



THE 12TH EDITION OF THE INTERNATIONAL CONFERENCE
EUROPEAN INTEGRATION
REALITIES AND PERSPECTIVES

Some Considerations on Fiscal Sociology

Alina Cristina Nuță¹

Abstract: Economists and sociologists, jurists and historians recognize taxation as an important element of the life of individuals and society and believe that this tool materialize the relationship between individuals and the state. Starting from the definition of tax (the socio-economic relationship carried out between individuals and the state, that is final and compulsory), some authors consider taxation either as a cause of the society change or as a symptom of changing in society. Schumpeter used the term fiscal sociology in order to show those multiple perspectives on taxation and during the last period we discuss about the "new fiscal sociology," which emphasizes the causal and theoretical importance of taxation. Taxation surprise the level of the relationship that individuals have with the state; all individuals know they have to pay taxes, but anybody else does not know how concretely contributed to one or another public goods, as there isn't a direct relationship between the level of income transfer to the government and the quantity of public goods the individual benefit. Even if individuals are aware of their obligations to the state, there were many conflicting moments in history, known as tax revolts, which involved various changes in the tax rules.

Keywords: taxation, fiscal sociology; tax compliance; tax state

JEL Classification: H21; Z13; A14; H11

"The public finances are one of the best starting points for an investigation of society, especially though not exclusively of its political life," (Schumpeter, 1918)

1. Introduction

The central aspect of fiscal sociology, as observed in the specialized theory, concerns tax compliance. A first step in addressing the existence and payment of taxes takes into account the importance of taxpayer correct information so that tax administrations can properly configure the appropriate tax wedge. Correct information of tax administrations is closely related to the extent to which tax legislation is perceived as fair by taxpayers. Sociological and economic research argues that social norms, fairness and justice tend to support the agreement to pay taxes, being determinants of taxpayers' willingness and ability to cooperate with tax authorities.

Several studies (Buettner & Grimm, 2016) have analyzed the underlying tax compliance, revealing the following factors as important:

- non-trivial relationship between tax institutions and compliance decisions
- the role of delayed feedback on audits for tax compliance
- contributions to a public good in the context of cause- related marketing, a special form of CSR

¹ Associate Professor, PhD, Department of Economics, Danubius University of Galati, Romania, Address: 3 Galati Blvd., Galati 800654, Romania, Tel.: +40372361102, Corresponding author: alinanuta@univ-danubius.ro.

2. Fiscal Sociology Traditional Theories

A. Modernization theory: Sociological issues have been concerned economists from ancient times (Martin, Mehrotra, Prasad, 2009). For example, Adam Smith was concerned about fiscal analysis from comparative and historical perspectives, with interest in both the economic and social consequences of taxation. Later, Adolph Wagner, created what would become the Wagner law, linking the level of economic development of a country to the level of the public sector.

States are developing modern tax systems, a common set of tax instruments that are effective and fair because economic development inevitably leads to the imposition of new forms of taxation, meaning that “fiscal conditions are always a consequence of economic relations.” Also, the development of democratic states constitutes to the diversification of the forms of taking parts of the income or wealth of individuals and firms in order to sustain the growing financing needs of government administrations.

The biggest gap in the theory of modernization is the impossibility of explaining the differences in tax systems applicable to different modern societies.

Elite theory: The second school of traditional fiscal sociology focuses on the non-contractual basis of tax contracts. One of the most important writings from this perspective is Theory of Fiscal Illusions written in the 1890s by the Italian economist Puviani. Also, James Buchanan was influenced in his writings by Italian theorists, further developing the theory of public choice, questioning on the goodwill and effectiveness of state planning.

“Proponents of elite theory described a fundamental conflict of interest between rulers and subjects. Rulers sought to maximize their revenues. Subjects sought to keep resources for themselves. Why then would rational taxpayers consent to their own exploitation?”(Martin, Mehrotra, & Prasad, 2009). For this question, Puviani found an answer in his theories on fiscal illusion.

Representatives of the elite theory have also researched the role of formal political institutions, concluding that at some point, the government can be captured by interest groups and manipulated, so governments can use the tax system to redistribute resources for the benefit of that minority.

Military theory: This side of fiscal sociology follows Schumpeter's inclination to the cultural and social outcomes of taxation, that is, the way in which ongoing tax negotiations affect the way people live and the level of civilization and culture of society (Martin, Mehrotra, & Prasad, 2009). This is due to the idea that a state is strong and will be victorious in struggles if it is able to attract resources (usually fiscal) to allow it to support wars, otherwise it will lose the battles. Thus, a direct relationship has been established between the fiscal system and the military development of a state, which implies also a bureaucratization of the society. However, the theory has some limitations, especially regarding the transition from warfare state to the welfare state.

3. New Fiscal Sociology

It focuses on informal social institutions such as public trust, family institution, religion, work and leisure, etc., starting from the idea that for most tax and social phenomena the explanations must be historical.

The new fiscal sociology (Martin, Mehrotra, & Prasad, 2009) makes a new theory on taxation as a social contract that multiplies the structural power of a society, arguing that economic development does not necessarily lead to a particular form of taxation, but rather, the institutional context, and political conflicts lead to tax diversification in the modern world so that taxpayers' consent is correctly explained not by coercion or illusion but as a collective task by which they give up to a part of their income to finance collective goods that will lead to the increased productive capacities of society.

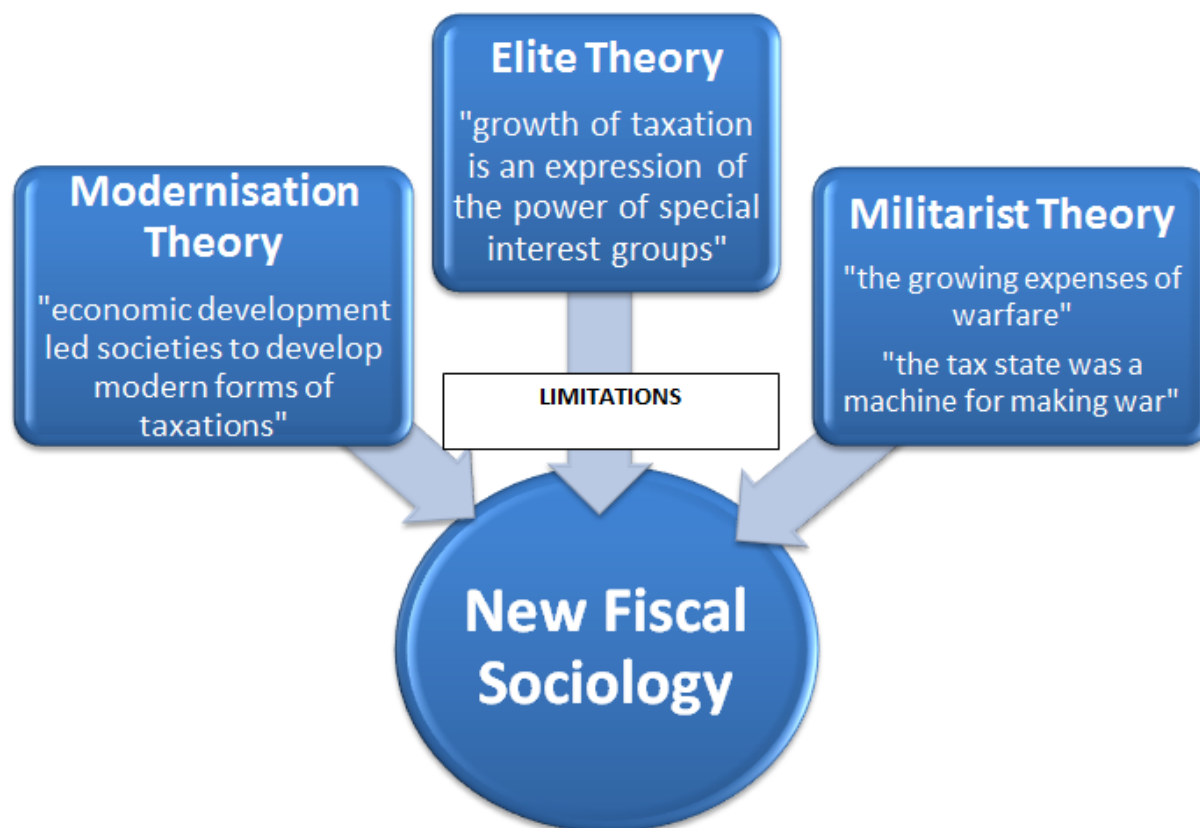


Figure 1. The new fiscal sociology

In essence, fiscal sociology imply the study of taxation from three perspectives: the state perspective of fiscal policy (the social source of fiscal policy and the importance of passing certain historical moments for the construction of a certain type of tax system), the development of the taxpayer's consent (the taxpayer's motivation when they agree and support a certain fiscal system, the importance of political elites and political institutions) and the implications of taxation (from the perspective of political, social and institutional outcomes, such as: family structure, state capacity or ideals of justice) (Martin, Mehrotra & Prasad, 2009).

The sociology of taxation has its origins in the ideas of the Austrian school, on the one hand, and those of the Italian school, on the other (Leroy, 2009). Since the 1990s, fiscal sociology has redefined, by integrating aspects of economic globalization. It is certain that the subject is a multidisciplinary one, dealing with the fiscal phenomenon in a social and general policy, debating the legitimacy of the state with regard to citizens and integrating elements of social justice, which lead to debates on several types of sociology.

Thus, fiscal sociology is a political sociology by involving state, power and public action; fiscal sociology is a legal sociology when studying the relationship between tax law and society.

Table 1. Sociological Representations of Tax

Invisible-Tax	For example, indirect taxes: VAT
Tribute-Tax	The felt tax burden is intolerable
Constraint-Tax	The felt tax burden is too heavy
Obligation-Tax	Legal concept
Exchange-Tax	Economic concept
Contribution-Tax	Political form of tax consent

Source: (Leroy, 2009)

4. Conclusions

Fiscal sociology, in essence, captures the way in which individuals and society perceive taxes imposed by the state, correlating with behavioral finances. It embodies individual-state relationships, starting from the way the state sets its goals, from its correct or sincere attitude towards individuals, from the way individuals perceive taxes, including from the tax illusion or the ability of individuals to agree to pay the established fees or the desire of the individual to circumvent the tax legislation. It is known that individuals will want to pay more in the form of taxes if they believe that the government has a correct societal development policy and whether they are consistent with the state's goals and political decision-makers are or are perceived to be sincere. In a society where policymakers demand high taxes but do not provide a concrete perspective on how the financial resources accumulated in the public budget are spent, individuals will be tempted to find legal or illegal tax avoidance solutions. If the state, through its politicians and individuals have a common purpose, a common interest, citizens will pay conscientious taxes so that they or the next generations benefit from the common goal set to be funded, even if, in principle, there isn't a direct relationship between the payment of taxes and public goods or services offered by the State. The behavior of taxpayers depends on the type of interaction between them and the authorities, which leads to perceiving the fiscal system as a fair one or to engaging in building the tax system, which implies an active citizenship attitude. (Casal, et al, 2016) The taxpayer becomes more committed and more in agreement with a tax or other if he knows exactly what is being done with the income he has paid to the tax administration, that is, if he is involved in the decision-making process and especially if these funds are taken over to finance health or education. Fiscal sociology offers great opportunities for researchers who can help to reduce the adverse effects of governmental activity in support of the well-being and wealth of nations (Backhaus, & Brady, 2017). Fiscal sociology remains an open field to be further explored in order to understand how taxes are levied and paid.

5. References

- Backhaus, Gordon & Brady, L. (2017). Francesco Forte's Contributions to Essentials of Fiscal Sociology. *International Atlantic Economic Society*.
- Backhaus, J.G (2001). *Fiscal sociology: What for?*, https://www.uni-erfurt.de/fileadmin/user-docs/Finanzwissenschaft/bibliothek/valedictory_lecture.pdf.
- Buettner, T. & Grimm, V. (2016). Taxation, social norms, and compliance: Research questions and result. *Journal of Economic Behavior & Organization* 124 1–6.
- Casal, S.; Kogler, C.; Mittone, L. & Kirchler, E. (2016). Tax compliance depends on voice of taxpayers. *Journal of Economic Psychology* 56 (2016) 141–150.
- Leroy, M. (2009). *La sociologie fiscale. Enjeux sociopolitiques pour un dialogue avec les économistes/Tax sociology. Socio-political issues for a dialogue with economists*. Socio-logos.
- Martin, I.W.; Mehrotra, A.K. & Prasad, M. (2009). *The New Fiscal Sociology: Taxation in Comparative and Historical Perspective*. Cambridge: Cambridge University Press.