

WWZ Research Seminar
Faculty of Business and Economics, University of Basel

Tuesday, March 14, 2023

Prof. Mariana Lopes da Fonseca
University of St. Gallen

“On defaults in taxation: Quasi-experimental evidence
from Portugal”

Abstract

Our setup offers a rare opportunity to examine in a real-world setting the prominent puzzle of whether behavioral phenomena can influence taxation. We study municipal income tax rates in Portugal and find an ideology-specific tax policy response to a change of the default tax rate which, from a neoclassical perspective, should not alter the decision problem of local policymakers. While being at odds with standard economic theory, the quasi-experimental evidence reported in this paper is consistent with an explanation based on mental accounting and classical ideological preferences regarding taxation.

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