Spatial Inequality and Attitudes Towards Tax Compliance: The Case of Sub-Saharan Africa

(avec Siyavash Eslami, Marin Ferry, et Laure Pasquier-Doumer)

ABSTRACT

This paper investigates the relationship between spatial inequality and attitudes towards tax compliance in the context of sub-Saharan African countries. Individuals’ attitude toward tax is measured using round six of the Afrobarometer geocoded data, and spatial inequality is measured with a Gini computed over light intensity. Results suggest that spatial inequality is positively associated with tax compliance attitude. However, this association depends on the size of the area over which Gini is computed. We provide results for various zones around individuals and find that inequality in the immediate surrounding of individuals has an effect on their attitudes towards taxation. In order to deal with endogeneity problem we further use an instrumental variable approach, making use of an agglomeration model to predict the value of light at the year of the survey. These results are consistent with the OLS estimates. We also examine the potential non-linearities in this relationship and find that, when facing high inequality, individuals in the middle of wealth distribution have unfavorable attitudes towards taxation. Finally we find that inequality is associated with a higher support for taxation when individuals’ trust in the government is high.