

## Have Tax Collections Increased Following the Initiation of the Justice Hotline?



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During February 2013, the Taxation Authority of Israel initiated the “Justice Hotline”. This new enforcement mechanism rewards whistleblowers a percentage of the tax collected from tax- evaders due to the whistle blow. We examine whether the initiation of the justice hotline, and the media coverage that followed, are associated with higher income tax and value-added-tax (VAT) collections. We find that tax collections increased after February 2013 in both taxes. We also find that the increase in income tax collections occurred only in collections from businesses while collections of income tax from salaries did not change. In addition, we find that the increase in income tax and VAT collections after February 2013 occurred only in industries more prone to tax evasions. Our results suggest that the Justice Hotline led to higher tax collections.

## How did one Potato Salad Shock Kickstarter: The Impact of Opportunistic Behavior on Crowdfunding Platforms



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Crowdfunding platforms enable amateur entrepreneurs to raise money for their ventures over the Internet. Those platforms are peer-to-peer two-sided markets with entrepreneurs on the supply side and funders on the demand side. However, in allowing practically anyone to enter, such markets risk being flooded with low-quality offerings, a situation often referred to as a “market of lemons”. To empirically study the implications of this phenomenon, we use a quasi-natural experiment in the form of an exogenous media shock that occurred on Kickstarter.com. The shock was followed by a sharp increase in the number of campaigns, particularly low-quality ones, no such increase was observed on the demand side of the market. These unique conditions enable us to estimate how crowdfunding platforms are affected by the presence of an atypically large number of low-quality campaigns, while controlling for fluctuations in demand. We use two novel identification strategies, which enable us to control for changes in quality, to show that an increase in low-quality supply significantly decreases the performance of crowdfunding campaigns, manifested in a lower likelihood of success. We also offer a new method to estimate campaign quality and study its role in the observed effects. We find that high-quality campaigns are less affected by the “market of lemons” than low-quality campaigns. We discuss theoretical as well as managerial implications for entrepreneurs and platform designers.