

OPIM-DP Job Talk

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Seminar Title: “Axe the Tax: Taxes Are Disliked More than Equivalent Costs.”

Monday, January 23, 2012

12:00 – 1:15pm

245 Jon M. Huntsman Hall

(A light lunch will be served)

Abstract: Tax collection is critical for the proper functioning of society. However, many people strongly dislike paying taxes. Although this distaste could be rational on economic grounds, the authors show that this attitude extends beyond simply disliking the costs incurred and affects behavior in counternormative ways. They demonstrate the phenomenon of tax aversion: a desire to avoid taxes per se that exceeds the rational economic motivation to avoid a monetary cost. Across five experiments, the authors provide evidence that people have a stronger preference to avoid tax-related costs than to avoid equal-sized (or larger) monetary costs unrelated to taxes. Tax aversion affects consumer preferences in a variety of domains, including standard store purchases, financial investments, and job selection. Furthermore, this tendency is most prevalent among people who identify with political parties that generally favor less taxation. Finally, encouraging participants who identify with “antitax” parties to consider positive uses of their tax payments mitigates tax aversion. This article concludes with a discussion of the implications of these results for consumer behavior research and tax policies.

Keywords: tax, decision making, consumer financial choice, behavioral economics, political affiliation