

Higher tax leads to better government quality

March 11 2016, by Lars-Olof Karlsson

There is a positive connection between taxation of a state's citizens and how well the state's institutions works. The reason is that any ruler who wants to collect taxes must build a well-functioning bureaucracy and give the taxed something in return, in the shape of welfare reforms and some influence over how the taxes are handled. This is shown in a new dissertation from University of Gothenburg.

The political scientist Rasmus Broms has analysed statistics for taxation and governance from most of the world's countries. Historical data has also been part of the study; for example from former British colonies.

The results of his dissertation indicate that there is a clear connection between high taxation in a country and how well the public authorities and institutions in that country work. Rasmus Broms sees the reason for this in the fact that a governor, in order to make the system work, is forced to start negotiate with those he or she is going to collect taxes from.

"No one has ever liked having to let go of their hard-earned money. If one is to do that, one both wants to get something in return, but perhaps above all get some kind of influence over how the tax money is used," Rasmus Broms says. "The ruler also needs to build a well-functioning and quite complicated machinery to collect the taxes. Historically, this has often been the initiator of a country's public administration."

According to Rasmus Broms, both these aspects push for a more transparent and effective social system. The studies he has gone through

have focused on western societies as well as states in Africa south of Sahara, on contemporary conditions as well as historic.

"To a great extent, the French and American revolutions concerned taxes," argues Rasmus Broms. "And much of what we today view as the modern state has its foundation in the systems that were built after these revolutions."

The insights from the dissertation may be especially meaningful for international development work and in what way wealthier countries best can support the development in unstable states and young democracies. One of Rasmus Broms' sub-studies also shows that in Africa south of Sahara specifically, people who pay taxes are more politically interested than those who do not pay taxes.

"In a little longer term, it is better for a state to introduce widely collected [tax](#) bases that are noticed among the public, than to look for incomes by for example high trade tariffs," Rasmus Broms says.

The reversed example can be seen in the oil-rich Gulf States.

"There, through generous allotments to the citizens from the oil incomes, the governing classes can in a sense bribe themselves out of demands on democratic influence over the government machine and human rights consideration."

Provided by University of Gothenburg

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