

ABSTRACT

Development that has been undertaken by a country so far aims to improve the welfare of the community which is shown by the high economic growth. In fact, economic growth in a country not only has a positive impact on an economy but also has a negative impact on the environment. Production and consumption processes have created negative externalities for the environment. Negative externality is one form of problem that causes market failure which make optimal pareto is not achieved. The Government through the Ministry of Environment and Forestry has been mandated to issue government regulations on Environmental Economic Instruments (IELH) in accordance with the mandate of Law no. 32 of 2009 on the protection and management of the environment. One of the forms of IELH is the environmental tax, that is, the tax is levied on the sale value of goods for the entrepreneur in each production.

This paper uses an experimental study to obtain data, test and conduct analysis of human behavior as an economic agent in making a decision. The experimental object of this study were 15 students of the Faculty of Economics and Business taken at random. In this experiment there are two experiments: tax and non-tax experiments. This study has two equation models where the difference between the one and the second equation lies only in the tax variable calculated on the basis of dummy and ratio.

The results showed that there are two variables that affect the decision making on the quantity of output produced, the price and the tax calculated by dummy or ratio. Price variables have a positive and significant influence on the quantity of output. While the tax variable is either calculated by dummy or the ratio has a negative effect on the output. However, the tax calculated by dummy does not significantly affect the output, on the other hand the tax calculated with the ratio significantly affects the output. The conclusion of this study is that environmental taxes are indicated effective in reducing environmental degradation.

Keywords: Experimental, Externalities, Environmental Taxes.