

Tax Evasion in Western Societies: Social Norms, Consequences, and Government Responses

Seminar for PPE Students --- Summer 2021 --- Dr. Andreas Lichter (lichter@dice.hhu.de)

Overview: In this seminar, we will discuss the widespread phenomenon of tax evasion by individuals and firms. We will first learn about the scope of tax evasion in Western societies and theoretically assess why and under which circumstances economic agents decide to evade taxes. Students will then discuss a range of influential papers that empirically assess the extent and mechanisms of tax evasion. We will also learn about potential policy interventions that aim at curbing tax evasion, as well as the role of social norms that prevent individuals from evading. Last, we will discuss the consequences of tax evasion for countries' income distribution and political outcomes. As tax evasion is illegal and tax evaders seek to hide their activities, our discussions will further focus on how to infer tax evasion from existing and openly available datasets. Moreover, we will put special attention to the identification of causal effects, which will familiarize students with state-of-the-art identification strategies that are generally used to evaluate economic phenomena and policies.

Seminar organization: The seminar is limited to a maximum of 15 students. Students need to register for this course via LSF. After registration, students will be assigned to a paper from the reading list (see below) and present this in the seminar ("kleine Leistung"). In addition, students may opt to hand in a report (of around eight to ten pages), which summarizes and critically evaluates the chosen paper ("große Leistung"). The course will be held in English.

The seminar will be organized as a block seminar. There will be an introductory session of 90 minutes on April 16 2021 at 12:30h (location to be announced). The seminar will be held in two full-day sessions on May 27-28 2021 (location to be announced).

Class papers: The following list contains all papers available for presentation (Sections A-C). Papers from Section D serve as introductory reading. The assignment of papers to students will be random and communicated during the introductory session.

A. The Role of Third-Party Reporting and Institutions

1. Kleven, H. J., M. B. Knudsen, C. T. Kreiner, S. Pedersen, and E. Saez (2011): Unwilling or unable to cheat? Evidence from a tax audit experiment in Denmark, *Econometrica* 79(3), pp. 651-692.
2. Pomeranz, D. (2015): No Taxation Without Information: Deterrence and Self-Enforcement in the Value Added Tax, *American Economic Review* 105(8), pp. 2539-2369.
3. Slemrod, J., Collins, B., Hoopes, J., Reck, D. Reck, and M. Sebastiani (2017): Does Credit-Card Information Reporting Improve Small-Business Tax Compliance?, *Journal of Public Economics* 149, pp. 1-19.
4. Naritomi, J. (2019): Consumers as Tax Auditors, *American Economic Review* 109(9), pp. 3031-3072.
5. Artavanis, N., A. Morse, and M. Tsoutsoura (2016): Measuring income tax evasion using bank credit: Evidence from Greece, *The Quarterly Journal of Economics* 131(2), pp. 739-798.

6. Kopczuk, W., J. Marion, E. Muehlegger, and J. Slemrod (2016): Does tax-collection invariance hold? Evasion and the pass-through of state diesel taxes. *American Economic Journal: Economic Policy* 8(2), pp. 1-36.

B. The Role of Tax Morale

1. Dwenger, N., H. Kleven, I. Rasul, and J. Rincke (2016): Extrinsic and intrinsic motivations for tax compliance: Evidence from a field experiment in Germany, *American Economic Journal: Economic Policy* 8(3), pp. 203-32.

2. Slemrod, J., T. O. Thoresen and E. E. Bo (2015): Taxes on the Internet: Deterrence Effects of Public Disclosure, *American Economic Journal: Economic Policy* 7(1), pp. 36-62.

3. Paetzold, J. and H. Winner (2016): Taking the high road? compliance with commuter tax allowances and the role of evasion spillovers. *Journal of Public Economics* 143, pp. 1-14.

4. Frimmel, W, M. Halla and J. Paetzold (2019): The Intergenerational Causal Effect of Tax Evasion: Evidence from the Commuter Tax Allowance in Austria, *Journal of the European Economic Association* 17(6), pp. 1843-1880.

5. Hallsworth, M., J. A. List, R. Metcalfe, and I. Vlaev (2017): The behavioralist as tax collector: Using natural field experiments to enhance tax compliance, *Journal of Public Economics* 148, pp. 14-31

6. Bott, K., A. Cappelen, E. Sorensen, B. Tungodden (2020): You've got mail: A randomized field experiment on tax evasion, *Management Science* 66(7), pp. 2801-2819.

C. Consequences of Tax Evasion

1. Alstadsaeter, A., N. Johannesen, and G. Zucman (2019): Tax evasion and inequality, *American Economic Review* 109(6), pp. 2073-2103.

2. Nygard, Odd E., Thor O. Thoresen, Joel Slemrod (2019): Distributional Implications of Joint Tax Evasion, *Economic Journal* 129, pp. 1894-1923.

3. Casaburi, L. and U. Troiano (2016): Ghost-House Busters: The Electoral Response to a Large Anti-Tax Evasion Program, *The Quarterly Journal of Economics* 131(1), pp. 273-314.

D. Background Reading (introductory reading not selectable for presentation)

1. Andreoni, J., B. Erard, and J. Feinstein (1998): Tax compliance, *Journal of Economic Literature* 36(2), pp. 818-860.

2. Slemrod, J. (2007): Cheating ourselves: The economics of tax evasion, *Journal of Economic Perspectives* 21(1), pp.25-48.

3. Luttmer, E. F. P. and M. Singhal (2014). Tax morale. *Journal of Economic Perspectives* 28(4), pp.149-68.

4. Slemrod, J. (2018): Tax Compliance and Enforcement, NBER Working Paper 24799.