

Communication and the Power to Tax

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Abstract: Tax illusion refers to a systematic misperception of the tax burden on behalf of taxpayers. If the government knows about the misperception and if it wants to collect high revenue, it can exploit tax illusion and gain “power to tax”. We present an experimental design to measure power to tax and test for the effects of communication among voters. We find that communication does not prevent power to tax. Communication among inexperienced subjects generates effects of group think. However, communication substantially improves learning among experienced subjects.