

A Revisit to Tax Policy and Stability in a Model with Sector-Specific Externalities

Wei-Neng Wang

Assistant Professor
Department of International Business,
National Taichung University of Science and Technology

ABSTRACT

This study re-visits the stabilization of income tax policies proposed by Guo and Harrison (2001, *Review of Economic Dynamics*). I show that given an empirically relevant extent of sector-specific externality, both progressive and regressive tax schedules can stabilize the economy against sunspot fluctuations, if the government's tax revenues are used to purchase goods as public services, rather than to return them to households as lump-sum transfers. A progressive tax schedule is more robust than a regressive tax schedule in terms of suppressing the belief-driven fluctuations. I also find that income taxes are more likely to suppress the sunspot fluctuations, if the government uses its revenues to purchase an investment good, instead of a consumption good. These results sharply differ from Guo and Harrison's (2001) propositions. Thus, our study complements Guo and Harrison's (2001) analysis and provides new policy implications to the literature.

Key Words: tax policy, aggregate (in)stability, government spending,
sector-specific externality

部門特定外部性下的稅收政策 與安定性之再探討

王韋能

國立臺中科技大學國際貿易與經營系助理教授

摘 要

本文重新審視 Guo and Harrison (2001, *Review of Economic Dynamics*) 所提出的所得稅率安定政策。本文的研究發現，當特定產業存在部門外部性，若政府將稅收用於購買商品來做為公共服務使用，而不是移轉性支付給家計單位的話，累進與累退的所得稅政策都能使經濟體系更為穩定；且累進稅比累退稅的所得稅政策更具有安定效果。同時，本文也發現政府購買投資財比購買消費財具有更佳的安定效果。這些結果與 Guo and Harrison (2001) 的主張截然不同，因此，本文的結果補充了 Guo and Harrison (2001) 的分析，並且為文獻提供了新的政策意涵。

關鍵字：稅收政策、總體（不）安定、政府支出、部門特定外部性