

Can we reduce tax evasion with solemn oath? An experiment

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The aim of this paper is to assess the ability of an institutional mechanism, based on the social psychology of commitment, to foster compliance with the tax system. We rely on a lab experiment featuring a framed Tax Evasion Game in which participants earn their income through a Real Effort Task. Income is taxed at a flat rate equal to 35% and taxes are donated to WWF so as to replicate the funding of public goods achieved through the tax system. We consider two conditions: a control, and an oath treatment. In the oath treatment, before entering the lab, participants are offered to sign a moral commitment whereby they swear to tell the truth in the experiment.

Results show that taking an oath to tell the truth fosters sincere reporting of income (on average, 47.07% of income is reported in the control vs 62.26% in the oath condition, the difference is highly significant). We correlate our treatment effects with participant's personality characteristics, measured thanks to psychological questionnaires (cognitive and affective empathy, norm submission and guilt and shame proneness). We find that reported income has a positive relationship with affective empathy as well as with individual characteristics such as believing in God, and self-declared honesty.