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The Burden of New Taxes: Acceptance of Taxes as a Function of Affectedness and Egoistic Versus Altruistic Orientation

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ABSTRACT: Taxes imply loss of individual freedom to dispose of one's own money as one wishes. From a psychological viewpoint it is reasonable to assume that people reject the introduction of new taxes if they are affected by them and have to contribute more to the tax authorities than in the past. It can also be assumed that personal value orientation such as selfishness and altruism, respectively, influence attitudes towards taxes. Moreover, personality traits, such as norm dependency, and age should affect one's acceptance of taxes.

This study investigates the attitudes of 120 persons affected by a new tax and 113 persons not affected by the tax. Norm dependency, egoistic versus altruistic value orientation, tax mentality and tax morality as well as demographic characteristics were assessed by questionnaires. The results indicate that both affectedness and value orientation determined attitudes towards the new tax. Age and norm dependency are correlated with attitudes towards taxes in general. The hypothesized interaction effect between affectedness and value orientation was not confirmed. However, affected egoists, non-affected egoists, affected altruists, and nonaffected altruists, respectively, mentioned different reasons for and against taxes, tax increases, and the introduction of new taxes.

Key words: tax psychology, tax morality, attitudes towards taxes, egoistic versus altruistic value orientation.

INTRODUCTION

Recently, Tyszka (1994) polled French and Polish students about their preferences in the organization of socio-economic affairs such as state control over the

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economy, tax policy, social welfare programs, privatization, legal limitations of ownership rights and so on. Both the French and the Polish agreed that taxes should be reduced by increasing welfare at the same time. Schmolders (1975) reports similar results for Germany. When asked how to reduce the public deficit, in ways other than increasing taxes, respondents proposed cutting government spending. At the same time, they demanded that the state should increase investments in almost all public services, such as social security, health, education, etc. People are "willing to benefit from government services but increasingly resistant about paying for them" (van de Braak, 1983, p. 95; see also Williamson & Wearring, 1996). Or, as the Italians put it: People want "a drunken wife yet a full wine barrel at the same time."

The newly appointed Austrian Minister of Finance was set on doing the exact opposite of what voters wanted. He quickly fell out of public favor and had to leave office a few months after his appointment. His proposal was to introduce a new tax as a means of putting the national budget on a sounder footing. It is no secret that people have never liked taxes and that taxes introduced to resolve a particular problem are rarely abolished once the problem is solved. Once accepted, taxes remain forever. In the Austrian case, however, the tax concerned only extra payments for earners exceeding a rather high level of income. The tax would have affected a rather small percentage of income earners. After consulting an opinion poll in the Spring of 1995, the Minister of Finance proposed taxing the 13th and 14th month's¹ salary for people earning over ATS 40,000 a month (approximately US\$ 4,000 a month at the time the tax was in discussion). Although the tax would not even have affected many people and was presented as a strategy for reaching a fairer redistribution of wealth, the Minister was ill-starred: the heated disputes in the media and in the pubs foiled his plans and his popularity ratings went into a free fall.

The introduction of a new tax is accompanied by a loss of individual freedom to dispose of one's own money the way one wishes (Pelzmann, 1985). A loss of freedom or the perception of a loss of freedom frequently elicits opposition. People want to reestablish their threatened independence and freedom by resisting the attempts of others to manipulate their freedom. Brehm (1966) argues that psychological reactance is a motivational state aimed at reestablishing whatever freedom has been threatened and as such, a force which drives a person to behave opposite to what is desired by the source seeking to manipulate him or her. In the case of this particular Austrian tax, not only would a part of the income earners have had to pay higher taxes and, thus, forfeit some freedom in controlling their own income, but the tax would also have had a profound symbolic meaning for those not affected by it. The payment of the salary for the 13th month usually occurs around Christmas. In the vernacular it is called Christmas money. The salary for the 14th month is usually paid around June and is known as "vacation money." From a psychological viewpoint it is reasonable to assume that people not only

saw the tax as a financial sacrifice but also as a threat to their Christmas celebrations and holiday entitlement. If this assumption is justified, one would have to expect that persons directly affected by the tax would be opposed to it and that the nonaffected would also be against it because the tax represented a threat to their psychologically important labor achievements. Reactance is the likely response to limitations of one's own personal freedom and possibly also to observing the freedom of another person being limited. Quoting Brehm (1966, p. 7), "if one observes the loss of a freedom to a person who is considered a model and this loss could just as well happen to oneself then one's own free behavior is threatened." According to reactance theory, the most probable consequence of the Minister's plan is resistance to the tax on the part of the vast majority of people. Despite the rational argument in favor of the tax for those not affected by it, namely that they would benefit by the government being able to provide more services to them, the low income group may show reactance because they observe that high income groups are confronted with higher tax burdens which, in future, when the public budget runs short, could be extended to lower income groups as well.

Negative attitudes towards taxes, tax resistance, and tax evasion vary according to individual and situational circumstances (Lewis, 1979, 1982; Schmolders, 1975; Schmolders & Hansmeyer, 1980; Webley, Robben, Elffers, & Hessing, 1991; Weigel, Hessing, & Elffers, 1987). Also rejection of the new tax is expected to vary with personal affectedness and personal norm dependency and subjective values such as self-serving versus community orientation.

Affectedness is an important economic variable in explaining resistance. Those who bear the greatest tax burden may try to maximize their utility. With increasing tax pressures they may change their attitudes towards taxes and consequently their tax behavior. A person is more likely to risk tax evasion if the prospective benefit for him or her exceeds the likelihood of being detected or of sanctions (Allingham & Sandmo, 1972; Schepanski & Shearer, 1995). The expectation of the present study is that people with monthly incomes higher than ATS 40,000 should oppose the new tax more than those with lower income.

Tax behavior can be viewed as behavior within a social dilemma situation (Dawes, 1980). Correct tax contributions represent cooperative behavior and if everyone cooperates, the payoffs for society are higher than if they do not. However, the payoff to each individual for noncooperative behavior is higher than the payoff for cooperative behavior, regardless of the behavior of other members of society. Moral, normative, and altruistic concerns of individuals as well as payoffs can affect their willingness to cooperate in such dilemmas. Ajzen and Fishbein (1980) assume in their widely accepted and most popular model of reasoned action that the behavior intentions of a person depend (a) on the person's attitudes, that is, positive or negative evaluation of performing this behavior, (b) on the person's norms, that is, beliefs that it is relevant whether others think he or she should or should not perform the behavior, and (c) relative importance of normative considerations. It can, thus,

be assumed that persons with strong beliefs that one should comply with tax laws are more likely to accept taxes than others. It can be assumed that individuals with a personality structure characterized by high norm dependency take laws more seriously than others. The higher an individual's norm dependency the higher should be his or her acceptance of taxes in general and the new tax in particular.

Besides norm dependency, selfishness versus altruism should influence acceptance of taxes. Various studies on behavior in conflict situations, on cooperation versus defection in social dilemmas, and helping behavior have shown that social orientation accounts for much of the observed interpersonal variation in behavior (Grzelak, 1995). Social orientations account for individuals' choices to maximize their own benefits, the joint utility or the relative gain in conflict situations. The more egoistic value orientations are, the more a person will seek egoistic utility maximization and oppose taxes (e.g., Weigel et al., 1987). Altruistic individuals are expected to cooperate and to maximize joint utility. Thus, altruistic orientation should correlate with acceptance of taxes which, in the end, makes everyone better off as long as everyone contributes.

It is hypothesized that affectedness and value orientation determine one's acceptance of a new tax and of an increase in tax rates, respectively. However, if nonaffected egoists seek to maximize their utility they should accept the introduction of higher taxes which they do not need to pay and take the benefits which come from increased public budget which allows for higher public investments for the common good. In other words, they would not need to participate in contributions but would benefit when the resources are distributed. Affected egoists, by contrast, should oppose higher taxation more than anyone else. Differences in acceptance of taxation imposed on the 13th and 14th month's salary should be small among the subsamples of altruists affected and not affected by the tax, respectively. In general, altruists should oppose the introduction of taxes less than affected egoists.

Besides affectedness and value orientation, attitudes towards taxes in general could influence acceptance of new taxes. Schmolders (1975) conceives of attitudes towards taxes, first, as subjective feelings of just distribution of tax burdens and trust in the public administration; and second, as disagreement with or acceptance of tax offences. The first dimension is referred to as tax mentality, the second as tax morality. Tax morality is defined as disagreement with tax evasion. People are confronted with small scenarios in which a fictional individual overspends or does not report part of his or her income in a tax return. After having read the scenarios, people express their disagreement with or acceptance of tax offences. If tax mentality is positive and tax morality high, acceptance of new taxes and of an increase in tax rates, respectively, should also be high.

In previous studies (Kirchler, 1996; Strümpel, 1966) the age of participants was found to be correlated with attitudes towards taxes. The older the taxpayer, the more accepting he or she is of taxes. Therefore, it can be expected that age is cor-

related with tax mentality and tax morality and consequently also with acceptance of taxation of the 13th and 14th month's salary.

In sum, it is hypothesized that affectedness, norm dependency, selfishness versus altruism, tax mentality and tax morality influence attitudes towards the new tax. Moreover, with increasing age, participants should be more accepting of taxes.

A study was conducted with two subsamples of participants: affected and non-affected working people, respectively, that is people with monthly incomes above and below ATS 40,000, respectively. A brief version of a personality test (16 PA-test; Brandstätter, 1988) was administered to measure norm dependency. Questionnaires developed by Schmolders (1966) were used to assess tax mentality and tax morality. Finally, two questionnaires were developed to measure value orientation and acceptance of taxation of the 13th and 14th month's salary.

METHOD

Participants

Questionnaires were distributed and mailed to about 600 randomly selected persons. The addresses were chosen randomly from the Viennese telephone book. Overall, 233 responded, yielding a response rate of 39%. The sample consists of 120 participants who would be affected and pay higher taxes and 113 who would not be affected by the introduction of the new tax. The demographic characteristics of the sample are presented in Table 1.

Table 1. Demographic Characteristics of the Sample

Characteristics	Not Affected by Introduction of New Tax				Affected by Introduction of New Tax			
	<i>M</i>	<i>SD</i>	<i>f</i>	%	<i>M</i>	<i>SD</i>	<i>f</i>	%
<i>N</i>			113	100.0			120	100.0
Sex								
Female			47	41.6			8	6.7
Male			66	48.4			112	93.3
Age	36.7	9.5			47.4	9.4		
Formal education								
Primary school			8	7.1			0	0.0
Vocational school			62	54.9			20	16.7
Secondary school			16	14.2			33	27.5
College/university			27	23.9			67	40.3
Working status								
Blue collar worker			36	31.9			0	0.0
White collar worker			45	39.8			89	74.2
Civil servant			32	28.3			31	25.8

Material

A seven-part questionnaire was developed. Several sets of questions were presented to assess (a) tax mentality and (b) tax morality on the base of eight and ten questions, respectively, all formulated by Schmölders (1966); (c) attitudes towards taxation of the 13th and 14th month's salary, a new form of tax which was proposed by the Minister of Finance, were measured by 11 questions; and (d) selfish versus altruistic orientation was assessed by 12 items; (e) Norm dependency and other personality traits were ascertained with a list of 32 adjective pairs developed by Brandstätter (1988); and (f) demographic characteristics such as

Table 2. Questions to Assess (a) Tax Mentality, (b) Moral Standards with Regard to Tax Offences, (c) Attitudes Towards a New Tax, and (d) Egoistic Versus Altruistic Orientation

<i>Dimensions and Items</i>	<i>Chronbach Alpha</i>	<i>Item-Total Correlation</i>	<i>Alpha If Item Deleted</i>	<i>Factor Scores</i>
(a) Tax mentality	.78			
How positive are your attitudes towards the state?		.61	.72	.266
Everybody must support the state as much as he or she can and, if necessary, be prepared to make personal sacrifices.		.52	.74	.242
I completely agree with the state and the laws it makes.		.55	.74	.248
Unfortunately, one can not rely on the state and the public administrative authorities (*).		.51	.75	.236
Overall, tax burdens are justly distributed.		.42	.77	.202
Through public investments, taxes ultimately result in advantages for every taxpayer.		.56	.73	.247
(Principal component analysis yielded one factor explaining 47.8 percent of the variance)				
(b) Moral standards with regard to tax offences	.83			
Person K buys something to be used in part privately. Subsequently, the person sells the items to special clients without officially reporting the profit.		.65	.78	.263
Person S used his telephone for personal and business calls. The monthly bill, however, is entered in the books in full as a business expense.		.70	.77	.276
Person D buys curtains for his or her home but enters the entire amount in the books as a business expense.		.66	.78	.270
Person H doctors his accounts by underreporting his or her income.		.51	.82	.226
Person Z earns some money through moonlighting (e.g., seminars, publications). This income is rarely less than 10 percent of his or her officially reported annual income. This income is not reported in the person's tax return.		.62	.79	.254
(Principal component analysis yielded one factor explaining 60.0 percent of the variance)				

(continued)

Table 2 (Cont.). Questions to Assess (a) Tax Mentality, (b) Moral Standards with Regard to Tax Offences, (c) Attitudes Towards a New Tax, and (d) Egoistic Versus Altruistic Orientation

<i>Dimensions and Items</i>	<i>Chronbach Alpha</i>	<i>Item-Total Correlation</i>	<i>Alpha if Item Deleted</i>	<i>Factor Scores</i>
(c) Attitudes towards a new tax	.88			
I agree with introducing higher taxation of the 13th and 14th month's salary.		.63	.86	.146
Higher taxation of the 13th and 14th month's salary is irritating people with higher income (*).		.67	.86	.148
Higher taxation of the 13th and 14th month's salary is just.		.67	.86	.154
Those who earn more money than average are being punished by the introduction of higher taxation of the 13th and 14th month's salary (*).		.56	.87	.127
Higher taxation of the 13th and 14th month's salary is just a drop in the ocean in reducing the public deficit (*).		.44	.87	.107
Introduction of higher taxation of the 13th and 14th month's salary is the correct method to reduce the public deficit.		.62	.86	.142
Instead of higher taxation of the 13th and 14th month's salary, government spending should be reduced (*).		.54	.87	.124
Those with higher than average incomes are not hurt by the introduction of taxation for the 13th and 14th month's salary.		.54	.87	.124
Higher taxation of the 13th and 14th month's salary leads to social justice.		.72	.86	.157
I think that those who earn more than average already pay enough taxes (*).		.57	.87	.127
Higher taxation of the 13th and 14th month's salary helps the state in the long run.		.49	.87	.117
(Principal component analysis yielded one factor explaining 45.5 percent of the variance)				
(d) Altruistic versus egoistic orientation	.85			
It is important to me to be able to make a contribution to financing the government.		.54	.84	.150
I am more concerned about others than about myself.		.45	.85	.125
I can not see why I should surrender part of my income to the state (*).		.58	.84	.159
I accept that part of my money goes to the community.		.54	.84	.149
I am angry about being forced to work for the state rather than for my own pocket (*).		.61	.83	.164
I prefer safeguarding my own interests rather than others' (*).		.49	.84	.138
Whenever it comes to my own money my spirit of solidarity disappears (*).		.66	.83	.175
I do not mind paying taxes because the money will be used to finance something useful to everybody.		.55	.84	.151
I believe it is unfair that my hard earned money is taken away by the state (*).		.60	.83	.162
I am ready to pay more taxes if necessary.		.51	.84	.142
(Principal component analysis yielded one factor explaining 43.2 percent of the variance)				

Note: All answers were given on 5-point scales ranging from disagreement and disapproval to agreement and approval, respectively. (*) Answers to the respective items were inverted.

sex, age, formal education, and profession were recorded. Second, four open questions were presented with respect to arguments and motives which justify taxes in general, motives against higher taxes, motives for and against higher taxation of the 13th and 14th month's salary.

Statistical analysis of the first four sets of questions led to reduced sets which are presented in Table 2 together with item characteristics (for details see Rosska, 1996). Answers to the respective dimensions were weighted by factor scores and summed. High values indicate positive tax mentality, high morality, positive attitudes towards the new tax, and altruistic orientation.

Procedure

Questionnaires were distributed in autumn 1995. Completion took about 20 to 30 minutes.

RESULTS

It was hypothesized that affectedness and selfish versus altruistic orientations would influence attitudes towards new taxes. Moreover, an interaction effect between these two variables was expected. Also norm dependency as well as attitudes towards taxes in general, that is, tax mentality and tax morality, should affect attitudes towards new taxes. Correlations between these variables (Table 3) show that affectedness is significantly correlated with attitudes towards taxation of the 13th and 14th month's salary ($r(229) = -.35; p < .01$). Persons who would have to pay higher taxes oppose the tax more than others. Also significant correlations between

Table 3. Means, Standard Deviations and Correlations Between Age, Affectedness by Taxation of the 13th and 14th Month's Salary, Norm Dependency, Egoistic Versus Altruistic Orientation, Tax Mentality, Tax Morality, and Attitudes Towards Taxation of the 13th and 14th Month's Salary

Variables	M (n)	SD	(b)	(c)	(d)	(e)	(f)	(g)
(a) Age	42.14 (232)	10.85	.50 **	.14	.11	.26 **	.28 **	-.12
(b) Affectedness by taxation of the 13th and 14th month's salary	.52 (233)	.50		.02	-.03	.16 *	.15 *	-.35 **
				(-.06)	(-.09)	(.04)	(.01)	(-.32 **)
(c) Norm dependency	4.46 (229)	.77			-.05	.01	.21	-.12
(d) Egoistic versus altruistic orientation	5.19 (229)	1.14				.59 **	.21 **	.39 **
(e) Tax mentality	4.42 (230)	1.07					.12	.30 **
(f) Tax morality	2.25 (233)	.95						-.09
(g) Attitudes towards taxation of the 13th and 14th month's salary	3.53 (229)	1.32						

Note: Correlations in parentheses are partial correlations with age as a constant; * ... $p < .05$; ** ... $p < .01$

affectedness and tax mentality and tax morality resulted. The effect is, however, due to intercorrelatedness of age and affectiveness, as partial correlations show.

Egoistic versus altruistic orientation is correlated with attitudes towards the new tax ($r(229) = -.39; p < .01$). People with altruistic orientation are more likely to accept the new tax than selfish persons. Finally, positive attitudes towards taxes in general, known as a positive tax mentality, are correlated significantly with attitudes towards taxation of the 13th and 14th month's salary ($r(229) = .30; p < .01$). Table 3 shows also that altruistic orientation and age are positively correlated with tax mentality and tax morality.

The postulated interaction effect between affectedness and selfish versus altruistic orientation was tested by an analysis of variance with attitudes towards taxation of the 13th and 14th month's salary as dependent variables. Independent variables were affectedness and value orientation which was dichotomized at the median. No significant interaction resulted ($F(1,223) = 1.62; p = .21$). Both main effects were significant (affectedness: $F(1,223) = 26.61; p < .001$; value orientation: $F(1,223) = 29.86; p < .001$). Figure 1 shows the respective means.

As Table 1 demonstrates, several variables are interrelated. For a better understanding of the relationships, a structural model was developed on the basis of the results which considers attitudes towards the new tax as dependent on attitudes towards taxes in general, subjective value orientation and norm dependency, affectedness, and age. Table 4 depicts exogenous and endogenous variables considered in the LISREL analysis. The results are presented in Fig. 2. Overall, goodness of fit of the model amounts to .982, indicating that 98% of the variance can be explained. The root mean square residual is close to 0.

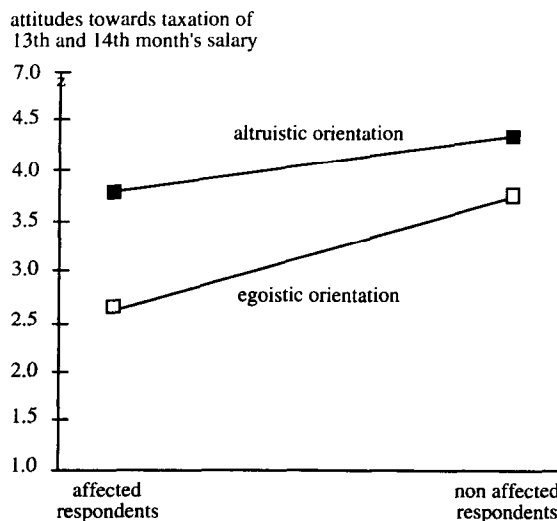


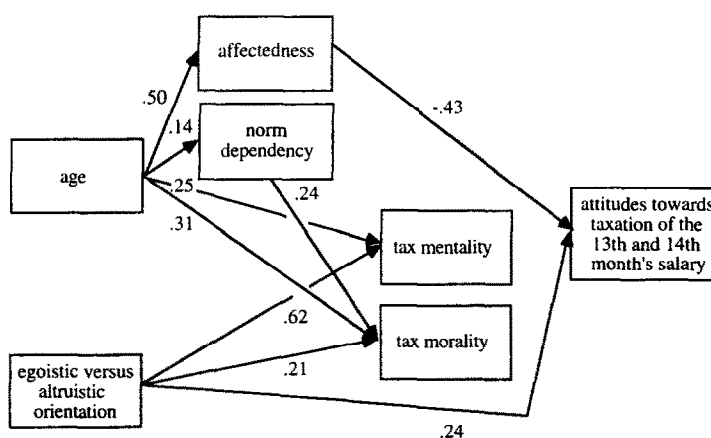
Figure 1. Attitudes Towards Taxation of the 13th and 14th Month's Salary as a Function of Affectedness and Value Orientation

Table 4. Theoretical Structural Model

<i>Variables</i>	<i>Operationalization</i>
Exogenous variables	
(a) Age	Age of participants, measured in years
(b) Egoistic versus altruistic orientation	Average response to 10-items assessing egoism versus altruism
Endogenous variables	
(c) Affectedness	Affectedness through introduction of taxation of the 13th and 14 month's salary; dichotomous variable
(d) Norm dependency	Factor I resulting from the personality adjectives list, 16 PA-test
(e) Tax mentality	Average response to 6-items assessing tax mentality
(f) Tax morality	Average response to 5-items assessing tax morality
(g) Attitudes towards new taxation	Average response to 11-items assessing attitudes towards Taxation of 13th and 14th month's salary
Structural equations	
(a) Age co-varies with affectedness, norm dependency, tax mentality, and tax morality.	
(b) Egoistic versus altruistic orientation determines tax mentality, tax morality, attitudes towards taxation of the 13th and 14th month's salary.	
(c) Affectedness and norm dependency determine tax mentality, tax morality, and attitudes towards taxation of the 13th and 14th month's salary.	
(d) Tax mentality and tax morality determine attitudes towards taxation of the 13th and 14th month's salary.	

Note: Affectedness and norm dependency are assumed to be measured without error; variables measured by item-sets (tax mentality, tax morality, and attitudes towards taxation of the 13th and 14th month's salary) were assigned a weight of λ = reliability coefficient (Table 2); measurement error was set to ϵ = 1-reliability.

The results show that attitudes towards the new tax depend on affectedness and value orientations. Attitudes towards taxes in general are influenced by age, value orientations, and personality traits such as norm dependency.



Goodness of fit = .982

Root mean square residual = .042

Figure 2. Empirical Model

The interaction effect between affectedness and value orientation was not supported by the data. For a better understanding of the participants' arguments for or against taxes in general and the new tax in particular, free associations to four questions mentioned in the method section were analyzed. Overall, 513 free associations were counted as responses to the question about reasons justifying taxes in general; 331 answers were counted as reasons against taxes in general; 197 associations were given to the questions about reasons for introducing the new tax, and 247 reasons were against the new tax. All free associations were categorized by two experts into 59 categories (overall interrater correspondence = 96%).

A chi-square test shows that the 59 categories of free associations were mentioned with unequal frequency (chi-square (58) = 361.39; $p < .001$). As shown in Table 5, reasons most often mentioned as a justification for taxes in general are public financing of social welfare, education, transportation, matters of public interests, public tasks, infrastructure, social security, and public health, as well as redistribution of resources. Reasons against higher taxes in general which were named more often than expected concerned inefficiency of fiscal policy, the state not taking advantage of the possibilities it has to cut spending, for instance, by

Table 5. Freely Associated Reasons for and Against Taxes, Respectively

<i>Freely Associated Reasons</i>	<i>Non Affected Egoists</i>	<i>Non Affected Altruists</i>	<i>Affected Egoists</i>	<i>Affected Altruists</i>	<i>Total</i>
Reasons justifying taxes in general					
1. Financing of infrastructure	4	7	10	13	34*
2. Financing of buildings	2	4	1	1	8
3. Financing of culture	2	3	3	3	11
4. Financing of ecology	1	4	1	4	10
5. Financing of education	11	12	11	12	46*
6. <i>Financing of transportation</i>	11	13	6	16	46*
7. Financing of public health	6	10	4	9	29*
8. <i>Financing of pensions</i>	7	3	6	5	21
9. <i>Financing of social welfare</i>	19	29	21	16	85*
10. Financing of public administration	1	8	9	4	22
11. <i>Just redistribution of resources</i>	1	7	9	18	35*
12. Financing of social security	7	7	7	10	31*
13. Stimulation of economy	0	2	3	4	9
14. Financing of democracy	1	1	4	4	10
15. Financing of the state in general	2	6	7	6	21
16. Financing of public interests	5	10	12	10	37*
17. Financing of public tasks	4	5	8	17	34*
18. Financing of public institutions	2	4	1	1	8
19. <i>Financing of public expenditures</i>	3	1	0	1	5
20. <i>Financing of public services</i>	1	0	6	4	11

(continued)

Table 5 (cont.). Freely Associated Reasons for and Against Taxes, Respectively

<i>Freely Associated Reasons</i>	<i>Non Affected Egoists</i>	<i>Non Affected Altruists</i>	<i>Affected Egoists</i>	<i>Affected Altruists</i>	<i>Total</i>
Reasons justifying taxation of the 13th and 14th month's salary					
21. <i>No reasons justify taxation</i>	23	13	43	17	96*
22. <i>Reducing the budget deficit</i>	3	19	3	10	35*
23. <i>Accumulation of public resources</i>	0	2	0	2	4
24. <i>Financing of public tasks</i>	0	3	0	1	4
25. <i>Simplification of tax laws</i>	0	1	1	3	5
26. <i>Equalization of taxation of income</i>	2	1	3	6	12
27. <i>Taxation of annual income</i>	1	4	3	5	13
28. <i>Social justice</i>	8	8	0	12	28*
Reasons against higher taxes in general					
29. <i>Exaggerates an already excessive tax burden</i>	8	7	8	9	32*
30. <i>State still has other possibilities to save money</i>	9	6	8	11	34*
31. <i>Politicians earn too much</i>	10	4	6	3	23
32. <i>Too many civil servants</i>	2	3	10	9	24*
33. <i>Taxation is a disincentive to work</i>	0	0	9	3	12
34. <i>Too many social spongers</i>	3	5	8	8	24*
35. <i>Higher taxation encourages tax evasion</i>	2	2	4	2	10
36. <i>Tax system is unjust</i>	4	8	3	11	26*
37. <i>People are egoistic and do not like taxes</i>	0	3	2	3	8
38. <i>Living standard decreases with taxes</i>	3	8	2	3	16
39. <i>Purchasing power decreases with taxes</i>	0	2	1	1	4
40. <i>Fiscal policy is inefficient</i>	16	24	26	31	97*
41. <i>Public expenditures are intransparent</i>	3	0	2	9	14
42. <i>State controls economy too much</i>	0	0	2	2	4
43. <i>No reasons against taxes</i>	0	2	0	1	3
Reasons against higher taxation of the 13th and 14th month's salary					
44. <i>Only increases already excessive tax burden</i>	10	2	8	4	24*
45. <i>State still has other possibilities to save money</i>	3	4	11	7	25*
46. <i>Politicians earn too much</i>	4	0	1	1	6
47. <i>Too many civil servants</i>	0	1	7	2	10
48. <i>Taxation is a disincentive to work</i>	2	0	6	5	13
49. <i>Too many social spongers</i>	2	0	6	4	12
50. <i>Income earners are exploited</i>	4	5	2	6	17
51. <i>Tax system is unjust</i>	0	2	1	4	7
52. <i>People are egoistic and do not like taxes</i>	0	2	2	5	9
53. <i>Taxation reduces income</i>	3	4	4	8	19
54. <i>13th/14th month's salary is for saving</i>	3	6	4	4	17
55. <i>Purchasing power decreases with taxes</i>	1	4	4	1	10
56. <i>Fiscal policy is inefficient</i>	4	10	13	11	38*
57. <i>13th/14th month's salary is taboo</i>	2	6	1	2	11
58. <i>13th/14th month's salary is no solution</i>	3	4	3	4	14
59. <i>No reasons against taxation</i>	3	3	3	6	15
	231	314	349	394	1288

Notes: Reasons in italics = frequency of reasons among the subsamples significantly different (adjusted standardized residuals greater than 1.96); *Summed column frequency of reasons greater than expected.

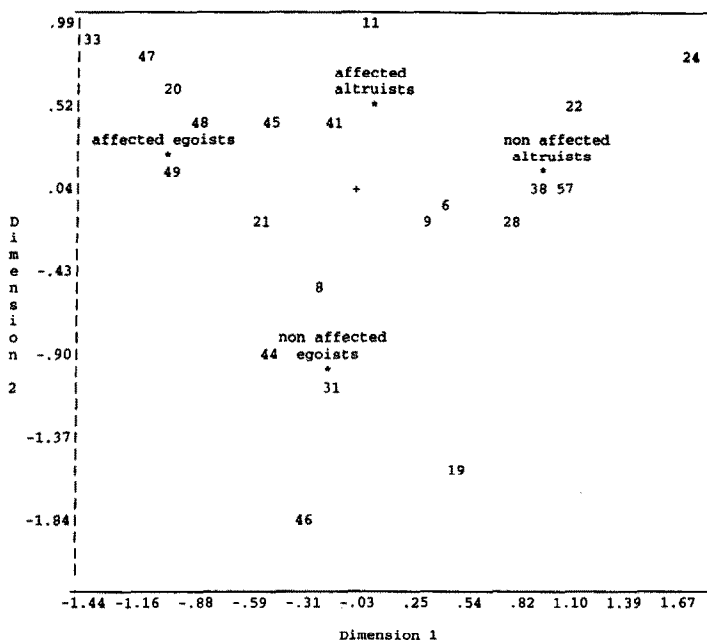
reducing the excessive number of civil servants, the risk of adding to the already excessive tax burdens, perpetuation and increase of an unjust tax system, giving greater incentives for social sponging. As far as taxation of the 13th and 14th month's salary is concerned, 96 persons said no reasons would justify taxation; others mentioned that perhaps reduction of the budget deficit and social justice were reasons for introducing the tax. Reasons against the new tax were inefficiency of fiscal policy, adding to already excessive tax burdens and suggestions to reduce public spending. All the above reasons were mentioned more frequently than expected (adjusted standard residuals > 1.96).

Next, the sample was split by affectedness and the dichotomized value orientation into four subsamples. Free associations between the affected and nonaffected egoists and altruists, respectively, differ significantly (chi-square (174) = 282.57; $p < .001$) and are presented in Table 5. For an easier understanding of differences, those reasons which were mentioned with significantly different frequency across the four subgroups were included in a correspondence analysis. The analysis considered 21 categories of free associations as row variables and four column variables (affected and nonaffected egoists and altruists, respectively). The results are presented in Fig. 3.

The analysis of correspondence yielded two factors explaining 54% and 27% of variance, respectively. The first factor distinguishes between affected egoists and nonaffected altruists. Interestingly, nonaffected egoists and affected altruists had almost the same value for the first factor. Affected egoists were strongly against the new tax, as can be seen by their associations. More often than any other group, they mentioned that no reasons justify the new tax and gave reasons such as the state had the possibility to save more, there are too many civil servants, too many social spongers, and taxes are a disincentive to work harder. Nonaffected egoists thought that the new tax represented a further burden and should therefore not be introduced. They also claimed that politicians earn too much. According to this group, taxes in general are justified because the state finances pensions and public expenditures. Affected altruists indicated the most reasons in favor of new tax, for example, that it could help reduce the budget deficit, to finance public tasks and to achieve a socially just redistribution of resources. Their concern with taxation of the 13th and 14th month's salary was that the topic was taboo because it was associated with Christmas gifts and holidays. The affected altruists did not mention many reasons against the new tax but claimed that the tax system in general was intransparent.

CONCLUSION

This study aimed at investigating tax payers' acceptance of a new tax. When the Austrian Minister of Finance proposed to tax the salary for the 13th and 14th



Notes: reasons justifying taxes in general

reasons justifying taxation of the 13th and 14th month's salary

reasons against higher taxes in general

reasons against higher taxation of the 13th and 14th month's salary

- 6 = Financing of transportation
- 8 = Financing of pensions
- 9 = Financing of social welfare
- 11 = Just redistribution of resources
- 19 = Financing of public expenditures
- 20 = Financing of public services
- 21 = No reasons justify taxation
- 22 = Reducing the budget deficit
- 24 = Financing of public tasks
- 28 = Social justice
- 31 = Politicians earn too much
- 33 = Taxation is a disincentive to work
- 38 = Living standard decreases with taxes
- 41 = Public expenditures are intransparent
- 44 = Only increases already excessive tax burden
- 45 = State could save money if it wanted to
- 46 = Politicians earn too much
- 47 = Too many civil servants
- 48 = Taxation is a disincentive to work
- 49 = Too many social spongers
- 57 = 13th/14th month's salary is a taboo

Figure 3. Correspondence Analysis of Reasons for and Against Taxes in General as Well as Taxation of the 13th and 14th Months Salary (21 Reasons by affected versus nonaffected egoistic and altruistic persons; explained variance by two dimensions, 54% and 27%, respectively)

month, the whole nation seemed to see it as a challenge and discussed it in terms of taxation of symbols such as Christmas gifts and holiday entitlement rather than focusing on it as taxation of extra payments of high income earners. Only employees with monthly incomes higher than ATS 40,000 would have been affected by the new tax. All others not only would not have had to pay higher taxes, but would also have had a chance to profit from the increasing public budget. Nevertheless,

the newly proposed tax was never introduced. This study was carried out at the height of the discussion of this tax in a highly interesting psycho-economic situation with important tax related variables "in flux."

The aim was to investigate what impact affectedness had on acceptance of new taxes. From a rational economic viewpoint, individuals are expected to oppose the tax if their tax contributions increase. If individuals are not affected by the new tax they should either have neutral attitudes towards it or be in favor of it because of their chances to profit from the higher public budget. Since the psychological meaning of the new tax was highly symbolic, the importance of objective affectedness was unsure. Everybody seemed to feel affected in a psychological sense. As the results show, persons affected by the new tax had developed more negative attitudes than those not affected. This result is in line with economic psychological findings reported and discussed by Allingham and Sandmo (1972), Kinsey (1992), Schepanski and Shearer (1995), Webley et al. (1991). Tax payers develop negative attitudes and are inclined to evade taxes if costs of payments increase and possibilities of detection and penalties decline relatively. Moreover, people affected by the new tax may perceive an unjust imbalance between their contributions to the public budget and what they receive in return for them. If give and take are not in balance, dissatisfaction and negative attitudes are likely to be the consequence (Musgrawe, Musgrave, & Kullmer, 1990; Schmölders, 1963; Weinberger, 1992).

At this point it should be mentioned that affectedness was highly interrelated with age. Among the affected group the average age was much higher than in the nonaffected subsample. As will be discussed later, age is correlated with acceptance of taxes and positive attitudes towards taxes and could therefore lessen the effect of affectedness. As partial correlations showed, this is not true in the present study. The correlation between affectedness and attitudes towards taxation of the 13th and 14th month's salary fell insignificantly from $-.35$ to $-.32$ when age was taken as a constant.

Besides affectedness, tax payers' value orientation determines acceptance of taxation of the 13th and 14th month salary. The more altruistic a person, the higher his or her cooperativeness and acceptance of new taxes. The significant influence of altruism has been observed in many labor and field studies on helping behavior and cooperative games (Grzelak, 1995; Weigel et al., 1987). In the present study, affectedness and value orientation were assumed to exert an interaction effect on attitudes towards taxes. From a rational viewpoint, nonaffected egoists should have been in favor of the new tax because introduction of the tax would have left them the best off. It was hypothesized that affected egoists would be most opposed to the tax because of their financial contributions. This hypothesis was not confirmed by the data. Free associations to questions about reasons for taxation, against taxation, and pros and cons on taxation of the 13th and 14th month's salary show that affected and nonaffected egoists versus altruists mentioned different arguments. It was especially the group of affected egoists who gave the most reasons against the new tax.

Their opinion was that no reason would justify the tax because the state had other possibilities to cut expenditures or invest the budget in a better way; they argued that there were too many civil servants and that social spongers take the money of the state without making any significant contributions in return. Most of their arguments indicate that they perceive an unjust imbalance between what individuals' give to the tax authorities and what they take in return. Affected altruists mentioned rather neutral arguments. The most positive arguments came from nonaffected altruists, who said that the new tax was taboo in society because of its deep psychological meaning. They also perceived the tax to be a strategy to reduce the budget deficit and to finance public tasks. Nonaffected egoists claimed that the tax burden in Austria was already high and were against politicians in general because of their high incomes. Again, egoists seemed to claim a discordance between give and take. In sum, the interaction effect of affectedness and value orientation was not supported by the attitudes measured by the set of questions used. The postulated interaction effect gains some support on a descriptive level, based on the analysis of open answers to questions concerning reasons for taxation.

Besides attitudes towards the new tax, this study aimed at investigating attitudes towards taxes in general. Tax mentality and tax morality, as defined by Schmölders (1966), were found to depend on the age of respondents. This result has been repeatedly confirmed in the relevant literature (Kirchler, 1996; Strümpel, 1966). With increasing age, tax payers may adapt to the tax system and accept it. It can also be assumed that older people rely more on public welfare, the pension system and other public networks of support than young people, who perceive their freedom being restricted by taxes and do not perceive returns from the state as being just.

Finally, it was assumed that attitudes towards the new tax depended on attitudes towards taxes in general. This hypothesis was not supported. In the structural model, tax morality and tax mentality in general were not related with attitudes towards taxation of the 13th and 14th month's salary. General attitudes were found to be dependent on age and on personality traits, such as norm dependency, and value orientation. As reported by many scholars in the field of economic psychology and taxation, psychological variables help significantly to explain attitudes towards taxation and, consequently, tax behavior (Lewis, 1982; Webley et al., 1991; Weigel et al., 1987). Also acceptance of or reactance to taxes can be explained to a great extent by psychological variables.

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NOTE

1. Austrian salaries are stated on a per month basis instead of an annual basis and are rendered in 14 payments a year instead of in twelve. The 13th and 14th "months" are integral parts of the

salary (i.e., not like a performance-based or generosity-based Christmas bonus) and are subject to different taxation than the other 12 "months."

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