

Online Appendix

Table A 1

Results of ADF Test

h	T-statistics	Critical value	Result
0	-4.94***	-2.93	Stationary
1	-4.72***	-2.94	Stationary
2	-4.67***	-2.95	Stationary
3	-4.24***	-2.95	Stationary
4	-3.26**	-2.96	Stationary
Forecast error, GDP			
0	-6.23***	-2.93	Stationary
1	-4.18***	-2.94	Stationary
2	-3.62**	-2.95	Stationary
3	-4.24***	-2.95	Stationary
4	-4.32***	-2.95	Stationary
Forecast error, tax-GDP-ratio			
0	-5.28***	-2.93	Stationary
1	-5.25***	-2.94	Stationary
2	-5.30***	-2.95	Stationary
3	-4.53***	-2.95	Stationary
4	-2.55	-3.04	Unit root

Note: Reported are the t-statistics and the critical values for the Augmented Dickey-Fuller (ADF) test, using a constant and a maximum lag of 9, selected by the SIC. ***, **, and * denote significance at the 1, 5, and 10% level, respectively.

Table A 2

Tax Revenue Forecast Error and Serial Correlation

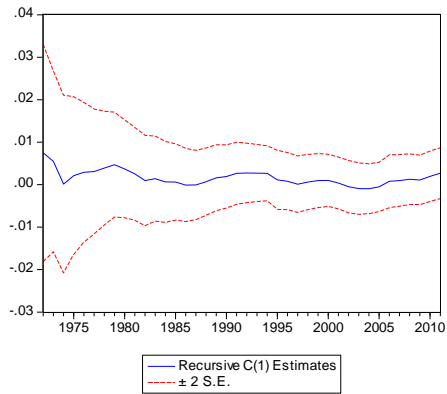
Horizon	current year	t+1	t+2	t+3	t+4
Constant	0.12*	0.41**	0.59**	0.63*	0.73**
	0.06	0.17	0.28	0.34	0.32
Forecast Error (t-1)	0.28*	0.34	-0.44	-0.44	0.15
	0.14	0.43	0.68	0.84	1.06
Tax Ratio Forecast	-0.51**	-1.80**	-2.64**	-2.94**	-3.48***
	0.26	0.73	1.21	1.42	1.34
R ²	0.15	0.16	0.18	0.16	0.14
F-statistics	3.64	3.49	3.91	3.17	2.68
p-value	0.04	0.04	0.03	0.05	0.08
Observations	43	41	39	37	35

Note: Dependent variable: Tax revenue forecast error (percent). Numbers in parentheses are standard errors, corrected for autocorrelation using the Newey and West (1987) method; ***, **, * indicate significance at the 1, 5, 10 % level.

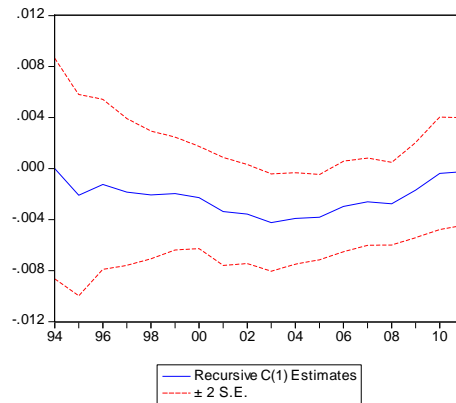
Figure A 1

Recursive Estimations of Equation (4)

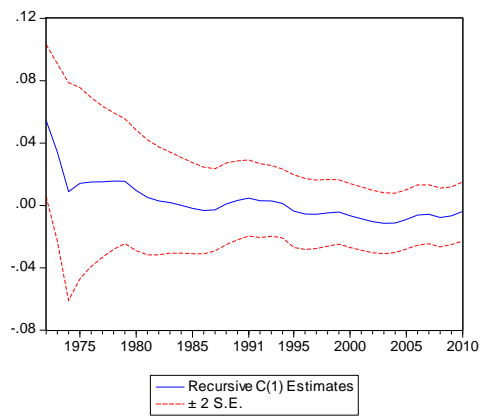
full sample, $h = 0$



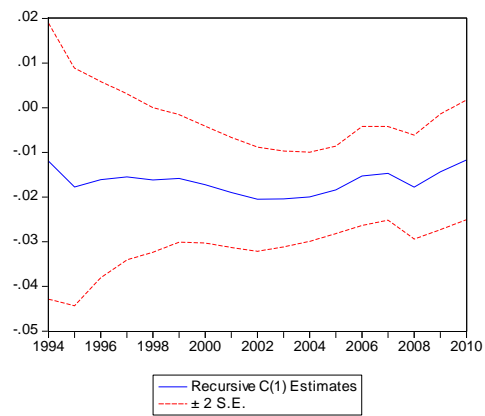
Post reunification, $h = 0$



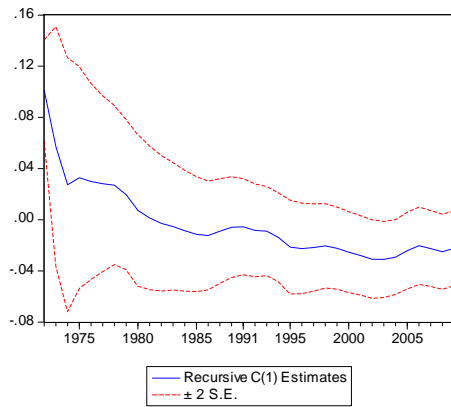
full sample, $h = 1$



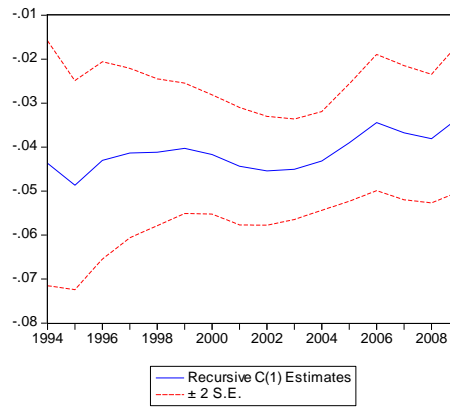
Post reunification, $h = 1$



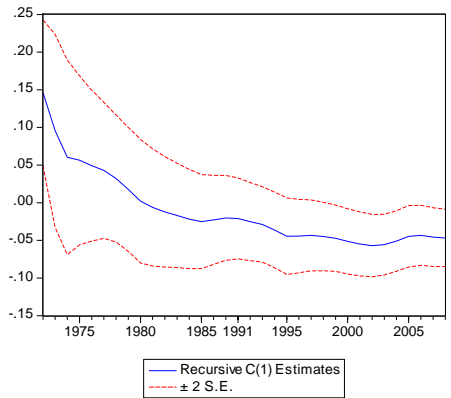
full sample, $h = 2$



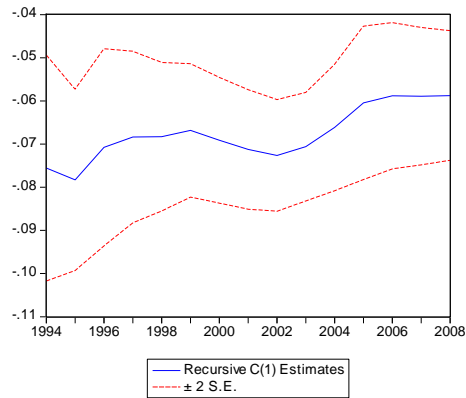
Post reunification, $h = 2$



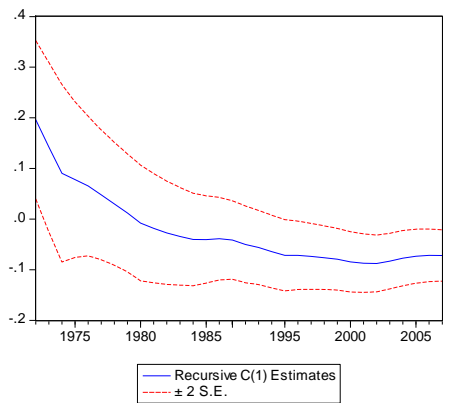
full sample, $h = 3$



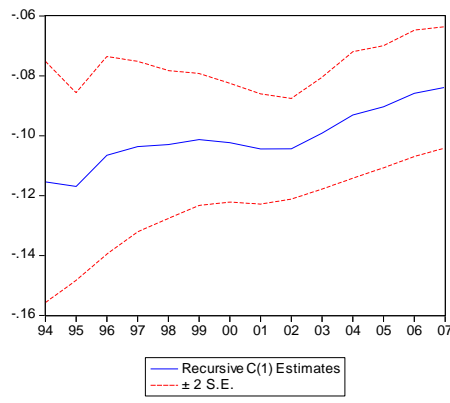
Post reunification, $h = 3$



full sample, $h = 4$



Post reunification, $h = 4$



Note: The figures show the recursive coefficients of equation (4). Dependent variable: tax revenue forecast error (percent). The left panel depicts recursive estimations for the period 1968 to 2011, starting in 1968. The right panel restricts the sample to the post-reunification period.