**Summary of replication paper**

Balán et al. (2022) use a randomized controlled trial in Kananga, the capital city of Kasaï-Central province of the DRC, to assess the extent of tax compliance depending on whether the tax collectors are local chiefs or provincial officials. The study speaks to the broader issue of how fragile states build capacity. Should such state leverage local power structures to improve its capacity to govern in the short run? Or will greater reliance on local elites interfere with building state capacity in the long run? The paper provides evidence on the short-run effects of delegation and/or collaboration with local elites on tax collection in the Democratic Republic of Congo (DRC), a state with one of the lowest tax-GDP ratios in the world and lowest compliance. Historically, states have delegated their functions, such as tax collection, to private entrepreneurs to economize on administrative costs. The previous literature has also highlighted local elites' role in establishing the state's legitimacy and improving the state's knowledge about local conditions. However, local elites could also use this increased control to extract greater rents and divert tax revenue for private use.

To investigate this tradeoff empirically, the study randomized the assignment of 356 neighborhoods, consisting of 45,162 properties, to four groups exposed to different tax collection mechanisms where tax collectors are i) provincial officials (Central), ii) provincial officials who benefited from consultation with local chiefs, (Local), iii) paired provincial official and local chief, or iv) a control group consisting of a declarative payment process. The authors The primary outcome variable is tax compliance and comes from administrative data. The authors also collected information using a household survey that allowed them to measure willingness to pay, household income, property quality, and interactions with tax collectors.

The paper's main result is that the Local treatment achieves a 50% increase in tax compliance relative to the Central treatment. Tax messages also were effective in increasing compliance. However, tax collectors in the Local treatment were more likely to collect bribes than those in the Central treatment. Still, these additional bribes didn't lead to measurable differences in revenue mobilization. Importantly, tax collectors in the Local treatment are more likely to exempt the elderly and the disabled as required by law. The authors argue that the benefits of the delegation are due to the informational advantage of local elites. Notably, as state capacity increases, this informational advantage will dissipate, and a virtuous cycle can emerge through an initial rise in tax revenue mobilization due to delegation. Their analysis suggests that a revenue-maximizing government would need to weigh the social cost of bribing much higher than net tax revenue not to prefer to delegate tax collection to local elites. The authors conclude that the delegation of functions of the government to local elites can be a strategy for building state capacity in the short run.

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Our arguments:

1. Conceptual/Identification: Is it necessary to delegate to elites vs other local actors? (Footnotes 2 and 5—not sure this is accurate; plus, these states were not fragile. Weber definitely does mention the tradeoff, but the negative effect is framed as anti-capitalist b/c it creates a new group of special interests) In this context, are these elites? (Footnote 8)

In the ideal experiment, Team effects??

2) Mechanisms: Is persuasion really ruled out? Are visits really ruled out (it is the threat that maters)?

3) CONTEXT matters:

-Huge decentralization reform affects interpretation.

-Overall, very small amounts; P-A problem would be worse for the key tradeoffs. BUT 26% of provincial tax revenue.

-Relying on local elites to collect taxes has other impacts (social fabric disruption)

-Did bribe amounts actually increase?