

Proportional Taxation: Nonexistence of Stable Structures in an Economy with a Public Good

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Abstract

Guesnerie and Oddou [*J. Econom. Theory* **25** (1981), 67-91] raised the open question whether an economy, in which the production of a public good is financed via proportional taxation, has a stable structure. By means of the first example a negative answer to this question is provided. The second example shows that a stable structure may fail to exist even if all the individuals have the same initial endowments in private good.

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