



Seeing wealth as a responsibility improves attitudes towards taxation



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ARTICLE INFO

Article history:

Received 1 October 2015

Received in revised form 24 March 2016

Accepted 9 April 2016

Available online 7 May 2016

Keywords:

Wealth

Wealth-as-responsibility

Taxes

Redistribution

Prosocial behavior

ABSTRACT

Taxes are beneficial; society depends on the revenue generated from taxation to provide essential public services such as education and health care. Taxes also attract a high degree of loathing. Tax noncompliance is a major problem for governments worldwide—with hundreds of billions of potential tax revenue uncollected each year. It is therefore critical for research to examine factors that encourage tax satisfaction. In this research, we hypothesized that people would be more inclined to view taxation in a favorable light if they believed that wealth incurs a responsibility to give back to society (wealth-as-responsibility). Consistent with this prediction, in Study 1, people who reported stronger wealth-as-responsibility beliefs felt better about paying taxes. In Study 2, individuals assigned to read text encouraging the idea that wealth incurs a responsibility to give back to society felt better about paying taxes compared to a neutral control group. In Study 3, individuals assigned to read text encouraging wealth-as-responsibility felt better about paying taxes on earned income in the lab. Together, these studies show that reframing the meaning of wealth can shape people's attitudes about paying their taxes, thus providing evidence for a novel lever to encourage more positive attitudes about taxation.

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1. Introduction

The viability of essential public goods such as schools, health-care, and anti-poverty programs critically depends on the revenue collected from taxation. Despite the fact that nearly everyone in the U.S. experiences personal benefits from their tax dollars through government programs and resources (Mettler, 2011), a pervasive “tax paradox” exists whereby the majority of individuals report feeling dissatisfied with how their tax dollars are spent (Rasmussen, 2010).

In a recent study, researchers offered American participants a choice between \$400 a year, with an associated \$100 tax, or \$300 a year tax-free (Sussman and Olivola, 2011). The majority of respondents chose the tax-free alternative, indicating that they would rather forgo \$100 entirely, than to have this money transferred to the government through taxation. Negative attitudes regarding taxation have a substantial social impact: tax evaders fail to pay 17% of tax dollars owed in the United States, costing the U.S. hundreds of billions of dollars each year (Sawicky, 2005). Given people's dissatisfaction with paying their taxes, and the large-scale societal consequences of tax evasion, it is critical for psychological research to examine factors that predict when people feel satisfied about paying their taxes (Olivola and Sussman, 2015).

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Although individuals derive satisfaction from using their money to benefit others (e.g., Dunn et al., 2008; Aknin et al., 2013), asking people to think about wealth—and even simple reminders of money—can undermine prosociality. A large body of research suggests that reminders of money can lead people to prioritize self-sufficiency and to be less generous (e.g., Piff et al., 2010; Vohs et al., 2006, 2008). Yet, people think about money and wealth in a variety of ways—such as a means of achieving social status or contributing to society (Srivastava et al., 2001; Ostrower, 1997). Indeed, recent high profile statements made by some of the world's wealthiest individuals point to an alternative viewpoint of wealth that might encourage individuals to feel more positive about taxation. We call this viewpoint “wealth-as-responsibility”—the idea that wealth confers a responsibility to give back to society.

In 2010, two of the world's most successful entrepreneurs, Warren Buffett and Bill Gates, asked their peers to take a “Giving Pledge” and to publicly donate at least 50% of their wealth to charity over their lifetime. As part of this pledge, philanthropists wrote letters documenting their motivations for taking the pledge. To examine these donors' motivations, we coded 98 Giving Pledge letters (The Giving Pledge, 2014). The majority of respondents (53.1%) mentioned that their wealth incurs a responsibility to give back to the people, places, and programs that helped them to achieve financial success.¹ This percentage is notable given that these individuals have no legal responsibility to contribute to the public good. As philanthropists Duncan and Nancy Macmillan explain, “It is with a great sense of responsibility and recognition of our good fortune that we commit to the Giving Pledge.” These letters provide evidence that thinking about wealth as a responsibility to give back to society (“wealth-as-responsibility”) is associated with financial generosity, and may have downstream implications for how people make decisions about money.

Empirical research also suggests that responsibility is a critical predictor of prosocial behavior (Vohs and Schooler, 2008; Baumeister et al., 2009). When people feel a greater sense of responsibility, they are more trusting of others and are more aware of the impact that their actions have for other people (Baumeister and Brewer, 2012). Individuals who feel a greater sense of responsibility are also more likely to make anonymous contributions to charity. In fact, in a study of 3000 adults, feelings of personal responsibility were a better predictor of anonymous charitable donations as compared to prosocial attitudes such as altruism and social value orientation (Schuyt et al., 2004).

Could viewing wealth as a responsibility to give back to society lead individuals to embrace paying their taxes? Given the importance of ameliorating negative attitudes toward taxation, and the emerging popularity of initiatives like the Giving Pledge, our research has two key aims. Broadly, we aim to provide empirical evidence that the concept of wealth-as-responsibility can impact people's financial decision-making. In doing so, this research seeks to examine the generalizability of the messages contained in the Giving Pledge letters to a more representative sample of individuals. More specifically, we aim to examine whether seeing wealth as a responsibility to give back to society can improve people's attitudes toward paying taxes. First, we created a scale to examine the novel construct of wealth-as-responsibility—the belief that wealth incurs a responsibility to give back to society. We then examined the correlational and causal associations between wealth-as-responsibility and tax satisfaction (Studies 1 and 2). Moving beyond retrospective self-report, we examined the effect of wealth-as-responsibility on satisfaction with taxes paid on earned income in the lab (Study 3).

1.1. Sample sizes, conditions, and measures

We obtained ethical approval for this research from the University of British Columbia. Informed consent was obtained prior to participation. We follow the reporting standards proposed by Simmons et al. (2011): we report all data exclusions, every condition that was run, and every measure that was given. We determined our sample sizes in advance. Our data is publicly available through the Open Science initiative (osf.io/7u9gd).

2. Study 1

2.1. Method

2.1.1. Participants

We chose a target of 200 participants based on research assessing the impact of psychological interventions on tax attitudes (Sussman and Olivola, 2011; Lambertson, 2013). We slightly surpassed this target and recruited 223 participants from Amazon.com's mTurk market place. These participants completed our survey in exchange for \$0.50 (42% female; $M_{\text{age}} = 29.82$, $SD = 9.94$).

2.1.2. Procedure

After providing informed consent, participants completed measures of wealth-as-responsibility and taxation satisfaction (in that order). Participants then completed measures tangential to the present hypothesis (SOM) and reported their

¹ As part of this project, we also coded the extent to which the Giving Pledge letter respondents attributed their wealth to situational factors such as the help of others or to dispositional factors such as their own hard work. Respondents who contributed to the Giving Pledge reported a greater number of situational attributions for their wealth ($M = 1.44$, $SD = 1.50$) as compared to dispositional attributions ($M = 0.81$, $SD = 1.17$), $t(98) = 3.87$, $p < .001$. These results suggest another possible motive that encourages financial generosity among this group.

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