Recent Studies on Taxation and Economic Performance

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This appendix summarizes 40 empirical studies of taxation and economic performance published since 2012. A “scorecard” below summarizes the results from these 40 papers, indicating whether the general relationship between taxes and economic performance is: positive, negative, has no relationship, an asymmetric relationship, or a nonlinear relationship; or in cases of specific types of taxation whether it is: positive, negative, or the paper explicitly mentioned that it has no impact on economic performance. Additionally, the scorecard records the number of papers that found positive economic benefits in revenue-neutral tax shifts and those that found no effect of a revenue-neutral tax shift.

Beginning with the general relationship between taxation and economic performance, the majority of papers (27) found a negative relationship, while only two found a positive relationship. There were also five papers that found either nonlinear or asymmetric relationships, and there were 9 who found no significant relationship. With respect to more specific methods of taxation, among the 19 papers that analyzed corporate income tax, 17 obtained results showing a negative relationship between corporate income tax and economic growth, with the other two finding no impact. A similar result was found when investigating the effects of a personal income tax, with 9 of 12 finding a negative relationship and one finding a positive relationship. Seven of nine studies on payroll and social security taxes, three of five property tax results, and two of three consumption tax results found negative relationships. Finally, there were six studies investigating the benefits of revenue-neutral tax shifts, four of which found economic benefit
from shifting from income and labor taxes to consumption taxes, while two found no significant
evidence of economic benefit. In summary, the most common finding of the recent empirical
literature is that taxes have a negative impact on economic performance.

<table>
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<tr>
<th>Summary</th>
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<tbody>
<tr>
<td>Total General: 40</td>
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<tr>
<td>Negative: 27</td>
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<tr>
<td>Positive: 2</td>
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<tr>
<td>Ambiguous: 9</td>
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<tr>
<td>Asymmetric: 1</td>
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<tr>
<td>Nonlinear: 1</td>
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</tbody>
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References

Bond, Stephen, and Jing Xing. 2015. “Corporate taxation and capital accumulation: Evidence from sectoral panel data for 14 OECD Countries” *Journal of Public Economics* 130: 15-31


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