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Tax Compliance and the Love Molecule

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Ever heard of Dr. Love, also known as Paul Zak? I have met him, and he deserves his reputation, although he did not hug me. My loss. Zak’s new book, *The Moral Molecule*, is due out in 2012. He is a neuroeconomist who studies the hormone and neurotransmitter oxytocin — the love molecule. Oxytocin is the molecular reason why people thrive on hugging, Twitter and other people in general. Oxytocin *production* facilitates pair bonding and mother-infant attachment by making sex, as well as breastfeeding, feel good.

Oxytocin is relevant to tax policy because it affects people’s decisions to contribute to the funding of public goods, a basic goal of taxation. For example, oxytocin has a remarkable influence on the impact of prisoner’s dilemma games. In these games, one player’s decision to share value with other players can create more value overall, but only enriches the first player if others also share with him or her. Winning such a game thus requires cooperation and reciprocity. Zak’s research has shown that an infusion of oxytocin (for example, administered through nasal inhalation) increases players’ generosity. Oxytocin doses have also been shown to increase levels of charitable giving, though study participants had a greater tendency to give to organizations benefiting “in-groups” of which they were members.

Oxytocin infusions might also increase citizens’ willingness to fund public goods through tax compliance, particularly if taxpayers perceived that their tax payments would benefit their in-groups. Of course, the government cannot distribute nasal inhalers along with Forms 1040. But it could try to increase taxpayer oxytocin levels nonpharmacologically, by presenting tax compliance as part of a trusting and reciprocal relationship. But what reciprocal relationship should the government try to trigger? There are at least three possibilities: (i) taxpayer-government reciprocity, (ii) taxpayer-taxpayer reciprocity framed by cooperative funding of public goods, and (iii) taxpayer-taxpayer reciprocity presented as a more intimate personal connection, for example with the help of an advertising narrative.

The Internal Revenue Service subscribes to the first version, taxpayer-government reciprocity. The theory is that good taxpayers will reciprocate good government service by paying their taxes in full and on time. This is the same theory played out in even greater detail by other tax administrators, probably most prominently the Australian Taxation Office under approaches influenced by scholars including Valerie Braithwaite, John Braithwaite and Ian Ayres’ 1995 book, *Responsive Regulation*, is the seminal work on the subject. A responsive or cooperative tax administration strategy might include government payment of certain costs or better customer service for more compliant taxpayers.

The second idea embraces taxpayer-taxpayer reciprocity. It envisions making people understand that paying taxes is a big reciprocal hug of an answer to countless public goods problems. Is there a way to connect the tax-paying synapse in a citizen’s brain with the national-parks-and-good-roads synapse? Or the I-don’t-want-elderly-people-to-die-penniless synapse? Or the we-owe-interest-on-the-national-debt synapse? This approach is consistent with Lynn Stout’s idea that citizens follow laws because citizens have consciences. During World War II, a strategy touting taxes and public goods as patriotic — together with expanded wage withholding — worked. But more recent evidence suggests that public goods communication in the tax context needs a makeover, at the least. Marjorie Kornhauser’s Tax Literacy Project has considered the education of taxpayers on the connection between taxes and public goods, as well as education that supports the third theory, described below.

The third theory relates to more personalized taxpayer-taxpayer reciprocity and enlists oxytocin more directly than either of the first two. This theory is that it may be possible to use stories and narratives to frame the duty of paying taxes as a gift that you give someone who is fairly close to you, like your neighbor or your grandchild. This links to research on the possible warm glow that donors experience on the occasion of their charitable donations — typically given to institutions with which the donor has a personal connection that is more intimate than mere membership in the general citizenry. It also connects with work


Other sources included:
- Dr. Love, also known as Paul Zak
- *The Moral Molecule*
- Valerie Braithwaite, John Braithwaite, Ian Ayres
- *Responsive Regulation*
- Tax Literacy Project
- Lynn Stout
- Marjorie Kornhauser

For more information, visit: [http://asulawjournal.lawnews-asu.org/?p=356](http://asulawjournal.lawnews-asu.org/?p=356)
suggesting that narratives about strangers (conveyed, for example, through emotional videos) can trigger oxytocin release.

If oxytocin is a key biochemical reason for our willingness to cooperate and reciprocate, then we might imagine testing these three theories in a blood-draw experiment that measured individuals’ oxytocin levels in response to different information prompts, in order to test each of three hypotheses:

H1: if the IRS sends you news about the fair-minded handling of your tax return, you will get an oxytocin rush;

H2: if you realize that a large part of your tax dollars go to keep elderly Americans above the poverty line, you will get an oxytocin rush; and

H3: if you envision your grandchildren walking confidently over the trails of a national park, you will get an oxytocin rush.

My money is on H3. Oxytocin is biological and intimate. The reciprocity it supports has its roots in family and community-level interpersonal interaction. It is the clearest reason why, in this era of the cooperative differentiated public elementary school, I correct class homework late on Sunday night while other parents stumble in on Monday morning to help teach my daughter to read. The “web of care” concept of citizenship that Kornhauser has referred to in her work is alive and well, at least on a small-group scale. And the most promising approach to reciprocity in tax administration is a narrative, storytelling, public relations, advertising approach grounded in small group norms. Its goal would be to create the impression (or emphasize the reality — it doesn’t really matter which) that the taxpayer’s taxes directly help his friends, neighbors and relations.

Of course, one doesn’t need to trouble with this kind of resource-intensive marketing strategy for most taxpayers. Wage withholding and income reporting cover the question of tax compliance for most individuals, for example. But narratives that evoke small-group reciprocity as a feature of tax compliance might alter people’s attitudes about whether they’re paying too much or too little or whether they’re getting enough in return. And a narrative approach certainly could be an important enforcement tool for small business and other taxpayers who have the opportunity to cheat. Now, some might allege that the effort is doomed because cheating taxpayers are determined to cheat. But we don’t really know that. The love molecule might work. And in at least some cases, enforcement is so difficult that it is pretty clear that nothing else will.