Income-Based Fines: Evaluating Rationales for Finnish Speeding Penalties

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Abstract

We evaluate rationales for income-based speeding fines, as famously applied in Finland, where a \$250 offense for a low-income speeder can cost \$100,000 for the rich. We consider four potential policy goals—externality mitigation, redistribution, equal compliance, and proportional punishment—using linked Finnish administrative data and an original survey. First, using a "job-loss" design, we find that marginal speeding costs decrease with offender income, leading us to reject externality mitigation as a rationale. Next, we assess the redistributive rationale. In standard models, indirect taxes aid redistribution only if the taxed action serves as a signal for earnings ability. We recover this signal by differencing speeding behavior with respect to causal effects of income on speeding, estimated from within-individual earnings variation and inheritance shocks. The estimated signal is negatively correlated with earnings, implying that Mirrleesian redistribution rationalizes a *lower* fine on the rich. Finally, we use our survey to assess whether preferences for equal compliance or proportional punishment are motivating rationales. Respondents trade off fixed and income-based speeding fine policies, where the latter vary in the induced acrossincome distribution of behavior and schedule "steepness." Net of redistribution, respondents are on-average willing to forgo €144 million in government revenue to implement income-based policies. However, these valuations are insensitive to induced behavior or schedule-steepness, ruling out our candidate rationales. Given our findings, speeding fines should incorporate some income-dependence but need not feature the extremes in Finland. Residual support for incomedependence suggests that current policy reflects either unmodeled instrumental considerations or direct, non-instrumental preferences.

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