

How do Firm Decision-Makers Form Preferences About Fiscal Policy? Evidence from a Large-Scale Survey Experiment with Firms

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Abstract

We study preferences of firm decision-makers towards fiscal policy using a large-scale survey experiment. We examine how the attitudes towards a 130 billion Euro fiscal stimulus package and tax preferences change, when subjects are confronted with a treatment, in which we stress that due to the crisis many firms are in distress without it being their fault, and a treatment in which we stress that future tax increases and spending cuts become likely in order to balance the government budget in the long run.

We find that the latter treatment increases opposition against the state intervention and that the desire to reduce taxes diminishes compared to the control group but find no effect for the former treatment. Our results indicate that decisionmakers of corporations prefer a stronger reduction of taxes their firm has to pay than taxes their firm does not have to pay. Rapid profit declines increase preferences for tax cuts more strongly and in the opposite direction to profit increases. Finally, we find that firms, which profit more from taxes plan to invest and hire more.