Voluntary Merger among Multiple Governments

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This study explores the economic condition where a political merger among multiple governments is achievable. In particular, we demonstrate how the differences in income distribution and population among the included governments, and the number of the included governments affect the achievement of a governmental merger. The main results of this study are (i) a merger with is less likely to be achievable as the number of included governments increases because the income inequality across the governments usually spreads in this case, (ii) even if a merger is achievable in this case, the post-merger tax rate is inclined to be lower than majority equilibrium tax rates, which may generate a Benthamite optimal situation.