Political Ideology, Fiscal Policy, and Corporate Tax Behavior: A Systematic Review

Abstract

Political ideology shapes fiscal policy and, through it, corporate tax behavior, yet the mechanisms linking partisan orientation to firm-level outcomes remain fragmented across disciplines. This review synthesizes 92 peer-reviewed quantitative studies published between 2010 and 2025, identified through a PRISMA 2020–compliant search of Web of Science and Scopus. The evidence is organized around two channels through which ideology operates: statutory tax rate choices and enforcement intensity. Four regularities emerge. Firms increase tax avoidance more strongly following ideologically driven rate increases than they reduce it after comparable decreases. Domestic enforcement tightening shifts avoidance across jurisdictions rather than eliminating it. Political proximity between firms and policymakers consistently lowers effective tax rates and represents the most robust mechanism in the literature. Finally, corporate behavioral responses feed back into fiscal capacity by eroding the revenue base. The review highlights gaps in causal evidence, particularly outside OECD economies, and outlines priorities for quasi-experimental research on the political economy of corporate taxation.

JEL Classification: H25, H26, D72, P16, H30

Keywords: Political Ideology; Fiscal Policy; Corporate Tax Behavior; Tax Avoidance; Systematic Literature Review; Enforcement Displacement; Rent-Seeking; Recursive Feedback

1 Introduction

The relationship between political ideology (PI), fiscal policy (FP), and corporate tax behavior (CTB) is recursive rather than unidirectional, a structural feature of fiscal governance that has received sustained attention at each individual level yet resists synthesis across levels. Partisan orientation shapes both the composition and the long-run resilience of fiscal choices, insofar as partisanship systematically alters public expenditure, fiscal balances, and the structural fiscal capacity governments build to withstand economic downturns (Franzese, 2002; Martorano, 2018; Potrafke, 2018). These fiscal choices, in turn, constitute material economic events for firms. Partisan composition alters the tax burden faced by multinationals (Shin, 2017), managerial ideology moderates tax aggressiveness through channels conditioned by local social capital norms (Hsieh et al., 2025), and firms respond asymmetrically to politically motivated rate changes, escalating avoidance more sharply under rate increases than they reduce it following equivalent decreases, a pattern consistent with loss aversion in after-tax income optimization (Jin et al., 2023). Corporate behavioral responses, including avoidance, profit shifting, and lobbying, then feed back to erode the revenue base, displace enforcement pressure offshore, and ultimately constrain the ideological agendas that generated them. Profit shifting erodes the revenue base available to subsequent administrations (Garcia-Bernardo & Janský, 2024), enforcement tightening displaces rather than eliminates avoidance (De Simone et al., 2023), and politically tolerated loopholes eventually constrain the very ideological agendas that created them (Samarakoon & Organ, 2025). This recursive structure is the analytical object of the present review.

Prior systematic work has addressed each level in isolation but has not integrated them within a single analytical framework. Table 1 summarizes the four closest predecessors and the gap each leaves

open. Potrafke (2011) addresses ideology and fiscal aggregates but does not examine firm-level behavioral responses. Amara and Khlif (2020) examine political connections but restrict their coverage to non-US contexts and do not consider ideological regime shifts. Brändle and Elsener (2024) focus on fiscal rules as institutional constraints on spending, leaving the partisan ideology dimension entirely outside their scope. Lester and Olbert (2025) review corporate tax behavior comprehensively but neither incorporate the macro-ideological dimension nor trace the PI→FP→CTB chain. The present review closes this gap by integrating all three levels, ideology, fiscal governance, and firm behavior, into a recursive causal framework with formally stated and empirically evaluated propositions.

Table 1: Prior Systematic Reviews and the Gap Addressed by This Paper

Review	**Scope**	**PI?**	**FP?**	**CTB?**
Potrafke (2011)	Ideology & fiscal aggregates	Yes	Yes	No
Amara & Khlif (2020)	Political connections (non-US)	Partial	No	Partial
Brändle & Elsener (2024)	Fiscal rules	No	Yes	No
Lester & Olbert (2025)	Corporate tax behavior	Partial	Partial	Yes
This review	PI→FP→CTB (recursive)	Yes	Yes	Yes

Note: PI = Political Ideology; FP = Fiscal Policy; CTB = Corporate Tax Behavior. "Partial" indicates that a dimension is addressed only as a moderator or in a subset of included studies, not as a primary organizing construct. The recursive arrow notation PI→FP→CTB denotes the intertemporal causal chain formalized in Section4.

A defining structural feature of the evidence base shapes how this review recovers ideological effects from the literature. Although partisan ideology is directly measured as a primary independent variable in only 6 of the 92 included studies, it is indirectly but systematically present in the remaining 86, embedded in the statutory rate choices, enforcement priorities, ownership structures, and governance decisions that those studies document and causally identify. The distribution reflects how ideological influence actually operates, through fiscal and institutional channels rather than through directly observable partisan declarations, and no individual study is positioned to bridge all three levels of the PI→FP→CTB chain simultaneously. The corpus is also theoretically concentrated. The neoclassical and agency-theoretic frameworks dominate, while institutional, historical, and comparative political economy perspectives remain underrepresented. This theoretical skew is itself a finding, suggesting that the mechanisms through which ideology shapes fiscal behavior may be systematically understudied wherever they operate through norms, path dependence, or power relations rather than through price incentives and rational optimization. The review makes that embedded ideological signal analytically explicit by evaluating which behavioral patterns across the full corpus are consistent with four formally derived theoretical propositions, reconstructing the PI→FP→CTB chain from its observable fiscal and behavioral traces regardless of how individual studies frame their own findings. This inferential structure distinguishes the present review from a standard meta-analysis and makes the cross-study synthesis, rather than any single paper, the unit of contribution.

Two interconnected research questions guide the review. **RQ1** asks how and when partisan ideology systematically shapes fiscal policy design, specifically statutory corporate tax rates and tax enforcement priorities. **RQ2** examines how firms adjust their tax compliance, avoidance, and shifting behavior in response to ideology-driven fiscal signals. The scope of this review is deliberately narrower than a general survey of corporate tax behavior. Unlike Knaisch and Pöschel (2022), who synthesize the incidence of corporate taxation on wages across 37 studies without an ideological dimension, Lester and Olbert (2025), who review firms' real and reporting responses to taxation without incorporating the macro-ideological dimension or tracing the PI→FP→CTB chain, and Jacob (2021), who reviews the real effects of corporate taxation on investment across 79 studies without examining how partisan orientation conditions those effects, this review focuses on the ideological dimension, examining how the partisan

orientation of fiscal choices, and the political connections or preferences of corporate decision-makers, alter behavioral outcomes beyond what a politically neutral tax change would predict. Readers seeking broader syntheses of tax incidence, real investment effects, and firm-level reporting responses should consult all three.

To organize the evidence, we develop a two-channel conceptual framework grounded in partisan political economy and the agency theory of managerial behavior. Ideology is transmitted to firm-level tax behavior through the statutory tax rate channel and the enforcement intensity channel. In Section 4 we operationalize this structure through four theoretical propositions linking partisan ideology to corporate behavioral responses: asymmetric response (P1), enforcement displacement (P2), rent-seeking access (P3), and recursive feedback (P4). Their conceptual representation and evaluation against the causal evidence are developed in Sections 5–9. This framework deliberately focuses on statutory rates and enforcement intensity as the primary ideological transmission mechanisms. The complementary literature on tax base design, which encompasses bonus depreciation, accelerated expensing, and investment incentives, involves a distinct set of firm behavioral responses that are reviewed comprehensively by Jacob (2021), who synthesizes 79 studies on real investment effects of corporate taxation. Readers interested in how ideological choices shape tax base composition rather than rate and enforcement levels should consult that review alongside the present synthesis.

The review is based on 92 peer-reviewed quantitative studies (2010–2025) identified through a PRISMA 2020-compliant search of Web of Science and Scopus. It contributes to academic research by integrating findings across identification strategies and disciplinary silos; to policymakers by clarifying the firm-level consequences of ideologically motivated fiscal choices; and to corporate stakeholders and auditors by demonstrating how political transitions constitute material economic events that alter tax strategy and enforcement risk.

2 Methodology and Review Protocol

The purpose of this Systematic Literature Review (SLR) is to synthesize empirical evidence on how political ideology influences fiscal policy and how these ideological effects shape corporate tax behavior. To ensure transparency and reproducibility, the methodological procedures followed the PRISMA 2020 guidelines (Page et al., 2021). The review was restricted to peer-reviewed articles published in the fields of Economics, Business, and Social Sciences and indexed in the Web of Science (WoS) and Scopus databases (Elsevier). Following the methodological sequence recommended by Hardies et al. (2024), the review proceeded through the formulation of research questions, the definition of eligibility criteria, the design of the search strategy, the systematic search and screening of studies, the extraction and assessment of data quality, the synthesis of results, and the evaluation of implications and limitations.

Eligibility criteria required studies to be empirical, peer-reviewed, written in English, and published between 2010 and 2025 in journals indexed in WoS or Scopus. The lower bound extends the coverage of Potrafke (2018), whose review of ideology and fiscal outcomes ended in 2010 and concentrated predominantly on the United States; the present analysis broadens both the temporal scope and the geographic and disciplinary range. The restriction to quantitative empirical studies was deliberate, given that assessing what can be causally attributed to ideological mechanisms requires designs with observable outcomes and identified variation. Theoretical, conceptual, qualitative, and experimental studies were excluded because they do not provide the type of effect-size evidence amenable to synthesis under the structured narrative approach applied here. We acknowledge that this choice omits important contributions from comparative political economy, particularly foundational theoretical work on partisan cycles (Alesina et al., 1995; Hibbs, 1977), and we return to this limitation in Section 9.

The definition of keywords was informed by previous systematic reviews in this domain (Heinemann et al., 2018; Lester & Olbert, 2025; e.g., Potrafke, 2018). Searches were carried out in the Web of Science Core Collection and Scopus, limited to the disciplinary categories of Business, Economics, and Social Sciences. All searches were concluded on August 31, 2025.

The search strategy was organized around three principal conceptual pillars: Political Ideology (PI), Fiscal Policy (FP), and Corporate Tax Behavior (PT). A fourth pillar, Policy Dynamics (PD), was included to capture temporal variation and abrupt changes in political or fiscal conditions; it was operationalized with terms such as *political transition*, *regime change*, *electoral shock*, and *policy reversal*, combined with the other pillars using the AND operator. Keywords within the same pillar were linked with OR, and keywords across pillars were combined with AND. Searches were restricted to the Title, Abstract, and Keywords fields, using the TS tag in WoS and the TITLE-ABS-KEY fields in Scopus. The five search string combinations applied in each database, together with their exact Boolean syntax, are reported in Appendix A. To ensure consistency, book chapters, review articles, books, and notes were excluded by applying document-type filters within each database.

The initial search returned 1,243 documents from WoS and 1,970 from Scopus. After merging both datasets and removing 810 duplicates using the `bibliometrix` package in R, 2,403 unique records were retained for screening. Preliminary exclusion criteria removed studies published prior to 2010, documents written in languages other than English, materials not classified as journal articles, literature reviews and historical analyses, studies with no identifiable ideology-related constructs, and studies without corporate tax behavior outcomes. After these exclusions, 706 records proceeded to the title and abstract screening stage.

The search was restricted to WoS and Scopus and did not extend to grey literature repositories such as SSRN, NBER, or RePEc. This decision reflects a deliberate methodological choice. Restricting inclusion to peer-reviewed indexed articles prioritizes quality assurance and ensures that all synthesis-eligible studies have undergone independent editorial and referee scrutiny, a standard consistent with the structured narrative approach and with the quantitative empirical eligibility criterion. The trade-off is that this restriction may introduce publication bias favoring statistically significant findings, since null results and negative results are systematically underrepresented in indexed journals. To partially mitigate this risk, we conducted a targeted citation search by cross-checking the final 92-study corpus against the reference lists of the four prior systematic reviews identified in Table~1 (Potrafke 2011; Amara & Khlif 2020; Brändle & Elsener 2024; Lester & Olbert 2025). Studies appearing in those reviews that were not returned by the primary search were evaluated against eligibility criteria; those that met all criteria were included, and those excluded predate 2010 or do not employ quantitative empirical methods. This supplementary source is noted here as an additional identification procedure rather than a primary search, and is reflected in the PRISMA flow (Figure~1) as a reference-list screening step. The residual publication bias risk is discussed further in Section~9. A related boundary concerns Base Erosion and Profit Shifting (BEPS) studies. Several empirical papers evaluating BEPS countermeasures were encountered during screening. Those meeting all eligibility criteria, namely empirical, quantitative, published in indexed journals, and with an identifiable partisan or enforcement channel, were included. Studies evaluating BEPS measures in a purely technical or policy-design frame, without linking outcomes to ideological governance choices, were excluded as out of scope. This boundary is noted explicitly because BEPS evidence is directly relevant to P2 (enforcement displacement), and its omission where it occurs reflects scope discipline rather than ignorance of the literature.

Study selection required that the articles examine political ideology, fiscal policy, or corporate tax behavior, employ quantitative empirical designs, be published between 2010 and 2025, be written in English, undergo peer review, and appear in either WoS or Scopus. Studies were excluded when they consisted of theoretical, conceptual, qualitative, or experimental research, when they were secondary

analyses such as SLRs or historical reviews, when they did not address corporate taxation, when they lacked identifiable constructs related to ideology or tax behavior, or when they were published in journals suspected of predatory practices.

Two reviewers independently screened titles and abstracts. Disagreements were resolved through discussion and, where necessary, consultation with a third reviewer. The screening procedures are described in Appendix B. A total of 29 studies could not be retrieved due to access restrictions, representing 11.2% of full-text candidates. Because access restrictions may be correlated with journal tier or country of origin, systematic retrieval bias cannot be ruled out. However, the excluded proportion is comparable to that reported in published SLRs in accounting and economics, and the distribution of non-retrieved studies across subject areas did not differ systematically from the included sample. After title and abstract screening, 448 studies were excluded because they concerned topics outside the scope of this review, such as personal taxation, political behavior unrelated to fiscal mechanisms, or purely theoretical discussions. This left 258 studies for full-text analysis. During full-text evaluation, 131 papers were removed for methodological reasons, primarily because they relied on qualitative or theoretical approaches, and a further six papers were excluded due to concerns about journal quality or predatory publishing practices.

Data extraction relied on ChatPDF (chatpdf.com, accessed June–August 2025), an AI-assisted PDF reading tool, to identify key methodological features in each article, including sample periods, ideology measures, identification strategies, and outcome variables. The underlying language model is proprietary to the platform and was not independently verified. The tool served a reading and tagging function only; all inclusion and exclusion decisions were made exclusively by the human reviewers. The standardized extraction prompt and chain-of-thought protocol are reported in full in Appendix C. To assess reliability, a random subsample of 20 articles (approximately 22% of the final 92) was independently coded by both reviewers without AI assistance. Cohen's κ was calculated for each extraction field; agreement was substantial to near-perfect ($\kappa = 0.81$–0.94) for structured fields (identification strategy, dependent variable type, sample period) and moderate to substantial ($\kappa = 0.68$–0.79) for interpretive fields (quality tier, moderator classification). Discrepancies were resolved by discussion, and the reconciled extraction log is available from the corresponding author on request.

Quality assessment considered the clarity of the research design, the strength of the identification strategy, and the transparency of reporting. Studies were classified as High, Medium, or Low quality across three dimensions: identification rigor, outcome measurement, and reporting completeness. Only studies rated Medium or above on all three dimensions were retained. Table 2 summarizes the distribution of quality ratings and identification strategies across the 92 included studies. Of the 92 papers, 34 (37.0%) were rated High quality and 58 (63.0%) Medium; no Low-rated study was retained in the synthesis. In terms of identification strategy, 25 studies (27.2%) employ difference-in-differences or event-study designs, the strongest causal designs in the sample, while 20 (21.7%) rely on panel fixed effects. Six studies (6.5%) use instrumental variables, including two-stage and three-stage least squares, and the remaining 30 papers use OLS, VAR, matching estimators, or purely descriptive approaches. Notably, only six studies (6.5%) directly measure political ideology as a primary variable of interest, while ten (10.9%) address it partially; the remaining 76 (82.6%) examine firm behavioral responses to fiscal changes without an explicit ideological attribution, which is precisely why identifying ideological mechanisms requires the structured cross-study synthesis developed in this review. Risk of bias was assessed qualitatively, with attention to issues in selection, measurement, and model specification.

Table 2: Sample Characteristics: Quality Ratings, Identification Strategies, and Political Ideology Treatment

Characteristic	n	**%**
Panel A: Overall Quality Rating		
High	34	37.0%
Medium	58	63.0%
Panel B: Primary Identification Strategy		
Other / Descriptive	28	30.4%
DiD / Event Study	25	27.2%
Panel Fixed Effects	20	21.7%
OLS	10	10.9%
IV / 2SLS / 3SLS	6	6.5%
VAR	1	1.1%
PSM / Matching	1	1.1%
Synthetic Control	1	1.1%
Panel C: Political Ideology Treatment		
Not addressed (behavioral response only)	76	82.6%
Partially addressed	10	10.9%
Directly measured	6	6.5%
Panel D: Manuscript Section		
Other / Supporting	44	47.8%
Profit Shifting	12	13.0%
Corporate Tax Behavior	11	12.0%
PI $\rightarrow$ FP (Macro)	8	8.7%
Evasion & Compliance	8	8.7%
PI $\rightarrow$ CTB (Micro)	5	5.4%
Enforcement & Administration	4	4.3%
Total	**92**	**100%**

Note: Quality ratings were assigned independently by two reviewers across three dimensions (identification rigor, outcome measurement, reporting completeness); all included studies rated Medium or above on all dimensions. Studies in Panel C rated "Not addressed" examine firm behavioral responses to fiscal changes without an explicit ideological attribution; they are included because they estimate mechanisms, such as enforcement displacement and asymmetric responses, that the theoretical framework predicts to be especially salient in politically motivated settings.

The synthesis followed a structured narrative approach, chosen over meta-analytic aggregation because the methodological heterogeneity of the included studies, spanning quasi-experimental designs, panel fixed effects, instrumental variables, and descriptive approaches, renders pooled effect-size estimation uninformative. Evidence was organized along five dimensions: ideological mechanisms, fiscal policy channels, corporate tax behavior outcomes, empirical identification strategies, and contextual conditions. This structure enabled systematic comparison of findings across designs, surfaced convergent patterns and contradictions that single-study analyses cannot detect, and identified the methodological and geographic gaps that define the research agenda in Section 9.

The political connections–ETR relationship (P3) represents the most homogeneous outcome in the corpus and was specifically evaluated for meta-analytic aggregation. Three conditions for valid pooling were examined: comparability of ETR operationalization, equivalence of identification strategy, and institutional commensurability. None of the three conditions holds across the available P3 studies. ETR definitions vary from current GAAP-based measures in Spain (Bona-Sánchez et al., 2020) to statutory-adjusted ratios for state-owned enterprises in Indonesia (Yusuf et al., 2025) and dual GAAP/Cash ETR measures for US firms (Hsieh et al., 2025). Identification strategies span IV/2SLS (Hsieh et al., 2025), panel fixed effects (Bona-Sánchez et al., 2020; Yusuf et al., 2025), event study (Kubick & Lockhart, 2017),

and DiD (Kubick et al., 2020), methods that recover estimands of different types and therefore cannot be pooled without conflating local average treatment effects with average treatment effects. Finally, the VoC framework developed in Section 4 specifically predicts that the connection–ETR relationship is moderated by legal tradition, governance structure, and administrative discretion, making institutional heterogeneity a theoretical expectation rather than a nuisance. Pooling across Spain, Indonesia, and the United States without modelling these moderators would yield an aggregate estimate that is uninterpretable as a policy parameter, while modelling them with only five observations produces a statistically underpowered moderator analysis. The structured narrative approach in Table 7, which reports direction, magnitude, identification strategy, and institutional context for each study separately, preserves the information that meta-analytic pooling would obscure.

Quality assessment was applied uniformly across all 92 studies using three dimensions: identification rigor, outcome measurement, and reporting completeness. Each dimension was rated independently by two reviewers; the same inter-rater reliability procedure used for data extraction (Cohen's $\kappa = 0.81$–0.94 for structured fields; $\kappa = 0.68$–0.79 for interpretive fields) was applied to quality ratings. The distribution of quality ratings across dimensions is reported in Table 2. As a sensitivity check, the four propositions were evaluated against the 34 High-quality studies only; the directional conclusions for P1–P4 are unchanged, because the evidentiary anchors for each proposition (Jin et al. 2023 for P1; De Simone et al. 2023 for P2; Bona-Sánchez et al. 2020, Yusuf et al. 2025, and Hsieh et al. 2025 for P3; Garcia-Bernardo et al. 2024 for P4) are all rated High. The Medium-quality studies provide corroborating breadth but are not load-bearing for any proposition-level conclusion. The full extraction log, codebook, and reconciled discrepancy record are available as an online supplement at [repository link to be confirmed upon acceptance; authors commit to posting on OSF or a comparable open-access repository prior to publication]; the LLM-tagged fields that required human correction across the 20-article verification subsample are documented therein, with an observed field-level correction rate of approximately 8–12% for interpretive fields and under 4% for structured fields.

To assess coverage of the canonical tax behavior literature, we cross-checked the final 92-study corpus against the reference lists of the four prior systematic reviews identified in Table 1 (Potrafke 2011, Amara & Khlif 2020, Brändle & Elsener 2024, Lester & Olbert 2025). Studies appearing in those reviews but not in this corpus were excluded either because they predate 2010, do not employ quantitative empirical methods, or do not contain an identifiable ideological or enforcement channel as required by the eligibility criteria. This cross-check confirmed that exclusions reflect scope discipline rather than coverage gaps.

Operationalizing ideological motivation requires explicit boundary-setting, following the eligibility logic recommended for politically contextualized SLRs (Hardies et al., 2024). A study qualifies for inclusion under one of two conditions. First, it directly measures partisan orientation, ideological position, or political affiliation of the government or the corporate decision-maker. Second, it uses a fiscal policy event whose partisan character is independently documented in its institutional context, such as state-level tax reforms driven by partisan electoral shifts (Jin et al., 2023) or loophole closures motivated by redistributive legislative agendas (Samarakoon & Organ, 2025). Studies examining firm responses to generic tax changes without any ideological attribution are included only when they estimate mechanisms, such as enforcement displacement (De Simone et al., 2023) or asymmetric responses (Jin et al., 2023), that the theoretical framework predicts to be particularly salient in politically motivated settings. This boundary condition accounts for the reduction from an initial pool of 2,403 records to the 92 studies retained in the final synthesis.

The PRISMA flow diagram (Figure 1) documents the full selection sequence. The search returned 3,213 records in total (WoS, 1,243; Scopus, 1,970), of which 810 duplicates were removed, leaving 2,403 unique records for screening. Of these, 706 advanced to title-and-abstract review, 258 to full-text

assessment, and 92 were retained in the final synthesis after quality evaluation.

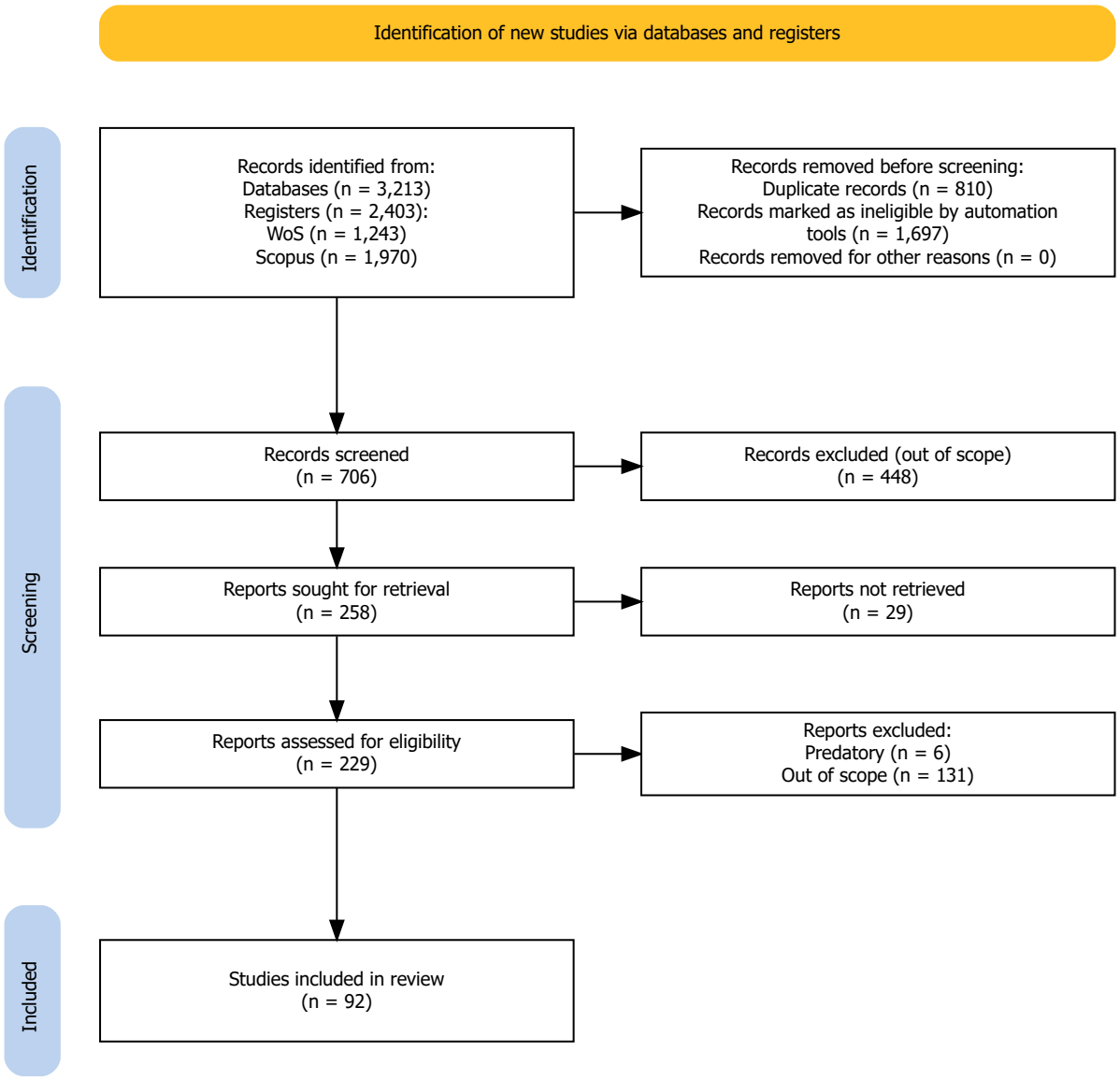


Figure 1: Selection Studies Flowchart (PRISMA 2020)

3 Field Mapping and Knowledge Structure

3.1 Geographic and Institutional Concentration

The 92 included studies display a pronounced geographic concentration that has direct implications for the generalizability of the findings synthesized in this review. As reported in Table 3, authors affiliated with institutions in the United States contributed 25 studies, making it by far the most productive national knowledge base in this domain, followed by the United Kingdom (16 studies) and the Netherlands (10). Together with Spain (5), Canada (4), and Ukraine (3), these six countries account for 68.48 percent of the total sample. Knowledge production thus remains anchored in a small set of advanced economies with strong academic infrastructures and well-developed quasi-experimental research traditions. This concentration raises substantive questions about external validity: ideological fiscal cycles, enforcement capacity, and the institutional conditions that mediate between partisan choices and corporate behavior

may differ substantially in emerging markets and developing economies, where the corresponding literature remains thin.

Table 3: Accumulated Frequency of Author Affiliation by Country

Countries	f_i	f_r	$\sum f_i$	$\sum f_r$
United States	25	27.17%	25	27.17%
United Kingdom	16	17.39%	41	44.57%
Netherlands	10	10.87%	51	55.43%
Spain	5	5.43%	56	60.87%
Canada	4	4.35%	60	65.22%
Ukraine	3	3.26%	63	68.48%
China, France, India, Indonesia, Italy, Poland, Romania, Taiwan	16	17.39%	79	85.87%
Others[(1)]	13	14.13%	92	100.00%
Total	92	100.00%		

[(1)] Includes Australia, Brazil, Czech Republic, Finland, Germany, Ghana, Hungary, Jordan, Lesotho, Lithuania, Pakistan, Serbia, and Slovenia.

The distribution beyond the top tier exhibits a long tail. Eight countries contributed two studies each, representing 17.39 percent of the sample, while 13 further countries produced one publication each (14.13 percent). Although the field is gradually becoming more globally diverse, the overwhelming weight of North American and Western European evidence makes it difficult to assess whether the mechanisms identified here, particularly those linking enforcement intensity and political connections to firm-level tax outcomes, generalize to lower-capacity institutional environments. This gap is returned to in the future research agenda in Section 9.

3.2 Publication Trends and Journal Distribution

Publication activity in this domain accelerated markedly after 2017, with 80.4 percent of all 92 studies appearing between 2017 and 2025 (Figure 2). The distribution is highly right-skewed: only 14 studies were published between 2010 and 2016, including a single paper in 2010 and two in 2011, while output surged after 2018. The three most productive years were 2024 (15 studies, 16.3%), 2025 (12 studies, 13.0%), and 2023 (9 studies, 9.8%), together accounting for 39.1 percent of the entire sample. This temporal pattern is consistent with three developments in the broader literature. First, the expansion of Country-by-Country Reporting data under the BEPS framework generated new firm-level evidence on profit shifting from approximately 2018 onward. Second, heightened scholarly interest in the political economy of taxation followed ideological electoral shifts in several major economies during this period. Third, the diffusion of difference-in-differences and instrumental variable designs lowered the identification barriers that had previously constrained causal inference in this domain, a methodological trend documented across accounting and economics research more broadly.

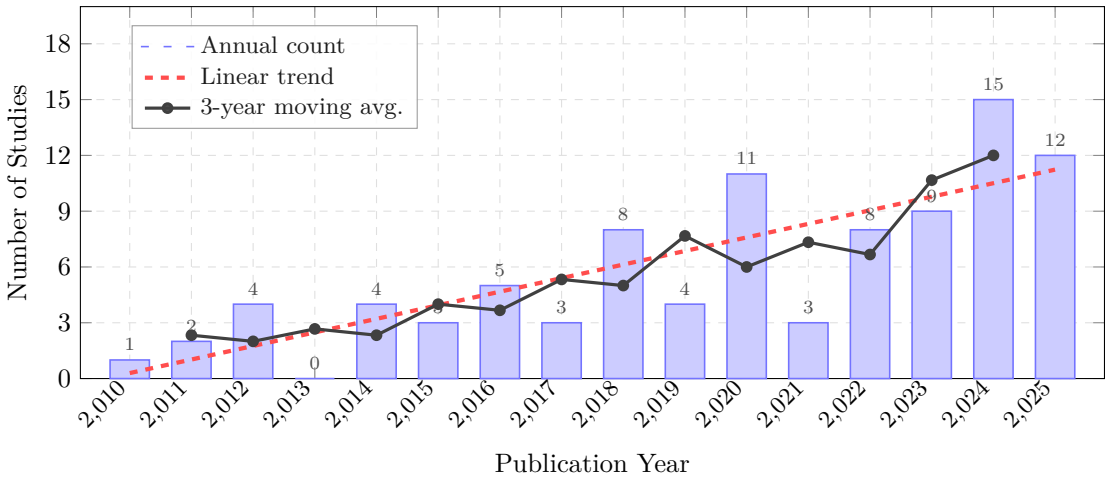


Figure 2: Annual Distribution of Publications Among the 92 Included Studies, 2010–2025, with Linear Trend and Three-Year Moving Average. The dashed red line represents the OLS linear trend ($\hat{y} = -1{,}465.8 + 0.729 \cdot \text{year}$, $R^2 = 0.66$), indicating a statistically significant upward trajectory in scholarly output. The gray line with markers shows the three-year moving average, which smooths year-to-year variation and highlights the acceleration in output from 2018 onward. The year 2013 recorded zero included publications.

The journal distribution, reported in Table 4, reveals concentration around a small set of high-impact outlets. *International Tax and Public Finance* leads with five publications, followed by *The Accounting Review* (4) and *Contemporary Accounting Research* (3). The *Journal of Accounting and Economics* and the *International Review of Financial Analysis* each contributed two studies, as did six other journals. Collectively, the ten most productive journals account for more than one-third of the sample. This concentration reflects the interdisciplinary positioning of the field at the intersection of political economy, fiscal policy, and corporate tax behavior, and suggests that methodological standards in this literature are shaped primarily by accounting and public finance outlets rather than by general economics journals.

Table 4: Publication Frequency and Impact of Core Journals

Journal	**Impact Factor**[a]	f_i	f_r	$\sum f_i$	$\sum f_r$
International Tax and Public Finance (ITPF)	1.4	5	5.43%	5	5.43%
The Accounting Review (TAR)	4.4	4	4.35%	9	9.78%
Contemporary Accounting Research (CAR)	3.8	3	3.26%	12	13.04%
Accounting and Business Research (ABR)	1.4	2	2.17%	14	15.22%
Oxford Bulletin of Economics and Statistics (OBES)	1.4	2	2.17%	16	17.39%
International Review of Financial Analysis (IRFA)	9.8	2	2.17%	18	19.57%
Journal of Accounting and Economics (JAE)	6.8	2	2.17%	20	21.74%
Journal of the American Taxation Association (JATA)	2.0	2	2.17%	22	23.91%
Journal of Development Economics (JDE)	4.6	2	2.17%	24	26.09%
Journal of International Accounting, Auditing and Taxation (JIAAT)	3.7	2	2.17%	26	28.26%
Journals with two papers each		8	8.70%	34	36.96%
Journals with one paper each		58	63.04%	92	100.00%
Total		**92**	**100.00%**		

[a] Impact factor (Scientific Journal Rankings) reported by the publisher.

3.3 Co-authorship Networks and Field Fragmentation

The co-authorship network (Figure 3) reveals a structure that is simultaneously centralized around a narrow core and fragmented at its periphery. Assessed against the structural properties of scientific collaboration networks, clustering coefficient, giant component size, and average inter-author distance (Newman, 2001), the network exhibits low cross-cluster connectivity and a high proportion of peripheral nodes, indicating that integration across the broader research landscape remains limited. A small group of highly connected scholars, visible as dark-red nodes in the figure, maintains the network's overall coherence, while numerous smaller clusters suggest that shared methodological practices have not yet generated the dense cross-community linkages observed in more consolidated scientific fields.

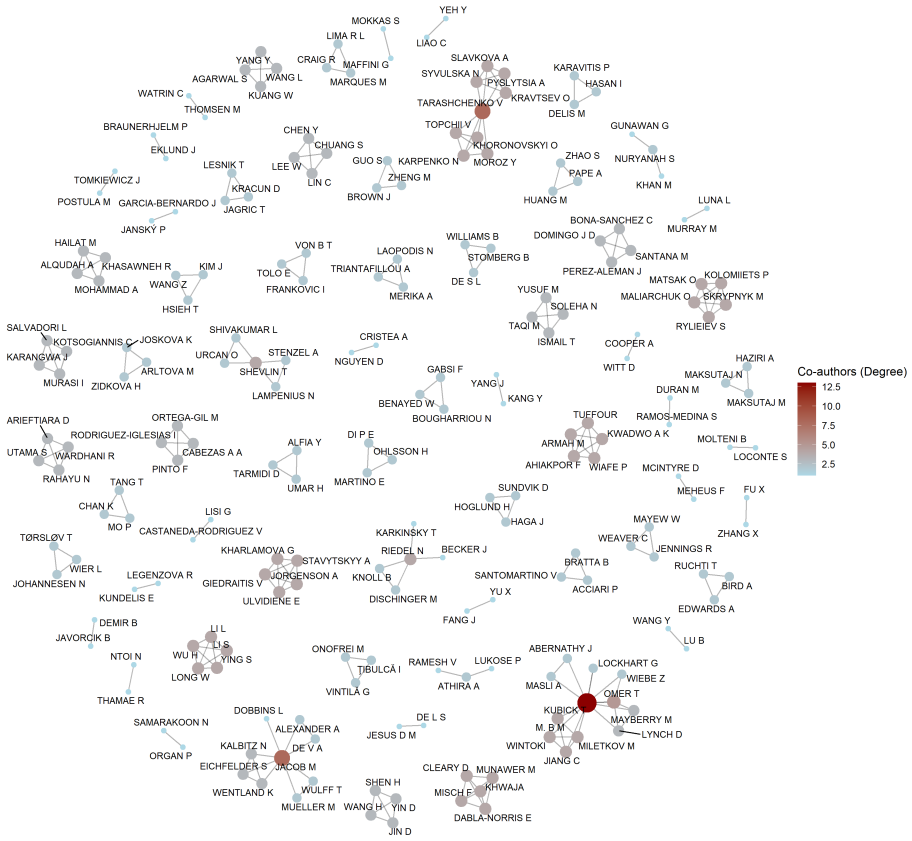


Figure 3: Co-authorship Network Among the 92 Selected Studies

The two most prominent bridging nodes, Tarashchenko V. and Kubick T., link otherwise disconnected subcommunities organized around distinct methodological traditions, particularly the divide between macro panel regression approaches and micro quasi-experimental designs. This divide is visible in the sample composition: 25 of the 92 studies employ DiD or event-study designs (27.2%), 20 rely on panel fixed effects (21.7%), and 28 use descriptive or other approaches (30.4%). By co-authoring across subfields and adopting complementary identification strategies, these central authors facilitate the diffusion of methodological practices and reduce the disciplinary silos that would otherwise prevent findings from accumulating into a coherent evidence base.

The prevalence of peripheral nodes and isolated clusters highlights the limits of this integration. Many researchers operate within small, specialized teams focused on narrow institutional contexts, rarely intersecting with parallel lines of inquiry. The consequence is a body of literature in which causal evidence

is robust within studies but slow to aggregate across them. This structural fragmentation is precisely what a structured narrative review is designed to address. By mapping evidence across methodological traditions and geographic contexts, this synthesis surfaces patterns, contradictions, and gaps that are invisible from within any single subcommunity.

4 Conceptual Framework, Theoretical Foundations, and Propositions

4.1 Theoretical Foundations: Partisan Political Economy, Median Voter Redistribution, and Managerial Agency

The conceptual framework developed in this review draws on three complementary theoretical traditions. The first is partisan political economy, which provides the macro-level link between government ideology and fiscal policy choices. Originating with the partisan theory of Hibbs (1977), which holds that left-wing governments prioritize employment and growth through expansionary fiscal policy while right-wing governments prioritize inflation control and fiscal consolidation, and extended by the rational partisan theory of Alesina et al. (1995) to incorporate forward-looking expectations and anticipatory behavior, this tradition predicts systematic ideological differences in statutory tax rates, enforcement priorities, and public expenditure composition. Crucially, Alesina's extension implies that firms adjust behavior not only in response to enacted reforms but also in anticipation of credible ideological signals, a mechanism that is central to P1 and P3. The opportunistic variant of this tradition (Nordhaus, 1975; Rogoff, 1990) adds that governments may temporarily deviate from their programmatic fiscal preferences ahead of elections, generating political business cycles in which pre-electoral fiscal loosening or enforcement forbearance attenuates long-run ideological effects and introduces the policy-reversal risk that underpins the credibility channel. This opportunistic deviation is particularly relevant in high-evasion environments such as those documented by Laopodis et al. (2016) for Greece, where electoral cycles and compliance culture interact to overshadow programmatic commitments, and it reinforces the scope condition discussed in Section 5, namely that the ideological signal in the PI→FP channel is most credible and therefore most behaviorally consequential when institutional and electoral conditions inhibit opportunistic deviation.

The second tradition is the Meltzer–Richard median voter model (Meltzer & Richard, 1981), which provides an indispensable micro-foundation for understanding why ideological fiscal differences are durable rather than merely rhetorical. In this framework, redistributive tax pressure is a function of the gap between mean and median income. The greater the inequality, the stronger the median voter's preference for redistribution, generating left-leaning platforms that maintain high statutory rates and enforcement intensity. This mechanism directly predicts the asymmetric corporate responses documented in P1. When redistributive governments raise statutory rates, they do so in response to structural electoral incentives that render the increase credible and durable, thereby inducing larger and more persistent avoidance responses than transitory rate changes would generate. The model also predicts why right-leaning platforms that reduce rates face weaker avoidance responses in the opposite direction. Rate cuts signal a reduction in redistributive pressure rather than a temporary deviation, and firms anticipate a structurally stable low-rate environment, reducing the marginal return to avoidance investment. The Meltzer–Richard model thus supplies the micro-foundation connecting the partisan political economy tradition to the behavioral evidence reviewed in Sections 6.3–7.

The third tradition is varieties of capitalism (VoC) (Hall & Thelen, 2008), which explains why similar ideological commitments produce divergent fiscal and corporate behavioral outcomes across institutional contexts. In Liberal Market Economies (LMEs) such as the United States and the United

Kingdom, firm-level tax strategy is primarily shaped by statutory rate incentives and arm's-length market governance, making the statutory rate channel the dominant transmission mechanism. In Coordinated Market Economies (CMEs) such as Germany, the Netherlands, and the Nordic countries, relational governance, stakeholder norms, and cooperative industrial relations moderate avoidance responses even under high-rate redistributive governments, because the reputational and relational costs of aggressive tax planning exceed the financial benefits in environments characterized by high social capital and cross-institutional coordination. This institutional heterogeneity explains a pattern that is otherwise puzzling in the corpus. Similar ideological fiscal choices produce substantially different avoidance responses across countries, not because firms optimize differently in principle, but because the institutional context alters the cost-benefit calculus of aggressive tax behavior. The VoC framework therefore provides the theoretical account of cross-national heterogeneity that pure price-incentive models cannot supply, and it motivates the geographic scope conditions attached to P1 and P2 in Section 9.

Principal-agent theory applied to managerial ideology forms the micro-level complement to these macro traditions. When the political preferences of CEOs, directors, or controlling shareholders align with a particular fiscal regime, agency theory predicts that they will deploy the discretion available to them, in tax planning, compliance posture, and lobbying, to pursue outcomes consistent with those preferences, even when doing so does not maximize firm value in a narrow sense (Hsieh et al., 2025; Kubick & Lockhart, 2017). The extent of deviation from value-maximizing tax behavior depends on the strength of corporate governance, the level of social capital in the firm's operating environment, and the credibility of enforcement. In LME settings with weak social capital norms, managerial ideology effects are larger; in CME settings with strong relational governance, they are attenuated, a pattern consistent with both the VoC prediction and the cross-country heterogeneity in P3 evidence.

Together, these four traditions generate a two-channel model. The *statutory rate channel* operates when partisan governments alter the headline rate environment, creating incentives for anticipatory and reactive tax planning, with the magnitude of firm responses conditioned by Meltzer–Richard inequality dynamics and VoC institutional context. The *enforcement channel* operates when ideological governments alter the intensity and targeting of tax administration, creating differential compliance and avoidance incentives across firm types, with LME multinationals exhibiting greater displacement responses than their CME counterparts. Both channels are moderated by political uncertainty, electoral cycles, coalition constraints, and institutional capacity, factors that determine whether ideological preferences translate into durable fiscal signals or merely temporary and reversible adjustments.

4.2 Epistemological Foundation of the Cross-Study Inferential Strategy

A central methodological feature of this review requires explicit epistemological justification. As reported in Table 2, only 6 of the 92 included studies (6.5%) directly measure political ideology as a primary explanatory variable; the remaining 86 examine firm behavioral responses to fiscal changes without explicit ideological attribution. The synthesis nonetheless evaluates all 92 studies against four theoretically derived propositions that assign ideological meaning to behavioral patterns. A reviewer may reasonably ask under what conditions a behavioral pattern consistent with a proposition is sufficient to constitute supporting evidence for that proposition, and what distinguishes this inferential strategy from confirmation bias.

The answer rests on three conditions that must jointly hold for the inferential strategy to be epistemically defensible. The first is *theoretical necessity*: the proposition must predict that the behavioral pattern should occur *specifically in ideologically motivated settings*, and not merely in any tax environment. The asymmetric response (P1) is not simply a claim that firms respond asymmetrically to tax changes; it is a claim that the asymmetry is amplified when rate changes are ideologically driven, because ideologically motivated changes signal durable rather than transitory adjustments. A study documenting asymmetric

responses to any rate change is consistent with P1 only if its institutional context makes ideological motivation plausible. This condition is applied throughout the review, studies in Table 6 are included as P1 or P2 evidence only when their institutional context, whether partisan electoral shifts, redistributive legislative agendas, or explicitly ideological policy events, independently documents ideological motivation.

The second condition is *discriminatory power*. The behavioral pattern must be more consistent with the ideological mechanism than with plausible non-ideological alternatives. For rent-seeking access (P3), the relevant alternative hypothesis is that politically connected firms achieve lower effective tax rates because they are more sophisticated tax planners, not because political proximity generates preferential treatment. The cross-country consistency of the effect, observed in Spain (Bona-Sánchez et al., 2020), Indonesia (Yusuf et al., 2025), and the United States (Hsieh et al., 2025), across markedly different tax systems and industry structures, is difficult to attribute to sophistication alone, because that mechanism does not predict a systematic advantage that survives conditioning on firm size, profitability, and industry. Political access does. The evidence is therefore not merely consistent with P3; it actively discriminates against the main alternative.

The third condition is *falsifiability*. The propositions must generate predictions that could in principle be refuted by the evidence, and the review must report cases where evidence fails to support a proposition or points in the opposite direction. The treatment of P4 exemplifies this condition, the political feedback dimension of the recursive feedback proposition, that revenue erosion reshapes party platforms, finds no direct empirical counterpart in the corpus. This gap is reported explicitly in Table 7 and Section 9 rather than treated as irrelevant. Similarly, the digitalization evidence for P2 (Kotsogiannis et al., 2025) is coded as mixed rather than supporting, because compliance gains among domestic firms do not confirm the multinational displacement mechanism that P2 specifically predicts.

Where these three conditions hold, a behavioral finding from a non-ideologically-framed study constitutes supporting evidence for a proposition in the specific sense that it is consistent with the proposition's predicted mechanism and not equally consistent with the main alternative hypothesis. Where the conditions do not hold, studies are retained in the underlying evidence tables but are not counted as proposition-consistent in Table 7. This boundary prevents the synthesis from becoming a confirmation exercise and ensures that the evidentiary claims in Section 9 are auditable against the full evidence record.

4.3 Conceptual Framework and Evaluation of Theoretical Propositions

The framework developed in this review organizes the evidence around four theoretical propositions linking political ideology, fiscal policy, and corporate tax behavior. Instead of relying exclusively on studies that explicitly measure ideology, the synthesis evaluates whether the behavioral patterns documented across the full set of 92 studies are consistent with the mechanisms implied by these propositions, subject to the epistemological conditions established in Section 4.2.

At the macro level, ideological orientations shape fiscal cyclicality and tax-system design (Laopodis et al., 2016; Martorano, 2018), the balance between direct and indirect taxation (Bougharriou et al., 2022), and the stability or volatility of fiscal regimes (Brown et al., 2024; Delis et al., 2020), creating distinct fiscal environments that vary systematically across countries and over time. At the micro level, firms adjust tax strategies in response to statutory incentives and enforcement signals (Becker & Riedel, 2012; Jin et al., 2023; Karkinsky & Riedel, 2012), with responses shaped by institutional quality (Dabla-Norris et al., 2020), political uncertainty (Delis et al., 2020), political connections (Bona-Sánchez et al., 2020; Hsieh et al., 2025), ownership structures (Yusuf et al., 2025), and managerial ideology or overconfidence (Kubick & Lockhart, 2017). Forward-looking behavior adds a third dimension: anticipation of fiscal changes drives adjustments in cost management and avoidance (Haga et al., 2019), and multinationals reallocate income

in response to ideological tax environments (Cristea & Nguyen, 2016; Garcia-Bernardo & Janský, 2024), generating aggregate fiscal consequences that constrain the political feasibility of subsequent reforms and close the recursive loop.

The four propositions find broad empirical support across designs and institutional contexts. P1 (asymmetric response) is confirmed by US state-level evidence that tax rate increases induce significant rises in aggressiveness while rate reductions yield only muted responses (Jin et al., 2023), corroborated by anticipatory cost-management behavior documented ahead of rate cuts (Haga et al., 2019). P2 (enforcement displacement) is supported by evidence that domestic enforcement tightening causes MNEs to expand offshore avoidance rather than reduce total avoidance (De Simone et al., 2023), and by substitution toward debt shifting under policy uncertainty (Delis et al., 2020). P3 (rent-seeking access) receives the most consistent cross-country support: politically connected firms in Spain, Indonesia, and the United States systematically achieve lower effective tax rates regardless of the prevailing ideological regime (Bona-Sánchez et al., 2020; Hsieh et al., 2025; Yusuf et al., 2025). P4 (recursive feedback) is supported by profit-shifting evidence that ideologically driven rate decisions erode the revenue base available to subsequent administrations (Garcia-Bernardo & Janský, 2024; Samarakoon & Organ, 2025), and by fiscal cyclicality evidence that avoidance-driven revenue losses amplify fiscal imbalances in high-evasion environments (Nguyen & Tran, 2023). The fiscal dimension of P4 is directly evidenced; its political feedback dimension remains a theoretical prediction awaiting empirical verification.

To sharpen the testable content of the two-channel framework, the mechanisms underlying P1 and P2 can be represented formally. Let a_{it} denote the avoidance intensity of firm i in period t, $\Delta\tau_t$ the change in the statutory tax rate, and $C_t \in [0,1]$ a credibility index for the prevailing ideological fiscal regime, proxied empirically by the inverse of the policy uncertainty indices used in Brown et al. (2024) and Delis et al. (2020). The statutory rate channel (P1) is expressed as:

$$a_{it} = \alpha + \beta\,\Delta\tau_t \cdot C_t \cdot \lambda^{\mathbb{1}(\Delta\tau_t > 0)} + \gamma X_{it} + \mu_i + \varepsilon_{it} \tag{1}$$

where $\lambda > 1$ captures the loss-aversion asymmetry documented by Jin et al. (2023), such that avoidance responds more sharply to credible rate increases than to equivalent decreases. The credibility multiplier C_t formalizes the Meltzer–Richard prediction that the behavioral effect is amplified when ideological signals are durable, and attenuated when regime uncertainty is high. The enforcement channel (P2) is expressed as:

$$a_{it}^{\text{foreign}} = \delta + \phi\,E_t + \psi\,(E_t \times \text{MNE}_i) + \theta X_{it} + \mu_i + \varepsilon_{it} \tag{2}$$

where E_t is domestic enforcement intensity, MNE_i is an indicator for multinational status, and the interaction coefficient $\psi > 0$ captures the displacement mechanism: domestic enforcement tightening increases offshore avoidance specifically for multinationals, consistent with De Simone et al. (2023), while $\phi \leq 0$ captures the compliance response of domestic-only firms. Equations (1) and (2) do not claim to be estimable from this corpus, given that the data designs required are specified in Section 9, but they make the theoretical predictions of P1 and P2 precise enough to be falsified by future empirical work.

Figure 4 synthesizes the full recursive structure, mapping macro-level ideological influences, fiscal policy instruments, firm-level behavioral mechanisms, and institutional moderators onto the four propositions evaluated above.

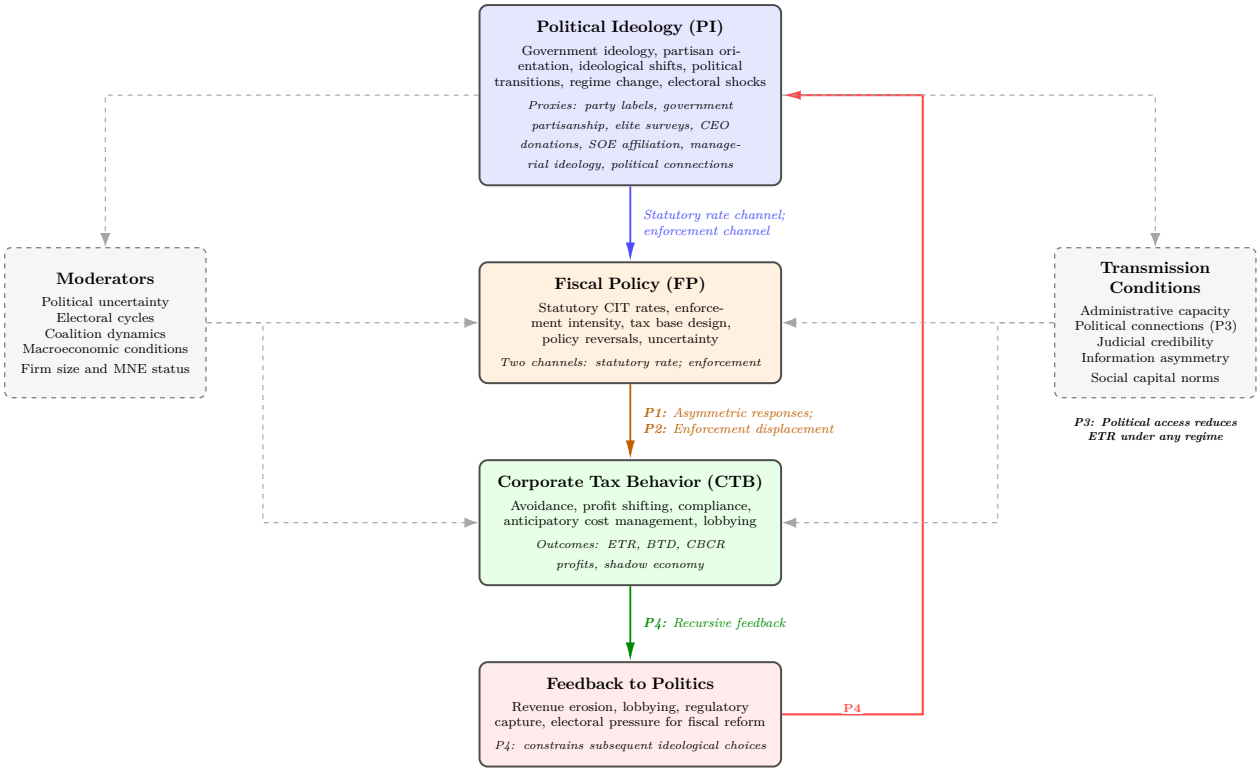


Figure 4: Conceptual Framework: The Recursive Chain Linking Political Ideology, Fiscal Policy, and Corporate Tax Behavior. *Notes:* Solid colored arrows represent the main causal pathways. Blue arrows show the PI-to-FP transmission through the statutory rate channel and the enforcement channel. Orange arrows show FP-to-CTB pathways annotated with Propositions P1 (asymmetric firm responses: aggressiveness rises sharply with rate increases but falls only weakly with reductions) and P2 (enforcement displacement: domestic enforcement tightening shifts avoidance offshore). The green arrow captures the CTB-to-feedback pathway. The red curved arrow (P4) is the recursive feedback loop: corporate behavioral responses erode the revenue base and generate electoral pressure that constrains subsequent ideological fiscal choices. Dashed gray arrows indicate moderating influences: moderators (left panel) attenuate or amplify ideology-to-policy transmission; transmission conditions (right panel), including political connections (P3), determine whether fiscal signals produce observed corporate behavioral responses. P3 (rent-seeking access): politically connected firms achieve lower effective tax rates regardless of the prevailing ideological regime. ETR = Effective Tax Rate; BTD = Book-Tax Difference; CBCR = Country-by-Country Reporting; MNE = Multinational Enterprise; SOE = State-Owned Enterprise.

4.4 Measurement and Proxies for Political Ideology

Empirical research on the ideology-taxation nexus requires observable proxies, because ideology, understood as the policy orientation and normative preferences of political actors, does not map directly onto fiscal aggregates or statutory provisions. The proxies used at the macro and micro levels differ in nature, and this difference shapes the type of causal inference available in each strand. For the purposes of this review, a study is classified as directly measuring *ideology* when its primary variable is a party label, elite self-placement score (e.g., PELA survey), or partisan donation record. Studies whose primary variable is a democracy index, political stability score, or governance indicator are classified as measuring *institutional context* rather than ideology per se; they are retained in the corpus because they document enforcement-channel and credibility-channel moderators that the framework predicts, but they are not treated as primary PI→FP evidence. This distinction is applied consistently across Table 5, where a proxy-type column identifies each study's classification as *Party/Elite*, *Regime/Stability*, or *Uncertainty*.

At the macro level (PI → FP), ideology is commonly proxied by classifications of ruling parties or by institutional indices. Martorano (2018) differentiates Latin American governments according to

labels such as `Left,''`Social-Democratic,'' or "Radical Populist.'' Laopodis et al. (2016) employ a Conservative–Socialist distinction to assess political effects on fiscal conditions in Greece. Institutional indicators, such as the Democracy Index or Freedom House scores, are used to examine how political environments relate to outcomes such as public debt (Bougharriou et al., 2022).

At the micro level (PI → CTB), research shifts to managerial preferences and firm-level political connections. Four proxy families are represented in the corpus: (i) *party labels and partisan electoral shifts* (Jin et al. 2023; Samarakoon & Organ 2025); (ii) *elite ideology surveys* (Ramos-Medina & Piedra 2022); (iii) *CEO partisan donations* (Hsieh et al., 2025); and (iv) *ownership and board connections* including SOE political affiliation (Yusuf et al., 2025) and board members with prior political experience (Bona-Sánchez et al., 2020). Families (i)–(iii) are directly comparable as measures of partisan orientation; family (iv) captures political access rather than ideology per se, though the two mechanisms are theoretically linked through the rent-seeking channel of P3.

A consistent pattern across this literature is that empirical identification more often reveals ideology channeling access to preferential fiscal treatment than producing broad statutory changes. Firm-level studies employing Effective Tax Rates (ETR), Book-Tax Differences (BTD), and quasi-experimental approaches show that political connections facilitate regulatory leniency and favorable tax positions (Bona-Sánchez et al., 2020; Hsieh et al., 2025). The observable effects of ideology emerge most clearly through targeted influence and access, rather than through uniform ideological shifts in tax legislation.

4.5 The Econometric Toolkit: Identification Strategies and Causal Inference

Fiscal policy research faces recurrent challenges related to endogeneity, omitted variables, and reverse causality. Firms may adjust their tax behavior in response to ideological shifts, yet these same behaviors influence political actors by altering lobbying pressures or shaping the fiscal feasibility of reforms. These bidirectional mechanisms motivate the use of quasi-experimental designs, though the corpus reviewed here reflects a field still in methodological transition. Other/Descriptive approaches remain the most common single category (28 studies, 30.4%), followed by DiD and event-study designs (25 studies, 27.2%), panel fixed effects (20 studies, 21.7%), and OLS (10 studies, 10.9%). Quasi-experimental designs, DiD, IV, PSM, and Synthetic Control combined, account for 35.9% of the sample, indicating that causal identification is gaining ground but has not yet displaced correlational approaches as the dominant methodological practice in this literature.

The strongest causal evidence comes from Difference-in-Differences (DiD) and event-study designs based on discrete policy shocks, including staggered state-level tax reforms in the United States (Jin et al., 2023), tax amnesty programs affecting Indonesian firms (Khan & Nuryanah, 2023; Nuryanah & Gunawan, 2022), and structural reforms such as the abolition of Taiwan's imputation system (Kuo, 2022; Luna & Murray, 2010). International reforms also create useful quasi-experiments: the closure of the Double Irish regime has been used to examine profit-shifting and real activity adjustments through DiD and propensity score matching (Samarakoon & Organ, 2025). These settings provide sharp temporal contrasts that improve internal validity by comparing affected and unaffected firms around well-defined legislative events.

When quasi-exogenous shocks are unavailable, Instrumental Variables (IV) strategies are employed. Other applications exploit pre-reform administrative expenditures as proxies for differential exposure to legislative changes (Marx, 2015).

A substantial segment of the literature relies on panel regressions with fixed effects or standard multivariate approaches. While these models address some unobserved heterogeneity, they remain subject to omitted-variable bias, behavioral persistence, and reciprocal interactions between policy and firm decisions. Notable examples include studies of cost behavior (Haga et al., 2019), macroeconomic sensitivity

of tax outcomes (Shevlin et al., 2019), offshore income responses (Jiang et al., 2018), and profit shifting (Maffini & Mokkas, 2011). Such designs receive moderate quality assessments given their limited ability to isolate causal mechanisms.

A separate caveat applies to DiD studies with staggered treatment timing. Standard two-way fixed effects (TWFE) estimators produce biased estimates when treatment effects are heterogeneous across cohorts, because earlier-treated units act as inappropriate controls for later-treated units (**?**). Several studies in this review use staggered state-level or country-level reforms without cohort-robust estimators. The most consequential case for this review is Jin et al. (2023), whose staggered US state-level tax reform design is the primary evidentiary anchor for P1. If that study relies on standard TWFE without cohort correction, the P1 confidence rating should be read as "suggestive'' pending replication under cohort-robust alternatives (Borusyak et al., 2024; Callaway & Sant'Anna, 2021); if robust estimators were employed, P1's quasi-experimental standing is fully maintained. Across the 25 DiD and event-study studies in this corpus, we identify this limitation as present where the original design is staggered and the paper does not report heterogeneity-robust estimates. Where this limitation is identifiable, we give greater weight to conclusions corroborated across designs. Implementing cohort-robust alternatives and reporting event-study plots with pre-trend tests should be a baseline requirement for future work in this literature.

Where parallel trends are tenuous, particularly in macro-level studies comparing countries across ideological transitions as in the PI→FP studies of Table 5, doubly robust estimators that combine inverse-probability-weighted DiD with outcome regression, or Synthetic Control (SC) methods that construct counterfactuals from donor pools, offer greater credibility than standard TWFE. The one SC study in this corpus (Table 2, Panel B) illustrates this approach. Future macro-level work on ideology and fiscal balances would benefit from applying SC or doubly robust DiD/SC hybrid methods to the country-level reform settings documented in Table 5, where regime transitions make standard parallel trends assumptions difficult to defend and appropriate donor pools are available from the broader cross-country panel.

Regarding instrumental variables, the two conditions for valid identification, namely relevance and exclusion, are jointly demanding in political economy settings. The most widely adopted approach in this literature instruments CEO partisan ideology through regional political preferences, on the assumption that local ideological climates shape donation behavior but do not directly influence firm-level tax outcomes except through the CEO's political orientation (Hsieh et al., 2025). However, regional political preferences may correlate with local enforcement culture, industry composition, or social capital norms, generating alternative paths from instrument to outcome that the exclusion restriction does not permit. With only 6 IV studies in this corpus, formal model-averaging across IV specifications is not feasible, but this structural limitation motivates regression discontinuity designs exploiting close electoral outcomes as an alternative identification strategy that more cleanly isolates the causal effect of partisan composition on fiscal and firm-level outcomes. Studies in this review generally acknowledge exclusion restriction concerns and conduct sensitivity analyses, but few provide formal falsification tests.

5 Macro-Level Linkage: Ideology, Budgetary Policy, and Tax Structure

The relationship between political ideology and macro-fiscal governance manifests in differences in fiscal balance management, the cyclicality of fiscal decisions, and the design of national tax systems. The evidence shows that ideology matters, but its effects depend on political cycles, institutional stability, and international constraints. These patterns operate through two channels that structure the analysis in this

section. The first is the statutory tax rate channel, through which ideological positions shape headline rates and the composition of direct and indirect taxation. The second is the enforcement channel, through which ideology shapes the intensity and predictability of tax administration, including audit focus and compliance initiatives. Firm-level responses to each channel are examined in Section 6.3; this section documents the macro-level evidence on how partisan orientation shapes the fiscal environment through which those responses are transmitted.

5.1 Ideology, Political Cycles, and Fiscal Management

Political ideology shapes how governments manage fiscal resources, but the strength and direction of this relationship depend critically on institutional context, income level, and the type of ideological proxy used. The eight studies summarized in Table 5 span four decades and four income-group configurations, and their collective evidence points to three cross-cutting patterns.

The first pattern is that programmatic ideology produces measurable fiscal effects when measured directly at the elite level. Examining Latin America from 1990 to 2015, Martorano (2018) finds that Social Democratic administrations preserved greater countercyclical fiscal space than their counterparts, suggesting that ideological preferences shape structural fiscal capacity beyond discretionary spending choices. Ramos-Medina and Piedra (2022) extend this finding across 18 Latin American countries (1994–2019) using direct elite ideology measurement through the PELA survey, showing that left-wing parliamentary elites consistently favor expansionary stances while right-wing elites favor consolidation. These two studies provide the strongest evidence for the PI→FP channel because they measure ideology directly rather than through party labels or regime indices.

A second and counterintuitive pattern qualifies the strength of ideological fiscal signals. Electoral competition and compliance culture can function as attenuators, redirecting partisan fiscal commitments toward opportunistic rather than programmatic behavior. Examining Greece across five decades (1970–2014), Laopodis et al. (2016) demonstrate that approximately half of observed deficit fluctuations arose from the interaction between partisan alternation and endemic tax evasion, regardless of whether Conservatives or Socialists governed, suggesting that where compliance norms are structurally weak, opportunistic fiscal adjustment overshadows the programmatic differences that partisan theory predicts. This finding is not idiosyncratic: Haziri et al. (2025) show that higher political stability independently improves VAT collection and reduces informality in Kosovo (2010–2022), establishing a broader principle that regime credibility mediates the enforcement dimension of ideological fiscal commitments. Together, these two studies provide a scope condition on the statutory rate channel: ideological fiscal signals are most behaviorally consequential when compliance norms are strong and the political environment is stable; where they are not, the signal-to-noise ratio in the PI→FP→CTB chain degrades and opportunistic fiscal dynamics displace programmatic ideological effects.

The third pattern is that external constraints, including multilateral conditionality and globalization, modify but do not eliminate ideological fiscal autonomy. Tomkiewicz and Postuła (2020) reach a parallel conclusion for EU member states (1995–2017), finding that despite statutory-rate competition from globalization, partisan choices remain consequential for tax revenue structure. In Arab democratizing countries (2002–2013), Bougharriou et al. (2022) document a nonlinear relationship between democratic transition and public debt, with debt rising during early transition and declining once institutional stability improves, reflecting the fiscal instability that political uncertainty introduces into the PI→FP transmission.

A cross-cutting finding with direct implications for the two-channel framework is that political uncertainty weakens both channels simultaneously. Brown et al. (2024) and Delis et al. (2020) show that high tax rate volatility reduces firms' commitment to irreversible planning and increases reliance on

flexible debt shifting, indicating that ideological instability, not only the direction of ideology, shapes corporate behavioral responses. This finding bridges the macro and micro levels and motivates the credibility dimension of the statutory rate channel developed in Section 4.

Table 5: Key Studies Linking Political Ideology to Fiscal Outcomes (PI → FP)

Study	**PI Proxy**	**FP Outcome**	**Primary Finding**	**Relevance to PI → FP**
Martorano (2018) Latin America, 1990–2015	Party ideology (Left, Social-Democratic, Radical Populist)	Primary fiscal balance (% GDP)	Social Democratic administrations preserved greater countercyclical fiscal space than other groups.	Ideology shapes structural fiscal capacity beyond discretionary spending.
Laopodis et al. (2016) Greece, 1970–2014	Party control (Conservative vs. Socialist)	Government budget deficit (% GDP)	Political alternation interacts with endemic tax evasion to explain nearly half of deficit variability.	Electoral cycles and compliance culture attenuate ideological fiscal signals.
Ramos-Medina & Piedra (2022) Latin America, 1994–2019	Parliamentary elite Left-Right self-placement (PELA survey)	Fiscal reforms; expansive vs. restrictive stance	Left-wing elites consistently favor expansionary positions; right-wing elites favor consolidation, across 18 countries.	Direct elite ideology measurement links programmatic preferences to fiscal stance.
Bougharriou et al. (2022) Arab world, 2002–2013	Freedom House democracy index	Public debt / GDP ratio	Inverted-U relationship: debt rises during democratic transition, then falls once institutional stability improves.	Regime transition introduces nonlinear fiscal risks interacting with ideological transmission.
Chowdhury & Islam (2010) LMICs	IMF conditionality (neoliberal vs. developmental)	Fiscal space for social spending	Standard debt thresholds lack empirical basis; developing countries retain more fiscal space than IMF benchmarks imply.	Multilateral ideological constraints independently restrict redistributive fiscal choices.
Haziri et al. (2025) Kosovo	Political regime stability index	GDP; VAT compliance	Higher political stability is associated with improved VAT collection and reduced informality.	Regime stability mediates the enforcement dimension of ideological fiscal commitments.
Brown et al. (2024); Delis et al. (2020) US; MNE panels	Tax rate volatility / policy uncertainty index	Investment in tax planning; profit-shifting method	High uncertainty reduces commitment to irreversible planning and increases reliance on debt shifting.	Political instability weakens transmission of ideological preferences into stable corporate responses.

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Table 5 – continued

Study	PI Proxy	FP Outcome	Primary Finding	Relevance to PI → FP
Tomkiewicz & Postura (2020) EU member states	Globalization exposure; political discretion indicator	Tax revenue structure; public revenues	Governments retain meaningful fiscal autonomy; partisan choices remain consequential despite globalization.	Statutory-rate competition does not fully neutralize ideological fiscal decisions.

Note: Table includes all 8 studies in the sample that directly measure partisan ideology or political regime orientation as a primary independent variable explaining macro-level fiscal outcomes (PI to FP channel). PI proxies using democracy or stability indices (Bougharriou et al., 2022; Haziri et al., 2025) capture regime orientation rather than left-right party ideology; this distinction is discussed in Section 4.3.

5.2 Ideological Preferences in Tax Policy Design

Political ideology shapes tax system design, including the balance between direct and indirect taxation. Evidence from EU member states, particularly in Central and Eastern Europe, shows greater reliance on consumption taxes and lower personal and capital income tax rates than the wider EU average (Bougharriou et al., 2022). These patterns are commonly interpreted as politically driven strategies aimed at maintaining competitiveness amid mobile capital.

The empirical case for ideologically motivated tax cuts as a growth instrument is weak. In a meta-analysis of corporate tax reductions, Dobbins & Jacob (2016) find that once publication bias is corrected for, the average effect on economic growth is statistically negligible. This result challenges the economic rationale frequently advanced in support of tax-cut platforms.

Firm-level evidence adds nuance to this debate. For European firms between 2005 and 2016, declining statutory rates and effective tax rates (ETRs) converged, a pattern documented by Thomsen & Watrin (2018) that signals a reduction in avoidance incentives. Although lower rates may therefore reduce avoidance pressures, their limited macroeconomic benefits suggest that such policies may reflect electoral strategy or international signaling rather than empirically grounded expectations of economic stimulus.

Despite competitive pressures from globalization, governments retain meaningful fiscal autonomy, as demonstrated by Tomkiewicz and Postuła (2020). Initiatives such as the global minimum tax proposal illustrate broad political recognition that unilateral tax policy is constrained by corporate mobility, prompting coordination efforts even among ideologically divergent governments (Mintz, 2022).

The macro-level evidence reviewed in this section speaks directly to the transmission conditions of the two-channel framework. The eight studies in Table 5 collectively establish that partisan ideology shapes fiscal environments through the statutory rate channel and the enforcement channel, but that the strength of transmission depends on institutional stability, compliance culture, and electoral competition. This pattern is the macro foundation on which P1 (asymmetric response) and P2 (enforcement displacement) rest, as ideologically driven rate changes and enforcement shifts generate the fiscal signals that firms translate into behavioral responses in the following section. The credibility of those signals, not merely their direction, determines the magnitude of firm-level reactions, a theme that connects the macro evidence here to the micro evidence in Section 6.3 and to the confidence gradients assessed in Section 9.

6 Micro-Level Linkage: Ideology and Corporate Tax Behavior

Micro-level evidence provides a detailed account of how political ideology shapes corporate tax behavior. Firms translate ideological signals into strategic responses through three main channels, developed in turn in the subsections that follow. Section 6.3.1 examines how direct political connections lower firms' tax burdens by facilitating preferential administrative treatment or relaxed enforcement. Section 6.3.2 shows that managerial ideology and governance structures influence the intensity of tax avoidance, as executives' political preferences and behavioral traits affect their propensity to exploit tax-planning opportunities. Section 6.3.3 documents how firms adjust their tax strategies in anticipation of, or in reaction to, policy changes associated with ideological shifts, altering avoidance behavior, investment decisions, and cost structures. Together, these channels illustrate how macro-level ideological orientations shape firm-level tax outcomes through both institutional access and managerial decision-making.

6.1 Direct Political Connection and Tax Burden Minimization

A recurrent finding in the empirical literature is that firms with political ties enjoy lower effective tax burdens. In Spain between 2003 and 2013, non-financial listed firms whose boards included politically

connected members systematically reported lower ETRs, suggesting privileged access to regulatory discretion, as documented by Bona-Sánchez et al. (2020).

The same mechanism operates in settings where the state acts as a shareholder. Indonesian state-owned enterprises (SOEs) with political affiliations exhibit higher tax avoidance, reflected in significantly lower ETRs (coefficient: –0.256, $p < 0.01$) and larger book-tax differences (BTDs) (Yusuf et al., 2025). These outcomes indicate that political control can influence tax compliance directly through relaxed enforcement or preferential treatment. Non-state ownership structures likewise affect tax minimization: foreign and institutional participation in Indonesian manufacturing firms correlates with greater tax minimization efforts, as captured by the Tax Compliance Ratio (Tarmidi et al., 2022). Following Indonesia's 2008 tax amnesty (the Sunset Policy), the effect of foreign ownership intensified, with firms increasingly engaging in aggressive tax behavior (Nuryanah & Gunawan, 2022).

Taken together, this body of evidence establishes that political rent-seeking, rather than the mere exploitation of general legislative provisions, generates differentiated tax outcomes. Politically connected firms consistently reduce their fiscal burden relative to otherwise comparable entities, underscoring political influence as a central determinant of heterogeneous corporate tax outcomes (Bona-Sánchez et al., 2020; Yusuf et al., 2025).

6.2 Managerial Ideology, Governance, and Avoidance Behavior

Managerial ideology also plays an important role in shaping corporate tax strategy. In the United States, Hsieh et al. (2025) find that firms led by CEOs with Republican political leanings, proxied by political donations, tend to report lower ETRs, consistent with more aggressive avoidance. The institutional environment moderates this effect: it is stronger in communities with lower social capital, where weaker norms of trust and civic engagement reduce the reputational and social constraints on aggressive tax planning (Hsieh et al., 2025). This moderating role of social capital is consistent with the VoC prediction developed in Section 4: in institutional environments resembling Liberal Market Economies, managerial ideology effects are amplified because relational governance constraints are weaker.

Managerial psychology provides a further channel through which individual characteristics, beyond ideological preferences, shape tax aggressiveness. Kubick & Lockhart (2017) show that overconfident CEOs, identified through the receipt of prominent media awards, report significantly higher discretionary book-tax differences and increased foreign income shifting in the post-award period, consistent with recognition reinforcing risk appetite and lowering the perceived cost of aggressive tax positions. This finding complements the ideological channel by demonstrating that behavioral traits interact with the fiscal environment: overconfidence amplifies avoidance responses that ideology alone would not predict.

Political governance reforms can also alter managerial incentives in ways that unintentionally promote tax avoidance. Kubick et al. (2020) find that the voluntary adoption of clawback provisions following the Dodd–Frank Act is associated with lower ETRs, greater use of tax haven subsidiaries, and higher tax-related auditor fees. As managers face stronger demands for reported earnings quality, they increasingly turn to tax strategies that enhance reported performance, indicating that governance-driven accountability can paradoxically intensify tax minimization efforts.

6.3 Corporate Behavioral Responses to Policy Shifts

Firms exhibit asymmetric behavioral responses to tax policy changes. The most direct evidence comes from US state-level corporate income tax adjustments over the period 2000–2020, where increases in statutory rates induced statistically significant rises in tax aggressiveness, measured through abnormal book-tax differences and permanent book-tax differences, while rate reductions produced only muted responses (Jin et al., 2023). This asymmetry is consistent with loss aversion in after-tax income optimization: firms

treat a tax increase as a loss relative to their reference point and devote more resources to restoring their post-tax position, whereas a tax cut is treated as a gain that elicits only limited adjustment. The Meltzer–Richard mechanism reinforces this asymmetry: redistributive governments that raise rates do so in response to structural electoral pressures that signal durability, making avoidance investment more rational than it would be under a transitory rate change. An important methodological qualification applies: the staggered DiD design in Jin et al. (2023) is subject to treatment-effect heterogeneity bias if cohort-robust estimators were not employed (Callaway & Sant'Anna, 2021; Goodman-Bacon, 2021); this qualification is carried forward into the confidence assessment in Section~9. Corroborating evidence from OECD countries shows that firms reduce cost stickiness in anticipation of rate cuts (Haga et al., 2019), consistent with forward-looking adaptation but not with the large-scale avoidance escalation triggered by rate increases. It should be noted that this pattern rests on a limited number of studies concentrated in the United States, and its generalizability to CME institutional environments remains an open empirical question.

Policy-induced tax burdens also affect real economic outcomes. Multinational enterprises reduce innovative activity and tangible investment when facing high corporate taxation: higher rates correlate with fewer patent applications by European subsidiaries (Karkinsky & Riedel, 2012) and a reduction in affiliate capital stock of approximately 5.6% for every 10 percentage point increase in the host-country rate (Becker & Riedel, 2012). These findings demonstrate that ideological decisions regarding tax policy can shape the spatial distribution of both intangible and tangible assets.

Firms frequently anticipate politically driven policy changes, adjusting their behavior before reforms are enacted. Examining OECD countries, Haga et al. (2019) document that companies reduced selling, general, and administrative (SG&A) cost stickiness ahead of expected corporate tax rate cuts, positioning themselves to benefit from impending reforms. Anticipatory strategies of this kind undermine the intended fiscal impact of reforms and underscore the forward-looking nature of corporate tax planning.

The micro-level evidence reviewed in this section provides the behavioral foundation for three of the four propositions. P1 (asymmetric response) is supported by the US state-level DiD evidence of Jin et al. (2023), corroborated by the anticipatory cost-management behavior in Haga et al. (2019). P3 (rent-seeking access) receives its strongest and most consistent support here: politically connected firms in Spain, Indonesia, and the United States systematically achieve lower effective tax rates across markedly different institutional environments and ideological regimes (Bona-Sánchez et al., 2020; Hsieh et al., 2025; Yusuf et al., 2025). The managerial ideology and governance evidence in Section 6.3.2 extends P3 by showing that political proximity operates through board composition, ownership structure, and CEO partisanship simultaneously. The evidentiary confidence assigned to each of these propositions in Section 9 reflects both the density of evidence reviewed here and the identification strategies on which it rests.

7 Institutional Mechanisms Shaping Corporate Tax Behavior

Institutional quality is not a passive backdrop to ideological fiscal choices; it is a transmission mechanism. Administrative capacity determines whether statutory rate signals reach firms with the credibility necessary to alter behavior, and enforcement intensity determines whether compliance norms are maintained or exploited under different ideological regimes. Three patterns emerge from the evidence reviewed in this section. First, investment in administrative capacity yields compliance benefits that serve both redistributive and efficiency-oriented ideological goals, suggesting that enforcement quality represents a rare domain of potential cross-ideological consensus. Second, domestic enforcement tightening produces displacement rather than elimination of avoidance for multinational firms, reinforcing P2. Third, politically motivated rate increases carry compliance elasticity risks that can undermine their own revenue objectives,

thereby constraining the statutory rate channel.

7.1 Enforcement and Administrative Quality

The quality of tax administration shapes both sides of the compliance decision, determining the costs firms face when complying and the risks they bear when avoiding. Dabla-Norris et al. (2020) show that higher tax administration quality in developing economies raises firm productivity, particularly among young and small enterprises, through reduced compliance costs, a finding that connects administrative capacity directly to the enforcement channel of the framework. Digitalization amplifies this effect, given that a higher E-government Development Index is associated with reduced VAT gaps across EU member states (Zídková et al., 2024), and mandatory e-invoicing in Rwanda strengthened audit deterrence and raised net VAT payments (Kotsogiannis et al., 2025). Together these findings establish that digital administrative investment raises the perceived cost of non-compliance without requiring corresponding increases in statutory rates, a mechanism of particular relevance for ideologically constrained governments unable to raise rates without triggering avoidance escalation.

The enforcement channel, however, operates asymmetrically across firm types in a manner that has direct implications for the policy efficacy of ideologically motivated compliance initiatives. De Simone et al. (2023), employing a difference-in-differences design around discrete enforcement tightening events, establish that domestic enforcement increases cause multinationals to expand offshore avoidance rather than reduce total avoidance, a displacement response that leaves aggregate evasion unchanged even as domestic compliance improves, while domestic-only firms, lacking the jurisdictional flexibility that multinational structures provide, exhibit a compliance response in the expected direction. This asymmetry supports P2 (enforcement displacement) and implies that enforcement-only strategies, however politically popular, cannot close the compliance gap for multinationals without coordinated international action. The evidence for this finding is concentrated in high-income OECD settings; whether displacement effects are smaller in lower-capacity environments, where multinational presence is limited, is an open empirical question that the present literature has not addressed. A cross-cutting implication for policymakers follows from this asymmetry: investment in administrative capacity simultaneously advances efficiency goals (reducing compliance costs for productive domestic firms) and redistributive goals (raising revenue from avoidance), making enforcement capacity a rare area of potential cross-ideological convergence, provided that international coordination mechanisms are in place to prevent the multinational displacement effect from nullifying domestic compliance gains.

7.2 Policy Uncertainty and Tax Planning Investment

The stability of the political environment shapes not only the tax rates firms face but also how they respond to them. Brown et al. (2024) find that elevated policy uncertainty reduces firms' willingness to invest in high-commitment avoidance strategies, proxied by long-term tax planning expenditure and auditor fees. Under uncertainty, Delis et al. (2020) show that MNEs substitute flexible, reversible instruments, particularly debt shifting, for irreversible strategies such as transfer pricing. This behavioral shift has a paradoxical implication: ideologically motivated governments that generate high policy uncertainty may inadvertently reduce the sophistication of firms' avoidance behavior in the short run, while simultaneously encouraging a portfolio of flexible avoidance tools that are harder to detect and regulate. The credibility of ideological fiscal commitments therefore matters independently of their direction: a stable right-wing low-rate platform and a stable left-wing high-enforcement platform both generate more predictable corporate tax behavior than an unstable platform of either orientation. This finding extends the statutory rate channel by showing that rate credibility, not rate level alone, determines the behavioral response.

7.3 Tax Policy and the Shadow Economy

Politically motivated rate increases carry a non-linear compliance risk that the two-channel framework must account for. In the Baltic states, increases in VAT and income tax rates are associated with shadow economy expansion (Giedraitis et al., 2024), suggesting that the statutory rate channel has a behavioral tipping point beyond which rate increases produce avoidance escalation rather than revenue gains. Excise taxation provides the sharpest evidence of this mechanism: Tarashchenko et al. (2025) and Cooper & Witt (2012) document that excise incidence above approximately 70 percent is strongly correlated with illicit market expansion, establishing a quantifiable threshold beyond which politically motivated rate increases become self-defeating. This threshold effect introduces a non-linearity into P1 (asymmetric response): firms do not escalate avoidance monotonically as rates rise; at sufficiently high levels, avoidance shifts from formal tax planning to informal non-compliance, with qualitatively different implications for enforcement strategy.

The macroeconomic costs of evasion compound this dynamic. In emerging economies, higher evasion rates reduce economic growth and depress foreign direct investment inflows (Khasawneh et al., 2025; Wiafe et al., 2024), creating a second-order feedback loop: politically motivated rate increases that push firms into the shadow economy erode the tax base, reduce growth, and ultimately constrain the fiscal space available to subsequent administrations, a mechanism that reinforces P4 (recursive feedback) at the macro level. Table 6 consolidates the FP→CTB evidence from Sections 6.3 and 7 for comparative reference.

Table 6: Mechanisms Linking Political/Fiscal Policy to Corporate Tax Behavior (PF → CTB)

Policy / Institutional Variable	**CTB Outcome**	**Empirical Finding**	**Mechanism / Moderator**
Panel A: Statutory Rate Channel			
Corporate tax rate increases	Tax aggressiveness (ABTD; PBTD)	Rate increases induce significant rises in aggressiveness; rate reductions yield only muted responses, consistent with loss-aversion.	Asymmetric defensive response; avoidance resources reallocated.
CIT rate differentials (Karkinsky & Riedel, 2012)	Patent applications by subsidiary	Higher host-country CIT rates reduce patent filings; intangible capital relocates to low-tax jurisdictions.	Statutory rate drives tax-motivated spatial reallocation.
Affiliate capital sensitivity (Becker & Riedel, 2012)	Affiliate fixed assets	A 10 pp increase in host-country CIT reduces affiliate capital stock by approximately 5.6%.	Statutory rate determines cross-border investment location.
Anticipatory cost management	SG&A cost stickiness	Firms reduced cost stickiness ahead of expected corporate tax cuts in OECD countries.	Forward-looking adjustment to credible ideological tax platforms.
Panel B: Enforcement Channel			
Domestic enforcement tightening	Foreign tax avoidance (*Away_ETR_TA*)	Domestic enforcement increases are associated with greater offshore avoidance by MNEs.	Enforcement displacement: avoidance substitutes across borders.
E-government index (Zídkova et al., 2024)	VAT gap (EU member states)	Higher EGDI is significantly associated with lower VAT gaps.	Digitalization enhances audit deterrence and monitoring.
Mandatory e-invoicing	Net VAT payments; audit efficiency	E-invoicing in Rwanda raised net VAT compliance and payments.	Administrative digitalization as enforcement mechanism.
Tax administration quality	Firm productivity (developing economies)	Higher TAQI scores correlate with greater productivity via lower compliance costs.	Administrative capacity reduces compliance burden.
Panel C: Political Access and Managerial Ideology			

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Table 6 – continued

Policy / Institutional Variable	**CTB Outcome**	**Empirical Finding**	**Mechanism / Moderator**
Board political connections (Bona-Sánchez et al., 2020)	ETR (Spain, 2003–2013)	Firms with politically connected directors reported systematically lower ETRs.	Rent-seeking access facilitates regulatory forbearance.
CEO partisan ideology	ETR; Cash ETR; BTD	Republican-leaning CEOs associated with lower ETRs; effect stronger in low-social-capital communities.	Managerial ideology shapes aggressiveness; social norms moderate.
SOE political affiliation	ETR; BTD (Indonesia)	Politically affiliated SOEs exhibit lower ETRs (coeff: -0.256, $p < 0.01$) and larger BTDs.	State ownership enables political capture of compliance decisions.
CEO overconfidence (Kubick & Lockhart, 2017)	Discretionary BTD; foreign income shifting	Award-winning CEOs show higher discretionary BTD and increased shifting post-award.	Psychological traits amplify risk preferences in tax decisions.
Clawback adoption	ETR; tax haven subsidiaries	Firms adopting clawback provisions report lower ETRs and greater tax haven use.	Governance demands redirect effort toward tax minimization.
Panel D: Compliance Elasticity and Shadow Economy			
Tax rate increases and shadow economy	Shadow economy size (Baltic states)	VAT and income tax rate increases are associated with shadow economy expansion.	Compliance elasticity: politically motivated rate hikes exceed thresholds.
Excise tax incidence (Tarashchenko et al., 2025; Cooper & Witt, 2012)	Illicit trade market share	Excise incidence above approximately 70% is strongly correlated with illicit market expansion.	Behavioral tipping points in high-demand goods markets.
Tax policy uncertainty	Tax planning investment; debt shifting	High uncertainty reduces irreversible planning; MNEs shift toward flexible debt-based tools.	Policy instability shortens planning horizons.

Note: CTB = Corporate Tax Behavior; ETR = Effective Tax Rate; BTD = Book-Tax Difference; ABTD = Abnormal BTD; PBTD = Permanent BTD; MNE = Multinational Enterprise; SOE = State-Owned Enterprise; SG&A = Selling, General, and Administrative expenses; TAQI = Tax Administration Quality Index; EGDI = E-government Development Index; pp = percentage points.

The institutional evidence reviewed in this section elaborates the enforcement channel with two qualifications that bear directly on the propositions. First, the displacement finding of De Simone et al. (2023) is the evidentiary anchor for P2: domestic enforcement tightening causes multinationals to expand offshore avoidance rather than reduce total avoidance, while domestic-only firms comply. This asymmetry is not a peripheral finding; it is the mechanism that makes enforcement-only strategies structurally insufficient without international coordination. Second, the policy uncertainty evidence of Brown et al. (2024) and Delis et al. (2020) introduces a credibility dimension into P1, in that it is not rate level alone but rate stability that determines the scale of firm-level behavioral responses. Both qualifications are carried forward into the confidence assessment in Section 9 and into the policy implications of the conclusion.

8 Profit Shifting and Tax Base Erosion

The global mobility of multinational enterprises exposes a fundamental vulnerability in national tax bases: ideological choices concerning tax rates are frequently undermined by corporate profit shifting. The ideological dimension of this relationship is direct. Right-wing governments that pursue statutory rate reductions to attract capital may inadvertently reduce the incentive to shift, but only if their reforms are credible and sustained. Left-wing governments maintaining high statutory rates under redistributive agendas face greater shifting pressure, which erodes the revenue base their spending commitments require. Furthermore, the intensity with which governments implement anti-avoidance measures and participate in international cooperation frameworks, including Base Erosion and Profit Shifting (BEPS) and the Global Minimum Tax, reflects ideological choices about sovereignty, multilateral governance, and fiscal competitiveness. The evidence reviewed in this section speaks directly to P2 (enforcement displacement) and P4 (recursive feedback): tightening enforcement in one jurisdiction displaces shifting rather than eliminating it, and the aggregate revenue losses from shifting constrain the fiscal scope available to subsequent ideological administrations.

8.1 Dynamics of Profit Shifting

Profit shifting is highly responsive to differences in corporate income tax (CIT) rates across jurisdictions (Garcia-Bernardo & Janský, 2024). Country-by-Country Reporting (CBCR) data, available under BEPS Action 13, now permits more precise quantification of shifting magnitudes. Garcia-Bernardo & Janský (2024) and Bratta et al. (2024) estimate that profit shifting exceeded $850 billion in 2017, generating revenue losses of approximately $200–$300 billion globally. The responsiveness exhibits an inverse-U shape, with the most intense shifting directed toward extremely low-tax jurisdictions, a pattern that the 15% global minimum tax floor (Pillar Two) is designed to attenuate but cannot fully eliminate because meaningful rate competition remains possible above the floor (Mintz, 2022). This structural feature implies that the ideological choice to maintain high domestic statutory rates, more common among redistributive left-leaning administrations, generates disproportionate shifting pressure precisely where revenue is most needed to finance public spending commitments.

This responsiveness also exposes the structural vulnerability of developing economies. Johannesen et al. (2016) show that the sensitivity of reported profits to tax incentives is significantly greater in low- and middle-income countries than in high-income countries. Developing countries' tax bases are therefore more easily eroded by multinational profit shifting, regardless of their specific domestic policy choices, reinforcing the necessity for global coordination.

The mechanisms of shifting are precise and sophisticated. Using Danish manufacturing exporters, Cristea & Nguyen (2016) find that MNEs reduced export unit values by approximately 5.7% to 9.1%

when transacting with affiliates in low-tax jurisdictions. This intra-firm price manipulation is a key channel for relocating profits from high-tax to low-tax locations. The evidence demonstrates the systemic nature of externalities in the global tax environment: an ideologically driven decision by Country A to maintain high CIT rates generates measurable fiscal consequences in Country B, specifically through reduced revenues in the jurisdiction that receives shifted profits. This interdependence confirms that national tax policy choices are not purely sovereign decisions; they carry significant externalities for other nations, and particularly for vulnerable low- and middle-income countries (Johannesen et al., 2016).

8.2 Effectiveness of Anti-Avoidance Measures

In response to tax base erosion, governments implement anti-avoidance measures, often driven by political and popular pressure. Empirically, these reforms show mixed results owing to corporate adaptation. Alexander et al. (2020) find that base-broadening measures and anti-avoidance rules enacted across European countries between 2003 and 2013 successfully reduced profit shifting, demonstrating the effectiveness of prescriptive policy design. Fundamental structural reforms can similarly curtail shifting incentives: China's 2008 tax reform proactively reduced the scope for profit shifting by foreign firms by integrating domestic and foreign tax regimes (Lu & Wang, 2024).

Specific policy closures, however, frequently trigger behavioral substitution. Samarakoon & Organ (2025) estimate that the closure of the "Double Irish'' arrangement led to approximately US$59 billion in royalty redirection back to the United States in 2020. Despite this apparent success, a substantial portion of previously shifted profits remained offshore, likely redirected to alternative avoidance structures (Samarakoon & Organ, 2025).

The initial tolerance and eventual closure of such loopholes illustrate how ideologically motivated fiscal design choices can generate persistent revenue costs that outlast the political calculations that produced them. Structures like the Double Irish were tolerated because they served politically legible objectives, attracting foreign direct investment and signaling openness to mobile capital, yet the cumulative revenue losses they enabled ultimately constrained the fiscal space available to subsequent administrations. This dynamic is a direct manifestation of the recursive feedback mechanism underlying P4: corporate behavioral responses to politically motivated fiscal design erode the revenue base and reshape the ideological choices available to governments that inherit it.

8.3 Avoidance Techniques in Specific Contexts

Corporate and individual tax behavior demonstrates considerable adaptability in response to specific tax policies. In the case of private firms, targeted tax mechanisms can incentivize targeted evasion. Marques et al. (2011) find that Portuguese private firms manipulate earnings through discretionary accruals to minimize the impact of the Special Payment on Account (SPA) mechanism, particularly around regulatory thresholds. This manipulation is positively correlated with higher income tax rates, demonstrating clear tax-rate elasticity in compliance behavior among private entities.

Evasion techniques are also visible in the property market. Following Italy's 2008 reform, Di Porto et al. (2021) document that high-wealth families strategically used inter vivos property transfers to avoid secondary property taxes. This illustrates how granular, localized political decisions on tax design produce precise and measurable avoidance responses.

Finally, Demir & Javorcik (2020) find that firms facing sudden increases in import taxes, such as Turkey's Resource Utilization Support Fund (RUSF), engage in immediate tactical evasion that is detectable through deviations from Benford's law in trade data.

The profit-shifting evidence reviewed in this section closes the empirical record for P2 and P4. For P2, the CBCR-based evidence confirms that enforcement tightening in one jurisdiction displaces rather

than eliminates avoidance, with the displacement flowing disproportionately toward low-tax jurisdictions and generating externalities for low- and middle-income countries (Johannesen et al., 2016). For P4, the fiscal feedback dimension of the recursive chain is directly evidenced, in that ideologically driven rate decisions and tolerated loopholes erode the revenue base available to subsequent administrations (Garcia-Bernardo & Janský, 2024; Samarakoon & Organ, 2025), constraining the fiscal space within which future ideological choices are made. The political feedback dimension of P4, namely that revenue erosion reshapes party platforms and constrains the ideological choices available to successor governments, has no empirical counterpart in the corpus. This gap is not a peripheral lacuna; it is the closure condition for the full recursive loop that the framework formalizes. It is reported explicitly in Table 7, assessed in Section 9, and addressed as a research design priority in the future research agenda. Together, Sections 5–7 provide the full evidentiary record against which the four propositions are now formally evaluated.

9 Critical Synthesis, Research Gaps, and Directions for Future Inquiry

9.1 Mechanisms Through Which Ideology Shapes Corporate Tax Behavior: Evidence Synthesis

The analysis of 92 studies reviewed in Sections 5–7 makes it possible to address **RQ1** and **RQ2** jointly by identifying four mechanisms through which political ideology operates on corporate tax behavior: (i) an *asymmetric rate-response mechanism*, whereby firms escalate avoidance more sharply in response to ideologically driven rate increases than they reduce it following equivalent rate cuts (P1, bearing on RQ1 and RQ2); (ii) an *enforcement displacement mechanism*, whereby domestic enforcement tightening under redistributive governments shifts rather than eliminates avoidance among multinationals, redirecting it offshore (P2, bearing on RQ1 and RQ2); (iii) a *political access mechanism*, whereby proximity to the prevailing political regime consistently reduces effective tax burdens regardless of the ideological direction of that regime (P3, bearing primarily on RQ2); and (iv) a *recursive fiscal feedback mechanism*, whereby the aggregate revenue consequences of firm-level behavioral responses erode the fiscal space available to subsequent administrations and constrain future ideological choices (P4, closing the loop on both RQs). Table 7 maps the empirical evidence behind each mechanism, specifying the identification strategy used, the direction of the finding, the quality tier, and the geographic scope of each study.[1]

[1] * The commensurability conditions for meta-analytic aggregation across these mechanisms, namely comparable outcome operationalization, equivalent identification strategies, and institutional homogeneity, are not satisfied in the current corpus. See Section 2 for the formal justification of the structured narrative approach.

Table 7: Proposition–Evidence Matrix: Identification Strategy, Finding Direction, Quality, and Geographic Scope

Prop.	Study	ID Strategy	Key Finding	Direction	Quality	Geography
P1: Asymmetric response — aggressiveness rises more sharply after ideologically motivated rate increases than it falls after equivalent decreases						
P1	Jin et al. (2023)	DiD (staggered)	Rate ↑ → significant ABTD/PBTD rise; rate ↓ → muted response. Core quasi-experimental evidence for P1.	Supports	High	US states
P1	Haga et al. (2019)	Panel FE	Firms cut SG&A stickiness ahead of expected rate cuts; forward-looking but asymmetry not directly tested.	Partial	Medium	OECD (HI)
P1	Giedraitis et al. (2024)	Panel FE	VAT and income tax rate increases → shadow economy expansion; tipping-point non-linearity in P1.	Supports	Medium	Baltic states (HI)
P1	Tarashchenko et al. (2025); Cooper & Witt (2012)	Descriptive	Excise incidence >70% strongly correlated with illicit market expansion; quantifiable P1 threshold.	Partial	Medium	Multi-country
P2: Enforcement displacement — domestic enforcement tightening expands offshore avoidance rather than reducing total avoidance						
P2	De Simone et al. (2023)	DiD	Domestic enforcement ↑ → MNEs expand offshore avoidance (Away_ETR_TA); domestic firms comply. Core evidence for P2.	Supports	High	US MNEs
P2	Delis et al. (2020)	Panel FE	Policy uncertainty → MNEs substitute flexible debt shifting for transfer pricing; uncertainty-driven displacement.	Partial	Medium	European MNEs (HI)
P2	Karkinsky & Riedel (2012)	Panel FE	Higher host CIT → fewer patents; intangibles relocate to low-tax jurisdictions.	Supports	High	European MNEs (HI)

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Table 7 – continued

Prop.	Study	ID Strategy	Key Finding	Direction	Quality	Geography
P2	Kotsogiannis et al. (2025)	DiD	E-invoicing → domestic VAT compliance ↑; no multinational displacement tested.	Mixed	High	Rwanda (LMIC)
P2	Samarakoon et al. (2025)	DiD + PSM	Double Irish closure → $59bn royalty repatriation; residual shifting to alternative structures persists.	Partial	High	Ireland / US (HI)
P3: Rent-seeking access — political proximity reduces ETR regardless of the prevailing ideological regime						
P3	Bona-Sánchez et al. (2020)	Panel FE	Politically connected directors → systematically lower ETRs across ideological regimes.	Supports	High	Spain (HI)
P3	Yusuf et al. (2025)	Panel FE	Politically affiliated SOEs: ETR coeff -0.256 ($p < 0.01$); larger BTDs.	Supports	High	Indonesia (LMIC)
P3	Hsieh et al. (2025)	IV / 2SLS	Republican-leaning CEOs → lower ETRs; stronger in low-social-capital communities.	Supports	High	US (HI)
P3	Kubick & Lockhart (2017)	Event study	Award-winning CEOs → higher discretionary BTD and foreign income shifting post-award.	Partial	High	US (HI)
P3	Kubick et al. (2020)	DiD	Clawback adoption → lower ETRs, more tax haven subsidiaries; governance redirects to tax minimization.	Mixed	High	US (HI)
P4: Recursive feedback — corporate behavioral responses erode the revenue base and constrain subsequent ideological fiscal choices						
P4	Garcia-Bernardo et al. (2024)	CBCR descriptive	Global profit shifting >$850bn (2017); revenue loss $200–300bn erodes fiscal space for subsequent administrations.	Supports	High	Global (Multi)
P4	Johannesen et al. (2016)	Panel FE	Profit sensitivity to tax incentives significantly greater in LMICs; disproportionate base erosion.	Supports	High	Global (Multi)

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Table 7 – continued

Prop.	Study	ID Strategy	Key Finding	Direction	Quality	Geography
P4	Nguyen et al. (2023)	Panel FE	Avoidance-driven revenue losses amplify fiscal imbalances in high-evasion environments.	Supports	High	Emerging economies (LMIC)
P4	Samarakoon et al. (2025)	DiD + PSM	Tolerated loopholes generate cumulative revenue costs that outlast political calculations that created them.	Supports	High	Ireland / US (HI)

Note: Direction codes: **Supports** = finding is consistent with the proposition under the epistemological conditions in Section 4.2; **Partial** = finding is consistent with a component of the proposition but does not address the full mechanism; **Mixed** = finding is partly consistent and partly inconsistent, or its design does not discriminate between the proposition and the main alternative. Quality tiers follow the three-dimension assessment described in Section 2: High ($n = 34$); Medium ($n = 58$). ID strategy abbreviations: DiD = Difference-in-Differences or event study; IV = Instrumental Variables or 2SLS; Panel FE = panel fixed effects; Desc. = descriptive or OLS. Geographic scope: HI = High Income; LMIC = Low- and Middle-Income Country; Multi = multi-country panel. The final row for P4 (political feedback) reports "No study in corpus" explicitly to prevent the absence of evidence from being conflated with evidence of absence: the gap is a research frontier, not a null result.

Reading across Table 7, four structural patterns shape the confidence gradients assigned in the following subsection. First, the density of high-quality evidence varies substantially across mechanisms. The political access mechanism (P3) is supported by five high-quality studies pointing in a consistent direction across three countries and three distinct channels of access, while the asymmetric rate-response mechanism (P1) rests its core quasi-experimental evidence on a single DiD study conducted in US states. Second, causal identification is concentrated in the enforcement displacement and political access mechanisms. The DiD and IV designs in this corpus speak primarily to P2 and P3, whereas P1 and the fiscal feedback dimension of P4 rely on panel fixed effects and descriptive approaches. Third, geographic diversity is highest for the political access and recursive feedback mechanisms, which draw on evidence from Spain, Indonesia, the United States, and a global CBCR panel; the asymmetric rate-response and enforcement displacement mechanisms are identified primarily in high-income, Anglo-Saxon settings. Fourth, the political dimension of the recursive feedback mechanism (P4) is not a weak result but an absence of any result, representing a structural gap in the corpus that reflects a genuine frontier in research design, not a deficiency of the current search strategy.

9.2 Mechanism-by-Mechanism Confidence Assessment

The first mechanism is the *asymmetric rate response* (P1), which carries moderate confidence, geographically limited. The core quasi-experimental evidence (Jin et al., 2023) is methodologically strong, employing staggered DiD across US states to establish that ideologically driven rate increases induce significantly larger avoidance responses than equivalent rate reductions. The theoretical account is supplied by the Meltzer–Richard mechanism developed in Section 4, whereby redistributive rate increases signal durable structural electoral pressure, making avoidance investment more rational than it would be under a transitory rate change, while rate cuts signal a stable low-rate environment that reduces the marginal return to avoidance. An important caveat applies to this evidentiary anchor. Standard two-way fixed-effects estimators in staggered DiD designs can produce biased estimates under treatment-effect heterogeneity across cohorts (Goodman-Bacon, 2021). If Jin et al. (2023) relies on TWFE without cohort-robust corrections (Borusyak et al., 2024; Callaway & Sant'Anna, 2021), the P1 confidence rating should be read as suggestive, pending replication under cohort-robust estimators, rather than as a fully established quasi-experimental result. This qualification does not eliminate the theoretical plausibility of P1, but it renders the causal claim contingent on methodological verification that the current corpus cannot supply. In addition, this mechanism rests on evidence concentrated in US Liberal Market Economy settings. The Varieties of Capitalism framework predicts attenuated asymmetry in Coordinated Market Economies, where relational governance raises the reputational cost of aggressive avoidance following redistributive rate increases. This geographic scope condition should be treated as an explicit qualification in any policy application of findings derived from this mechanism.

The second mechanism is *enforcement displacement* (P2), which carries moderate confidence and is MNE-specific. The DiD result of De Simone et al. (2023) is the evidentiary anchor and is methodologically credible, demonstrating that domestic enforcement tightening causes multinationals to expand offshore avoidance rather than reduce total avoidance, while domestic-only firms exhibit stronger compliance responses. This pattern is consistent across panel fixed effects studies of patent location and profit shifting. However, the mechanism is specific to multinational enterprises in high-income settings. The e-invoicing evidence of Kotsogiannis et al. (2025) for Rwanda shows strong domestic compliance gains without the multinational displacement effect, suggesting that enforcement investment in low-MNE contexts may be more effective than the displacement mechanism implies. The confidence assigned here therefore carries a scope condition. The mechanism holds for multinationals in high-income OECD environments, while its generalizability to purely domestic contexts or to low- and middle-income settings

with limited multinational presence remains uncertain.

The third mechanism is *political access* (P3), which carries high confidence and is the most robustly evidenced finding in the corpus. Three structurally distinct channels of political proximity, namely board-level connections (Bona-Sánchez et al., 2020), state ownership and political affiliation (Yusuf et al., 2025), and managerial partisan ideology (Hsieh et al., 2025), all produce the same directional result, namely lower effective tax rates for politically proximate firms, across markedly different institutional environments, legal traditions, and prevailing ideological regimes. The cross-country triangulation across Spain, Indonesia, and the United States, spanning liberal and non-liberal market settings, makes the result difficult to attribute to institutional idiosyncrasy. The IV identification strategy in Hsieh et al. (2025) provides the strongest causal anchor in the corpus. The remaining identification challenge is reverse causality, given that firms which benefit from aggressive tax strategies have strong incentives to cultivate political connections to preserve them, a simultaneity that current instruments address only partially and that regression discontinuity designs exploiting close electoral outcomes could more credibly resolve.

The fourth mechanism is *recursive fiscal feedback* (P4), which carries bifurcated confidence. Its fiscal feedback dimension is well-evidenced, while its political feedback dimension remains unverified. The fiscal dimension, that revenue erosion constrains the fiscal space available to subsequent administrations, is directly supported by high-quality evidence across multiple designs and geographies. The CBCR analysis of Garcia-Bernardo & Janský (2024), the cross-country panel of Johannesen et al. (2016), and the quasi-experimental closure study of Samarakoon & Organ (2025) collectively establish that firm-level behavioral responses to ideological rate decisions generate aggregate revenue consequences that persist across political cycles. The political feedback dimension, that revenue erosion feeds back to reshape party platforms and constrain future ideological choices, has no direct empirical counterpart among the 92 included studies. This gap is consequential. Without the political feedback dimension, the PI→FP→CTB chain is recursive in its fiscal dimension but not in its political dimension. Closing this gap requires research designs that span the full causal loop, combining electoral data, administrative tax records, and quasi-experimental variation in partisan composition, and crossing the disciplinary boundary between corporate finance and comparative political economy.

9.3 The Endogeneity of Ideology and Institutional Quality

The endogeneity challenges in this literature take three distinct forms that affect the propositions differently and require separate identification strategies. The first is institutional endogeneity. Policies associated with compliance improvements, such as joining the Global Forum (Guigma, 2025) or deploying e-invoicing systems (Kotsogiannis et al., 2025), are adopted precisely by governments with pre-existing institutional capacity, bureaucratic integrity, and judicial effectiveness. These features are not exogenous moderators; they are cumulative products of long-term ideological priorities and resource allocation decisions. Studies that treat institutional quality as a conditioning variable without instrumenting for it risk attributing to administrative reforms effects that are partly caused by the political economy processes that made those reforms possible.

The second form is reverse causality in the political connections literature, which is most directly relevant to P3. The available evidence shows that politically connected firms achieve lower effective tax rates, but the direction of causation is not fully resolved, given that firms which benefit from aggressive tax strategies have strong incentives to cultivate political ties, generating a simultaneity between connection and avoidance that available instrumental variable strategies address only partially. Regression discontinuity designs exploiting close electoral outcomes, to identify exogenous variation in the partisan composition of regulatory bodies, offer a more credible identification strategy and remain unused in this literature.

The third form is feedback endogeneity in P4: corporate behavioral responses alter the fiscal environment that subsequent political actors inherit, meaning that the ideological variable in period $t+1$ is partly determined by corporate behavior outcomes in period t. This loop is theoretically central to the framework but empirically the hardest to identify, since it requires panel data spanning multiple electoral cycles and a credible source of exogenous variation in both ideology and corporate behavior simultaneously. No study in the corpus attempts this identification, which is why the political feedback dimension of P4 remains a theoretical prediction. Of the 92 included studies, only 6 (6.5%) employ instrumental variable designs, and none exploits a regression discontinuity at electoral thresholds, the design most naturally suited to identifying ideological effects on fiscal choices.

9.4 Future Research Agenda: Disentangling Ideological Mechanisms

Future research should deepen the causal understanding of how political ideology shapes fiscal policy and corporate tax behavior by moving beyond descriptive correlations and isolated quasi-experiments. The central challenge is evidentiary credibility. Only 35.9% of studies in this corpus employ quasi-experimental designs capable of supporting causal claims, while the majority rely on panel fixed effects or descriptive approaches whose estimates are subject to omitted variable bias and reverse causality. Raising the evidentiary standard requires a deliberate shift toward causal identification strategies that exploit plausibly exogenous variation in ideological and fiscal conditions. Close elections, legislative thresholds, staggered reform adoptions, and text-based measures of ideological intensity extracted from manifestos or budget speeches offer promising instruments for capturing ideological variation more precisely than simple party labels (Laopodis et al., 2016; Martorano, 2018).

A second priority is the study of long-run dynamics. Much existing evidence captures short-term defensive responses, such as anticipatory cost adjustments before tax cuts (Haga et al., 2019) or sharp avoidance escalation after rate hikes (Jin et al., 2023), but cannot determine whether these responses persist, revert, or compound over time. Longer-horizon panels spanning multiple electoral cycles are required to establish whether ideologically driven fiscal changes produce persistent behavioral adaptation, whether firms eventually revert to baseline tax strategies once a reform is fully priced in, or whether policy stability, independent of rate levels, enables the development of durable avoidance infrastructures that resist subsequent enforcement.

A third priority, and the most structurally consequential gap in the corpus, is closing the political feedback dimension of P4. The fiscal dimension of the recursive chain, specifically that revenue erosion constrains subsequent administrations' fiscal space, is well-evidenced. Its political dimension, namely that revenue erosion reshapes party platforms and feeds back into the ideological choices of future governments, has no direct empirical counterpart among the 92 included studies. Closing this gap requires research designs that cross the disciplinary boundary between corporate finance and comparative political economy, combining electoral data and party manifesto coding (e.g., the MARPOR corpus) with administrative tax records and quasi-experimental variation in partisan composition, such as regression discontinuity designs at close electoral thresholds. This design would permit researchers to test whether revenue shortfalls generated by corporate avoidance under one ideological regime shift the redistributive language, enforcement commitments, or statutory rate platforms of successor parties, which is precisely the prediction that P4's political feedback mechanism requires but that no existing study attempts.

A fourth avenue concerns digital governance and its interaction with ideology. The expansion of e-invoicing, automated audit systems, and administrative digitalization has demonstrably improved detection capacity (Kotsogiannis et al., 2025), but causal evidence on whether these reforms alter underlying compliance norms, as opposed to merely raising perceived detection risk, is largely absent. Regression discontinuity designs exploiting firm-size thresholds for mandatory e-invoicing adoption,

or difference-in-differences designs exploiting staggered national rollouts, would allow researchers to separate deterrence effects from norm-shifting effects, a distinction with direct implications for whether digitalization constitutes a durable institutional change or merely a temporary enforcement escalation.

Cross-country and institutional comparisons remain the most underdeveloped dimension of the literature. The VoC framework developed in Section 4 generates testable predictions about institutional heterogeneity that the existing corpus has not systematically evaluated. P1 asymmetry should be larger in LME settings; P2 displacement should be smaller in CME settings where relational governance raises the reputational cost of offshore avoidance; and P3 connection effects should vary with the legal tradition and administrative discretion available to connected parties. Extending causal identification strategies to emerging markets and developing economies, where profit-shifting vulnerabilities and compliance constraints are more pronounced (Johannesen et al., 2016), would test whether the propositions established here generalize and would explain why similar ideological commitments yield divergent fiscal outcomes across jurisdictions.

Two methodological priorities deserve specific emphasis. The first is the systematic adoption of cohort-robust estimators for staggered difference-in-differences designs (Borusyak et al., 2024; Callaway & Sant'Anna, 2021), accompanied by event-study plots with pre-trend testing as a baseline reporting requirement. The second concerns quantitative synthesis. Once a sufficient number of studies employing comparable ETR definitions and identification strategies accumulates, particularly outside LME settings, a formal meta-regression of P3 evidence would permit publication-bias assessment and moderator analysis of whether connection effects vary systematically with institutional context. The present corpus does not yet satisfy the commensurability conditions for such aggregation; see Section 2 for the formal justification.

Evidentiary credibility is the binding constraint on progress in this literature. The credibility revolution in empirical economics (Angrist & Pischke, 2010) has transformed identification standards in labor economics, development economics, and public finance, but its penetration into the political economy of taxation remains uneven (Goldsmith-Pinkham et al., 2024). Stronger causal identification, longer time horizons, richer cross-country institutional variation, and systematic adoption of cohort-robust quasi-experimental methods are not incremental improvements; they are the conditions under which this literature can move from documenting patterns to supporting policy-relevant causal claims about how ideological fiscal choices shape corporate behavior and feed back into political outcomes.

10 Discussion

The evidence synthesized in Sections 5–9 supports a set of theoretical implications that extend beyond the four propositions and beyond the specific literature on taxation. This section draws out three cross-cutting implications for theory, one for institutional design, and one for the interdisciplinary positioning of the PI→FP→CTB research agenda.

10.1 Theoretical Implications

The most consequential theoretical implication concerns the nature of ideological transmission. The two-channel framework demonstrates that ideology does not need to operate through explicit partisan declarations to generate systematic firm-level behavioral effects; it operates through the statutory rate and enforcement environments that ideology shapes, and those environments are observable even when ideology itself is not directly measured. This inferential structure has broader implications for political economy research, suggesting that the behavioral traces of ideological choices are recoverable from micro-level data even in institutional contexts where direct ideology measurement is unavailable or unreliable.

A second theoretical implication concerns the asymmetry between ideological stability and

ideological direction. The evidence consistently shows that it is not whether a government is left-leaning or right-leaning that primarily determines corporate tax behavior in the aggregate, but whether its ideological commitments are credible and durable. This credibility asymmetry is grounded in the Meltzer–Richard mechanism, insofar as credible redistributive rate increases generate avoidance investment that is rational precisely because of the signal's durability, but the implication extends further. Stable platforms of either orientation generate more predictable compliance behavior and lower avoidance intensity than unstable platforms of either orientation. This finding implies that ideological polarization, by generating regime uncertainty, is itself a form of fiscal inefficiency independent of the platforms' substantive content.

A third implication concerns the endogeneity of institutional quality. The evidence reviewed in Section 7 establishes that administrative capacity, digitalization, and enforcement intensity are not neutral moderators of ideological fiscal choices but are themselves cumulative outputs of long-run ideological priorities. This endogeneity means that studies treating institutional quality as a conditioning variable without instrumenting for it risk misattributing to administrative reforms effects that are partly generated by the political economy processes that made those reforms possible. Addressing this endogeneity requires longitudinal research designs that span multiple ideological transitions and administrative investment cycles.

10.2 Implications for Institutional Design

The cross-ideological convergence point identified in Section 7, namely that investment in enforcement capacity serves both redistributive and efficiency-oriented goals simultaneously, has an under-examined institutional design implication. If administrative quality is simultaneously an ideological output and a cross-ideological public good, then institutional arrangements that insulate enforcement capacity from short-run ideological disruption, including independent revenue authorities, multi-year administrative budgets, and digitalization commitments that persist across electoral cycles, generate fiscal stability benefits that neither ideological camp can fully capture unilaterally but both benefit from collectively. The design of such arrangements is an interdisciplinary question spanning public administration, political science, and fiscal sociology that the present corpus has not systematically addressed.

10.3 Positioning the Research Agenda

The research agenda proposed in Section 9 is grounded in the credibility revolution standards of empirical economics (Angrist & Pischke, 2010), but implementing those standards in the PI→FP→CTB literature requires crossing disciplinary boundaries that individual research traditions rarely cross. Corporate finance provides the firm-level tax outcome data; comparative political economy provides the partisan and institutional variation; public finance provides the causal identification strategies. The P4 political feedback gap identified in this review, namely that revenue erosion reshapes party platforms, is precisely the gap that requires all three simultaneously. This interdisciplinary requirement is not merely a desideratum for comprehensive understanding; it is a methodological necessity for testing the recursive structure that is the theoretical contribution of this framework.

Conclusion

This review offers the first synthesis of the relationship between political ideology, fiscal policy choices, and corporate tax behavior as a recursive causal chain operating simultaneously across macro and micro levels. Whereas prior work has advanced within isolated disciplinary domains, with macroeconomics documenting partisan effects on fiscal aggregates, accounting and finance examining managerial ideology

and enforcement environments, and political science analyzing institutional constraints, the evidence reviewed here shows that these strands form interdependent components of the same causal process. The process is not unidirectional. Corporate behavioral responses to ideology-driven fiscal policy erode the revenue base, alter enforcement pressures, and generate lobbying activity that constrains or reshapes the ideological agendas that produced them. This recursive structure is the theoretical contribution of the framework developed in Section 4, and its implications for theory, institutional design, and the interdisciplinary research agenda are elaborated in Section 10.

The proposition-evidence matrix in Table 7 makes visible what the narrative evidence tables cannot, namely the steep confidence gradient across the four propositions. P3 (rent-seeking access) is the most robustly evidenced proposition, with five high-quality studies triangulating across three countries and three mechanisms. P1 (asymmetric response) and P2 (enforcement displacement) are supported by credible quasi-experimental evidence but rest on a narrow geographic base and are qualified by institutional scope conditions derived from the Meltzer–Richard and VoC frameworks. P4's fiscal feedback is directly evidenced; its political feedback dimension remains an open research frontier with no empirical counterpart in the corpus.

Two findings from the synthesis carry implications that extend beyond the four propositions. First, the credibility of ideological fiscal commitments matters independently of their direction. Stable right-wing low-rate platforms and stable left-wing high-enforcement platforms both generate more predictable corporate tax behavior than ideologically unstable platforms of either orientation. Frequent ideological transitions produce policy uncertainty that pushes firms toward flexible, defensive avoidance, discourages irreversible planning investment, and ultimately erodes the revenue base that both ideological platforms require to function. Second, administrative quality is not a neutral moderator of ideological fiscal choices but is itself an ideological output. Governments that invest in digitalization, e-invoicing, and audit capacity shape the enforcement environment in ways that persist across subsequent ideological transitions, embedding long-term fiscal consequences into administrative infrastructure rather than statutory rates.

Several limitations bound the scope of these conclusions. The evidence base is geographically concentrated in the United States, Western Europe, and a small number of emerging markets, and the VoC framework predicts that the scope conditions on P1 and P2 are binding, in that results from LME settings may not transfer to CME or LMIC environments without institutional adjustment. The restriction to WoS- and Scopus-indexed articles may introduce publication bias favoring statistically significant findings; a targeted citation-tracking search from the four anchor reviews (Table~1) was conducted as a partial mitigation, but residual bias cannot be ruled out. The restriction to quantitative empirical studies excludes foundational theoretical contributions from partisan political economy, including the work of Hibbs (1977) and Alesina et al. (1995) that underpins the framework but cannot itself be evaluated against the propositions. Only 35.9% of included studies employ quasi-experimental identification, leaving the evidentiary base methodologically heterogeneous, and the cohort-robustness of several staggered DiD designs, including the primary evidentiary anchor for P1, has not been verified.

For policymakers, the central practical implication, elaborated in Section 10, is that fiscal predictability is a public good with material behavioral consequences. Tax systems designed to be enforcement-credible and ideologically stable generate compliance behavior that is both more predictable and less avoidance-intensive than systems subject to frequent ideological disruption, and institutional arrangements that insulate enforcement capacity from short-run electoral cycles generate cross-ideological fiscal benefits that neither camp can fully capture unilaterally. For corporations, auditors, and investors, ideological transitions are material economic events that alter expected tax burdens, shift enforcement risk, and change the planning horizon over which avoidance investments are rational. For scholars, the binding constraint on progress is evidentiary credibility. The next generation of research must exploit quasi-experimental variation in ideological conditions, adopt cohort-robust estimators for staggered

designs, extend causal identification to non-OECD settings, and develop research designs capable of spanning the full recursive loop, including its political feedback dimension, that this framework formalizes but cannot yet fully evidence.

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Appendix A: Search Strategy and Keyword Definition

A.1 Exact Boolean Search Strings as Executed

The five search string combinations below were applied identically in Web of Science (WoS) Core Collection and Scopus. In WoS, the field tag `TS=` (Topic) restricts retrieval to Title, Abstract, and Keywords. In Scopus, the equivalent `TITLE-ABS-KEY` field was applied. In both databases, document types were filtered to *Article* only, excluding Book Chapters, Reviews, Conference Papers, Editorials, and Notes. All searches were concluded on 31 August 2025.

String 1 – Core triplet (PI × FP × PT): `("political ideology" OR "government partisanship" OR "left-wing government" OR "right-wing government" OR "partisan") AND ("fiscal policy" OR "tax policy" OR "corporate tax rate" OR "tax reform") AND ("tax avoidance" OR "tax compliance" OR "tax evasion" OR "effective tax rate" OR "profit shifting" OR "tax aggressiveness")`

WoS yield: 312 | Scopus yield: 489

String 2 – Ideology and fiscal governance (PI × FP): `("political ideology" OR "government ideology" OR "partisanship" OR "ideological orientation" OR "fiscal conservatism" OR "neoliberalism") AND ("fiscal policy" OR "public spending" OR "government expenditure" OR "fiscal balance" OR "tax structure" OR "tax system")`

WoS yield: 187 | Scopus yield: 294

String 3 – Ideology and corporate tax behavior (PI × PT): `("political ideology" OR "CEO partisanship" OR "managerial ideology" OR "political connections" OR "political ties") AND ("corporate tax" OR "tax avoidance" OR "tax planning" OR "effective tax rate" OR "book-tax difference" OR "tax aggressiveness")`

WoS yield: 298 | Scopus yield: 441

String 4 – Policy dynamics and fiscal outcomes (PD × FP): `("political transition" OR "regime change" OR "electoral shock" OR "policy reversal" OR "ideological shift" OR "political uncertainty") AND ("fiscal policy" OR "tax policy" OR "public finance" OR "tax reform")`

WoS yield: 221 | Scopus yield: 338

String 5 – Policy dynamics and corporate tax behavior (PD × PT): `("political transition" OR "regime change" OR "electoral shock" OR "policy reversal" OR "political uncertainty") AND ("tax avoidance" OR "tax compliance" OR "profit shifting" OR "corporate tax behavior" OR "tax planning")`

WoS yield: 225 | Scopus yield: 408

Combined unique records after deduplication (bibliometrix, R): **2,403**.

A.2 Keyword Families by Dimension

Table 8: Appendix A: Synthesis of Search Keywords by Dimension and Supporting SLR Sources

		Keyword Groups and Synonyms	**Supporting Sources / SLRs**
Dimension	Category	Keywords	Sources
Political Ideology	Broad terms	political ideology; political beliefs; political attitudes; political polarization; left-right politics; political party change; government partisanship; political ideology shift; partisan turnover; electoral change	Franzese (2002); Shin (2017); Kriesler & Nevile (2014).
	Specific ideologies	liberalism; social democracy; socialism; progressivism; conservatism; fiscal conservatism; neoliberalism; libertarianism; classical liberalism; left-wing government; right-wing government	Franzese (2002); Heimberger et al. (2019).
	Value-based terms	political values; moral foundations theory; equality; individual liberty; economic justice; social justice	Kriesler & Nevile (2014); Heimberger et al. (2019).
Fiscal Policy	Broad terms	fiscal policy; government spending; public finance; macroeconomic policy; tax policy; revenue policy; corporate tax rate; tax reform; fiscal austerity	Brandle & Elsener (2024); Franzese (2002); Jankowski & Wlezien (1993).
	Specific policy types	expansionary fiscal policy; contractionary fiscal policy; fiscal stimulus; automatic stabilizers; discretionary fiscal policy; austerity measures	Franzese (2002); Heimberger et al. (2019); Brandle & Elsener (2024).
	Policy objectives	income distribution; wealth redistribution; economic growth; poverty reduction; macroeconomic stability	Brandle & Elsener (2024); Kriesler & Nevile (2014).
Tax Behavior	Broad terms	tax behavior; tax compliance; tax evasion; tax avoidance; tax non-compliance; corporate tax behavior; corporate tax avoidance; corporate tax compliance; profit shifting; tax planning; firm tax strategy; tax aggressiveness	Amara & Khlif (2020); Hsieh et al. (2025); Shin (2017).
	Motivational & psychological factors	tax morale; civic duty; trust in government; tax fairness; tax complexity; tax perception; slippery slope framework; behavioral insights	Amara & Khlif (2020); Hsieh et al. (2025).
	Taxpayer types	individual taxpayer; corporate tax behavior; firm-level tax behavior; tax practitioners	Amara & Khlif (2020); Hsieh et al. (2025).

Note:
Prepared by the authors based on the systematic and structured reviews cited in each row.

Appendix B: Detailed Screening and Data Collection Protocol

This appendix describes the multi-stage screening and data extraction procedures applied in the systematic review. The protocol ensures consistency, replicability, and transparent documentation of all study selection decisions.

B.1 Screening Protocol for 258 Full-Text Eligible Papers

The full-text screening assessed a total of **258 potentially eligible papers** retrieved after database searching and deduplication. Titles, abstracts, and metadata were examined to determine preliminary fit with the review's scope. This stage applied the predefined inclusion and exclusion criteria to remove clearly irrelevant studies while retaining all papers with potential relevance.

The following procedures were applied during the first-step screening:

1. **Scope Verification:** Each study was evaluated for relevance to political ideology, fiscal policy, or corporate tax behavior. Papers outside these domains were excluded.
2. **Study Type Assessment:** Only empirical quantitative or mixed-method studies were retained. Conceptual, theoretical, qualitative-only, editorial, and commentary papers were excluded.

3. **Context and Unit of Analysis Check:** Eligible studies had to report evidence at the country, regional, firm, or managerial/CEO level. Papers focused solely on individual tax psychology without institutional context were excluded.
4. **Basic Eligibility Confirmation:** Papers were retained if they presented original analyses, used verifiable data, or contained extractable information relevant for later coding.

A total of **258 papers** passed this step and advanced to full-text eligibility assessment, where the detailed extraction protocol (Appendix C) was applied.

Table 9: Data Extraction and Synthesis Protocol for the Systematic Literature Review (SLR).

Data Point	Description	SLR Relevance
Paper ID/Citation	Full Citation and DOI.	Essential for traceability and referencing.
Geographic Context	Country/Region(s) studied (e.g., USA, OECD, Emerging Markets).	Contextualizes findings based on institutional environment.
Sample Period	Temporal range (e.g., 1990-2020) and unit of analysis (e.g., firm-year).	Confirms adherence to inclusion criteria and data level.
Ideology Measurement	How is Ideology operationalized (e.g., Left/Right score, CEO partisanship)?	Compares different proxies for ideological preferences.
Fiscal Policy Channel	Which channel is the focus: Statutory Tax Rates or Tax Enforcement?	Maps directly to the dual-channel theoretical framework.
Corporate Tax Behavior	Dependent variable (e.g., ETR, BTD, Tax Aggressiveness Score).	Identifies the specific corporate response studied.
Key Empirical Finding	Main result linking ideology/fiscal policy to corporate tax outcome.	Provides the essential evidence for synthesis.
Dynamic/Causal Focus?	Investigates Shifts/Changes (Dynamic) or Levels (Static)? (e.g., DiD/Event Study).	Addresses the SLR's focus on abrupt ideological changes.
Moderators/Mechanisms	Critical variables influencing the main relationship (e.g., economic crisis, firm size).	Captures the conditions and intervening factors.
Did use Econometric Causal Approach?	Binary (Y/N) indicator for causal techniques (e.g., IV, RDD, DiD).	Gauges the strength and reliability of the evidence.
Maintain?	Final decision (Y/N) based on inclusion/exclusion criteria.	Documents the final selection process.

Appendix C: LLM Data Extraction Protocol

This appendix documents the model specification, standardized prompt, verification procedures, and discrepancy resolution workflow used in the LLM-assisted data extraction stage.

Model specification and access period. Data extraction support was provided by GPT-4o (via ChatPDF), accessed between June and August 2025. The same model version was used throughout to ensure consistency in prompt-response behavior. The LLM processed full-text PDFs of included articles where access was available; for articles available only in abstract or author-manuscript form, it was applied to the longest available version. The model version is documented for reproducibility; readers attempting replication with a different model version or at a different access period should expect minor differences in tagging behavior and are advised to re-verify against the human-coded subsample.

Role of the LLM in the extraction workflow. The LLM performed a reading and tagging function only. For each article, it was prompted to identify and populate a fixed set of structured fields (see the Data Extraction Matrix in Appendix B). No inclusion or exclusion decisions were delegated to the LLM. All such decisions were made exclusively by the two human reviewers following the eligibility criteria described in Section 2. LLM-tagged fields were treated as draft annotations requiring human verification and were not used as final data.

Human verification and inter-rater reliability. To assess the reliability of the LLM-assisted tagging, a random subsample of 20 articles (approximately 22% of the final 92) was independently coded by both human reviewers without LLM assistance. Cohen's κ was calculated between each reviewer's independent coding and the LLM-tagged output for those 20 articles. Agreement was substantial to near-perfect ($\kappa = 0.81$–0.94) for structured

fields (identification strategy, dependent variable type, sample period) and moderate to substantial ($\kappa = 0.68$–0.79) for interpretive fields (quality tier, moderator classification). Where disagreements arose, the human reviewer's judgment took precedence and the LLM annotation was corrected. All discrepancies in the verification subsample are documented in the internal review log available from the corresponding author on request.

Standardized extraction prompt. The following prompt was submitted to the LLM for each article. A Chain-of-Thought (CoT) reasoning step was mandated to enhance tagging reliability:

> *You are a research assistant supporting a systematic literature review on political ideology, fiscal policy, and corporate tax behavior. For the article provided, please reason step by step (Chain of Thought) before populating each field. For each field in the extraction matrix below, first state what evidence in the article supports your answer, then provide the coded response. Fields: (1) Full citation; (2) Geographic context; (3) Sample period and unit of analysis; (4) Ideology measurement type and proxy; (5) Fiscal policy channel (statutory rate / enforcement / other); (6) Corporate tax behavior outcome variable; (7) Main empirical finding and direction; (8) Identification strategy (DiD / IV / Panel FE / OLS / Descriptive); (9) Moderators or mechanisms tested; (10) Quality assessment (High / Medium / Low) based on identification rigor, outcome measurement, and reporting completeness; (11) Inclusion decision (Y/N) with reason. Do not infer content not present in the article. If a field cannot be determined from the available text, enter "Not determinable." Respond in structured JSON.*

Table 10: *Data Extraction Matrix for Systematic Literature Review (SLR)*

Field / Variable	**Description and Measurement Detail**	**Purpose in SLR**
I. Administrative and Source Data		
Paper ID	Full citation (Authors, Year, Title).	Reference and tracking.
Journal	Name of the publishing journal.	Assess journal quality/reputation.
Type of Study	Confirm the paper is **empirical quantitative**.	Verify adherence to methodological exclusion criteria.
II. Study Scope and Characteristics		
Geographic Context	Country, region, or panel type (e.g., OECD, U.S. states, global panel).	Identify evidence origin and manage heterogeneity.
Unit of Analysis	The primary entity studied (e.g., country-level, state-level, firm-level, CEO/manager-level).	Link evidence to macro (policy) vs. micro (corporate behavior) questions.
Sample Period	Time frame covered by the data (e.g., 1980–2020).	Assess currency and relevance of evidence.
Sample Size	Number of observations/entity-years (N for cross-section, T for time-series).	Assess statistical power and robustness.
III. Key Variable Measurement		
A. Political Ideology (P_I)		
Measurement Type	Specify the proxy used (e.g., party control dummy, continuous ideology score).	Capture the ideological dimension.
Ideology Specifics	The specific numerical scale or index name utilized.	Ensure comparability across ideology measures.
B. Fiscal Policy Outcome (P_F)		
Dependent Variable 1 (Budgetary Policy)	Measure used for budgetary policy (e.g., total spending/GDP, budget surplus/deficit).	Analyze ideology's impact on government spending/revenue choices.
Dependent Variable 2 (Tax Policy)	Measure used for tax policy (e.g., statutory corporate tax rate, personal tax progressivity index).	Focus on the core area of the SLR: tax policy design.
C. Corporate Tax Behavior (P_T)		

Table continued

Field / Variable	**Description and Measurement Detail**	**Purpose in SLR**
Dependent Variable 3 (Corporate Behavior)	Measure used for corporate tax strategy (e.g., GAAP ETR, Cash ETR, BTD, tax haven utilization).	Analyze corporate reactions to ideological shifts.
D. Policy Dynamics (P_D)		
Change Mechanism	How the paper captures change (e.g., dummy for ideological regime shift, policy reversal index).	Evaluate the impact of ideological transitions and political uncertainty.
IV. Methodological Rigor and Primary Findings		
Econometric Model	The main method used (e.g., panel fixed effects, GMM, pooled OLS, logit).	Contextualize the complexity and statistical rigor of the analysis.
Identification Strategy	Method used to establish causality (e.g., DiD, IV, RD, close elections).	Assess the strength of causal evidence.
Moderators/Mechanisms	Other key variables tested (e.g., political polarization, globalization, firm size).	Address the mechanisms dimension of the research questions.
Primary Findings (Direction/Significance)	The key result (coefficient and p-value or t-statistic).	Extract the effect size for evidence mapping.
Quality Assessment Score	Final rating: high, medium, or low risk of bias.	Inform synthesis by weighting high-quality studies.

Appendix D: Ideology Proxy Comparability Across Studies

Table **??** documents the ideological proxy used in each of the 16 studies that directly or partially measure political ideology (Table 2, Panel C), classifying each into one of four proxy families and noting key comparability constraints. Studies using democracy or stability indices are classified as measuring institutional context and are used as enforcement-channel moderators rather than as primary PI→FP evidence (see Section 4.4 for the coding rule).

Table 11: *Ideology Proxy Comparability Across Studies Directly or Partially Measuring Political Ideology*

Study	**Proxy Used**	**Family**	**Comparability Notes**
Martorano (2018)	Party ideology (left, social-democratic, radical populist)	A: Party/Elite	Directly comparable to Laopodis et al. (2016); both use government party classification at the country-year level.
Laopodis et al. (2016)	Conservative vs. socialist party control	A: Party/Elite	Comparable to Martorano (2018); binary party classification.
Ramos-Medina & Piedra (2022)	PELA parliamentary elite left–right self-placement	B: Elite survey	Continuous ideological scale; the most precise measurement in the corpus; not directly poolable with binary party dummies.
Hsieh et al. (2025)	CEO partisan donations (Republican vs. Democrat)	C: CEO donations	Firm-level; IV/2SLS identification; comparable to Kubick & Lockhart (2017) in mechanism, but not in estimand.
Kubick & Lockhart (2017)	CEO overconfidence (award receipt proxy)	C: CEO donations	Captures a behavioral trait correlated with ideology; not a direct partisan measure; partial comparability with Hsieh et al. (2025).
Kubick et al. (2020)	Clawback adoption (governance reform)	C: CEO donations	Governance-driven; ideology is indirect; only partial ideological attribution.
Bona-Sánchez et al. (2020)	Board political connections (prior political experience)	D: Ownership/Board	Captures an access mechanism; country-specific (Spain); not directly poolable with SOE-based proxies.
Yusuf et al. (2025)	SOE political affiliation (state ownership)	D: Ownership/Board	State-ownership proxy; country-specific (Indonesia); ETR definition differs from Spain and U.S. studies.
Jin et al. (2023)	State-level partisan electoral shifts	A: Party/Elite	Partisan, event-driven measure; staggered DiD design; the most exogenous proxy in the corpus for the statutory-rate channel.
Samarakoon & Organ (2025)	Loophole closure (redistributive legislative agenda)	A: Party/Elite	Policy-event proxy; institutional context (Ireland/U.S.) independently documented.
Bougharriou et al. (2022)	Freedom House democracy index	E: Regime/Stability	Measures institutional context, not ideology; used as P4 moderator only.
Haziri et al. (2025)	Political regime stability index	E: Regime/Stability	Measures institutional context; used as an enforcement-channel moderator only.
Brown et al. (2024)	Tax rate volatility index	F: Uncertainty	Measures credibility of ideological commitment; used as a credibility-channel moderator for P1.
Delis et al. (2020)	Policy uncertainty index	F: Uncertainty	Comparable to Brown et al. (2024); both capture the regime-credibility dimension.
Tomkiewicz & Postuła (2020)	Political discretion indicator	F: Uncertainty	Composite measure; partially captures partisan autonomy; comparability with pure party proxies is limited.

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Table continued

Study	Proxy Used	Family	Comparability Notes
Shin (2017)	Government partisanship (left–right)	A: Party/Elite	Country-level party classification; comparable to Martorano (2018) and Laopodis et al. (2016).

Note. Proxy families: (A) Party/Elite = party labels or elite ideology survey scores; (B) Elite survey = parliamentary self-placement (PELA); (C) CEO donations = partisan donation records at firm level; (D) Ownership/Board = SOE affiliation or board political experience; (E) Regime/Stability = democracy or political stability indices; (F) Uncertainty = policy uncertainty or tax rate volatility indices. Families A–D measure partisan orientation and are comparable as PI evidence. Families E–F measure institutional context and are used as enforcement-channel moderators. PI = political ideology; ETR = effective tax rate; BTD = book-tax difference.