Tax Sociology
Sociopolitical Issues for a Dialogue with Economists

Marc Leroy
1 Introduction

Tax sociology investigates the fundamental relation between taxation, State and society. Historically related to the construction of the European modern State, the political dimension of taxation has remained essential since the crisis of the interventionist State. Viewed as a political phenomenon, tax has been also an economic field for a very long time, since for example La dîme royale of Vauban (1707) or the maxims of Adam Smith (1776). It is also a social process, of which the sociologist Tocqueville had an intuition. In L’Ancien Régime et la Révolution, he maintains that in the 18th century in England, it was the poor who had a tax ‘privilege’ (exemption), whereas in France, it was the rich. He suggests that the tax State crisis (one of the causes of the French Revolution) was rather a crisis of legitimation. Using the so-called "relative frustration" theory, he explains that prosperity raises the hatred of old institutions. When the economic situation gets better, tax inequalities are less well endured, whereas the law is moderately applied. Yet the objective tax burden is not a direct cause: the sociopolitical theory of “relative
frustration” is more relevant than the deterministic economic exchange theory; it anticipates the cognitive rationality approach (Leroy, 2003) applied to the relation between the concrete context and the feeling of tax fairness.

2 Fiscal sociology, founded in the 20th in relation to the impact of the World Wars on the State and the economy has two tendancies: a sociopolitical “side” and an economic “side”. Law, so often locked up in tax techniques, is not present enough, in spite of its important contribution with regards to the rights and obligations of the taxpayer or the constitutional principle of equality. These two schools, where (at least) psychology, social psychology, and history also intervene, must “dialogue” with each other in order to build a unified (tax) social science subsuming the specialized points of view of every discipline. After an overview (section 2), this article presents a review of the literature and issues on the sociopolitical side of tax sociology with the analysis of: tax representations and types of State (3), the sociological functional approach (4), tax deviance (5) and tax globalization (conclusion: 6).

2 Sociopolitical and Economic Overview

3 After the First World War, Goldscheid (1917) and Schumpeter (1918), two Austrian founders of fiscal sociology, i.e. the analysis of taxation and public finance, investigated the crisis of the tax State. They lean to the sociopolitical side because of their historical approach and the role of social classes or groups, as well as to the economic side as analysts of capitalism. For them the formation of the tax State in Western Europe, tax becoming the main resource, constituted a major historical change, whereas classical social scientists explain the modern State in Europe by referring to a rational-legal bureaucratization (Weber), as to capitalism (Marx), or as a functional response to complexity due to the division of labour (Durkheim). Attached to this tradition of fiscal sociology, Mann (1943) proposes a functional analysis of tax: he maintains that taxation leaves the field of public finance, because of the First War, to enter into the field of interventionist State sociology. “Its fiscal function has been combined with a function of social control” (Mann, 1943, p. 225). Three forms of social control are exercised by taxation (p.226): “correction of socially undesirable human behavior, readjustment of economic power between social groups and classes, and combatting the social abuses of capitalism and facilitating the transition to another economic order.” In another article, Mann (1949, p. 119) uses the notion of the “social function of taxation” as part of social reform.

4 Italian founders of fiscal sociology are considered to be rather on the economic side, because of their interest in pure economics and marginalism, but they also pay special attention to the nature of political power with the idea that “the concept of ruling class or élite is the appropriate theoretical tool” (Boccacio, De Bonis, 2003, p. 76), according to the classical approach of Machiavelli, Mosca and Pareto. Nevertheless, Panteloni (1967) estimates that the attitude of Parliament is a (sociopolitical) factor to estimate the tolerance of a country with regard to taxation. Disciples of Pareto work on the sociopolitical side of tax, considered as nonlogical (sociological) action by the Master. Pareto did not propose a whole theory of public finance but he encouraged his disciples Borgatta, Grizioti, and Sensini to study the relation between taxation and economic and social equilibrium. We return to this issue in the discussion of the taxpayer's decision: cognitive rationality is a suitable way to explain “nonlogical” actions and the logic of “
dérivations” (see: section 5). Of course, Puviani’s theory of “fiscal illusion” (1903) can also be quoted here because this phenomenon is a widespread feature in public finance, which is (wrongly) viewed as irrational. A little known French scholar Laufenburger (1956) also has classic approach: he emphasizes the comparative economics of the interventionist State, but also develops a psychology of public finance concerning the taxpayer’s reactions. It is the functional classification of the economist Musgrave (1959) which is however used today.

The founders insist on the importance of analyzing the interventionist State from both the economic and sociopolitical sides. This balance changes with the generalization of Keynesian policies and the Welfare State in Europe: a sociopolitical consensus legitimates the tax State by the financing of its economic and social interventions. Until the 1970s, the study of this legitimacy was of interest to fewer scholars during the time of economic growth (Trente Glorieuses) and we see a decline of tax sociology as a sociopolitical whole. Instead of the tax State, and because of the increasing specialization of social sciences, the taxpayer’s behavior is investigated by (social) psychology surveys. The goal is to improve citizens’ compliance to finance the interventionist State. These studies of social attitudes are based on the sociopolitical side, but they neglect tax policies and decision-makers, and do not propose a metatheory of the taxpayer. Nevertheless, they provide data for the discussion of the influential utilitarian theses of Public Choice.

The Public Choice school develops a radical criticism of the interventionist State, on the basis of the rational choice theory concerning democracy (Buchanan, Tullock, 1962). Its interdisciplinary impact cannot be ignored by fiscal sociology. The (simplified) theory of public choice emphasizes a utilitarian notion of the public decision where politicians, civil servants and voters maximize their self-interest on the political market. Politicians seek to be reelected, which created an electoral expenditure cycle. In democracy, the spending policies financed by taxes are those desired by the median-voter, especially in the case of two great parties (Tullock, 1976). The bureaucrat tends to maximize his budget (Brennan, Buchanan, 1980). The citizen has an aversion for taxation (Downs, 1957). The success of Public Choice is to be related to the crisis years of the 1970’s: as an interventionist tax State discipline, fiscal sociology was then called into question. In answer to that, empirical studies show that the taxpayer is not always motivated by the rationality of self-interest: he is altruistic if the tax State is legitimate (see: section 5).

The neo-Marxist O’ Connor’s analysis (1973) of the crisis of the tax State constitutes another sociopolitical answer to the question of the legitimacy of taxation. The role of the crisis of the two World Wars is studied by the economic theory of Peacock and Wiseman (1967). But the conclusions from the historical construction of European modern States centered on tax conceived as a dialectic between the obligation (the King’s law based on a sovereignty right) and the legitimate contribution to policy are neglected. The second element of the dialectic (“contribution-tax”) is definitively established in the 19th century in the traditional finances of the industrialized countries in the form of parliamentary authorization of levying tax (and spending). Initiated by the founders of the discipline, historical tax sociology is developed, in particular by Ardant and Wildavsky: comparing the explanation of tax changes, Wildavsky is on the sociopolitical side with his “cultural theory of expenditure growth and (un)balanced budgets” (1964) and with his theory of the political incrementalism, and Ardant on the economic side with his tax theory of liberal exchange.
In the nineties fiscal sociology renews itself, whereas historical studies are carried out as always (Witt, 1987; Daunton, 2001; Peukert, 2006; Piketty, 2001). On the sociopolitical side, Campbell (1993) considers tax policy in response to crises, with interest groups at the centre. In France empirical work on tax bureaucracy and taxpayer rationality is followed up by more ambitious theorizations of data, in a dialogue with economics and law (Leroy, 1993, 2007). The field for research is specified on the economic (Backhaus, 2002) and the sociopolitical side (Campbell, 1993, Leroy, 2002); classics are revisited (Boccacio, De Bonis, 2003; Backhaus, 2004; McLure, 2006, 2007). Furthermore, experimental economic psychology revives the critical debate of the seventies about tax compliance, especially investigating individual values and the relation with democracy (see: sections 4 and 5). Sociopolitical studies explore new issues in relation with the collapse of the Soviet block (Hanousek, Palda, 2003; Appell, 2006, Gërxhani, 2007; Miller, 2007), the decentralization wave and federalism (Garman et al., 2001; Roden, 2002), developing countries (Moore, 2004; Del Percio, 2008), and globalization (see: section 6). Finally, tax sociology, on the sociopolitical side, aims at studying the relation between the taxpaying citizen and the interventionist tax State within the general framework of the sciences of the society, and by using its own empirical data or those of other social sciences.

3 Contribution-Tax and the Interventionist State

Except for the case where tax is “invisible”, for example some indirect taxes on consumption where the taxpayer does not see the taxation included in prices, five social representations of taxation exist in modern societies: within the framework of the interventionist State, the issue is to institute a tax social contract.

3-1 Social representations tax

<table>
<thead>
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<th>TABLE A: Sociological Representations of Tax</th>
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<tr>
<td>Invisible-Tax</td>
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<td>Tribute-Tax</td>
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<td>Constraint-Tax</td>
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<td>Obligation-Tax</td>
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<tr>
<td>Exchange-Tax</td>
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<td>Contribution-Tax</td>
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The “exchange-tax” of economists dominates when the tax system does not justify its interventions by the contribution to the community, solidarity with the poor, but only, as
the Public Choice school puts it, as the price for the benefit that each taxpayer (or social group) receives from the State. A form of exchange-tax was historically established by the voting system based on tax, which conditioned the attribution of citizenship. Today the price (fees) for the use of some services illustrates this utilitarian notion of the tax consent. Exchange-tax is congruent with the theory of social groups who demand tax advantages. Self-interest theories are however not enough to explain the decision of the taxpayer (see: section 5).

“Obligation-tax” is based on the definition of jurists: it is an unilateral act of a sovereignty nature implying a financial levy of a public authority without counterpart. Legitimate tax duty is not enough. “Constraint-tax” and “tribute-tax”, situations in which the tax burden is regarded as intolerable, are of course to be proscribed because they encourage tax evasion or revolt. If the perceived constraint is low, tax constitutes an obligation, but if the constraint is too strong, tax is considered as an arbitrary "tribute" (called thus in reference to Roman history). “Tribute-tax” can lead to anti-tax reactions because of its objective financial weight, but also if it is perceived as unfair.

“Contribution-tax” (or citizen-tax) must be encouraged because it represents the political form of tax consent, not only compliance but also altruistic tax behavior (see below): the taxpayer judges it legitimate to finance public policies, even if they do not benefit to himself. In French cities benefiting from a charter, the approval of the accounts by the local taxpayer, according to written accounts (records), was common as early as the 13th century. The “Etats Généraux” established the idea of obtaining tax consent. In its fight against England, the American Revolution claims “contribution-tax” (No taxation without representation). The socio-economic periods of crises and wars are often used as cognitive arguments to make increase in the tax burden acceptable (Leroy, 2002, p. 16; see: following section). The history of democratic parliamentarism, according to the English model, is based on the power to authorize and control the financing of public expenditure by tax. Experiments of direct local democracy, with “participative budgets”, develop this sociopolitical representation. But the political legitimacy of tax depends on the type of State.

3-2 Typology of the tax State

TABLE B : Tax State Typology

<table>
<thead>
<tr>
<th>Tax Level</th>
<th>Intervention level</th>
<th>Low</th>
<th>High</th>
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<tbody>
<tr>
<td>Low</td>
<td>LIBERAL STATE</td>
<td>TAX STATE CRISIS</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>WASTEFUL STATE</td>
<td>INTERVENTIONIST STATE</td>
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</table>

The “liberal State” with its low level of tax and public interventions is that of the European economy of the nineteenth century. Liberal traditional finances express the will to limit the role of the State for political and economic reasons. It is the apology for the State limited to its sovereignty functions (diplomacy, defence, justice...): it is the reign of economic competition and of the (supposed) invisible hand of market to ensure
prosperity. The tax State is limited by the prohibition of economic and social interventions, and it is also neutral with regards to economic decisions. In the English tradition, following Smith and Ricardo, tax has a strictly financial role consisting in covering the limited expenditure of the State.

16 The “wasteful State” has a high level of tax and a low level of intervention, which can be explained by corruption, inefficiency, oppression... For example, in Boris Eltsine’s Russia and the context of enrichment of oligarchs by privatizations, the lack of trust expressed by citizens in the corrupt State explains the decline of tax morality. In every country, reports of the financial courts or Parliament give examples of bad public management and financial wasting. Even if some democracies have high levels of corruption, the systematic organization by rulers of the waste of public money is impossible in democratic countries with a big political control. A study, measuring State legitimacy in 72 countries with indicators of “views of legality”\textsuperscript{10}, “views of justifications”\textsuperscript{11}, and of acts of consent (including tax compliance), also shows that some long-established democracies like New Zealand and France rank far down on the list (Gilley, 2006, p. 517). But it is no surprise that in general Western Europe and Anglo-America followed by Asian countries rank high up. Although the relation between corruption, democracy and the economy is complex\textsuperscript{12}, it is clear that the wasteful or corrupt State has neither the means (resources) nor the legitimacy to finance public programs. Social interventionism is also difficult because of the low level of social trust.

17 The “Crisis State” has a low level of taxation with regards to its high level of interventions (performance). According to Goldscheid (1967, p. 202), the capitalist State has a structurally poor financial system and must extend the public sector to escape a tax crisis. O’Connor (1973) tackles the question differently: the capitalist State intervening more and more through public expenditure in order to support the economy is based on budget deficits because it cannot legitimate higher taxes. The interest of this thesis is to insist on the legitimation of the tax State. Indeed, its structural fragility appears doubtful in developed countries, as Schumpeter underlines it. Schumpeter (1918) argues that the collapse of modern State because of a tax crisis is unrealistic in developed countries. He refers to the case of Austria, one of the worst financial situations in Europe at the end of World War I, and concludes that “there is no crisis of the tax state” because of the possibility either to raise a tax on consumption or to levy a once and for all capital tax in order to reduce public debt and excess money supply. He says there can be two different issues in a tax crisis: to find money to balance the budget of the State\textsuperscript{13}, and to manage the re-organization of the economy. Only the first issue concerns public finance, while the second is to avoid threatening the market economy because the need is for the “recapitalization” of the economy, and not, as it is for Godscheid, for the “reappropriation” by the State. For Schumpeter the tax State and the private market form together the modern social system and the limit of the taxable capacity must hence be respected. Musgrave (1992, p. 101) argues however that this prognosis about the economic limit of taxation “underestimated the flexibility and resilience of the system’s response to a rising public sector”. The tax State is thus compatible with economic development.

18 The rise of tax revenues, the use of other means (borrowing, privatization, spending cuts, fiscal innovations, request for subsidies) and the existence of unpopular financial decisions (King, Gurr, 1988; Gold, 1995; Centeno, 1997) contradict the inexorability of the tax crisis: the relation between taxation and expenditure is a political choice. Finally, the
tax cognitive theory shows that the crisis is used as an argument to justify changes in modern tax policy. The cognitive approach (Leroy, 2002, p.16) is relevant to discuss models which study the crisis as a decisive cause of the tax policy. For instance, Peacock and Wiseman (1967) consider the two World Wars and explain that in a quiet period public intervention is limited by the reluctance to be taxed, whereas war increases tax tolerance. After the war period, tax revenues can satisfy social needs (irreversibility of the public expenditure), in accordance with the increase in public spending (see: the Wagner law). However, according to the neoliberal idea about State retrenchment (see: section 6), the cut of public expenditure in some countries contradicts the irreversibility theory. Campbell (1993), in an important article about fiscal sociology, regards tax reform as a response to an economic, geopolitical or tax crisis. These theories are important, but they are too deterministic and postulate wrongly a general aversion of citizens for taxes (see below). Moreover, the positive link between war and the rise of taxes is not universal: “wars did not make states in Latin America” (Centeno, 1997, p. 1598).

The crisis is more a process than a causal datum. In line with cognitive rationality, the crisis is employed as an argument to justify a rise of taxes. Using a combination of surveys and content analysis of the quality of the information on the Social Security in the United States during the debate of 1998-99 (Jerit, Barabas, 2006), an empirical study indicates, after controlling for a set of variables, that misleading information (from media) is associated with inaccurate perceptions: people exposed to information composed entirely of misleading rhetoric, with words such ‘bankrupt’, ‘run short of cash’... have a 47 % chance of incorrectly stating that the Social Security will run out of money completely. The likelihood of providing the correct response is only 10 %. This effect is strengthened if people follow the debate. When the environment (information) is composed of “benign” rhetoric with words such as ‘reform’, ‘protect’, ‘preserve’..., the likelihood of giving the bankrupt (“run out of money”) response declines to 32 %. These findings show the importance of debate on the crisis within the framework of political choices and not in the framework of constraints like the myth of bankrupt. Indeed, the individual is rational (cognitive rationality) to follow the way the media report on public policy debates and the citizen is rational to decide from this point of view.

The two cases of the Liberal and Wasteful State are not currently found in developed democracies where there are mostly high levels of taxation and public interventions, which defines the case of “Interventionist State” who avoids tax crises. This typological analysis is also important showing the characteristics of developing countries, which often only use a little taxes for their budget. In the opposite side, OECD developed countries can maintain a significant tax State, but on one condition: politically legitimating the interventions financed by tax.

The “Interventionist State” remains present in spite of the tax cut policies in developed countries: tax revenues are still high, especially in Europe with 38,3 % of GDP (OECD, 2006). Originally, the Welfare State represents a form of public interventionism in accordance with the social justice theory developed in the 19th century to remedy the effects of the industrial society. The golden age of Welfare State is correlated with the growth of the post-war period characterized by the generalization of Keynesian policies. Admittedly, the economic crisis of the 1970’s is also the crisis of the financing of the Keynesian Welfare State. However, as seen with the tax crisis, several solutions exist to finance the Welfare State politically desired. It is a democratic question of choice, even if the political decision is related to the problem of good public management. The issue is
thus to institute a tax social contract of the interventionist State accepted by citizens within a logic of fiscal democracy.

3-3 The tax social contract

As with the economic Leviathan Tax Theory (Brennan and Buchanan, 1980), the individuals’ consent is required. But the sociopolitical approach of the tax social contract emphasizes the taxpayer as a real decision-maker in the social context, and not (only) behind a veil of ignorance. The first condition is the transparency of public finance, in the framework of a democratic political choice concerning the level, structure, and functions of taxes (see section 4), with the right comparative informations. The sociopolitical contract concerns the contribution-tax paid by citizen, possibly altruist, who accepts the legitimacy of the functions of the interventionist tax State.

There are several forms of compromise (trade-off) regarding the relationship between the State, taxes and public services. The tax social contract is measured first through the distribution of the tax burden between social groups and the level of social transfers, with a trade-off between low-income classes and rich classes, but it must also relate to the general tax functions (see: section 4). Empirically, there is a strong relation between the source of revenues and the nature of State output: according to Timmons (2005), in his study of 1975-1999 OECD countries, regressive taxes are associated with higher social spending and human development indicators, but not with property rights protection. Cusack and Beramendi (2006) show that “Coordinate Market Economies” governments tax labour more than capital in exchange for a generous Welfare State. Scandinavian countries strongly tax taxpayers with income tax, including labour incomes, and negotiate with firms remunerations of capital in exchange for social protection. But in the Scandinavian social-democratic model, while capital owners accept a large public insurance system and unions a moderation of the wage demand, left-wing governments need to support the (universalist) Welfare State not only by taxing labour, but also by using regressive indirect taxation (Beramendi, Rueda, 2007, p. 627). Indeed, it appears that in Scandinavian countries (and in France), indirect taxation, measured as a percentage of GDP, is above the average, whereas in most countries tax rate cuts are financed with increases in consumption taxes (or social insurance fees: Steinmo, 2003, p. 225). The so-called "flexicurity" approach, adopted in Austria and Denmark, is also a kind of financial contract (for the creation of the Welfare State: see note 15).

Thus the social protection level wanted by each country determines the form of Welfare State, but the issue is to decide explicitly the nature of the tax social contract (tax democracy). The European Values Surveys indicate that, in spite of national differences, people remain attached to the Welfare State. Across OECD countries, the traditional institutions of the Welfare State remain popular, despite high tax rates (Bay, Pedersen, 2006, p. 421). Even American public opinion supports specific welfare programs associated with humanitarian sociopolitical ethos (Feldman, Steenbergen, 2001). A study of 14 OECD 1980-2000 democracies (Brooks, Manza, 2006) shows that mass policy preferences are important for the maintenance of Welfare States, because rulers must take public opinion into account, especially in the liberal Welfare State. But the great tax functions are undermined by the complexity of the tax system due to the use of the tax tool (see below). In anycase, one can say, in opposition to the neoliberal argument (Headey and al., 2000; Steinmo, 2002), that a good level of social protection is not
contradictory with economic effectiveness. Moreover, the Scandinavian model of the Welfare State resists economic globalization, in spite of high tax rates. In the same way, social services provide social well-being and economic growth (Sen 1999). The French model of redistribution is rather based on social transfers because of the weakness of the progressive income taxation (with regards to the VAT). More generally, according to a study of 59 surveys (from 1980 to 2000) for 13 developed countries (Mahler, Jesuit, 2007, p. 493), a trade-off is found between the size of transfers and the target of the social programs for the poor, in other words: the more social policy is targeted, the less the size is developed and thus the less poverty and inequality are reduced.

The contract to the contribution-tax, that I defend here, is a social trade-off accepted in the public interest. In the absence of a contribution-tax contract, the tax is an obligation based on the law, or a particular contract in exchange for services individually received (utilitarian economists), or a insurance contract to guarantee safety (or property: see Montesquieu). Since 1914, modern finances have been intervening more and more in the economy and society, in spite of the neo-liberal ideology in favour of the market following the crisis of the 1970’s (Robinson, 2007; Leroy, 2008). In the global economic age, the social contract of interventionist functions must be reconsidered.

4 Sociopolitical Functions

The original nature of taxation both as object of public policy (tax policies) and as instrument of the other public policies justifies a turn to a functional approach (as Mann intuited it: see section 2). For dialoguing with economists, the traditional economic analysis of Musgrave (1959), centered on the financial, economic regulation and redistribution tax functions, is to be supplemented, on the sociopolitical side, by including the social, political and territorial functions. In sociology, the functional approach has been traditional since Emile Durkheim. Durkheim (1895) emphasizes the importance of functional explanation in Les règles de la méthode sociologique (chap. 5), but states that we must differentiate between cause and function to explain a social phenomenon. These observations of the famous sociologist invite us to avoid the hyperfunctionalism of the anthropological school (Malinowski) because every institution does not have a function regarding the society as a whole. However, as Merton in Social Theory and Social Structure explains it, the functional analysis is relevant if the social units to which it applies are specified. That leads one to study, according to Durkheim, "social types", and, for us, to propose a tax State typology.

TABLE C : Sociopolitical Functional-Tax Approach

<table>
<thead>
<tr>
<th>Financial Function Tax</th>
<th>- Revenues from taxes to finance expenditure</th>
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<tbody>
<tr>
<td>Economic Regulation Function Tax</td>
<td>- Economic action by taxes: priority sectors, exports, research...</td>
</tr>
<tr>
<td>Social Function Tax</td>
<td>- Redistribution by progressive income tax towards the poorest</td>
</tr>
<tr>
<td></td>
<td>- Tax categorization of the society: family taxation, some social groups, products, socially developed or discriminated sectors</td>
</tr>
</tbody>
</table>
| Territorial Function Tax | - Legal territory of competence in tax law  
| - Territorial tax inequalities  
| - Territorial development: tax exemptions of certain "weak" rural zones, urban districts, tax incitations for "competitiveness " zones  
| - Safeguarding of the environment: eco-taxes, expenditure taxes  
| Political Function Tax | - Citizen contribution-tax to general interest policies  
| - Political legitimacy  
| - Tax State compliance  
| - tax democracy with direct tax consent  

### 4-1 The social function of taxes

28 Historically, the tax State appeared in Europe with a financial function, but it became and remained interventionist (see above). The social function includes the redistribution of incomes by the taxation because it modifies the social stratification, but extends to the interventions for or against social groups, behaviours and values. In spite of neoliberal tax cut policies, the tax social function remains significant.

29 Generally, a progressive income tax rate or the taxation of the fortune of the richest leads to redistribution. It also depends on legal tax exemptions. Many countries implement marginal rate cuts of income tax, which undermines the social redistribution. Historically, the creation of income tax in European countries has had a function of tax redistribution in relation to the creation of Welfare State, as a complementary answer to the social issue of industrial capitalism. The purpose of taxes is to reduce inequalities, to finance State interventions, and to protect weaker members of society.  

30 In addition to redistribution, the tax social function relates to society issues. Indeed, many sectors of society are subject to specific treatments by the use of tax expenditure. In spite of the methodological difficulties of measurement (Burnam, 2003), we know that tax expenditure is used in term of social aims in many OECD countries. For example, in 2003, the social function of the tax expenditure (income tax, corporation or company tax and VAT) of Canada, France, and the United States represent around 35 % and economic objectives around 65 % (Godbout, 2006, p. 252). In these three countries, corporation tax is little used for social ends (93 % for economic goals), but income tax is used differently as a social function (Canada: 34,6 %, U.S.: 38,5 %, France: 44,3 %). According to the American Office of Management and Budget, about thirty cases are aimed for by tax expenditure. An incentive tax for the creation of jobs is also a widespread social tool (Faulk, 2002).

31 Thus, income tax has now less an objective of redistribution and evolves towards social particularisms to treat specific issues of society. Traditionally, the family is encouraged by this tax, in the form of tax cut or the application of lower tax payment, or general marriage bonus as in France. Mann (1943, p. 226) noted that the Nazi Germany or Fascist Italy surtaxed single people. Recently, the American marriage tax penalty is seen as a problem if the tax system does not meet the goal of marriage neutrality, namely the principles of equal treatment of married couples in every State, and the equality of married and nonmarried couples (Berliant, Rothstein, 2003).
A guaranteed income policy based on tax refunding in favor of the unemployed who find a job but lose the social security benefits, a so-called “negative tax”, is socially interesting because it puts it into concrete form as a compromise between the neoliberal idea of the struggle against the economic discouragement to work of the beneficiaries of welfare transfers, and the social-democrat drive for redistribution towards the poorest. In the case of poverty, the evolution of the cognitive rationality of rulers and citizens changes, as with the American attempt creating a legal guaranteed income in the 1960-70s (Steensland, 2006). Here, the social function distinguishes the "good poor" deserving government aid and the others who should be encouraged to work.

Many countries encourage philanthropy, even if some have no tax-deductibility or limit its deductibility. The social function sometimes also has a goal moral dissuasion (Johnson, Meier, 1990; Paton and al., 2004), as with tobacco and alcohol taxation, which also fulfills a financial purpose by generating additional revenues. In the U.S., taxation on gambling has a moral goal, whereas gambling is socially acceptable in the U.K. Another example is the tax advantages granted to associations to support the civil society. Let us also quote the cultural tax policy in France: tax incentives aim at protecting cultural inheritance, in particular with the exemption of the wealth tax on works of art, but culture is taxed when it becomes a profit-making activity (Leroy, 1997). The social function thus includes a general redistributive part which is an issue of political debate issue, and particular measures of tax corporatism which harm the transparency of the tax system.

4-2 The political function of taxes

The political function is at the core of the legitimacy of the tax State. Taxes are part of the creation of the Western European State. Tax revolts occur as an opposition to the legitimacy of taxation, considered as arbitrary. Taxation is an essential indicator of the legitimacy of the State (Cheibub, 1998; Lieberman 2002; Leroy, 2003; Gilley 2006). To take again an example from Schumpeter (1918), the crisis of the feudal society was due to the process called by him the “patrimonialization of the personality” (right of inheritance of the fiefs, opposition between the private and public spheres of interests, independance of the nobility...); the old order and its fiscal foundation changed and the institutionalization of the modern state took place. The reluctance to be taxed for the needs of war, or in other words, the lack of legitimacy of the new tax demands from the monarchy, explains this inalterable change. So, the monarchy had to use mercenary armies, an expenditure too heavy to balance the budget within the feudal system.

The problem is then to support the emergence of a contribution-tax in order to finance public policies legitimately. The nondemocratic solution of the voting system, based on taxes which give the voting rights to rich taxpayers, is not acceptable. The solution of a parliamentary democracy (with taxes voted by the Parliament) is not enough in many countries to fulfill the political function. Indeed, the complexity of taxation, the reinforcement of the executive power to the detriment of the legislature, and the influence of experts restrain the debate on taxes by the elected assemblies. A new tax democracy must be imagined within the framework of the tax social contract (see above), for example by local referenda or citizen debates. That implies the acceptance of electoral accountability.

A “citizen contribution-tax” is possible because self-interest (utilitarianism) does not explain the totality of the taxpayer’s behaviour (see below). Tax thus sometimes provides
a support for rulers. For example, the French writer George Sand invites the people to support the new Republican system of 1848 by the payment of taxes. A survey in Israel in the Seventies (Dornstein, 1976) shows that tax compliance by recent immigrants was weaker than of old inhabitants convinced of the legitimacy to finance a modern Jewish State. The use of public money, trust in the government (Bergman, 2002; Torgler, 2003), the tax system’s equity (Taylor, 2005, p. 84) constitute criteria for the citizen of the political legitimacy of tax, whereas political disillusion towards the authorities cause lower compliance.

It also appears that citizen is capable of acting as altruist. Contrary to the utilitarian representation of values, data show that many people are ready to pay additional taxes for programs which appear significant to them, and not egoistically useful (Mueller, 1963, p. 224; Beadle, Taylor-Gooby, 1983, p. 29; Welch, 1985, p.316; Brodsky, Thompson, 1993; Taylor-Gooby et al, 1999, p. 192). Sometimes citizens support a tax on gasoline for ethical reasons, even when they often use their vehicle (Brodsky, Thompson, 1993). Public service users, while more opposed than others to taxation on services, are nevertheless ready to pay fees for the services they use. Although users generally support public spending more than non-users, they are willing to pay for certain services (in the form of fees) out of their own pocket, whereas non-users are willing to spend more on services that affect the welfare of their fellow citizens (Winter, Mouritzen, 2001, p.127). An altruistic consensus exists to admit the need for the basic services for most underprivileged financing by general taxes of. We also know that the financial crisis State (see section 3-2) cannot legitimize new taxes to finance public expenditure. The Liberal State, limiting revenues and interventions, is a historically outmoded configuration, even if neoliberal ideology criticizes the interventions of the State and the weight of taxes. The legitimate State is thus resolutely interventionist because citizens generally support public services, in particular in the fields of health and education (Kemp, 2002). The individual income level seems to produce a limited effect on the demand for expenditure, and it does not have an effect in the case of specific expenditures well targeting the beneficiaries (Schokkaert, 1987, p.179; Jacoby, 2000, p.761).

The political function of the contribution-tax contradicts the economic theory of fiscal illusion (from Puviani, 1903 to Buchanan and Tullock, 1962) – according to which irrational citizen demand more expenditure and less tax –, and refuses the aversion theory – which states that tax is always abhorred because individual sees the money then gives to the State but he hardly does not see the services (Downs, 1957). Some data partly support the aversion theory (Lewis, 1982, p. 314), but other tests refute it (Welch, 1985, p. 314; Kemp, 2002, p. 146). To account for the apparently contradictory results, the solution of the puzzle consists in reconstituting the taxpayer’s reasoning with a cognitive rational approach (Leroy, 2007). Citizen considers that his demand for public services can be financed by various means: certainly tax, but also borrowing, reduction of waste, reassignment of some appropriations and subsidies for other, user fees... “More public services and less taxes” is thus not irrational when citizen proposes other resources. Tax aversion is not general (Blount, 2000) and expresses the conviction that the State can and must finance the desired expenditure differently. It depends on the political justification of the function of tax in relation to expenditure. This rational cognitive solution is empirically confirmed by Hadenius (1985) who shows that tax aversion decreases when the link between tax and expenditure is indicated.
Furthermore, fiscal democracy, defined as the participation of people in the choices of public finance, has positive effects on tax compliance. Torgler (2004, p. 34) uses experiments to show that decision on the level of dissuasion (number of controls and level of penalties) improves compliance. His study is confirmed by other experiments (Alm et al., 1999; Feld and Tyran, 2002) on the relation between democratic decision and compliance. National differences in tax morality depend on the legitimacy of public institutions for citizen, and thus of the political function. From this point of view, (real) direct democracy (Pommerehne and Weck-Hannemann, 1996) is more positive for compliance. Tax transparency is also correlated with the erosion of electoral cycles in fiscal balances (Alt and Dreher Lassen, 2006).

### 4-3 The territorial and environmental function

The first legal use of the territorial function has is to define the geographical sovereignty of the tax State. The second use aims at assessing territorial inequalities which resulting from taxation, a form of the territorial social function. For example, in the Belgian tax federalism (Cantillon et al, 2006, p. 1051), social security and personal income taxes reduce income inequality between Flanders and Wallonia by about 75%. In France, local corporate tax is the first cause of inequalities between subnational authorities. The third use is to determine the differences in the attractivity of territories, in relation to the problem of tax competition (OECD, 1998) of regions and States. For example, globalization leads to tax flight with the relocation of firms and wealthy individuals by making use of offshore tax havens. Another example is the French policy of regional planning that, for reasons of territorial equity, grants tax advantages to rural zones with reduced economic activity and to deprimed urban districts. The attractivity of territorial taxes is part of the scattering of the objectives of taxation.

Environmental taxation is the fourth issue concerning the territorial function of taxes. It aims to protect territorial natural resources within framework of sustainable development frame. Inspired by ecological claims and recognized by several international agreements, this issue leads to the use of the tax either to penalize activities which destroy the environment (pollution), or to encourage actions to preserve it. As for tax penalization, Stiglitz (2006) considers that American firms should be subject to a specific taxation by other countries because the USA has always refused the protocol of Kyoto, which favours them because it amounts to a as a subsidy contrary to global economic competition. The principle of the pollutant-payer is recognized by the OECD and by the Treaty of the European Union. The ecological tax expenditure, it would be advisable to make the assessment in each country of tax measurements, and to avoid contradictions between tax incentives that are for polluting economic activities and those in favour of the environment.

Important tax functions are undermined by two factors of the scattering of tax policies. Firstly, the use of the tax tool becomes too targeted to the detriment of the logic of the important functions of the interventionist State. Secondly, in relation to the first factor, the complexity of the tax system accentuates the dilution and the jamming of the tax functions by concealing the whole logic of the tax system. The financial function competes with the recourse to other budgetary resources like borrowing and privatization. The economic division of the tax policy into sectors is carried out to the detriment of the macro-regulation function. The redistribution function struggles to
become part of the program of public authorities. Too many particularisms and political compromises to satisfy groups of voters lead to different tax schemes and even to tax evasion.

5 Tax Deviance

5-1 Sociological labelling of tax decision

The elaboration of a general typology of tax deviance (see: Table D), freely inspired by the labelling theory of the sociologist Becker (1963), appears to dialogue with the law and economics approach. The more complex law is, the more it leaves possibilities to the interplay of the actors of tax deviance: privileged taxpayers build tax schemes up which they defend as a category of (legal) tax avoidance, while the administration tends to label the tax decisions in the category of tax evasion (fraud) of these actors. The sociopolitical interplay makes the borders between legal and illegal categories move both at the stage of voting the tax law and at the stage of the tax audit. Legal and illegal decisions - avoidance, evasion, tax flight, cuts -, have similar economic effects, but different sociological effects: tax evasion is perceived rather negatively, tax flight neutrally, and tax avoidance positively (Kirchler and al., 2003).

Concerning tax decision based on a scheme, taxpayer sometimes remains passive facing taxes (Caroll, 1987; Webley et al., 1991, p.80), as long as the tax issue does not appear openly during particular events, such as the period of income tax returns, the mediatization of a reform or a social claim. The opportuneness of avoiding the tax is a significant factor (Vogel, 1974, p.507; Lewis, 1982, p.158; Wärneryd, Walerud, 1982, p.205; Webley et al., 1991, p.102), which depends on legal methods of taxation and especially relates to independent workers. The presentation (and the vocabulary: McBarnet, 1991, p.341) of the tax scheme is chosen by the taxpayer, or his adviser, to enter the legal category of avoidance.

TABLE D: Tax Decision Typology

<table>
<thead>
<tr>
<th>Taxpayer Decision</th>
<th>Authority Decision</th>
<th>Legal</th>
<th>Illegal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheme to avoid tax</td>
<td>AVOIDANCE</td>
<td>EVASION</td>
<td></td>
</tr>
<tr>
<td>No tax scheme</td>
<td>COMPLIANCE</td>
<td>ERROR</td>
<td></td>
</tr>
</tbody>
</table>

Classic labelling theory is used here as a dynamic model: taxpayers, especially firms or people who can pay a tax lawyer, actively handle the woolly borders between avoidance and evasion. An adviser has an interest to keep tax scheme secret in order to avoid competition with other advisers, or because the tax advantage may be invalided by law. The proof of evasion is difficult. An adviser does not request all the details from his client. The answers to the requests of the tax administration only include selected data: sometimes this tendency poses problems (see: Enron scandal). When there is no tax scheme decision and an operation is then labelled as evasion (fraud), the error is disastrous for tax legitimacy, because it increases the idea of administrative arbitrariness. Tax interventionism of course encourages the interplay between the administration and
social groups concerning tax deviance labelling, especially when the State does not respect the important functions of taxation when trying to satisfy each particular request: tax optimization is opposed to the bureaucratic interpretation of law.

The detection of tax evasion depends on financial and human means and on administrative tax co-operation between countries (international fraud). The essential point concerning the sociopolitical approach of tax is to know how the bureaucracy works. A sociological research thus shows that the French administrative decision is an original model of bureaucracy (Leroy, 1993) different from the conception of economists or of lawyers: the audit decision of more negotiation between the tax inspector and the taxpayer depends on hierarchical management. The law is adapted to every case; administrative statistics do not distinguish between errors, small fraud, serious cheating...; the inspector operates alone in a firm and is regarded as an expert. Important comparative research thus needs to be done in order to know the regulatory strategies of tax authorities. For example, American tax inspectors are evaluated according to the adjustments they propose (Sakurai, 2002, p. 183). But, unfortunately there are only a few studies comparing administrative regulatory styles in the context of taxation. Some scholars criticize the strategy based on threat and legal coercion, regardless of the circumstances, and support (Murphy, 2004) a regulation based on trust (instead of the “stick”) or on a “responsive regulation” (Braithwaite, 2007). Responsive regulation, implemented by the Australian tax administration, comes into play at two levels: first, a cooperative approach encourages self-decision, and in the case of mistakes, allows the taxpayer to persuade the tax office; second, in the case of non-compliance and non-cooperative behaviour, a command and control approach deals the conflict with appropriate sanctions. Another sociopolitical issue consists in investigating the logics of “performance” using budgets of results, within the framework of new management, and establishing its impact on the tax bureaucracy (Leroy, 2007).

5-2 The taxpayer decision

Self-interest to avoid tax does not (solely) apply. This point is significant because the interventionist tax system cannot survive if there is only antisocial tax behaviour. The main economic models of tax evasion use the Expected Utility Theory (Allingham and Sandmo, 1972; Cowell, 1985, Yitzhaki, 1974), a framework based on utilitarian rationality in the sense of the rational choice theory\(^2^{2}\): tax avoidance is seen as taking a risk related to the methods of taxation and of auditing, as a criminal category, and as a refusal to finance public goods. Refering to the theory of the risk, tax avoidance is a function of the objectively expected profit, which is calculated compared to the tax rate, the probability of being controlled and caught, and the amount of legal penalties. It is often emphasized that high tax rates encourages evasion, and that the official economic growth is thus undervalued. This approach leads to the economic theory of deterrence by recommending a strong repression with frequent controls and high sanctions, which appears difficult to realize in developed democratic States where the moral judgment of evasion is weak. The second approach uses the economics of crime (Becker, 1968) which measures the expected utility of fraud compared to that of other activities and recommends deterrence. The third approach is based on the paradox of Olson (1966) according to which “free-riders”, members of a latent group of the taxpayers, do not find it beneficial to finance collective goods from which they will nevertheless profit.
These approaches raise several objections. Concerning the effects of the level of taxes, and unlike Schumpeter’s idea about the limit of the taxable capacity (see: section 2), the results remain inconclusive. At the macro-economic level, there is no relation empirically affirmed between a high level of taxation and a low economic growth rate (linked to evasion). For example, in spite of very high marginal rates of tax the United States had a strong growth in the post-war period. At the micro-social level, it is not empirically asserted that compliance by the richest taxpayers is weaker. Some find a correlation between income and evasion, others contradict this result. On the sociopolitical side, it is thus appropriate to take into account the socially tolerable tax rate. In his study of 1970s Swedish social democracy, Vogel (1974, p.501) shows that 53.5% consider reasonable the amount of taxes they pay, in spite of a particularly high tax rate. In Germany, Schmölders, (1970) concludes that the opposition to tax is not a direct function of the importance of the objective burden. In England, Lewis (1979, p. 255) supports this thesis. For the United States, Etzioni (1986, p.183) concludes that tax evasion is linked to the feeling of tax unfairness in public opinion (1960-1980), even when tax rates remain unchanged. A French survey (Dubergé, 1990) underlines that 60% of the individuals consider “psychic costs” (for example: tax complexity) of tax returns, and not the amount they must pay.

Concerning the risk of a tax audit, an important fact is that the average audit rate is generally low, so that compliance should be lower than it apparently is: this observation contradicts the utility-maximization approach. Experiments and surveys show that the percentage of fraud is not related to the objective probability of a tax audit, except when the audit information given to the individual is accurate. The heuristic logic of tax duty distorts the representation of its self-interest by the taxpayer, including the well informed. But the probability of a tax audit is over-estimated by taxpayers having already undergone a control of their declarations (Spicer, Hero, 1985, Maciejovsky et al., 2006; Mittone, 2006, p. 823). The tendency to evade depends on the number of personally known evaders (Vogel, 1974, p. 505; Spicer, Lundstedt, 1976, p. 300; Dubergé, 1990, p. 230). The perception of the proportion of individuals within the reference group who engage in tax cheating is related to the evaluation of the sanction risk (Welch et al., 2005, p. 24). According to the Prospect Theory (Kahneman and Tversky, 1979), the objective factors of being caught in the event of evasion have a weak influence on “the subjective probability" calculated by the taxpayer in order to decide: the superiority of the Prospect Theory over the Expected Utility Theory is demonstrated especially by Dhami and Al-Nowaihi (2007). For example, many people estimate that the probability of being caught by the tax office is stronger when the amount of the tax evasion is high. People are tempted by evasion in a situation of tax to be paid (perceived as a loss), and less in a situation of a refunding of tax considered as a profit (about this “bias”: Kirchler, 2007, p. 133-142). There is thus no direct relation between the objective calculation of the risk linked to evasion and the effective individual behaviour.

The taxpayer does not only react in an utilitarian way (self-interest), but also appreciates taxes compared to moral attitudes (Weber: axiologic rationality) and their representations (cognitive rationality). Social norms are involved (Keenan and Dean, 1980; Reckers et al., 1994; Torgler, 2004; Wenzel, 2004; Alm and Torgler, 2006), especially when the taxpayer is identified with the group which supports the same norms. World Values Surveys and social science experiments show that while tax morality varies from one country to another, moral attitudes influence compliance. For instance, the impact of
religiosity is a complex empirical puzzle. Whereas Furnham demonstrates by his British survey that people who strongly endorse the Protestant work ethic are more opposed to taxation, Grasmick et al. (1991), in their American survey including Protestants, find that religiosity, measured as a frequency of church attendance and (religious) identity salience, does reduce the inclination to cheat on taxes. From a Dutch fiscal survey, Verboon and Van Dijke (2007) find that Protestants are more compliant than Catholics and than people without religion (the least compliant). Torgler (2003, p. 297), with data from World Values Surveys choosing Canada, concludes by saying that church attendance is correlated with tax morale, but that the coefficients of the confession variable (Catholics, Protestants, others) are not significant. Lastly, Welch et al. (2005), in a study on American Catholic parishes, show that personal religiosity has little impact on tax cheating when many individuals believe that there are low levels of tax compliance within the community. Pride in his country (Torgler, 2003, p. 295) and (see above) trust towards the government also have an effect on tax compliance.

Nevertheless, if moral values are sometimes relevant, the moral judgment of evasion is rather weak (Leroy, 2003, p. 232). According to the European and World Value Surveys from 1981 to 2004, cheating on taxes is viewed as “never justifiable” by only 53% of the respondents (average rate of all countries). More than moral values, the political legitimacy of the tax is essential. The feeling that the tax system is unfair supports evasion (see above). The taxpayer’s cognitive rationality must be considered in order to explain the subjective appreciation of risk. Other cases also support the cognitive rationality theory (Leroy, 2003). Often, taxpayers do not see indirect taxes (in particular VAT) as a fiscal burden because they "logically" see tax as a consumption cost included in the price; the “relative frustration” theory of Tocqueville explains tax revolts and the French Revolution (see: section 2). Tax history shows that, under the French Monarchy, the myth of the end of tax was recurrent, in particular in the case of military victory; because permanent taxes were recent, it is "logical" to think that tax was exceptional (it was the case with feudal tax). Taxpayers see tax as a cause of deterioration of their economic situation whereas, objectively, it is not the case: for example, the French “Poujade” tax revolt (in 1950s) is explained by the economic inefficiency of shopkeepers, and not by tax. But they think that the State is responsible for their situation, because the State has an economic role: as tax is used to finance the State, it is “rational” not to pay...

Thus, the “living” relation of the individual to the tax authorities (Leroy, 2002; Kirchler, et al., 2006) influences compliance. About the relation between tax and expenditure, the citizen considers that his request for public services can be financed by various other means than tax.

6 Conclusion: the Impact of Globalization

The dialogue between the economic and the sociopolitical sides of tax sociology is essential for the social science of taxation (and public finance). Indeed, in spite of contributions of the other scholars, only these approaches are enough advanced to theorize the tax system as a whole in conjunction with the legitimacy of public spending policies, and to investigate all the sociopolitical and economic aspects of the tax State. Because it is a king of crisis, globalization opens a vast program. The impact of globalization on taxes and social policies is the subject of a methodological and theoretical debate (see Table E). According to the “efficiency of the market” theory,
economic globalization forces policy makers to compete for investment by cutting taxes. On the other hand, the “compensation theory” insists on the resilience of the Welfare State: institutional autonomy limits the negative effects of globalization. Although empirical data about this issue give contrasting results, the efficiency of the market theory is not confirmed.

In this debate, the tax social science has vocation to conceive the specific sociopolitical contract for each type of tax State. For developing countries, the issue is to develop a tax centered revenue State, politically legitimate and economically viable. For developed countries, the new democratic tax contract must be based on the “citizen contribution-tax” to finance the important economic and sociopolitical functions of the State and to decide the mode of financial regulation. The general priority is to fight against increasing inequalities due to globalization. The core of the tax contract concerns the redistribution function wanted by citizen as well as economic efficiency to create jobs. The strategic issue is to find a compromise between actors of the global decision: State, citizen, firm. The task is difficult, but that already supposes to pose the epistemological problem of the tax system as a fonctionnal economic and sociopolitical whole.

TABLE E : The Effects of Economic Globalization

According to the conventional “market efficiency” theory (Tanzi, 1995), economic globalization (EG) forces policy makers to compete for investment by cutting taxes: the Welfare State is undermined by EG because of capital flight, tax dumping and competition (relocation of businesses) and the reduction in the power of political parties and trade unions. According to the critical compensation theory of resilience of the State (Pierson, 1994; Garret, 1998; Scharf, 2000), the tax State struggles against the negative effects of EG (insecurities, inequalities) in order to satisfy workers, acquired interests, “veto powers” or to continue the past of institutional dependence.

Empirically, the effects of EG depend on the “reference indicators” (OECD, 2005). The study of Garret and Mitchell (2001) of 18 countries in the OECD (1961-1993) shows that: measured by the volume of the exchanges or the opening of the financial market, EG does not decrease tax on capital, but it reduces the total public expenditure, through only a little, (partly) according to the thesis of State retrenchment (efficiency of the market). With the indicator of dependence on countries with low wages, the effect is the opposite, namely public expenditure increases, in accordance with the compensation theory of State resilience.

Measured by the indicator of foreign investment, globalization does not have effects on social expenditures which increase in proportion to unemployment, in accordance with the resilience Welfare State theory (compensation). Another study of 15 countries from 1960 to 1996 (Crepaz, Moser, 2004) shows that EG, measured by the exchange and deregulation of capital, is positively correlated with the amount of social transfers (compensation theory), but this effect depends on the institutional arrangement (competition between different public authorities involving a tendency to blocking and a status quo).

Korpi and Palme (2003) discuss the use of the percentage of social expenditures in the GDP as an indicator of the Welfare State. They defend the approach of "power resources" to explain the retrenchment of the Welfare State in 18 countries within the 1975-1995 period. Economic logic is less relevant than political factors related to power resulting from the conflicts of classes on the labour market. The extent of the retrenchment of Welfare State depends little on the EG, but much more on the partisan variable which more or less slows down (with regard to the context) social spending cuts: the leftist rulers tend to cut social spending when the public finance situation is degraded, but significantly increase them when unemployment is higher (compensation theory). Dreher (2006) confirms the importance of both EG
and political social integration. Rudra (2002) shows that there is a major decline of the Welfare State in less-developed countries (LDCs) is more important, because State has less "power resources", but, in another study (2007, p. 32), he finds that LDCs still have distinct welfare regimes, demonstrating a capacity to formulate different social policies.

Compared to the indicator of international economic openness, a study of 14 countries from 1973 to 1999 (Kite, 2002) indicates that there is no clear relation between economic openness and the level of Welfare State (expenditure on social transfers and social public services). There are very open rich countries with a generous Welfare State as well. The idea that a minimal Welfare State and unorganized labour (weak trade unions, flexibility etc.) are an advantage in a global economy is not supported, except for the United States and only in the 1990s. In advanced capitalist democracies, using the indicator of tax on capital, Swank and Steinmo (2002, p. 643) show that, between 1981 and 1995, statutory corporate tax rates (based on tax legislation), have decreased (on average) from 45 to 35 percent, but effective capital tax rates only from 38 to 36 (and the more limited effective corporate and financial income tax from 26 to 24 percent). Tax burdens on capital, labour and consumption as a percentage of the GDP remained stable. Many countries have compensated tax rate cuts with a broadening of the tax base: for example the general investment tax credit eliminated everywhere by 1992 (Swank, 2006, p. 848).

Confirming the resilience of the Welfare State, the study of Mahler and Jesuit (2006, p. 500) indicates that, whereas private sector income inequality before taxation and social transfers has risen (the average Gini index increasing from 0.404 in 1980 to 0.441 in 2000), tax and transfer redistribution has with also increased disposable income over the period.

BIBLIOGRAPHIE


NOTES

1. I thank Pierre Van Zyl (university of Reims) for his help in order to improve the English language of this article.


3. For instance, in the American case, see: Barker, 2007.


5. In England (Lewis, 1982; Furnham, 1984), in France (Dubergé, 1961), in Germany (Schmölders, 1970), in Israel (Dornstein, 1976), in Sweden (Vogel, 1974), in the United States (Spicer, Lundstedt, 1976; Keenan, Dean, 1980; Grasmick, Scott, 1982). The first essay on financial psychology was published earlier by Schmölders (1932) in Germany and a short survey was conducted by Raynaud (1947) in France.

6. See for: tax history: Webber, Wildavsky, 1986; incrementalism: Wildavsky, 1964; the cultural theory of public budget: Wildavsky, 1985. According to Ardant (1971), if exchanges are insufficiently developed, tax (payable cash) becomes more difficult to raise. For example, the deceleration of exchanges in the 17th century of old Europe (downturn in the imports of precious metals) explains tax revolts.


8. This case is to be distinguished from the economic vertical equity.

9. Using data of the European and World Values Surveys (with a question on tax morality), Alm et al. (2005) show that citizens’ lack of trust towards the State, seen as corrupt and incompetent in fighting against tax evasion and the mafia, explains the decline of tax morality between 1991 and 1995. Thereafter, according to 1999 data, tax morality improves with the revival of trust in the
State. The study also shows that tax morality varies from one Russian state (“Oblast”) to another according to the level of trust towards the federal State.

10. “Views of legality refers to the idea that the state has acquired and exercises political power in a way that accords with citizen views about laws, rules and customs (‘rules’, for short)” (Gilley, 2006, p. 502).

11. “The second sub-type of legitimacy is based on conformity to shared principles, ideas and values – what I will call views of justifications” (Gilley, 2006, p. 502).

12. The majority of economic and sociopolitical scholars regard corruption as negative. Using data from 100 countries (1982-97), Drury et al. (2006) show that corruption has no significant effect on economic growth in democracies, but “democracy mitigates the negative impact of corruption on economic growth” (p. 129), and “corruption has a deleterious effect on economic performance in non-democracies » (p.131). Gerring et al. (2005), using long-term 20th century data, define democracy as a political stock of capital: in accordance with the predominant view, democracy has no statistically significant effect on economic growth if countries are compared to their levels of democracy (it only has indirect effects by constituting an institutional environment of trust for the investors). But "measured as a stock variable, democracy appears to have a strong positive relationship to growth performance" (p. 350). According to a study of Ugandan firms (Fisman, Svensson, 2007), the negative effect of corruption is strong at the micro level of the firm: one percent in the bribery rate is associated with a reduction in growth of firms of more than three percent points, an effect that is three times greater than that of taxation.

Lastly Rothstein and Uslaner (2005, p. 48) conclude: "inequality is a strong predictor of generalized trust, but trust has no direct effect on inequality" (measured by the Gini index), whereas the virtuous cycle associates "low inequality, high trust, honest governments, and universal social welfare policies” (p. 67).

13. According to Schumpeter with a tax on consumption in an inflationary context.

14. Jerit and Barabas (2006, p. 293) show that after hearing a misleading rhetoric over 40 percent of financial experts and highly educated individuals provide a wrong response, even if they are less likely to say that the Social Security is going bankrupt.

15. They prefer customs duties, and, when it is possible, revenues drawn from the concession of natural resources to companies (often located in foreign countries). Sometimes their strategic position in the international relations with powerful countries confers on them strategic rents or development aid revenues; see: Moore, 2004, p. 299.

16. The tax lawyers may provide data on all legal tax system.

17. It is not relevant here to know whether the State is benevolent, revenue-maximiser, all-powerful, captured by social groups or dominating classes, but whether its interventions are legitimate for the majority, i.e.: if the “contribution-tax” finances the social spending of the interventionist State, even in an altruistic way.

18. The sociologist Esping-Andersen, (1990) uses the term “welfare-capitalist state” because all Western countries tax and spend between 30% and 60% of GDP and spend more than half the money on social policy or welfare. He distinguishes: a) the liberal Welfare State financed by tax with interventions targeted on the poorest (American model), people rather using private insurance. b) the Bismarck Welfare State financed by social security contributions from employers and their employed (Germany, Italy). c) the universalist Welfare State (model of Beveridge) where everyone has a good level of social protection financed by taxes (Scandinavian countries). The recent reforms of social protection tend to implement mixed models.

19. Many scholars consider the Welfare State as the result of power relations or of the class struggle, but this interpretation is only partly right because it neglects the importance of cognitive rationality: the creation of the income tax (in Europe) is a compromise between the capitalist class (Leroy, 1996), which thus avoids the (real) risk of a social revolution in the 19th century, and the working class, supported by leftist parties, which regards these advantages for a
stage of social progress. The case of the creation of the English income tax by Conservative Peel in 1842 also shows that conservatives accepted the creation of progressive income tax in exchange for customs duties cuts in.

20. Lowry, Alt, Ferree (1998), studying the elections of governors and assemblies in 41 American States from 1968 to 1992, show that electoral accountability occurs when it is clearly established (example: when the same party controls the executive and the legislature), and when results deviate compared to what people want. Voters do not sanction leftist rulers for increases of taxation and expenditure (the left is supposed to promote public interventions); they sanction conservative rulers if they increase expenditure, or if they do not use budget surpluses to decrease taxes.


22. Refering to the utilitarian rationality, taxpaying is unrelated to a social contract on the provision of public services, but is viewed as an exchange-tax (Price paid by the taxpayer for the services received for himself; see table A)


27. On this topic, see: Sciences Humaines, n°191, March 2008. According to the OECD (2007), inequalities increased in 18 out of 20 developed countries. In the United States, the 1% richest gain 600 000 dollars more than in 1979 and the 80 % poorest only 7000 dollars. In France, see: Savidan, P, and L. Maurin. (2006). L’état des inégalités en France. Paris: Belin. The OECD report praises the so-called «flexicurity» approach. According to the World Wealth Report 2007, the High Net Worth Individuals (i.e. the richest) will be the richest in the near future.

RÉSUMÉS

Tax sociology investigates the fundamental relationship between taxation, State and society. This article presents a literature review and issues on the sociopolitical side of tax sociology. Several social representations are considered : “contribution-tax”, “exchange-tax” and “obligation/constraint/tribute-tax”, but the elaboration of a typology of the tax State emphasizes “contribution-tax” paid by possibly altruist citizen to finance public policies. In the framework of fiscal democracy, the issue is to establish a tax social contract about social, political and territorial/environmental functions of the interventionist tax State, in a critical dialogue with economic analysis. The typology of tax deviance, inspired freely from the labelling theory, shows
that tax political legitimacy is essential, and that the cognitive rationality approach accounts for
the taxpayer’s decision: indeed, the taxpayer does not (solely) react in accordance with the
utilitarian self-interest approach. The conclusion suggests a short debate on the effects of
economic globalization on the sociopolitical autonomy of State.

AUTEUR

MARC LEROY

Professor of sociology at the University of Reims (Faculté de droit et de science politique, CRDT,
57 bis, rue Pierre Taittinger 51096 REIMS - FRANCE), marc.leroy@univ-reims.fr Marc Leroy is a
specialist on the sociology of taxation and public finance. He has notably published: Sociologie de
Paris: La Découverte. He ensured the scientific responsibility of a European Tempus Program on
taxation from 2003 to 2006.