



ELSEVIER

Journal of Public Economics 80 (2001) 141–167

JOURNAL OF
PUBLIC
ECONOMICS

www.elsevier.nl/locate/econbase

Government credibility and policy choice: evidence from the Pennsylvania earned income tax

Koleman S. Strumpf*

*Department of Economics, University of North Carolina at Chapel Hill, Gardner Hall,
CB 3305, Chapel Hill, NC 27599-3305, USA*

Received 1 March 1999; received in revised form 1 August 1999; accepted 1 September 1999

Abstract

This paper considers the decision of Pennsylvania communities whether to levy a 1% wage tax. While a simple political economy model suggests this tax should be enacted when many residents are exempted from the tax, the opposite pattern seems to hold. One explanation is that residents may mistrust their government and fear that the new tax monies will be spent unwisely. Several implications of this credibility story are consistent with the data, and non-taxing communities tend to have low credibility (as measured by three proxies). In addition, after controlling for credibility the proportion of exempt residents is positively associated with the probability of enacting the wage tax just as the political economy model suggests. © 2001 Elsevier Science B.V. All rights reserved.

Keywords: Second-best taxation

JEL classification: D7; H7

1. Introduction

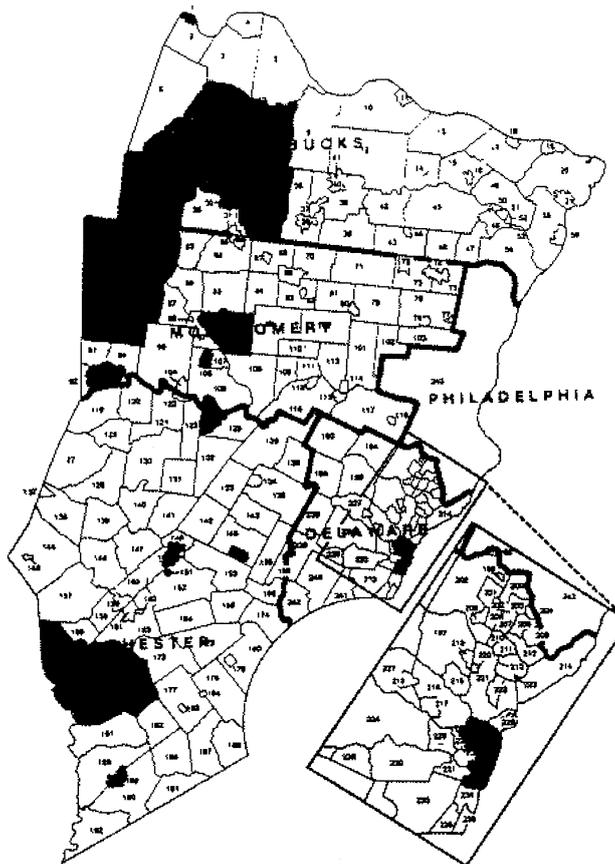
Significant new policy initiatives are sometimes met with voter skepticism. While such proposals are often accompanied by a promise that future government involvement will be limited and well defined, these promises are not binding. Presumably voters are only likely to favor giving new policy instruments to

*Tel.: +1-919-966-4485; fax: +1-919-966-4986.

E-mail address: cigar@unc.edu (K.S. Strumpf).

governments they trust. This paper provides some of the first formal evidence that the credibility of government promises influences policy outcomes. Pennsylvania allows municipalities to levy a 1% wage tax but exempts certain citizens from the tax. These exempt citizens should lobby for the tax in their home community, since they benefit from any new public services or tax relief the collections provide. A simple political economy model predicts that communities with a larger proportion of exempt citizens should be more likely to enact a wage tax. However, two such exempt groups, commuters to Philadelphia and other states, seem to have the opposite effect: Maps 1–3 show that few of the communities located near the Philadelphia or state border have the tax.

One explanation for this seeming inconsistency involves government credibility. Although politicians typically promise to devote wage tax collections to property



Map 1. Earned income tax in 1970 (shaded communities have tax).

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات