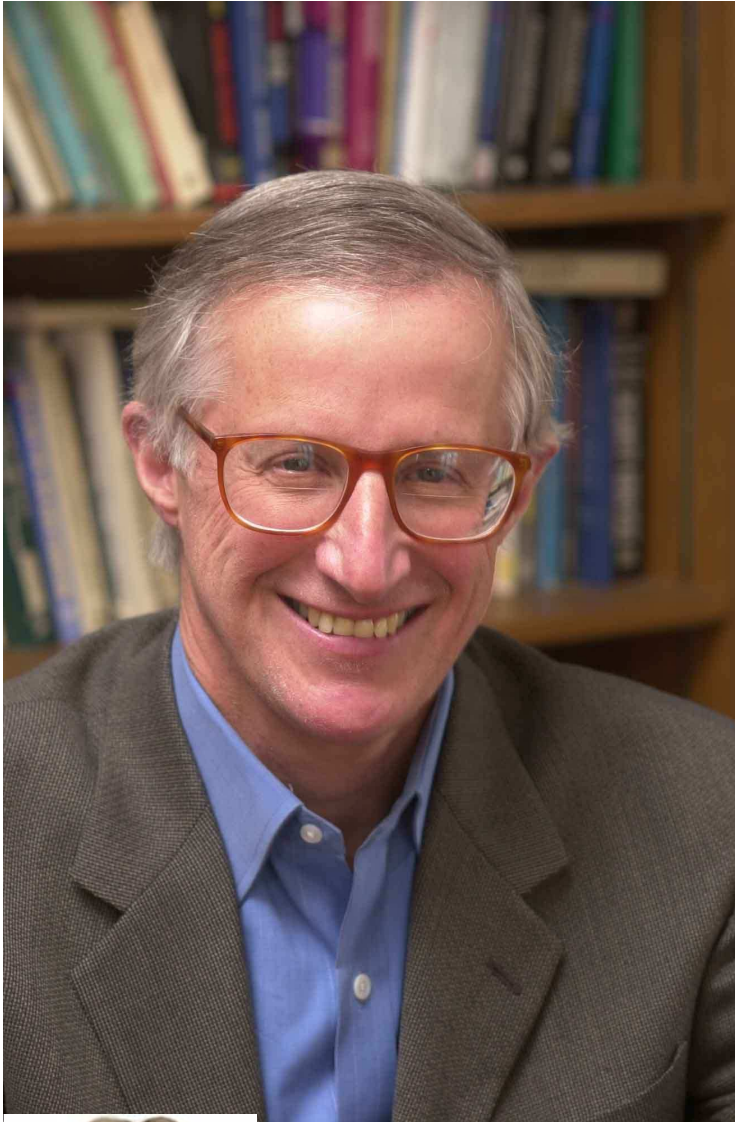


The acceptability of efficiency-enhancing instruments

Steffen Kallbekken

Overview

- Motivation
- Methods + findings
 - Focus group interviews
 - Representative survey/choice experiment
 - Lab experiments
- Policy implications





Failed policy initiatives

New York congestion charge, 2008

Manchester congestion charge, 2008*

Road user charge Edinburgh, 2005*

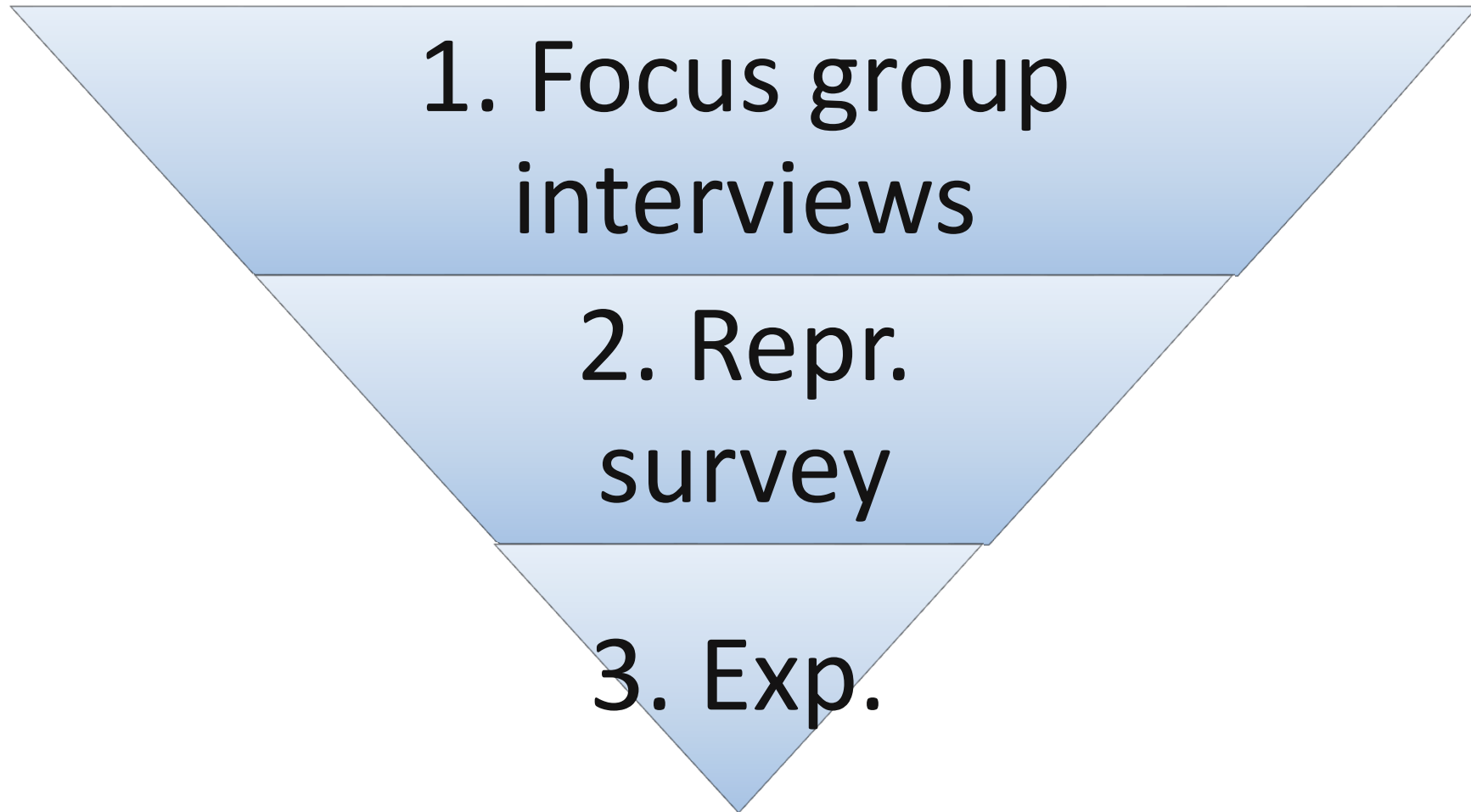
Fossil fuel tax Switzerland, 2000*

UK fuel tax escalator, 1999-2001

Starting point

- Why do so many people oppose efficiency enhancing taxes?
- Many individual studies and surveys in Europe and the USA
- Little comprehensive theory

Methodological approach



1. Focus group interviews

- Open ended research agenda
- Explorative study = qualitative
- Focus group = guided group discussion
- Aim is NOT to generalize, but explore and dig deeper into values and beliefs

Taxes are kind of ok

- Strong belief that financial incentives influence behaviour, and see this as main rationale:

To make undesirable goods more expensive than those they want us to choose

- But most prefer subsidies, not taxes

Make it more profitable, instead of taxing it

...as long as they are earmarked

- Strong preference for earmarking
- Believe taxes are more effective if revenues are spent on environmental measures:

One should become provoked or annoyed by taxes, which under the cover of being green taxes, are not spent on fixing the damages caused by the taxed activity

Provide alternatives!

- Important to have alternatives + facilitate green behaviour

Adding more taxes does not help when people have no real alternative to using their cars

- Dislike coercive policy instruments

2. Survey

- Prevalence of beliefs
- Strength/relative importance of factors
- Testing explanatory models

Earmarking

- Many studies show earmarking revenues increases support for taxation
- Earmarking is widespread
- But not optimal



- What is the impact of earmarking on support?
- Why is there an impact?

Survey design



- Acceptability of fuel tax
- Revenue use: unspecified, earmarking environmental or distributional.
- Tax increase: 0.5, 1, 2 and 4 (plus 0).
- Supporting questions (do you trust government, etc).

Why does earmarking work?

Hypotesis 1: Government distrust

- Earmarking for any purpose will have the same impact on support. 
- People who distrust government will support earmarking more strongly. 

Hypotesis 2: Environmental effectiveness

- Earmarking must be for env. measures. 
- People who believe earmarking is key to environmental effectiveness will support earmarking more strongly. 

The value of earmarking

If taxes are to be increased, how much greater can the increase be if the revenues are earmarked?

	Expected	2,5 percentile	97,5 percentile
Miljø	Kr 2,22	Kr 1,99	Kr 2,44
Inntektsutjevning	Kr 0,34	Kr 0,11	Kr 0,57

3. Lab experiments

- Abstracts from environmental problem
- Gains from taxation are undisputable
- Key parameters are given
- Allows focus on acceptability of taxes as such
- Voting on taxation avoids problems with stated preference

Stockholm rush hour charge



+18%

Can experience overcome tax aversion?

Why use an experiment?

- Stockholm experience is "noisy": media exposure, political debate, changes to public transport, etc.
- We can isolate the effect of experience

Experimental design

- Market with externality
- Optimal to introduce a Pigouvian tax
- 2 x 2 treatment: experience and tax type
- Experience or no experience
- Full tax or threshold tax

Experience treatment

No experience

No tax


No tax


vote

✓


Support

40%

No tax


Tax


No tax


✓


58%

Experience

Reducing tax aversion

- Experience has a strong effect (~20%)
- May apply only to cases where benefits are immediate and obvious
- Important to understand why experience works
 - underestimate benefits?
 - underestimate ability to adapt?
 - trust issues?

Insights

- Opposition relates to environmental and distributional concerns, not self-interest
- Freedom of choice/coerciveness is key (also means least effective is most acceptable)
- Use of revenues is key!
- Information is not an effective tool*
- Earmarking useful to gain support
- Experience increases support

Thank you for your attention!

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The papers

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