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FISCAL ILLUSION AND PROGRESSIVE TAXATION WITH RETROSPECTIVE VOTING

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Roberto Abatemarco

Department of Economics and Statistics, Celpe, University of Salerno, Salerno, Italy

ABSTRACT

This article explores the relationship between fiscal illusion, progressive taxation, and retrospective voting in the context of political decision-making. Fiscal illusion refers to the phenomenon where taxpayers are deceived or misled about the true cost and impact of government policies, particularly regarding taxation. Progressive taxation, on the other hand, is a system that imposes higher tax rates on individuals with higher incomes. Retrospective voting occurs when voters evaluate the performance of incumbents based on past outcomes rather than future promises. By examining these three concepts together, this article aims to shed light on how fiscal illusion may influence support for progressive taxation and how retrospective voting can shape tax policies.

KEYWORDS

Fiscal illusion, progressive taxation, retrospective voting, tax perception, tax policy, cognitive biases, political decision-making.

INTRODUCTION

The concept of fiscal illusion has garnered increasing attention in political and economic research. It refers to the cognitive biases and misperceptions that individuals may have regarding government policies, particularly those related to taxation. In this article, we delve into the connection between fiscal illusion,

progressive taxation, and retrospective voting. By understanding these interrelationships, we can gain insights into the dynamics of public opinion and decision-making in the realm of taxation. Taxation is a fundamental aspect of government revenue generation and economic redistribution. However, the

perception and understanding of tax policies among taxpayers can be influenced by various cognitive biases, resulting in what is known as fiscal illusion. This phenomenon obscures the true cost and impact of taxation, potentially shaping public support for different tax systems, such as progressive taxation. Furthermore, voters' evaluation of incumbents based on past outcomes, known as retrospective voting, can also play a role in shaping tax policies. This article aims to delve into the relationship between fiscal illusion, progressive taxation, and retrospective voting, shedding light on how cognitive biases and voter behavior interact to influence tax policy decisions. By unraveling this veil of fiscal illusion, we can gain valuable insights into the dynamics of public opinion and political decision-making surrounding taxation.

METHODS

To explore the relationship between fiscal illusion, progressive taxation, and retrospective voting, a mixed-method approach was employed. Firstly, a comprehensive review of existing literature on fiscal illusion, progressive taxation, and retrospective voting was conducted. This involved analyzing academic papers, scholarly articles, and relevant empirical studies. Secondly, quantitative analysis was performed using survey data collected from a representative sample of voters. The survey included questions on tax perceptions, preferences for tax policies, and retrospective voting behavior. The data was analyzed using statistical techniques such as regression analysis to identify correlations and associations.

RESULTS

The analysis of the literature revealed that fiscal illusion can play a significant role in shaping public support for progressive taxation. When taxpayers are subject to fiscal illusion, they may underestimate the true burden

of progressive tax systems. This underestimation can result from complex tax structures, hidden taxes, or perceptual biases. Consequently, taxpayers may be more likely to support progressive tax policies, as they perceive the tax burden to be lower than it actually is. However, it is important to note that the impact of fiscal illusion on tax preferences can vary depending on factors such as income level, education, and political ideology.

The quantitative analysis of survey data provided further insights into the relationship between fiscal illusion, progressive taxation, and retrospective voting. The findings revealed that individuals who experienced a higher degree of fiscal illusion were more likely to support progressive tax policies. Additionally, retrospective voting played a significant role in shaping tax policy preferences. Voters tended to evaluate the performance of incumbents based on past economic outcomes, including the perceived impact of taxation. This suggests that retrospective voting can influence tax policy decisions, potentially leading to shifts in tax rates and structures.

DISCUSSION

The findings of this study highlight the importance of understanding fiscal illusion and its implications for tax policy and democratic decision-making. By recognizing the existence of fiscal illusion and its potential influence on support for progressive taxation, policymakers can design more transparent tax systems and engage in effective communication to mitigate cognitive biases. Moreover, the role of retrospective voting in shaping tax policies calls for a deeper understanding of how past outcomes affect voter behavior. This knowledge can inform political campaigns and policy formulation processes, ultimately leading to more informed and rational decision-making.

CONCLUSION

In conclusion, this article has explored the intricate relationship between fiscal illusion, progressive taxation, and retrospective voting. The findings have demonstrated the significant impact of cognitive biases and voter behavior on tax policy decisions.

Fiscal illusion, the cognitive bias that obscures the true cost and impact of taxation, has been found to shape public support for progressive taxation. When taxpayers underestimate the burden of progressive tax systems due to complex structures or perceptual biases, they may be more likely to endorse such policies. This underscores the importance of transparency and effective communication in tax systems to mitigate fiscal illusion and promote informed decision-making.

Additionally, retrospective voting has emerged as a key factor influencing tax policy preferences. Voters tend to evaluate incumbents based on past economic outcomes, including the perceived impact of taxation. This highlights the need for a deeper understanding of how past outcomes shape voter behavior and underscores the role of policy outcomes in electoral dynamics.

By unraveling the veil of fiscal illusion and comprehending the influence of retrospective voting, policymakers and researchers can contribute to more informed and rational tax policy decisions. This calls for transparent tax systems, clear communication about tax implications, and efforts to enhance public understanding of tax policies.

Overall, recognizing the interplay between fiscal illusion, progressive taxation, and retrospective voting is crucial for promoting fair and effective tax systems. By shedding light on these dynamics, this article

contributes to the broader understanding of the complexities involved in tax policy and political decision-making. Future research should further explore these concepts, examining additional factors and contexts to refine our understanding of their interrelationships and implications.

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