Author's Accepted Manuscript

Explaining the nonlinearity of inflation and economic growth: The role of tax evasion

Fu-Sheng Hung

www.elsevier.com

PII: S1059-0560(17)30187-9
DOI: http://dx.doi.org/10.1016/j.iref.2017.03.008
Reference: REVECO1393

To appear in: *International Review of Economics and Finance*

Cite this article as: Fu-Sheng Hung, Explaining the nonlinearity of inflation an economic growth: The role of tax evasion, *International Review of Economic and Finance,* http://dx.doi.org/10.1016/j.iref.2017.03.008

This is a PDF file of an unedited manuscript that has been accepted fo publication. As a service to our customers we are providing this early version o the manuscript. The manuscript will undergo copyediting, typesetting, an review of the resulting galley proof before it is published in its final citable form Please note that during the production process errors may be discovered whic could affect the content, and all legal disclaimers that apply to the journal pertain

ACCEPTED MANUSCRIPT

Explaining the Nonlinearity of Inflation and Economic Growth: The Role of Tax Evasion

Fu-Sheng Hung

Department of Economics, National Chengchi University

Taipei 116, Taiwan, ROC

Accepted manuscript

Abstract

This paper incorporates tax evasion into a simple endogenous growth model with money in the utility function. Government in the economy finances its constant fraction of unproductive expenditures through taxing output, penalty revenues, and seigniorage. By endogenizing the individual decision of tax evasion, we show that the ratio of government tax revenues over output is not monotonously related to the tax rate, whereas economic growth is always decreasing in the tax rate. We then consider a scenario that the government first selects a growth rate of nominal money and then the tax rate is endogenously determined by the government budget constraint. Given this, our model finds a threshold level of inflation in which the inflation-growth nexus may be positive or negative for initial inflation below it, but is definitely negative for initial inflation over it. We also find that the negative relationship for initial inflation over this threshold level is convex. These conclusions are consistent with recent empirical studies.

Keywords: Tax Evasion, Seigniorage, Inflation, Economic Growth
JEL classification: E31, E44, E63, O16, O42

1. Intorduction

Recent empirical studies have confirmed a nonlinear relationship between inflation and economic growth - namely, the relationship may be positive or negative for low levels of inflation, but is definitely and significantly negative

Email address: fshung@nccu.edu.tw (Fu-Sheng Hung)

دریافت فوری ← متن کامل مقاله

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