PANTHÉON-ASSAS UNIVERSITÉ PARIS

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LEMMA
Laboratoire d'économie mathématique et de microéconomie appliquée

**SÉMINAIRE**

# THE (SOFT) POWER TO TAX: COMPLIANCE AND TAX MORALE AS IMPERIAL LEGACY

## 03 October 2023
## Lemma - Salle Maurice Desplas 4 rue Blaise Desgoffe 75006 PARIS

Le Lemma is organising a seminar on **« The (soft) power to tax: Compliance and tax morale as imperial legacy »**

Michael DORSCH (Central European University)

Abstract :

We hypothesize and empirically show that welfare-improving historical reforms have a lasting impact on tax morale and tax compliance. We argue that such reforms can generate a path dependence where tax morale, public good quality, and the state's fiscal capacity co-evolve over the long run. We substantiate our argument by examining the effect of historical Habsburg imperial rule on current propensity to avoid taxation in northern Italian provinces. Our study employs several behavioral measures of tax avoidance in northern Italy – at the individual and the municipal level. We use spatial regression discontinuity designs to demonstrate that tax avoidance is lower among respondents from the Habsburg side of the long-gone imperial border in contemporary northern Italy. Investigating the mechanisms for tax compliance and its persistence, we provide evidence that beliefs about tax enforcement are no different, but proxies for tax morale significantly along the erstwhile imperial border discontinuity. Our study demonstrates that historically fostered tax morale has a long-run impact on tax compliance, fiscal capacity and quality of public goods.