series of subset analyses:

Figure A-12(A) shows that nonelites have shorter time horizons than economic elites. Consistently, the data also show that a higher share of nonelite respondents live in households that failed to thrive in the past five years.[27] The discount factor, however, does not seem to be the driving factor in the differences between elites and nonelites' preferences. Figure A-12(B) shows that the preference for IPI for nonelites with long time horizons is still significantly lower than that for business elites. Similarly, Figure A-12(C) indicates that the preference for IPI among nonelites does not change for different time horizons.

[27]For household economic situation, we asked respondents whether compared to five years ago, their household's economic situation had *Much Declined* (value 1) to *Much Improved* (value 5). The average value for elites is 4.46 and for nonelites 3.77, the difference significant at 99%.

Figure A-12: Conjoint Analysis by Time Horizon and Elite Status in China

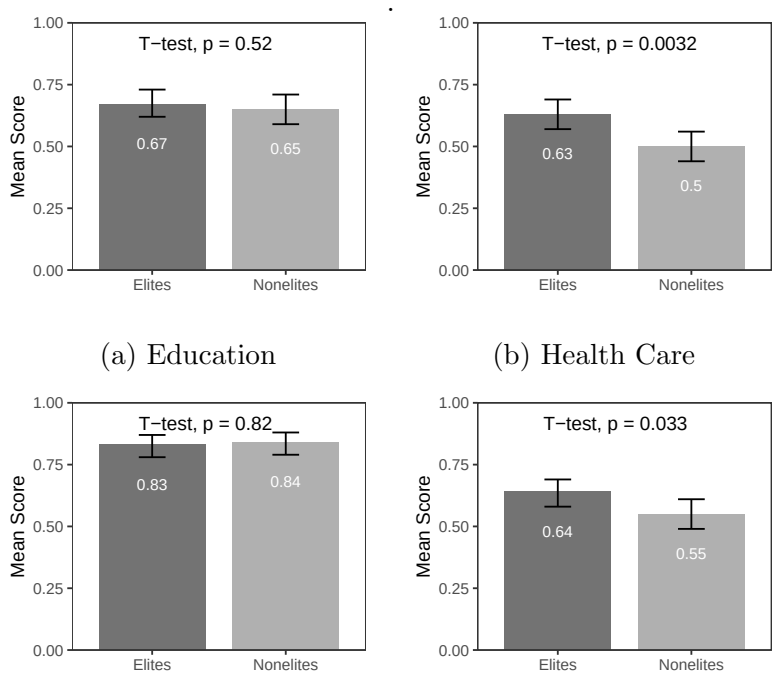


Note: We ask respondents to choose, in the abstract, one of two options: Receiving the equivalent to $100 today (value 1, shorter time horizon) or $200 one year from today (value 0, longer time horizon). Plot (A) shows the group proportions. Plot (B) shows across group differences for respondents with long time horizons. Plot (C) show differences for nonelites by time horizon. All estimates are drawn from the business elite and nonelite screened samples. Sample sizes are: elite + Long Horizon = 132 ; elite + Short = 140 ; nonelite + Long = 95; nonelite + Short = 169. The bars indicate 95% confidence intervals.

H.3 Satisfaction with Public Goods

Figure A-13 shows the proportion of Chinese respondents satisfied with public education, health care, infrastructure, and the environment by economic status. First, we find that the level of satisfaction with education and infrastructure is statistically indistinguishable between elites and nonelites in China. Meanwhile, elites are more satisfied in healthcare and environment than nonelites by 12 and 9 percentage points, respectively. However, in Figure A-14 we do not find that greater satisfaction with healthcare and environment protection increases elites' preference for IPI.

Figure A-13: Satisfaction with Government Services Goods in China by Elite Status

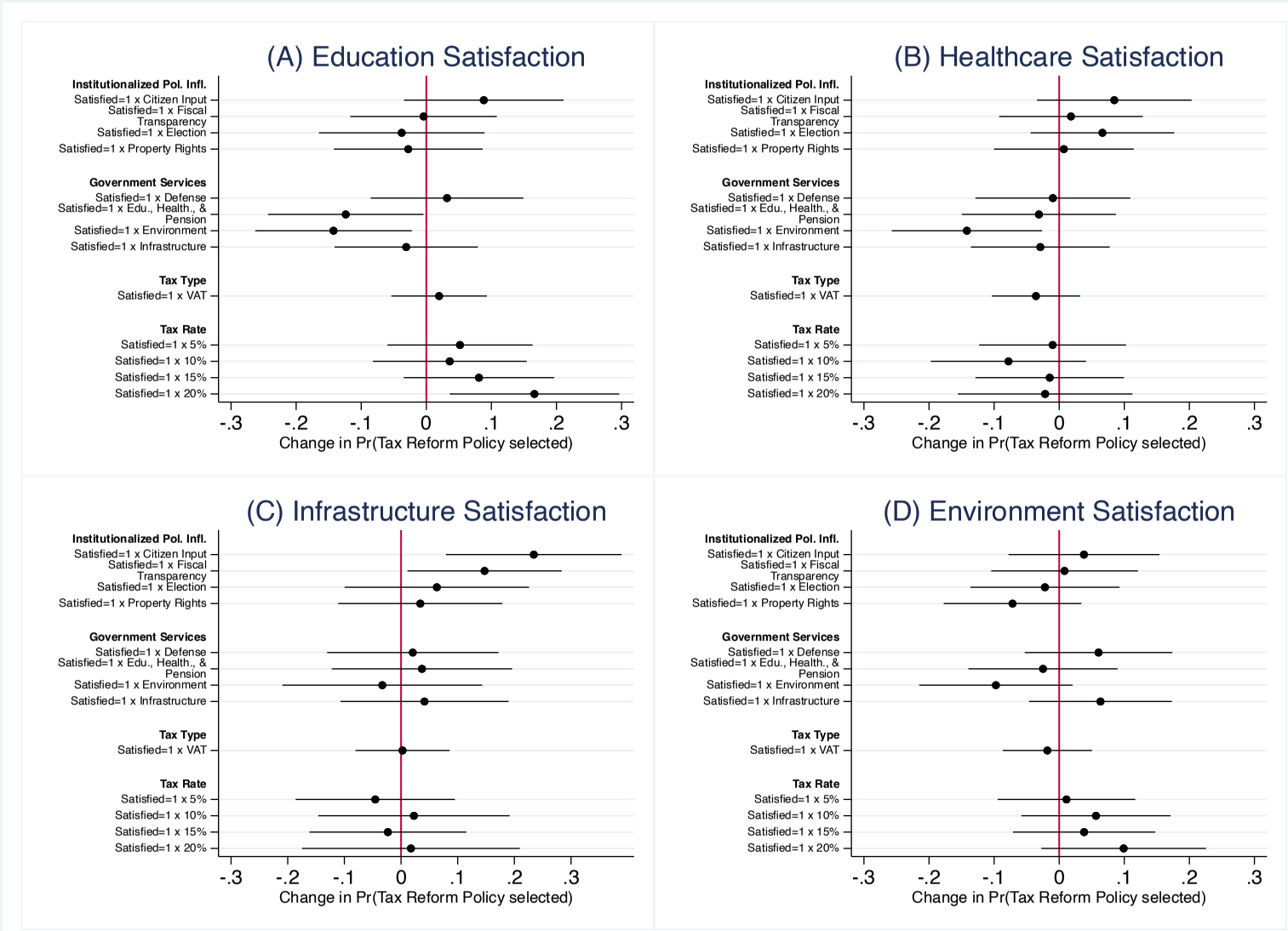


(a) Education (b) Health Care

(c) Public Infrastructure (d) Environment Protection

Note: We ask respondents how satisfied they are with four types of government services. We transform the four-category response into a dummy variable: Not satisfied at all/Somewhat dissatisfied (0) vs. Somewhat satisfied/Very satisfied (1). Estimates are drawn from the screened samples in China. The bars indicate 95% CI.

Figure A-14: Conjoint Analysis by Satisfaction with Public Goods for Business Elites



Note: This plot shows the differences in estimates for business elites satisfied and dissatisfied with a battery of government services. Estimates drawn from the screened sample. N for Business Elites satisfied (dissatisfied) with education, health care, infrastructure, and environment are: 182(88), 169(99), 218(45), and 172(98), respectively. The bars indicate 95% CI.

I Experiment Replication in Taiwan

We replicate our conjoint experiment in a different setting: Taiwan. The choice of Taiwan is based on two considerations. First, our theoretical argument suggests that preference for IPI as part of tax reform is stronger in autocracies. Given that Taiwan has electoral competition at different levels of government and better transparency than China, we expect preference for IPI to weaken at time of tax reform, *ceteris paribus*. Moreover, in a democratic context business elites may not support advances in political accountability because that might dilute their political leverage vis-à-vis nonelites.

Second, we choose Taiwan to minimize differences in cultural and ethnic composition with China. Both countries exhibit ethnic homogeneity with majority Han populations;[28] furthermore, both societies are strongly influenced by Confucianism, emphasizing education and respect for authority.

Arguably, China and Taiwan differ in dimensions other than the aforementioned factors, such as the history of colonization and political development, political status in the international system, identity politics, and the size of jurisdiction. Although these factors may explain some differences in the observed preferences across regimes, they cannot account for the within-regime elite–nonelite differences in the relative preference for IPI, key to the economic context scope condition.

I.1 Sampling Strategy

We commissioned SSI, the same firm for our China experiment, to carry out an identical conjoint experiment in Taiwan in fall of 2017. Similar to our recruiting strategy in China, we recruit business elites and ordinary citizens from two sampling pools. For the elite sample we recruited 106 business elites in Taiwan from the business-to-business panel of the SSI. These individuals hold top-level management positions: chairman of the board of directors, executive vice president, general manager, member of the board of directors, president or managing director, senior vice president, vice president, chief executive officer, and chief financial officer. The response rates was 35% in Taiwan. For the nonelite sample, we sample respondents from urban districts in in Taiwan ($N = 718$). We employed quota sampling based on age and gender.

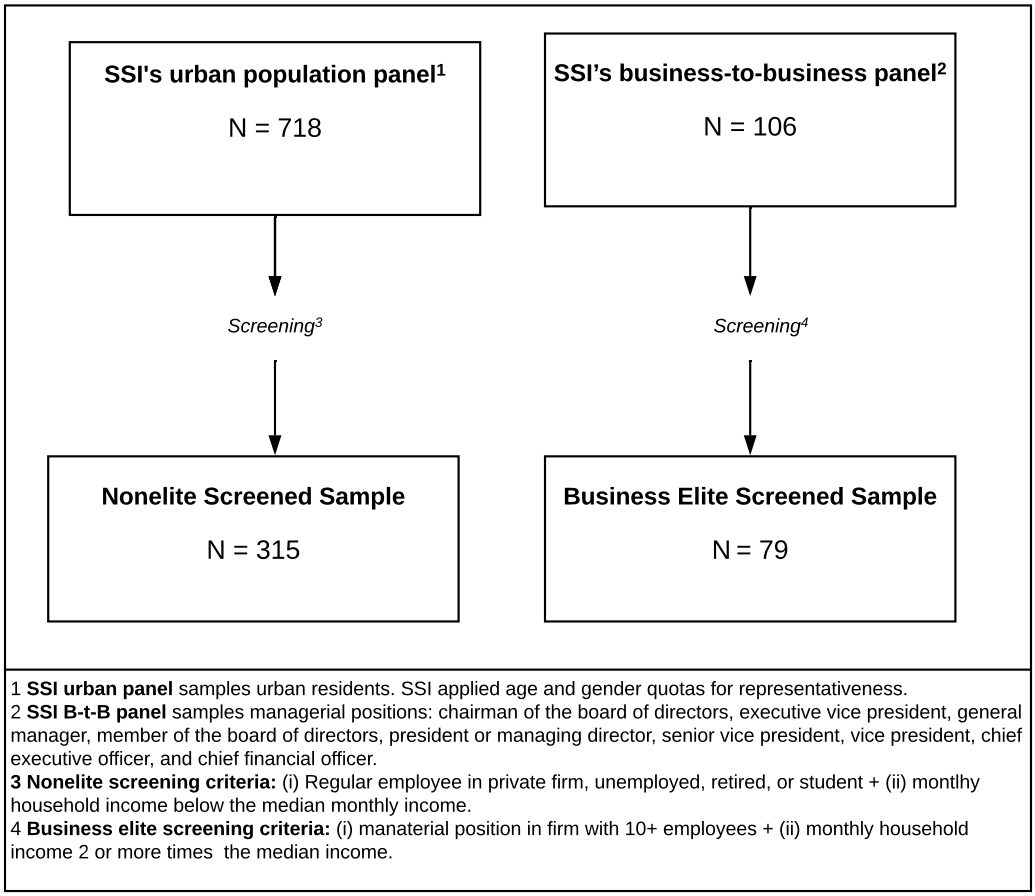
We impose additional screening criteria on the original SSI samples for our data analysis so that the definitions of business elites and nonelites are consistent in both China and Taiwan.

[28] Identity politics in Taiwan is not fundamentally driven by ethnic identity but by position on the China–Taiwan relationship (Chu, 2004).

Again, we declare our respondents part of the business elite if they own or occupy managerial positions in *major* firms with an employment size in the top 10% decile,[29] and if their monthly household income is at least twice the median income.[30] After the two screening criteria were applied, the resulting business elite sample includes 79 respondents in Taiwan.

In creating the nonelite samples, we exclude all government employees and military personnel from the original data while keeping respondents who are wage earners, unemployed, retired, or students, and live in households earning below the median monthly income. By this definition, our nonelite samples include 315 respondents in Taiwan, respectively. See Figure A-15 for differences between original and screened elite and nonelite samples.

Figure A-15: Original and Screened Samples in Taiwan



[29]Taiwan's economy consists primarily of small and medium-sized firms. According to the Directorate General of Budget Accounting and Statistics in Taiwan, the median firm size in Taiwan is under 5 employees. Taiwan firms are classified in the top 10% if they have 10+ employees.

[30]Median household income is around TWD40,612 (Taiwan).

I.2 Design

We employed the exact same conjoint experiment design in Taiwan as in China. In below for the translation of the attribute values and a screenshot of the conjoint experiment in Taiwan. Note that the wording of some conjoint attributes are slightly different so that they are consistent with the ways Taiwanese speak.

Note that our attribute, *elect the district government executive*, enables responsiveness to the constituents' preferences via electoral accountability in both settings. The design of this value takes into account the differences in the electoral systems: Both China and Taiwan hold direct elections of village chiefs in rural areas, but Chinese citizens in urban areas can elect only representatives to local legislatures, not government executives (e.g., district heads, mayors, governors). Taiwanese citizens can directly elect mayors in urban districts, but not the executive of district governments, who are appointed by the municipal government. In other words the district executive is not chosen by direct election in either China or Taiwan; thus our attribute value in the conjoint experiment concerning the election of the district government executive is a meaningful political reform for greater representation in both societies.

Attributes	**Values**
制度化的政治影響力	不需要任何改變
	透過網路和電話向政府反饋意見，或者經由公聽會讓政府知道人民的意見
	公佈詳細的政府財政資訊來增加政策的透明度
	讓人民直選區長
	提供更好的法律規範來保障財產權
政府服務	不需要任何改變
	增國家安全與國防支出
	增加社區周圍更好的社會服務（例如教育、醫療、退休福利等等）
	提供社區更好的基礎建設（例如地方道路、高速公路、電力提供等等）
	增加社區周圍的綠化空間和公園
税種	個人綜合所得税
	營業税
税率	1%
	5%
	10%
	15%
	20%

Table A-7: Translated Policy Dimensions and Values for the Tax Reform Conjoint Experiment for Taiwan Respondents).

Figure A-16: Conjoint Analysis in Taiwan

不管您做出怎樣的選擇，這些選擇都沒有對錯。我們只是想知道在這兩個不同的賦稅改革方案中，您個人最傾向的是哪個方案。

	方案一	方案二
稅種	個人綜合所得稅	個人綜合所得稅
稅收主要用於改善以下的政府職能	不需要任何改變	讓人民直選區長
稅收主要用於增加以下方面的支出	增強國家安全與國防支出	不需要任何改變
稅率	5%	20%

請選擇

方案1	方案2
○	○

在以下1至5的維度之中，1表示強烈支持，5表示強烈反對。請問您在多大程度上支持方案1?

1.强烈支持	2.有些支持	3.沒有意見	4.有些反對	5.强烈反對
○	○	○	○	○

在以下1至5的維度之中，1表示強烈支持，5表示強烈反對。請問您在多大程度上支持方案2?

1.强烈支持	2.有些支持	3.沒有意見	4.有些反對	5.强烈反對
○	○	○	○	○

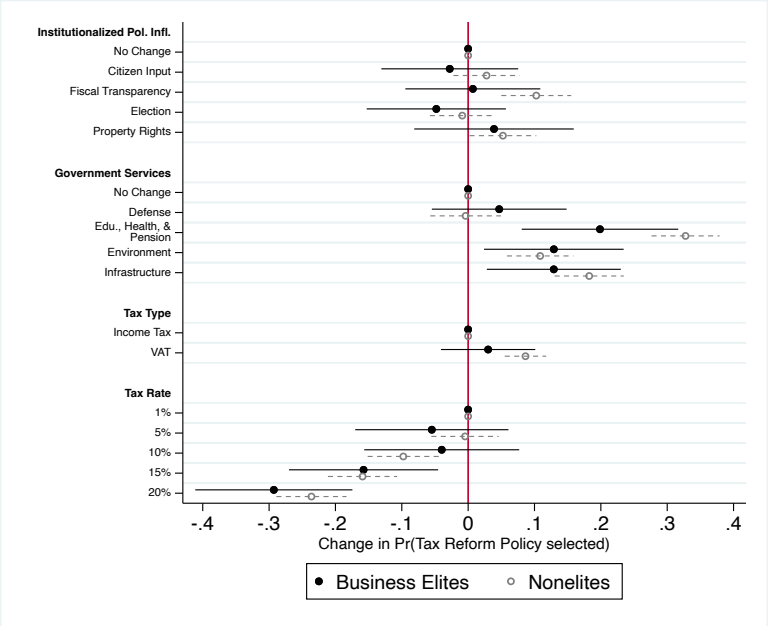
I.3 Main Results for Taiwan

In Figure A-17 below, we report the conjoint experiment results in Taiwan. Two patterns in this figure worth noting. First, we do not find evidence that business elites have stronger preference for IPI than nonelites in Taiwan. The point estimates of values for IPI are small for both business elite and nonelites, and the differences are not statistically significant. The only exception if *Fiscal Transparency*, for which Taiwanese nonelites show slightly stronger preference.

Second, we found both elites and nonelites have strong preference for different kinds of government services in Taiwan, with the exception of *Defense*. The point estimates are for different values of *Government Services* are larger and statistically significant. Moreover, we found both elites-nonelites differences in point estimates are small and statistically insignificant.

Our finding for the conjoint experiment in Taiwan is consistent with the null or weak results in recent studies (de la Cuesta et al., 2019; Paler, 2013). We show that preference for IPI is general weak in *already* democratic regimes, confirming the scope condition for the taxation–representation link highlighted in our Section 2.

Figure A-17: Conjoint Analysis in Taiwan



Note: This plot shows estimates of the effects of randomly assigned attributes for tax reform dimensions on the probability of supporting a tax reform policy. Estimates are drawn from the screened samples in Taiwan. The bars indicate 95% confidence intervals.