The time consistent public goods provision[*]

Shigeo Morita[†]

April 14, 2014

Abstract

In this paper, we reconsider the optimal non-linear tax problem with the public good from perspective of commitment issue, in order to examine how it affects a condition of the public goods provision. We show that the Samuelson rule should be modified when the taxpayers were separated completely by the tax policy. Moreover, the effects of commitment issue higher the marginal cost of public funds. It implies that the amount of public goods may be overinvested comparing with the case that commitment issue is not considered.

Keywords: Public goods provision, Optimal Taxation, Time consistency

Journal of Economic Literature Classification Numbers: D82, H21

[†]Graduate School of Economics, Osaka University, 1-7, Machikaneyama, Toyonaka, Osaka 560-0043, Japan. E-mail: ngp024ms@student.econ.osaka-u.ac.jp.