

IAB-Colloquium

zur Arbeitsmarkt- und Berufsforschung

The Effect of Direct Democracy on the Level and Structure of Local Taxes

Prof. Dr. Thushyanthan Baskaran

Universität Siegen

We study the effect of direct democracy on local taxation. Our setting is the German federal state of Bavaria, where in 1995 a state-wide reform introduced the possibility to initiate direct democratic legislation into the local government code. Relying on a sample of all Bavarian municipalities over 1980-2011, we hypothesize that complementing a representative form of government with direct democratic elements leads to (i) higher local tax rates and (ii) a shift of the local tax mix from taxes with broader (property taxes) to taxes with narrower bases (business taxes). For identification, we rely on a difference-in-discontinuity design. Our results suggest that the ease with which direct democratic legislation can be implemented – measured by signature and quorum requirements – increase local tax rates and shift the tax mix toward taxes with narrower bases. We also explore the mechanism that underlie these result.

Dienstag,

31. Januar 2017

13:00 Uhr

Sitzungssaal 126a