The Non-Economic Functions of Insurgent Taxation:
Evidence from the Islamic State in Syria

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Previous studies of rebel governance predict that armed groups with access to natural resources will engage in looting rather than invest in building the complex bureaucracies that are necessary for taxation. This claim relies on an implicit assumption that the sole purpose of taxation is to collect revenue. I challenge this assumption with original data from 28 sub-districts governed by the Islamic State (IS) in Syria. The motivating puzzle is that IS imposes heavy taxes in oil-rich areas where existing theories predict low levels of taxation. The paper theorizes that this puzzle can be resolved by taking into account the non-economic benefits of taxation for insurgent groups, including (1) social control, (2) collective identity formation, and (3) demographic engineering. The quantitative and qualitative data presented in the paper suggests that IS imposes taxes that are not always economically rational but that nonetheless serve important functions in governance and state-building.
Introduction

Previous studies of rebel governance predict that armed groups with access to valuable natural resources will tend to engage in short-term, opportunistic looting rather than invest in building the complex bureaucracies that are necessary for taxation and long-term governance (Weinstein 2006; Collier and Hoeffler 2004). A related argument, often made in the “resource curse” literature, is that complex tax systems are most likely to be found in resource-poor states where governments have no alternative but to extract revenue from their populations (Ross 2004; Fearon and Laitin 2003). Such claims rely on an implicit assumption that the sole purpose of taxation is to collect revenue. I challenge this assumption with new evidence from the case of the Islamic State (hereafter “IS”), an insurgent group that taxes civilians in oil-rich areas of Syria, Iraq, and Libya, at levels that do not appear to be economically rational. For example, official IS financial records from the province of Deir Ezzor, which contains the largest oil field in Syria, indicate that IS obtained more than twice as much revenue from taxation ($6.1 million over a one-month period) as it did from oil and gas sales ($2.3 million over the same period) in that province (Table 1; for original document, see Figure 3). A Deir Ezzor newspaper reported that tax rates are higher under IS rule than they were previously under the Syrian regime (DeirEzzor24 2015), even though the local unemployment rate is estimated at 75 percent, and residents cannot afford to buy food, much less pay taxes (Sheikho 2016). One resident of Deir Ezzor was puzzled by IS’s decision to tax so heavily in an area where “they are already rich from oil. It makes no sense.”

Table 1. IS Revenues in Deir Ezzor Province

<table>
<thead>
<tr>
<th>Policy</th>
<th>Type of Income</th>
<th>Amount</th>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource Extraction</td>
<td>Gas</td>
<td>$342,000</td>
<td>$2,336,000 (Resource Extraction)</td>
</tr>
<tr>
<td></td>
<td>Oil</td>
<td>$1,993,000</td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>Asset Taxes</td>
<td>$1,998,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Electricity Fees</td>
<td>$331,000</td>
<td>$6,103,000 (Taxation)</td>
</tr>
<tr>
<td></td>
<td>Fines</td>
<td>$3,774,000</td>
<td></td>
</tr>
</tbody>
</table>

IS’s behavior in Deir Ezzor is surprising because the imposition of taxes is associated with significant economic and political costs. First, effective taxation requires a vast bureaucratic apparatus that is capable of documenting the assets and economic transactions of the population (Tilly 1975; North 1981; Scott 1998, 2009). Second, taxes are universally disliked (Gottheil 1998, 747) and are therefore a source of friction between state and society, particularly in conflict areas. Take, for example, Mogadishu, where nearly 20 percent of the city’s tax collectors have been murdered since 2012 (Mohamed 2014). Given these high costs, why would an insurgent group go through the trouble and expense of collecting taxes in areas where abundant natural resources should

1 Ahmad Mhidi, a Syrian journalist from Deir Ezzor, estimated that the unemployment rate in IS-controlled Deir Ezzor is around 75 percent. Interview with Ahmad Mhidi, May 2016.
2 Interview with Bassel (2), Gaziantep, November 2015.
eliminate the need for tax revenue? In this paper, I argue that the puzzle of taxation in oil-rich areas can be explained by taking into account the non-economic benefits of taxation for insurgent groups. In addition to the obvious role of taxation in collecting revenue, I draw on evidence from a variety of historical and regional contexts to theorize that the tax policies imposed by insurgent groups may promote governance through at least three different mechanisms: (1) social control, (2) collective identity formation, and (3) demographic engineering.

If I am correct that revenue collection is not the sole purpose of insurgent tax policies, we would expect to find evidence that insurgent groups are just as likely to collect taxes in resource-rich areas as they are in resource-poor areas—because even though taxation is not economically necessary, it still provides important non-economic benefits for state-building. I test this hypothesis with original data from the 28 sub-districts in Syria that have been governed by IS for at least three months since July 2013. The dataset was constructed from diverse primary sources including interviews with 83 Syrian civilians and combatants who have personally experienced IS governance; Twitter data generated by users in Syria; local news reports; and official documents issued by IS. Quantitative analysis of this data indicates, consistent with my theory, that IS is just as likely to impose taxes in oil-rich areas as it is in oil-poor areas. This finding calls into question existing theories that predict low levels of institutionalized taxation in resource-rich areas. Additionally, I present preliminary qualitative evidence to establish the plausibility of the three hypothesized non-economic mechanisms—(1) social control, (2) collective identity formation, (3) and demographic engineering—through which taxation may promote the insurgent group’s state-building objectives. I plan to test these mechanisms more rigorously in future work.

This paper proceeds in four parts. First, I explain the project’s relevance to existing literature and identify the original contributions that it makes. Second, I identify a puzzle—that IS imposes heavy taxes in oil-rich areas where taxation does not appear to be economically necessary—and propose a theory to explain it. Third, I present evidence, both qualitative and quantitative, in support of my hypothesis that insurgent groups derive non-economic benefits from the imposition of taxes. In the conclusion, I suggest avenues for future research.

1. Relevant Literature & Contributions

This paper seeks to connect the literatures on rebel governance and state formation with theories of taxation drawn from the disciplines of sociology and law. In doing so, I argue that greater attention should be given to the non-economic benefits of taxation for rebel governance, in addition to the obvious role that taxation plays in revenue collection and public finance.

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3 Research for this article was conducted under IRB protocol 1506016040. I conducted my own interviews in Arabic without a translator present. Because of the confidentiality procedures that were implemented to protect human subjects, interviewees are cited by pseudonyms. Citations indicate the city and the month in which the interview was conducted. Many subjects were interviewed more than once over the course of three research trips to southeastern Turkey in 2015 and 2016. If the cited interview was my second or third conversation with the subject, I mark it as (2) or (3).
Studies of European state formation have found that taxation operates in symbiosis with the parallel processes of social contract formation (Levi 1988; Lieberman 2003), the expansion of bureaucracies and militaries (Tilly 1990), and the introduction of representative political institutions (Boucoyannis 2015; Levi 1988; Prichard 2015). It has been argued that “raising revenue is the most basic task of the state. Before a state can protect its citizens, before it can provide justice or administer a bureaucracy, it needs to raise money” (Bräutigam 2002). The need to collect taxes is particularly acute for states facing the threat of inter-state war or subnational conflict. In Western Europe, competition between rival political entities fueled the creation of the extractive and administrative institutions that are necessary to finance professional armies (Tilly 1990; Mann 1986). These warmaking bureaucracies were the precursors of modern states. In the absence of valuable natural resources, rulers needed to extract revenue from their populations, either through consensual or coercive means. Over time, emerging European states came to prefer consensual taxation over coercive means of extraction because the latter were more likely to provoke resistance (Tilly 1990; Levi 1988). In Mancur Olson’s analogy, “roving bandits” gradually evolved into “stationary bandits” that abandoned looting in favor of a more sustainable strategy of institutionalized taxation (1993). Another common explanation for the tendency of European states to favor taxation over looting is the absence of natural resources that could provide an alternative stream of revenue. Several studies have concluded that resource-rich states tend to have weaker institutions than would be expected given their level of income, because rulers do not need to build a complex bureaucracy to raise revenue (Chaudhry 1997; Karl 1997; Wantchekon 2000).

Given the importance of taxation for the initial emergence, expansion, and persistence of nation-states, it is unsurprising that a variety of non-state actors with state-like aspirations to govern people and territory, including the Taliban, FARC, and most recently IS, have developed tax systems to extract revenue from civilians living under their control. Yet the adoption of tax policies by armed groups and other non-state actors is a relatively new area of inquiry. A few scholars, notably Ana Arjona and Raul Sanchez de la Sierra, have managed to collect original data on insurgent tax policies in Colombia and the Congo, respectively (Arjona 2015; de la Sierra 2015). Others have examined the interaction between insurgent taxation and state capacity (Diana Rodriguez-Franco 2015); the relationship between insurgent taxation and civilian welfare (Sabates-Wheeler and Verwimp 2014); and informal taxation as a form of “hybrid governance” (Meagher 2012).

Studies of the extractive policies of insurgent groups are often informed by earlier work on the relationship between natural resources and state formation. Civil wars, as processes of “competitive state building” (Kalyvas 2006, 218), appear to create similar incentives for insurgent groups to bureaucratize. The inverse relationship between resource endowments and state strength, sometimes called the “resource curse” or “Dutch disease,” has been used to explain why insurgent groups with access to oil or valuable minerals are less inclined to develop complex institutions than groups without such resources (Fearon and Laitin 2003). An alternative argument leading to the same

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4 Raul Sanchez de la Sierra has refined this argument with his finding that certain types of resources—specifically, those for which extraction is labor intensive, such as coltan—do create incentives for taxation (de la Sierra 2015).
conclusion—through a different mechanism—is that insurgent groups with access to valuable resources tend to attract opportunistisch bandits who prefer short-term gains over long-term investments in state-building (Weinstein 2006). According to this logic, resource-rich insurgent groups are prone to indiscipline and abuse of civilians. More recent work, however, has questioned Weinstein’s claim. Using data from a Congolese militia, Kristof Titeca finds that the group—despite operating in a resource-rich area—“was characterized by relatively disciplined behavior” (2011, 44-45). Although scholars disagree about the relationship between resource endowments and insurgent group behavior, most research still tends to assume that insurgent groups impose taxes for the sole purpose of raising revenue.

This paper aims to make three contributions. First, I make the novel theoretical claim that insurgent groups may impose taxes to serve non-economic objectives including social control, collective identity formation, and demographic engineering. In doing so, I build upon earlier contributions by Francisco Gutiérrez Sanín and Elisabeth Jean Wood on the importance of ideology as a motivating factor in the behavior of armed groups (2014). Second, the paper contributes original data on a case (IS) from a region—the Middle East—that has not been adequately studied by scholars of rebel governance. Interest in governance by “quasi-states” (Jackson 1993) and “proto-states” (Lia 2015) is growing, but most of the literature on rebel governance is based on cases in Latin America (Arjona 2010, 2014, 2015; Weinstein 2006); Africa (de la Sierra 2015; Kasfir 2015; Mampilly 2012); Asia (Giustozzi and Baczko 2014; Suykens 2015), and cross-national data (Stewart 2015). To date, there have been very few micro-level studies of rebel governance anywhere in the Middle East, despite the prevalence of conflict in this region and its geostrategic importance. Third, the paper should be of interest to scholars of taxation because it is, to my knowledge, the first attempt to collect fine-grained data on the tax policies of a Salafi-jihadist insurgent group at the sub-district level.

2. Theory and Hypothesis

The puzzle motivating this paper is that IS imposes heavy taxes in oil-rich areas where existing theories predict banditry and indiscipline, rather than the establishment of complex tax systems. According to internal IS financial records from Deir Ezzor, Syria’s most oil-rich province, IS obtains more than twice as much revenue from taxation as it does from oil in that province. As explained in the introduction, IS’s behavior in Deir Ezzor is surprising because the imposition of taxes is associated with significant economic and political costs. First, effective taxation requires a vast bureaucratic apparatus that is capable of documenting the assets and economic transactions of the population. Second, taxes are universally disliked and are therefore a source of friction between state and society, particularly in conflict areas. Given these high costs, why would an insurgent group go through the trouble and expense of collecting taxes in areas where abundant natural resources should eliminate the need for tax revenue?

This paper argues that the puzzle of taxation in oil-rich areas can be explained by taking into account the non-economic benefits of taxation for rebel governance. I theorize that insurgent groups impose taxes not only to raise revenue but also to promote their state-building objectives through non-economic mechanisms that include: (1) social control, (2) collective identity formation, and (3) demographic engineering.
SCOPE CONDITIONS, CONCEPTS, AND DEFINITIONS

The scope of this paper is limited to insurgent groups that engage in governance, which I define as the presence of one or more of the following institutions: courts, police, taxation, and municipal services. Drawing upon Nelson Kasfir’s definition of rebel organizations, I use the term “insurgent groups” to refer to “consciously coordinated groups whose members engage in protracted violence with the intention of gaining undisputed political control over all or a portion of a pre-existing state’s territory” (Kasfir 2015, 24).

For the purposes of this paper, I define insurgent taxation broadly as “any imposition of costs on individuals” (Thuronyi 2015, 45) by an insurgent government that is administered according to publicly known rules and procedures. This definition distinguishes taxation from looting, which is characteristically arbitrary and unpredictable. In contrast with looting, the taxes imposed by insurgent groups are usually accompanied by a public statement of the policy’s purpose and the rules that govern its imposition. Some insurgent groups have formally codified their tax policies. In Colombia, the FARC has been applying written codes of taxation since 1996 (Richani 2013, 68). The taxes imposed by insurgent groups may be accompanied by a variety of policy justifications that include financing public goods, paying the costs of war, or redistributing assets from the rich to the poor. The important definitional point is that a tax is justified on public interest grounds, whereas theft is justified only by a self-serving desire for private gain. As a Maoist rebel official explained how the insurgent group’s tax policies differed from organized crime in eastern India, “We have rules and norms around how we tax people … We also have rules and norms around how we use the fund[s] collected. So we are not simply collecting money for private gain: that would be corruption” (Chakravarti 2014).

The concept of insurgent taxation developed in this paper introduces a new dimension of variation into the existing literature. Previous studies tend to characterize the extractive policies of insurgent groups in terms of a binary decision between taxation and looting (de la Sierra 2015; Weinstein 2006). In doing so, they collapse into a single variable several different types of tax policies that may have heterogeneous functions and consequences for state-building. In this paper, I differentiate between five types of tax policies that insurgent groups may adopt: (1) asset taxes, imposed on income and other capital assets; (2) border taxes, imposed on the movement of people or commodities across territorial boundaries; (3) excise taxes, imposed on the consumption of particular goods or activities; (4) fines, triggered by violations of the rules established by the insurgent group; and (5) services fees, charged for access to public or private goods that

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5 Insurgent groups that have cited public goods provision as a justification for taxation include the Islamic State (Revkin 2016) and the Maoist insurgency in Nepal (Suykens 2015). “War taxes” have been collected by numerous insurgent groups including the Katipunan insurgency in the Philippines (Land, 2008), the Guatemalan National Revolutionary Unity (Joras, 2015), the People’s Revolutionary Army in El Salvador (Wood, 2003), and the FARC in Colombia (Arnson and Kirk 1993, 119). Groups that have justified taxation on redistributive grounds include the Maoist insurgency in Nepal (Suykens 2015), the Shining Path in Peru (Weinstein 2006), and the Taliban (Chouvy 2009).
are provided by the insurgent group (Table 2). In collecting data on the case of IS, I code these five types of policies as separate variables to allow for the possibility that they may have heterogeneous effects on other outcomes of interest.

Table 2. Five Types of Insurgent Tax Policies

<table>
<thead>
<tr>
<th>Type of Tax</th>
<th>Target of Taxation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Asset Tax</td>
<td>Income and capital assets</td>
</tr>
<tr>
<td>2. Border Tax</td>
<td>Movement of people or commodities across territorial boundaries</td>
</tr>
<tr>
<td>3. Excise Tax</td>
<td>Consumption of particular goods or activities</td>
</tr>
<tr>
<td>4. Fines</td>
<td>Violations of the rules established by the insurgent group</td>
</tr>
<tr>
<td>5. Service Fees</td>
<td>Charged for access to public or private goods provided by the insurgent group</td>
</tr>
</tbody>
</table>

**THEORY**

Scholars of rebel governance usually assume—either implicitly or explicitly—that the sole purpose of insurgent taxation is to collect revenue. I challenge this assumption by theorizing that taxation provides several non-economic benefits for insurgent groups that are less visible but no less important than the obvious role of taxation in revenue collection and public finance. In doing so, I draw on insights from scholars of state taxation who have long recognized that states impose taxes for both economic and non-economic reasons. As Guy Peters has noted, “Governments choose to make tax policies in order to produce other policy outcomes, rather than just to raise revenue” (1991, 14).

This paper argues that insurgent groups, like states, may adopt tax policies for reasons other than revenue-collection. I theorize three non-economic mechanisms through which taxation may facilitate insurgent state-building: (1) social control; (2) collective identity formation; and (3) demographic engineering (Table 3).

Table 3. Functions of Insurgent Tax Policies

<table>
<thead>
<tr>
<th>Economic Functions</th>
<th>Non-Economic Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Revenue Collection</td>
<td>1. Social Control</td>
</tr>
<tr>
<td></td>
<td>2. Collective Identity Formation</td>
</tr>
<tr>
<td></td>
<td>3. Demographic Engineering</td>
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</tbody>
</table>

**Social Control**

The first mechanism through which taxation may promote state-building is that of social control. As Clarence Heer notes, “[T]axation is inevitably an instrument of social control” because all taxes induce social and economic changes (1937, 484). I adopt Martin Innes’ definition of social control as “an organized response to deviant behavior” (2003, 148). States often design tax policies to deter and punish behavior that is socially
undesirable or that creates negative externalities for public health and welfare such as tobacco or pollution (Breyer 1981, 164; Brunori 2005, 102). Historically, such policies have been described as “sin taxes” or “sumptuary taxes” (O’Donoghue and Rabin 2006). As an alternative to an outright ban, “sin taxes” have the benefit of stigmatizing an undesirable product or activity while simultaneously extracting revenue from those who engage in it. At the same time, states may offer tax breaks to incentivize socially desirable activities such as energy-efficient home improvements or donations to charity. The primary purpose of such tax policies is not to generate revenue but to disincentivize particular behaviors that the state has an interest in discouraging.

Insurgent groups, like states, may use tax policies to promote social control over the behavior of civilians or of their own members. Armed groups in a variety of regional and historical contexts have imposed taxes on the consumption of commodities or activities that are considered socially undesirable or economically unproductive. For example, the Communist insurgency in the Philippines collected taxes in the form of licensing fees for gambling establishments (Linn 2000, 136), while the FARC in Colombia has imposed a tax on beer (Metelits 2010, 95). During the American Civil War, the Confederate states imposed taxes on leisure establishments such as theaters, bowling alleys, and billiard rooms (Journal of the Congress of the Confederate States of America 1861, 342). Certain Confederate states also allowed their residents to opt out of otherwise mandatory conscription by paying a ten dollar “exemptive fee,” although such exemptions were frowned upon (U.S. War Department 1885, 518). Such taxes have the effect of disincentivizing products or activities that the insurgent group has an interest in discouraging.

Another way in which insurgent groups use taxation as a tool for social control is through the imposition of fines for violations of the rules that they use to govern civilians and their own members. Fines are a powerful tool for social control because they impose economic costs on rule-breaking behavior. In Pakistan, the Taliban has imposed fines on violations of rules including bans on playing music and shaving beards (Qazi 2012, 236). The Maoist insurgency in the Indian state of Jharkhand operated a network of courts that administer fines as well as corporal punishments (including death) for violations of civil and criminal laws (Pelkmans 2013, 171). In these cases, the primary purpose of taxation is not to generate revenue but to punish behaviors that threaten the values or interests of the insurgent government.

**Collective Identity Formation**

A second mechanism through which tax policies may contribute to state-building is by promoting the formation of collective identities among taxpayers. I adopt Alexander Wendt’s definition of “collective identity formation” as the process of redefining the boundary between self and other to constitute a “common in-group identity” (1999: 337–38). It has been argued that “taxation may play the central role in building and sustaining the power of states, and shaping their ties to society” (Bräutigam 2008, 1). A logical extension of this argument is that taxation promotes social cohesion by defining reciprocal duties between a people and their government. Additionally, tax policies may help to communicate the state’s ideological agenda or to rally the population around collective interests. Examples include “patriotic taxes” and “war taxes,” which numerous
governments have used to justify increased revenue collection at times of national emergency (Jones 1988). Such value-laden tax policies express normative ideas about the duties that members of a particular political community are expected to perform.

Insurgent groups, like states, may impose taxes to promote the formation of collective identities among taxpayers. In addition to collecting revenue, certain kinds of taxes—particularly those that are imposed universally—may contribute to a sense of shared burdens and obligations among civilians governed by an insurgent group. Many insurgent groups including the Taliban (Cordesman et al. 2013, 42), the Maoist insurgency in Nepal (Suykens 2015), the Free Aceh Movement in Indonesia (Barter 2015, 233), and the FARC in Colombia (Metelits 2010) have collected income taxes from all but the poorest civilians. In these cases, taxation is portrayed as the price of access to security, basic services, and other universal benefits of membership in the insurgent-ruled society.

Another way in which taxation may facilitate collective identity formation is by signaling local support for the insurgent government. The act of paying taxes—whether it is voluntary or coerced—creates a visible display of compliance. When civilians observe their friends and neighbors paying taxes without inquiring into their motivations for doing so, they may perceive such compliance as evidence that the insurgent group’s authority is widely accepted as legitimate. In social psychology, the concept of pluralistic ignorance (Katz and Allport 1931) refers to a situation in which a majority of group members privately reject a norm, but nonetheless comply with the norm because they incorrectly assume that most other member of the group accept it. Widespread tax compliance—whether voluntary or coerced—may lead civilians to believe that levels of support for the insurgent group are higher than they actually are.

Certain taxes may also contribute to the formation of collective identities by promoting horizontal norms of reciprocity between taxpayers, as well as vertical norms of reciprocity between the civilian population and the insurgent government. For example, some insurgent groups collect service fees from civilians in exchange for access to public or private goods such as water, electricity, schools, and healthcare. In Afghanistan, the Taliban imposes monthly taxes on electricity (Gordon and Conway 2015, 89) and water (Nichols 2014). In Colombia, the FARC collects fees to fund schools and other public services (Stokes 2005, 86). Such taxes may promote the perception of a relationship of codependence between the insurgent government and the civilian population that is based on the former’s provision of services and protection in exchange for the latter’s compliance and support.

Additionally, taxation may promote collective identity formation by serving as a vehicle for the transmission of the insurgent group’s ideology to taxpayers. Taxation is a symbol of “stateness” (Nettl 1968), and insurgent groups with state-building aspirations may therefore use tax policies to signify progress toward their goal of establishing sovereignty. Many insurgent groups have invested time and resources in the creation of “symbolic repertoires” that serve instrumental and normative purposes by legitimizing the authority of the insurgent government (Mampilly 2015, 76). The imposition of taxes, like the creation of a new flag, signals to the civilian population that the insurgent group is on a path to de facto statehood. Additionally, some insurgent groups have articulated religious justifications for their tax policies. The Taliban and other Islamist insurgent groups regard tax evasion as an act of apostasy. In these cases, taxation is elevated to the
status of a divine obligation and serves to communicate and reinforce the ideology of the insurgent group.

**Demographic Engineering**

The third mechanism through which tax policies may promote state-building is that of demographic engineering. I adopt Paul Morland’s definition of this term as “the manipulation of demography” to serve the interests of a state or other group (2014, 2). Whereas the previously defined mechanisms of social control and collective identity formation affect the behaviors and beliefs of a population, the mechanism of demographic engineering has the potential to fundamentally transform the composition of population itself by altering incentives around important arenas of individual decision-making such as migration and family planning. To illustrate this point, China imposed severe financial penalties on families that violated the one-child policy until recently (Wong 2015). Another way in which states use tax policies to alter the demographics of their populations is by imposing “exit” taxes to discourage emigration. Historically, countries at war have imposed exit taxes on their nationals with the goal of stemming capital flight, emigration, and brain drain. After the Nazis seized power in 1931, the regime imposed the Reich Flight Tax as part of a larger emergency decree (Feldman and Seibel 2005, 154). The primary purpose of such taxes is not to raise revenue but to manipulate demography in ways that serve the interests of the state.

Like states, insurgent groups may use tax policies to alter or manipulate the demographic features of the civilian population in ways that serve political, military, or ideological interests. For example, many insurgent groups have imposed excise taxes on the practice of a minority religion. In Pakistan, the Taliban taxes Sikh and Hindu minority groups at an annual rate of twelve dollars per person citing the Islamic legal doctrine of jizya, which guarantees protection to non-Muslim minorities living under the rule of Islamic states in exchange for their payment of a tax (Yusuf 2014, 162). In Iraq, al-Qaeda has also required Christians to pay a jizya tax (Asquf 2008). In Argentina, the Tacuara Nationalist Movement imposed taxes on Jewish business owners in a district of Buenos Aires controlled by the far right guerrilla group (Perdue 2012). Taxes that penalize minority religious groups encourage conversion to the majority faith, leading to homogenizing demographic changes over time.

Additionally, insurgent groups behave similarly to states in their tendency to impose exit taxes on civilians who wish to travel or permanently relocate to areas outside of the groups’ control. Insurgent groups may use exit taxes to simultaneously discourage out-migration while capitalizing on the displacement of refugees. Al-Qaeda imposed an exit tax of $200 per person and $400 per car on civilians fleeing Dora, a suburb of Baghdad that was briefly controlled by al-Qaeda in 2007 (Williams 2016, 64). During the Bosnian War, Serbian rebels charged an “exit tax” of nearly $1,000 on Muslims and Croats who wished to leave Serb-held territory (Power 2002, 256). In Sri Lanka, the Liberation Tigers of Tamil Eelam (LTTE) required people to pay an exit tax in order to travel to government-controlled areas in the 1990s (U.S. Department of State 1994, 1264). These examples suggest that insurgent groups may use border taxes to deter the flight of human capital. Such taxes intervene in the demography of the civilian
population by disincentivizing the out-migration of individuals who would otherwise be inclined to leave the insurgent-controlled territory.

As argued above, revenue collection is not the sole function of taxation in state-building. Insurgent groups may impose taxes to advance their state-building objectives through the non-economic mechanisms of social control, collective identity formation, and demographic engineering.

**HYPOTHESIS:**

This paper aims to explain the puzzling observation that IS imposes heavy taxes in oil-rich areas of Syria where rival theories predict low levels of taxation. If I am correct that taxes are imposed for non-economic reasons in addition to their obvious role in the collection of revenue, I would expect to find that IS is just as likely to impose taxes in oil-rich areas as it is in oil-poor areas—because even though oil profits alone would be sufficient to sustain governance, IS derives other non-economic benefits from taxation.

*Hypothesis:* IS is no less likely to impose taxes in oil-rich areas than it is in oil-poor areas.

**ALTERNATIVE EXPLANATIONS:**

Before turning to the empirical sections of the paper, I first discuss the plausibility of some alternative theories that could explain the puzzle of IS taxation in resource-rich areas of Syria.

First, it might be argued that IS collects taxes in oil-rich areas—where taxation is not economically necessary—in anticipation of losing control over oil fields in the future. Taxation is therefore a means of diversifying IS’s economy and building up reserves in expectation of future losses. Although this explanation is worth considering, I find it implausible given the high costs of taxation described earlier in this paper. Taxation is a particularly hazardous strategy in Syria, where the national unemployment rate of 57.7% is the highest in the Arab world (Syrian Economic Forum 2015), and the local unemployment rate in contested areas is even higher.\(^6\) Heavy taxation of a population that is suffering from a subsistence crisis is associated with rebellion (Scott 1977, 95). Why would an insurgent group take the risk of taxing such an impoverished population before it becomes economically necessary to do so?

Second, it might be argued that IS collects revenue in oil-rich areas because its financial system is centralized. If oil-rich districts are required to send all of their oil profits to an IS central government in Raqqa or Mosul, then they would need to collect taxes just as much as districts without oil. However, this explanation is contradicted by interviews with IS defectors who stated that the group’s financial system is in fact highly decentralized.\(^7\) Provinces have their own budgets, and oil-rich provinces such as Deir Ezzor retain almost all of the oil revenue that they generate to cover local government

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\(^6\) Ahmad Mhidi, a Syrian journalist from Deir Ezzor, estimated that the unemployment rate in IS-controlled Deir Ezzor is around 75 percent. Interview with Ahmad Mhidi, May 2016.

\(^7\) Interviews with Abu Hadi, Online, April 2016; Abu Ayman, Online, March 2016; and Abu Ammar, Sanliurfa, March 2016.
expenses. The researcher, Aymenn al-Tamimi, who obtained the previously cited internal IS financial records from Deir Ezzor, has reached the same conclusion: “The local … administration will use and be responsible for most of the [oil] revenues generated within the province for its own expenditures … Logically speaking, it would make sense not to have a single central ‘bank’ … housing money in a place like Mosul, as the coalition would likely get word of it quickly and destroy it.” Since local IS governments in oil-rich provinces appear to retain most of their oil revenues and exercise significant autonomy in economic policy-making, we would expect to find low levels of taxation in these areas if rival theories are true (Weinstein 2006; Collier and Hoeffler 2004).

Third, it might be argued that IS does not collect taxes with the intent of promoting state-building through the three non-economic mechanisms hypothesized in this paper. Rather, these mechanisms are merely unintended positive externalities of tax policies whose primary purpose is simply to collect revenue. However, this alternative explanation is called into question by evidence that IS leaders frequently make economically irrational decisions for symbolic or ideological reasons. For example, IS has appropriated numerous icons of “stateness” (Nettl 1968) such as flags, maps, and the new gold currency that it claims to be minting (Gladstone 2014). Its effort to revive the gold standard—a policy that mainstream economists generally dismiss as a “truly awful idea” (Krugman 2012)—is an example of a behavior that is economically irrational but nonetheless serves an important symbolic function in IS’s plan to resurrect the original medieval caliphate. Many insurgent groups have invested time and resources in the creation of “symbolic repertoires” that serve instrumental and normative purposes by legitimizing the authority of the insurgent government (Mampilly 2015, 76). I argue that IS is intentionally using taxation for symbolic as well as economic purposes.

3. Data

This paper is based on an original dataset covering all 28 of the sub-districts in Syria that have been governed by IS for a period of at least three months since July 2013—the time at which IS first began to capture substantial territory in Syria. I chose the case of IS because it presents a rare opportunity to observe and document a process of state formation as it unfolds in real-time, and to interview civilians and combatants who have lived (and in some cases still live) in IS-controlled areas. Although IS also collects taxes in Iraq and Libya, time and resource constraints compelled me to limit my data collection process to IS-controlled areas of Syria. The dataset was constructed from diverse primary sources including interviews with 83 Syrians who have personally experienced IS governance; Twitter data generated by users in Syria; local news reports; and official documents issued by IS. I triangulated between these different data sources to construct a 30-month dataset that maps the incidence of IS tax policies and other governance activities across time and space, spanning the period from July 2013 until March 2016. An itemized list of the data sources for each sub-district is attached as Appendix 1. The dataset includes variables for each of the five tax policies identified in

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8 Email exchange with Aymenn al-Tamimi, March 2015.
Table 2 and other variables related to governance and violence. Figure 1 illustrates the locations of the 28 sub-districts in Syria.

Figure 1. Areas of IS Governance in Syria (28 Sub-Districts)

INTERVIEW DATA

The dataset includes qualitative evidence from interviews conducted in Arabic with 83 civilians and combatants who have personally experienced IS governance in one or more of the 28 districts shown in Figure 1. The semi-structured interviews were conducted in the Turkish cities of Antakya, Gaziantep, Reyhanlı, and Şanlıurfa over three research trips in July 2015, November 2015, and March 2016. Figure 2 illustrates the locations of the fieldwork sites. All four of the cities are between 3 and 30 miles from the Syrian border, and are therefore ideal locations in which to meet Syrians who have had direct contact with IS institutions.
The average interview was 2 hours long. Some of the 83 interviewees have no intention of returning to Syria, but others still travel regularly between IS-controlled areas and the cities in which I interviewed them in order to maintain businesses or to visit their families. They have had a variety of different experiences with IS: all of them have lived in or traveled through IS-controlled areas; 24 have paid taxes to IS; 18 have used an IS court; 7 have been arrested or imprisoned by IS; 19 have a relative who joined IS; and 11 provided some kind of service to IS members—examples include a doctor who provided medical care for injured IS fighters and a graphic designer who created a logo for IS (Table 4). Additionally, I interviewed 12 IS defectors and six IS supporters or members who are currently living and fighting in Syria. For security reasons, some of these interviews were conducted over the encrypted messaging application Telegram.
For each of the 28 sub-districts included in the sample, I collected data for all time periods in which IS controlled the area and engaged in some degree of governance between July 2013 and March 2016. I define “governance” as being present when the insurgent group is administering one or more of the following institutions: courts, police, taxation, and municipal services (such as water, electricity, and sanitation). To identify the 28 sub-districts where IS governance has occurred, I searched for references (in Arabic) to the previously stated indicators of governance in local Syrian newspapers.
(using the Google News search tool) and archival Twitter data (using the Twitter search API). The Arabic search terms are listed in Table 5.

For each of the 28 sub-districts, I coded the presence of taxation as a binary variable at one-month intervals for the duration of the period in which IS controlled and governed that sub-district. The dataset differentiates between five different types of tax policies, as described in Table 2: (1) asset taxes, (2) border taxes, (3) excise taxes, (4) fines, and (5) service fees. These tax policies are not mutually exclusive and occur in different combinations across time and space. For each sub-district, I determined whether or not a given tax policy was being implemented during a particular month by searching for the relevant Arabic keywords in local newspapers and in archival Twitter data. The search terms used for each tax policy are listed below in Table 5. In addition to searching for vocabulary specific to each of the five tax policies (columns 1-5 in Table 4)—such as zakāt—\textsuperscript{10} I also searched for general economic vocabulary that might yield tax-related search results (column 6). For example, mentions of the local currency (the Syrian pound) can be used to infer references to tax policies based on context, even if the technical term for a specific policy such as “asset taxes” is not mentioned. Appendix 2 contains representative examples of tweets that were coded as each of the five tax policies.

Table 5. Search Terms Used to Code Tax Policies

<table>
<thead>
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</thead>
<tbody>
<tr>
<td>English</td>
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<td>English</td>
<td>Arabic</td>
<td>English</td>
<td>Arabic</td>
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<tr>
<td>tax</td>
<td>ضريبة</td>
<td>رأس</td>
<td>ضريبة</td>
<td>جمارك</td>
<td>ضريبة</td>
</tr>
<tr>
<td>zakat</td>
<td>زكاة</td>
<td>ماجية</td>
<td>ضريبة</td>
<td>دخول</td>
<td>ضريبة</td>
</tr>
<tr>
<td>land tax</td>
<td>خراج</td>
<td>مصادر</td>
<td>ضريبة</td>
<td>خراج</td>
<td>ضريبة</td>
</tr>
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</table>

OFFICIAL IS DOCUMENTS

The dataset also includes information from official documents generated by IS in the course of its governance activities. These documents include tax receipts, propaganda, local regulations and ordinances, and internal financial records, and other

\textsuperscript{9} I did not search for English tweets because the vast majority of Twitter users in IS-controlled areas tweet exclusively in Arabic. All English translations of tweets and news articles referenced in this paper are the author's own.

\textsuperscript{10} Zakāt is a mandatory charitable contribution (described in the Quran) that is the functional equivalent of an asset tax. It is important to note that the word zakāt refers both to the collection of asset taxes and to the redistribution of these taxes to the poor in the form of cash handouts or other welfare benefits. To avoid coding errors, I carefully reviewed the context of all references to zakāt to determine whether the intended reference is to taxation or service provision.
records produced by IS institutions. For example, Figure 3 shows a photograph of internal IS financial records from Deir Ezzor (al-Tamimi 2015).

Figure 3. Internal IS Financial Records from the Province of Deir Ezzor

![Image of IS financial records]

DESCRIPTION OF ‘IS’ TAX POLICIES

In this section, I use the data described above to present an overview of IS tax policies in Syria. As a descriptive contribution, this is the most comprehensive case study—to date—of the policies that IS uses to extract revenue from civilians. I find that IS has imposed all five types of tax policies identified in Table 2, although patterns of taxation vary across time and space. Quantitative data on the volume of IS revenues is very limited, but what little data is available suggests that over time, IS has become increasingly reliant on taxation—relative to other sources of revenue such as oil extraction and foreign funding—to sustain its state-building activities and territorial expansion. Although oil was initially assumed to be one of IS’s primary sources of revenue along with bank robberies, over time, the estimated proportion of revenue that it derives from taxation has increased steadily and now dwarfs oil extraction by an estimated ratio of 6:1 (Almukhtar 2015).

For each of the five tax policies that IS has adopted in Syria, I conduct a two-stage analysis. First, I describe the logic and intent of the policy, as explained in IS propaganda and official documents. Second, I describe how the policy is implemented and enforced on the ground based on interviews with Syrians who have personally experienced the IS tax system and additional evidence from archival Twitter data and independent media reports.

Asset Taxes
IS requires all Muslim civilians living under its rule to pay an annual asset tax amounting to 2.5 percent of income and capital assets, known as zakāt, which is one of the Five Pillars of Islam and a policy that is explicitly prescribed by the Quran. Combatants are exempt from zakāt taxes, but they are still required to pay excise taxes on war spoils, which will be discussed subsequently. IS justifies the imposition of these taxes with reference to three public policy objectives: (1) public goods and service provision, (2) the redistribution of wealth from the rich to the poor, and (3) territorial expansion and military operations.

The constitution-like “document of the city” issued in Raqqa in July 2013 states, “Funds will be spent in the maslaha [public interest] of the Muslims,” implying that IS has an obligation to meet the basic needs of the population living under its control by providing services.11 Other official publications justify asset taxes on redistributive grounds. In an official video explaining the institution of zakāt, an IS official visits jewelry shops to remind the owners that as wealthy merchants, they have an obligation to share their profits with the poor (Al-Furqan Media 2015). The same video also refers to the military objectives served by taxation. Among the eight areas of public spending for which zakāt funds may be allocated according to Islamic law, the video identifies “free[ing] Muslim slaves or liberat[ing] Muslim prisoners captured by [enemies]” and supporting “the mujahideen and jihad” as important interests that are served by the collection of taxes.

Most interviewees from areas in which IS collects asset taxes said that they were familiar with these official justifications. However, they differed in their assessments of their credibility. Sayyid from Deir Ezzor said he doubted that any tax revenues were being redistributed to the poor because his own father was in danger of starving to death due to severe food shortages under IS rule.12 Elsewhere in Deir Ezzor, a group of civilians went to the local IS police station to complain about power outages and rising food prices.13

IS supporters tell a different story, however. They generally accept asset taxes in the form of zakāt as a legitimate and socially beneficial policy. As one Twitter user who self-identified as a female IS supporter (munasira) in the Syrian village of Hamima in al-Badiya province reported, “The Islamic State is taking zakāt from the rich of the village and giving it to the poor amid the joy of the villagers over the performance of divine obligation.”14 Variation in perceptions of the legitimacy and fairness of asset taxes

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11 IS has issued texts bearing the title “document of the city” (wathiqat al-madīnah) in the Syrian city of Raqqa, the Iraqi cities of Mosul, Tikrit, and Hit, and the Libyan city of Sirte. These documents, which appear to be inspired by a constitution-like text allegedly drafted by the Prophet himself to govern the city of Medina in the year 622, range in length from 13 to 16 articles and enumerate the obligations of the caliphate to its subjects and vice versa (Revkin 2016).
12 Interview with Sayyid, Gaziantep, July 2015.
13 @aymanprince2020, “A group of civilians went to the [IS] police department to complain to them about their conditions without electricity and rising prices for water and food.” August 27, 2015, 2:49 AM. Tweet (Arabic).
14 Munasirat ad-Dawlā, “In the village of Hamima in al-Badiya province, the Islamic State is taking zakāt from the rich of the village and giving it to the poor amid the joy of the villagers over the performance of divine obligation.” July 9, 2014, 5:17 PM. https://web.archive.org/web/20160905005507/https://twitter.com/AlhadfO/status/487027780521979904.
suggest that IS may have more difficulty enforcing these taxes in areas that lack effective service provision.

**Border Taxes**

IS imposes border taxes on the movement of commodities and people to and from regime-controlled territory. In some areas, IS also taxes movement between different administrative divisions of its own territory. These taxes are justified on the grounds that IS, as a sovereign, has the right to regulate commerce and migration across its borders. Representative examples include a tax on wheat shipped by the Syrian regime between its strongholds in al-Hasakeh and Hama provinces via IS-controlled roads in Raqqa and taxes on travelers and their luggage exiting Raqqa. In addition to taxing goods and people exiting its territory, IS also imposes taxes on those entering. For example, IS imposes taxes on Jordanian trucks that ship olive oil and other products to IS-controlled areas in Iraq.

Saad, a Syrian agricultural engineer who runs a business in the IS-controlled sub-district of al-Thawra, said that (as of July 2015) he was allowed to travel freely between Turkey and IS-controlled territory as long as he paid the necessary border taxes. Fares, a Syrian merchant who ships scarves and other textiles from factories in Aleppo into Turkey, said that even though IS officially discourages residents of the “caliphate” from traveling to “apostate lands” such as Turkey, an exception is made for businesspeople because of the importance of cross-border trade for the IS economy.

**Excise Taxes**

IS imposes excise taxes on the manufacture, sale, or consumption of particular goods and activities within the territory it controls. Unlike asset taxes, which are collected at a fixed rate of 2.5 percent as required by the Quran, IS has significant discretion to set the rates for most kinds of excise taxes.

Examples of excise taxes imposed by IS in Iraq and Syria include a 100 pound tax on drivers’ licenses in Raqqa, a 1,200 pound tax on the registration of motorcycles in al-Hasakeh across Raqqa roads and 10,000 pounds from each car.” June 21, 2015, 6:22 PM. Tweet (Arabic).

@maytheman, “Daesh [IS] takes 25% of the wheat that the regime ships from al-Hasakah to al-Salmiya across Raqqa roads and 10,000 pounds from each car.” June 21, 2015, 6:22 PM. Tweet (Arabic).

@ahmadking2014, “2- Taxes: 100 pounds per person. 500 pounds to move to the city of Ma’adan [a city near Raqqa]. 500 pounds for each suitcase.” August 6, 2015, 1:17 PM. Tweet (Arabic).

@HewarMaftuh, “Daesh [IS] cancels all drivers licenses in Raqqa and requires residents to buy new licenses for 100 Syrian pounds.” March 31, 2015, 7:04 AM. Tweet (Arabic).
a 1,000 pound tax on the sale or purchase of livestock,\textsuperscript{23} and a 500 pound tax per square meter of stone extracted from quarries in al-Hasakah.\textsuperscript{24} Excise taxes are imposed on civilians as well as on IS’s own combatants. Although combatants are exempt from zakāt, they are required to pay an excise tax of 20 percent on “spoils of war” captured by combatants in the course of military operations (Revkin 2015). Former and current IS fighters confirmed that they were required to pay such taxes.\textsuperscript{25}

In addition to imposing excise taxes on goods and commercial transactions, IS also imposes excise taxes on certain activities and lifestyles choices such as marriage or the practice of Christianity. According to a Syrian from Raqqa, IS charges approximately 2,500 Syrian pounds for marriage licenses.\textsuperscript{26} And like other Islamist insurgent groups such as al-Qaeda and the Taliban, IS allows Christians to live peacefully under its rule and exercise limited religious freedoms in exchange for their payment of the jizya tax.

Excise taxes are generally easier to impose than asset taxes (Tilly and Stinchcombe 1997, 178) and there is some evidence that IS resorts to excise taxes in areas where it lacks the bureaucratic capacity and surveillance apparatus that are necessary to effectively enforce asset taxes. For example, a Syrian from al-Bukamal said that IS taxes shopkeepers at different rates depending on the number of doors on their stores.\textsuperscript{27} The counting of doors as a heuristic to estimate the size of a business, rather than relying on business owners to accurately report their profits, suggests that IS either lacks the bureaucratic capacity to administer asset taxes or believes that non-compliance and evasion would be widespread if imposed. Additionally, IS appears to adjust excise tax rates based on the population’s ability to pay. Saad from al-Thawra said that when a drought damaged crops, IS lowered taxes on farmers from 10 percent to 5 percent.\textsuperscript{28} Such flexibility is not possible with asset taxes, which are always collected at the religiously mandated rate of 2.5 percent.

**Fines**

IS claims that it has the legal authority to impose fines for violations of its rules and procedures. Sometimes IS publishes decrees that predetermine the fines for particular offenses as a warning to deter potential perpetrators. For example, in the sub-district of Manbej, IS issued a document specifying a fine of 2,000 pounds for shop


\textsuperscript{24} Zazan Sheikhuh, “The Islamic State is operating stone quarries in al-Hasakah and imposing taxes on investors,” ARA News (Arabic), January 6, 2015. http://wp.me/p4OhLR-4TM.

\textsuperscript{25} Interview with Abu Ammar, Şanlıurfa, March 2016; and Abu Ali, Online, February 2016.

\textsuperscript{26} Interview with Mounir, Şanlıurfa, November 2015.

\textsuperscript{27} Interview with Yahya, Gaziantep, November 2015.

\textsuperscript{28} Interview with Saad, Reyhanlı, July 2015.
owners caught dumping waste outside of designated receptacles. Another document issued by the religious police department in Homs specifies a 1,000 pound fine for forging an ID, a 2,500 pound fine for men who shave their beards (in violation of the practice of the Prophet), and a 2,500 pound fine for possession of cigarettes. But in other cases, fines are determined by judges or police officers on a case-by-case basis. For example, an IS court in Raqqa imposed a fine of 500,000 pounds on a man who was convicted of embezzling public funds. IS police have jurisdiction to issue fines for less serious violations such as littering.

The administration of fines appears to be decentralized and subject to the discretion of local officials. Fines for the same offense often vary between different provinces and even between different districts in the same province. For example, in Manbij, an IS document specified a fine of 2,000 pounds for littering, but the same offense is punishable by a fine of 3,000 pounds in al-Bukamal.

**Service Fees**

IS imposes fees on some of the public goods and services that it provides. Examples include fees for school registration, wireless internet, sanitation, and agricultural irrigation. Service fees may be imposed on individuals, on households or on businesses. In Raqqa, IS charges individuals a fee of 10,000 pounds for the use of an ambulance and emergency medical care. In al-Bukamal, IS collects fees for

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33 Interviews with Sayyid (1, 2), Gaziantep, July 2015 and November 2015.
38 @maherlord2007, “[IS] has imposed taxes for cleaning and water on residents at a rate of 1,500 Syrian pounds.” May 18, 2015, 3:13 PM. Tweet (Arabic). http://archive.is/68pVH.
electricity used by ice making plants\textsuperscript{41} and fees from households for water.\textsuperscript{42} In some areas, IS collects monthly fees at a flat rate for basic services such as electricity. For example, in al-Hasakah province, businesses are required to pay 5,000 pounds per month for electricity and households pay 1,500 pounds per month.\textsuperscript{43} In other areas, IS has installed electricity meters on houses and businesses in order to collect fees based on actual usage.\textsuperscript{44} These fees are sometimes accompanied by restrictions on the daily allowance of electricity.\textsuperscript{45} As with fines, service fees vary considerably between different provinces. In Aleppo, IS was charging 3,500 pounds for each ampere of electricity used in 2015,\textsuperscript{46} but in Raqqa, the price for one ampere was only 400 Syrian pounds (Almousa 2015).

4. Analysis

In this section, I present evidence in support of my argument that the motivating puzzle—heavy taxation in oil-rich areas—can be explained by taking into account the non-economic benefits of taxation for governance. In addition to the obvious role of taxation in collecting revenue, I have theorized that tax policies may also promote insurgent state-building objectives through three non-economic mechanisms: (1) social control, (2) collective identity formation, and (3) demographic engineering. I argue that insurgent groups impose taxes for both economic and non-economic reasons. If true, this would explain why an insurgent group such as IS would collect taxes in areas where abundant oil resources should eliminate the need for tax revenue.

**QUANTITATIVE RESULTS**

Ten of the 28 sub-districts in the sample are located in provinces with significant oil reserves. Statistical analysis indicates, consistent with my theory, that IS is just as likely to impose taxes in oil-rich areas as it is in oil-poor areas. The first row of Table 6 indicates that for sub-districts with oil, where rival theories predict low levels of taxation, asset taxes were observed in 21.6 percent of sub-districts per quarter (the unit of analysis). For sub-districts without oil, the percentage of sub-districts where asset taxes were observed is only slightly higher—22 percent—and the result is not statistically significant. In fact, there is a weak positive correlation between oil and the presence of


\textsuperscript{44} Interview with Ahmed, Gaziantep, March 2016.


\textsuperscript{46} Interview with Youssef, Gaziantep, November 2015.
the four other types of taxes identified in Table 2, so if anything, the results suggest that oil may increase the likelihood of certain tax policies. These results call into question rival theories that predict low levels of institutionalized taxation in resource-rich areas (Weinstein 2006; Collier and Hoeffler 2004).

Table 6. Comparison of Means by Presence of Oil

<table>
<thead>
<tr>
<th></th>
<th>Mean (oil = 0)</th>
<th>Mean (oil = 1)</th>
<th>Difference in Means</th>
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<tbody>
<tr>
<td>N</td>
<td>100.000</td>
<td>74.000</td>
<td>174.000</td>
</tr>
<tr>
<td>Asset Taxes</td>
<td>0.220</td>
<td>0.216</td>
<td>-0.004</td>
</tr>
<tr>
<td></td>
<td>(0.416)</td>
<td>(0.414)</td>
<td>[0.064]</td>
</tr>
<tr>
<td>Excise Taxes</td>
<td>0.100</td>
<td>0.257</td>
<td>0.157</td>
</tr>
<tr>
<td></td>
<td>(0.302)</td>
<td>(0.440)</td>
<td>[0.056]**</td>
</tr>
<tr>
<td>Border Taxes</td>
<td>0.020</td>
<td>0.108</td>
<td>0.088</td>
</tr>
<tr>
<td></td>
<td>(0.141)</td>
<td>(0.313)</td>
<td>[0.035]**</td>
</tr>
<tr>
<td>Service Fees</td>
<td>0.100</td>
<td>0.176</td>
<td>0.076</td>
</tr>
<tr>
<td></td>
<td>(0.302)</td>
<td>(0.383)</td>
<td>[0.052]</td>
</tr>
<tr>
<td>Fines</td>
<td>0.110</td>
<td>0.203</td>
<td>0.093</td>
</tr>
<tr>
<td></td>
<td>(0.314)</td>
<td>(0.405)</td>
<td>[0.055]*</td>
</tr>
</tbody>
</table>

QUALITATIVE EVIDENCE

In the previous section, I presented the quantitative finding that—consistent with my theory—IS is just as likely to impose taxes in oil-rich areas as it is in oil-poor areas. This finding calls into question existing theories that predict low levels of institutionalized taxation in resource-rich areas, and suggests that the logic of insurgent taxation is not purely economic. I now present preliminary qualitative evidence to establish the plausibility of the three hypothesized non-economic mechanisms—(1) social control, (2) collective identity formation, (3) and demographic engineering—through which taxation may affect governance. The following evidence is not meant to be conclusive, but rather, to lay a foundation for future research.

Social Control

Interviewees described the IS tax system as a form of social control. As one resident of Deir Ezzor described his encounters with IS tax collectors, “It wasn’t about the money … They tax us to show that they are in control.”47 The social control mechanism is most easily observed in the imposition of fines on civilians who violate IS’s rules. Several Syrians reported that they or their family members had been fined small sums of money for minor violations including wearing colorful shoes, listening to

47 Interview with Yussuf, Gaziantep, July 2015.
the radio, and failing to close shops during prayer times in order “to teach us a lesson,” in the words of one man from Aleppo.48

It is possible that IS goes through the trouble and expense of collecting large numbers of nominal fines for the sole purpose of raising revenue, but I believe it is more likely that such tax policies are implemented with the intent of conditioning the behavior of civilians in ways that are consistent with the group’s strategic or ideological objectives. As the Aleppo resident suggested, monetary penalties have both punitive and educational consequences. They serve as warnings and reminders of the rules of the system and enforce the line between permissible and prohibited behavior.

**Collective Identity Formation**

Collective identity formation is a process that is notoriously difficult to observe and measure (Gamson 1992, 60), but evidence from interviews nonetheless suggests that this process is occurring in IS-controlled areas and is to some extent facilitated by the imposition of taxes, particularly the imposition of asset taxes known as *zakāt*. According to official IS doctrine, the payment of these taxes is a religious obligation, and therefore tax evasion is considered an act of apostasy (Al-Furqan Media 2015, 19:16). The fact that these taxes are imposed universally on all but the poorest Muslim civilians contributes to a sense of membership in a common political and religious community. IS has erected billboards publicizing its tax policies and warning of the punishment for tax evasion (Figure 4). Such propaganda contributes to public awareness of universal obligations imposed on “citizens” of the caliphate.

*Figure 4. Billboard Warning of “Punishment for Refraining from *Zakāt*”*49

48 Interview with Saad, Reyhanlı, July 2015, Interview with Mounir, Şanlıurfa, November 2015, and Interview with Hassan, Şanlıurfa, November 2015.

49 This billboard from the province of al-Furat cites *hadith* no. 486: “Whoever Allah makes wealthy and he does not pay the *zakāt* due on his wealth, then on the Day of Resurrection, his wealth will be made in the likeness of a bald-headed poisonous male snake with two black spots over the eyes. The snake will encircle his neck and proclaim, ‘I am your wealth, I am your treasure.’”
Multiple interviewees referred independently to the “symbolic” significance of taxes.\textsuperscript{50} According to one man who had paid taxes to IS in Raqqa, “They tax because that is what states do, and they want to be a state.”\textsuperscript{51} An IS supporter on Twitter celebrated the initial imposition of the jizya tax on Christians in Raqqa: “For the first time since the fall of the first Islamic caliphate, the jizya is being imposed on Christians, and the Sykes-Picot borders, which had ripped apart the body of the Muslim community [\textit{ummah}], are being demolished.”\textsuperscript{52} For IS supporters and members, the imposition of taxes seems to signify progress toward the insurgents’ goal of establishing sovereignty and autonomy. Another way in which taxation seems to contribute to the formation of collective identity is by establishing a relationship of reciprocity between IS and civilians. There is evidence that civilians perceive IS tax policies to be more legitimate in areas where IS is also providing high quality services and public goods. For example, one IS supporter said, “At first, we were annoyed by the collection of zakât, but when we saw [IS] registering the names of the poor and giving them money and food, our admiration for them increased … The money goes back to the people of the city in the form of the services that [IS] provides.”\textsuperscript{53}

\textit{Demographic Engineering}

The data also provides some support for my claim that insurgent groups use tax policies as a tool for demographic engineering. The jizya tax that IS imposes on Christians is one example of a tax policy that serves to discourage and stigmatize membership in a minority group, thereby incentivizing conformity with the majority. Border taxes also appear to play an important role in managing the demography of IS-controlled areas. As it becomes more difficult for IS to attract foreign recruits (Revkin and Mhidi 2016), the group has become more focused on preventing human capital flight out of the areas that it controls. In an effort to curb out-migration, IS is increasingly imposing “exit taxes” or outright bans on travel outside of IS-controlled areas. For example, in January 2016, IS imposed a tax of approximately $100 on every resident traveling out of Manbij.\textsuperscript{54} This trend is consistent with the data displayed in Figures 5 and 6, which show time trends in the number of sub-districts where a particular tax policy was being implemented in any given 3-month time period from July 2013 until March 2016. The blue line indicates a steady decline in the amount of territory controlled by IS in Syria since mid-2015, when IS was engaged in governance activities in 21 sub-districts. Since then, the number of sub-districts governed by IS has fallen to 16. For the most part, the prevalence of tax policies has been declining in lockstep with the decline in territorial control with one note-worthy exception. The number of sub-districts that implement border taxes had been on a downward trajectory since mid-2015, but began to

\begin{itemize}
\item \textsuperscript{50} Interview with Saad, Reyhanlı, July 2015, Interview with Mounir, Şanlıurfa, November 2015, and Interview with Hassan, Şanlıurfa, November 2015.
\item \textsuperscript{51} Interview with Hassan, Şanlıurfa, November 2015.
\item \textsuperscript{52} @pke_isis, “For the first time since the fall of the first Islamic caliphate, the jizya is being imposed on Christians, and the Sykes-Picot borders, which had ripped apart the body of the Muslim community [\textit{ummah}], are being demolished.” April 14, 2014, 6:53 PM. Tweet (Arabic). http://archive.is/Xct9i.
\item \textsuperscript{53} Interview with Karim (2), Online, February 2016.
\end{itemize}
increase again in 2016. Although the small number of observations for border taxes (only two sub-districts in 2016) makes it impossible to draw conclusions from this trend, it suggests that IS may be using border taxes as a tool for population retention in the face of territorial losses. Another implication of these graphs is that not all taxes are alike, and patterns of taxation seem to vary according to the needs of the insurgency.

5. Conclusion

This paper has attempted to challenge a common assumption—that the sole purpose of taxation is to collect revenue—by theorizing that tax policies may promote state-building through three non-economic mechanisms: social control, collective identity formation, and demographic engineering. If this argument is correct, we would expect to find evidence of taxation in areas where oil or other valuable natural resources should eliminate the need for tax revenue. Testing this hypothesis with original data from the 28 sub-districts in Syria that have been governed by IS, I find—consistent with my theory—that IS is just as likely to impose taxes in oil-rich areas as it is in oil-poor areas. This finding calls into question existing theories that predict low levels of institutionalized taxation in resource-rich areas. Although further data collection is needed to persuasively refute alternative explanations, the quantitative and qualitative evidence presented in this paper nonetheless suggests that IS imposes taxes that are not economically necessary or rational, because taxes provide important non-economic benefits for state-building.

The paper suggests several directions for future research. First, what is the relationship between insurgent taxation and legitimacy? Does taxation, through the mechanism of collective identity formation, make civilians more inclined to support the insurgency? Or does taxation lead to increased resistance by generating demands for representation and participation? Second, when does an insurgent group become the functional equivalent of a state, regardless of whether or not it is formally recognized by the international community? Can the establishment of a complex tax system be used as a measure of “stateness”? Third, if taxation has both economic and non-economic benefits for state-building, then what are the implications for counter-insurgency? If oil extraction facilitates state formation only through the mechanism of revenue production, but taxation has several benefits—economic as well as non-economic—then it would suggest that counter-insurgents should look for ways to disrupt the taxation systems of insurgent groups. As IS’s footprint in Syria gradually shrinks, it will become possible to collect new and higher quality data to address these questions.
Appendix

Appendix 1. List of 28 Sub-Districts and Corresponding Data Sources

<table>
<thead>
<tr>
<th>Governorate</th>
<th>Sub-District</th>
<th>Number of Observations by Data Source</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Tweets</td>
</tr>
<tr>
<td>Aleppo</td>
<td>Atareb</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Al Bab</td>
<td>58</td>
</tr>
<tr>
<td></td>
<td>A’zaz</td>
<td>19</td>
</tr>
<tr>
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<td>Deyr Hafir</td>
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</tr>
<tr>
<td></td>
<td>Jarabulus</td>
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<tr>
<td></td>
<td>Menbij</td>
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<tr>
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<td>Sarin</td>
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<tr>
<td>Damascus</td>
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<td>Oqerbat</td>
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<tr>
<td></td>
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<tr>
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<td>Qaryatein</td>
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</tr>
<tr>
<td>Idleb</td>
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<td>Idleb</td>
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<td>Ma’arrat An Nu’mân</td>
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<td>Saraqab</td>
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<td>Al-Hasakeh</td>
<td>Al-Hasakeh</td>
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<td>Shadadah</td>
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<tr>
<td>Deir Ezzor</td>
<td>Abu Kamal</td>
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<td>Basira</td>
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<td>Al Mayadin</td>
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<td>Raqqa</td>
<td>Al-Thawrah</td>
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<tr>
<td></td>
<td>Maadan</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Tell Abiad</td>
<td>59</td>
</tr>
</tbody>
</table>
Appendix 2. Examples of Twitter Data

The following are representative examples of tweets used to code observations of the five tax policies identified in the paper:

A. Evidence of Asset Taxes from Deyr Hafir Sub-District:

@abo987khaled writes: “[IS] imposes zakāt taxes of 50 million Syrian pounds on farmers in possession of at least 600 cows, an amount that is equivalent to half the value of the cows….”

55 @abo987khaled, “[IS] imposes zakāt taxes of 50 million Syrian pounds on farmers in possession of at least 600 cows, an amount that is equivalent to half the value of the cows….” April 1, 2015, 5:43 AM. Tweet (Arabic). https://web.archive.org/web/20160408212930/https://twitter.com/abo987khaled/status/58324844331747840.
B. Evidence of Excise Taxes from Deir Ezzor Sub-District:

@aymanprince2020 writes: “[IS] imposes a tax of 2,500 Syrian pounds for each shipment of sand for construction from quarries.”

[C] Evidence of Border Taxes from Manbej Sub-District

@althughur writes: “[IS] has imposed fines on people seeking to leave the district of Manbej.”


D. Evidence of Fines from Al Bukamal Sub-District

@hamoudehher2000 writes: “[IS] imposes a fine of 50,000 Syrian pounds on the owner of a store in the city of Al Bukamal for selling spoiled food.”  

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@hamoudehher2000. “[IS] imposes a fine of 50,000 Syrian pounds on the owner of a store in the city of Al Bukamal for selling spoiled food.” October 26, 2015, 1:08 AM. Tweet (Arabic).  
E. Evidence of Service Fees from al-Bab Sub-District in Aleppo

@emartmanbej writes: “[IS] has begun to charge fees ranging from 800 to 1,500 Syrian pounds for electricity subscriptions for private generators in al-Bab."59

References


