

"There is Good News!"
Media Negativity Bias and Tax Compliance

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Abstract

We study the effect of the media negativity bias on tax compliance. The media negativity bias (MNB) is defined as the systematic tendency of media to focus a great extent on negative news. This phenomenon seems to be driven by the demand side. Neurological (Cacioppo et al. 2014), psychological (Katsyri et al. 2015), sociological (Kramer et al. 2014) and evolutionary (Ohman et al. 1993) studies have shown how negative news attract much more attention and curiosity than positive news. As a consequence, the media industry offers the news readers what they want to read the most (Hrbkova et al. 2017). Recent empirical research has shown the impact of MNB in finance (Garcia 2016) and politics (Soroka 2014). We design a framed lab experiment to analyze how systematically negative vs. positive news affect subjects' tax compliance in a repeated taxation game. To resemble the real-world setting, the experimental treatments are based on news ticker (like in a "news live" TV channel) running on subjects' screens during the taxation game. News ticker reports about national and local administrative issues. In a between-subjects fashion, we contrast tax compliance rates under three different conditions: negative, positive and neutral news provision. Compared to the neutral treatment, the negative news does not affect tax compliance while positive news significantly increases it. This result calls for a more balanced information by media outlets.

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