

# Progressive taxation on consumption, endogenous growth and indeterminacy

Ken-ichi Kaminoyama\*

## Abstract

This paper shows that in a standard one-sector AK model of endogenous growth with progressive (regressive) taxation on consumption, the consumption tax depending on income level is related to the local stability properties of the economy's balanced-growth paths. When the tax schedule is progressive (regressive), the economy exhibits an indeterminate balanced-growth equilibrium and belief-driven growth fluctuations. By contrast, when the tax schedule is flat, the economy's balanced-growth path indicates saddle-path stability.

**Keywords:** Progressive Taxation; Consumption Tax; Endogenous Growth; Indeterminacy

**JEL classification:** E62; O41

---

\* Department of Economics, Kanazawa Seiryō University, 10-1 Ushi, Gosho-machi, Kanazawa, Ishikawa, 920-8620, Japan; e-mail address: kaminoya@seiryō-u.ac.jp