Research Paper

The Way We Voluntarily Pay Taxes

Ricardo Fuentes-Nieva

PATHFINDERS
FOR PEACEFUL, JUST AND INCLUSIVE SOCIETIES
HOSTED BY THE NYU CENTER ON INTERNATIONAL COOPERATION

MAY 2021

About the Author

Ricardo Fuentes-Nieva is currently an independent consultant with over 20 years of experience in policy research, activism, and executive leadership roles. He was a member of the Executive Board of Oxfam International and the Executive Director of Oxfam Mexico between 2015 and 2020. Ricardo steered the financial and public transformation of Oxfam Mexico and positioned the organization as the leading actor on fighting inequalities. Before that, Ricardo was the Head of research of Oxfam Great Britain, where he was in charge of doing the analysis, writing the papers and setting up the intellectual framework for the "Even it up" global campaign aimed at tackling extreme inequality and addressing issues such as wages, gender justice, fiscal and tax reform. His work includes "Working for the Few", the first of a series of Oxfam documents focusing on inequality and quoted extensively by world leaders, including Barack Obama, Christine Lagarde and Bernie Sanders. Ricardo also coauthored several Human Development Reports in UNDP, and one World Development Report in the World Bank. His work has been featured in the Financial Times, The New York Times, the Washington Post, CNN, El País, and The Guardian, among others.

Acknowledgements

The author wishes to thank Sarah Cliffe and Faiza Shaheen for their constructive and thorough comments in previous versions of this paper. He also wants to thank Paulina Bouchot for outstanding research assistance. All remaining errors and omissions are his sole responsibility.

This report is produced through a collaborative program on SDG16+ between New York University's Center on International Cooperation, the conveners of Pathfinders for Peaceful Just and Inclusive Societies, and the World Bank Group. The team is grateful for the generous financial support provided by Swedish International Development Cooperation Agency, the Republic of Korea Ministry of Economy and Finance, and Hyundai Steel through the World Bank Partnership Fund for the Sustainable Development Goals (SDG Fund), which drives the achievement of SDG17 on the means of implementation to advance all of the Sustainable Development Goals.

About the Grand Challenge

Inequality and exclusion are among the most pressing political issues of our age. They are on the rise and the anger felt by citizens towards elites perceived to be out-of-touch constitutes a potent political force. Policymakers and the public are clamouring for a set of policy options that can arrest and reverse this trend. The Grand Challenge on Inequality and Exclusion seeks to identify practical and politically viable solutions to meet the targets on equitable and inclusive societies in the Sustainable Development Goals. Our goal is for national governments, intergovernmental bodies, multilateral organizations, and civil society groups to increase commitments and adopt solutions for equality and inclusion.

The Grand Challenge is an initiative of the Pathfinders, a multi-stakeholder partnership that brings together 36 member states, international organizations, civil society, and the private sector to accelerate delivery of the SDG targets for peace, justice and inclusion. Pathfinders is hosted at New York University's Center on International Cooperation.

World Bank Annual Meetings. Photo Credit: Simone D. McCourtie / World Bank

Table of Contents

Executive Summary

"Taxes are what you pay for a civilized society" stated US Supreme Court Justice Oliver Wendell Holmes in 1927. Time has shown that "civilized" means better lives and livelihoods for people where there is a solid tax base and collection–a necessary although insufficient condition for a society where people feel safe, heard, and participant in the decisions of the nation. A government that can efficiently collect taxes is a government with a solid administration and with legitimacy based on the fact that citizens pay their taxes by a combination of laws and a sense of duty and belonging.

Paying taxes involves legal and moral obligations. The standard economic model for tax compliance assumes a cost-benefit calculation where someone balances the cost of being caught cheating the tax systems versus the benefit keeping some money hidden to the tax authorities.[1] Yet there are other important reasons why people pay taxes that are not captured by a purely rational calculation.

This paper provides a framework that channels tax morale via trust and fairness directly and three elements for each one indirectly; trustworthiness of the government, reciprocity, and transparency/accountability for trust and three types of justice for fairness: distributive, procedural and retributive. In addition, it makes a special distinction to the issue of corruption, which is related to at least three of the six elements (reliability, responsibility, and retributive justice) and which represents a hindrance of both of a sense of justice and a sense of legitimacy of governments and the tax regime.

Going from low levels of tax collection to the amounts required to unleash positive development dynamics demands careful consideration of the context of each society, their citizens' motivations, and the relation with their authorities. This baseline information, if properly collected, will increase the chances of success, and will also help identify the key policy entry points.

1. Introduction

The best known and most widely tested path to more developed, more equal societies requires creating fiscal space, collecting taxes, and developing institutional capacity and legitimacy – this dynamic is the key to successful modern nations. With these resources, the state then invests in public services and goods, and the security of its citizens. In other words, it is the state that has the responsibility to ensure basic rights and safety of citizens—and for that, it needs fiscal resources. The expansion of tax systems during the 19th and 20th century was pushed initially by the need to finance war – the first income tax in the US was imposed by Abraham Lincoln during the Civil War. The expansion continued with political demands for better public services and fairer societies, fueled by the enormity of the catastrophes of the Great Depression and the two world wars. The result was the creation of welfare states and the historically low levels of income inequality in many western countries in the aftermath of World War II.

Creating the consensus necessary for fiscal reform is extremely context-specific. Political and normative considerations are often more important than economic or technical ones. Leadership that understands the historical moment is also of paramount importance, as societies will ebb and flow in their support for more progressive tax systems. Leadership is also required to first understand in detail, across groups, regions, and generations, what are the drivers of that support and then use this knowledge to make a progressive fiscal reform happen.[2]

Taxation is a precondition for development. Empirical evidence across many countries shows that people pay more taxes than a basic rational calculation would suggest. Still, there are several questions unresolved about what drives public support for increases in taxation, the legitimacy of tax systems, and the long-term credibility of public finance and the role of the state. Particularly, there is growing interest in the drivers of *voluntary tax compliance and willingness to pay taxes,* also known as *tax morale.* The literature has focused on issues of trust and fairness, yet there is not enough clarity on how governments—national and local—can increase both the level and perception of fairness, and trust in a society. An issue of particular interest is corruption as a hindrance to both of justice and a sense of legitimacy of governments and the tax regime.

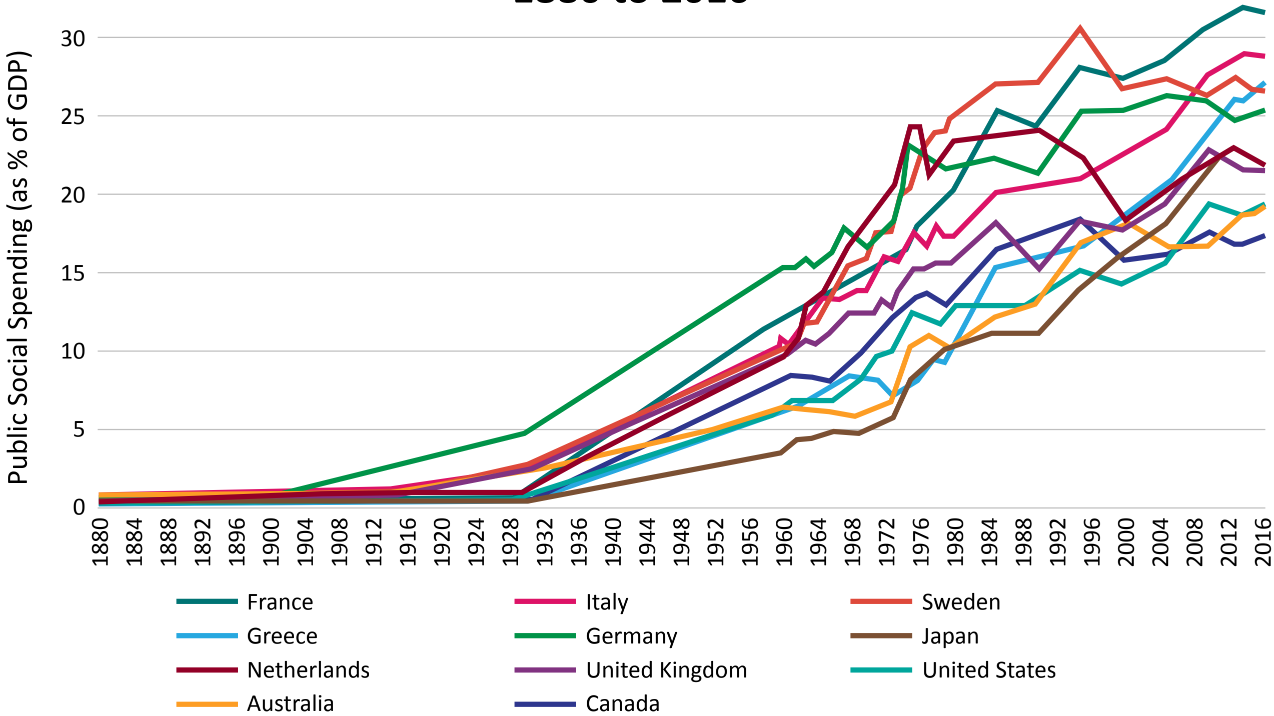
This paper will discuss the evidence on voluntary tax compliance, trust, and fairness, and the set of policies and actions that affect different mechanisms. It will provide a new framework based on the literature about the drivers of trust and fairness, with particular attention to the issue of corruption. The paper will also provide historical examples where specific interventions have successfully strengthened the tax system. Finally, it will provide ideas on how to identify the best sequence of interventions for increased tax morale in a specific context.

2. Development, State Capacity and Taxation.

Over the past few centuries, humanity has seen progress as never before experienced: exponential increases in GDP, and enormous advances in life expectancy, education, and basic rates of survival. Around 1820 only one in five people could read and write and most of them were in Europe; by the turn of the new millennium, four in five people in the world were literate. Similarly, with life expectancy: in 1880 the average lifespan was thirty years; in 2000, almost seventy, with progress driven by a rapid decrease in infant mortality rates. This evolution, although uneven, has been experienced in every region of the world.[3] It is difficult to imagine such sustained progress without two interacting elements: an ever- growing and stronger centralized state, and the resources to finance its activities and public investment directly and indirectly through stronger tax systems and compliance.

"Taxes are what you pay for a civilized society," stated US Supreme Court Justice Oliver Wendell Holmes in 1927. Time has shown that "civilized" means better lives and livelihoods for people where there is a solid tax base and collection – a necessary although insufficient condition for a society where people feel safe, heard, and participant in the decisions of the nation. The advances in specific indicators of development described in the previous paragraph have evolved hand in hand with a greater ability of states to generate revenue. During the 20th century the world experienced a quiet revolution as the share of public expenditure increased dramatically. The Organisation for Economic Co-operation and Development (OECD) has documented this rapid growth: In 1900 the range of public social expenditure as percentage of GDP was 1-0 percent; a century later the range was 27-14 percent, mostly driven by increases in health and education.

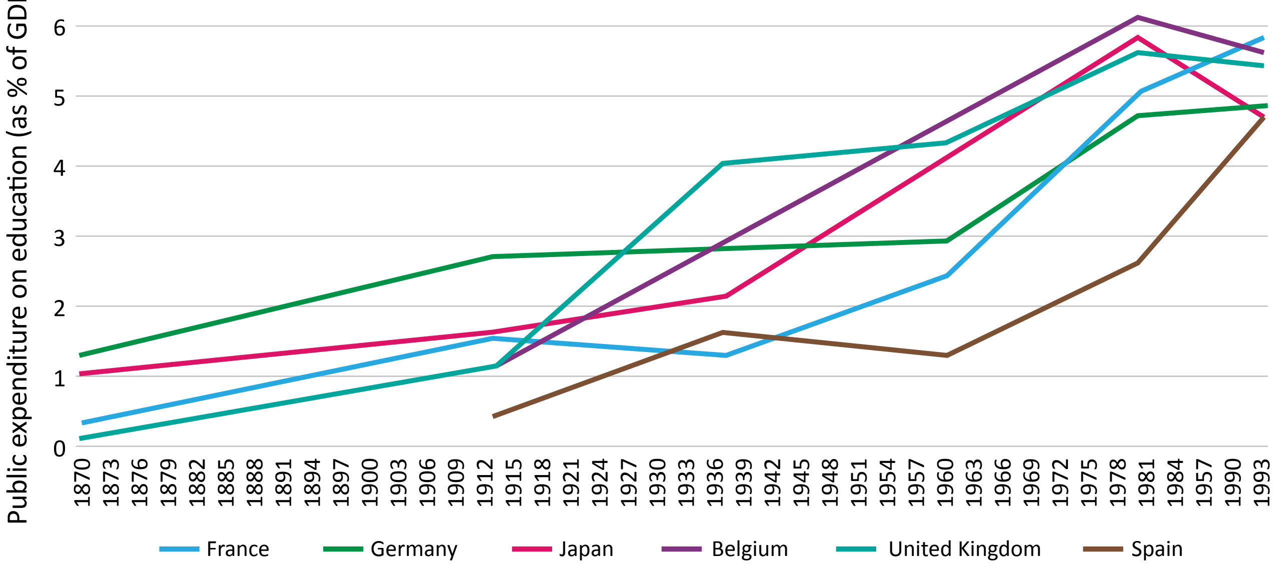
Public social spending as a share of GDP 1880 to 2016



Source: Our World in Data based on OECD and Lindert (2004).

Public education expenditure as share of GDP 1870 to 1993

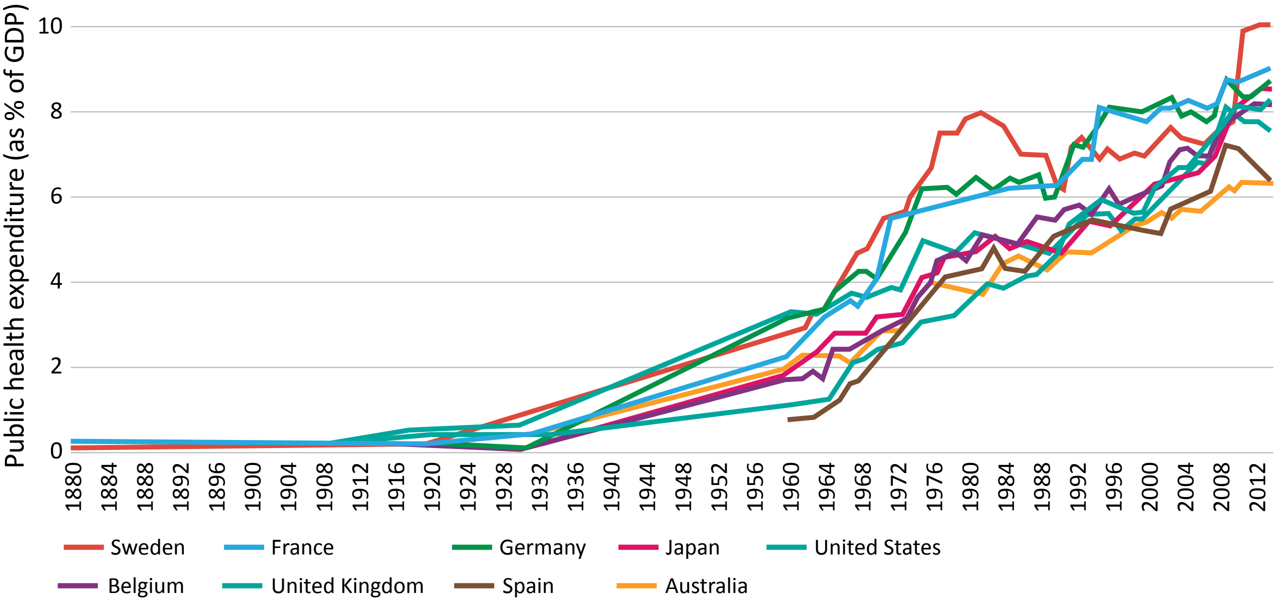
Public expenditure on education (all levels) as a share of GDP for selected OECD countries



Source: Our World in Data based on Tanzi & Schuktrochi (2000).

Public health expenditure as percentage of GDP 1880 to 2012

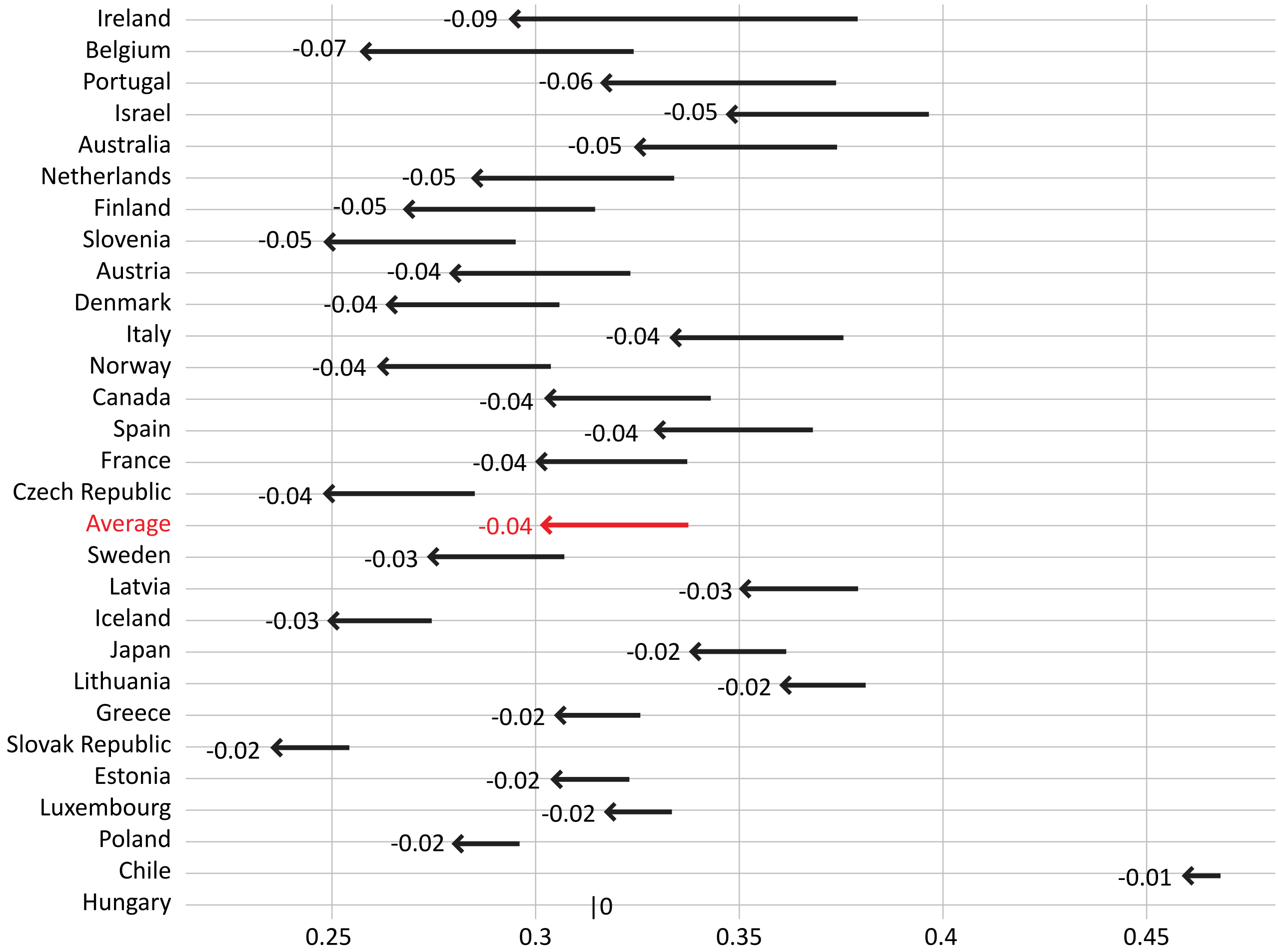
Public health expenditure includes: recurrent and capital spending, external borrowing and grants, and social or compulsory insurance funds



Source: Our World in Data based on Lindort (1994), OECD and WHO

The effects of public spending on the wellbeing of people are obvious, and the increase in different indicators attests to that. There is no better alternative for compensating and redistributing outcomes and opportunities of public expenditure, either through predistributive policies such as high-quality basic education systems, or redistributive policies such as expanded social protection and unemployment insurance. Several countries have achieved lower levels of inequality through more equal distribution of income before taxes and transfers (e.g., Iceland); via better investment on health, education, and an overall levelling of the playing field; or though larger redistribution via taxes and transfers (Portugal or Ireland).

Reduction in inequality after taxes and transfers. OECD countries, 2018 or latest.

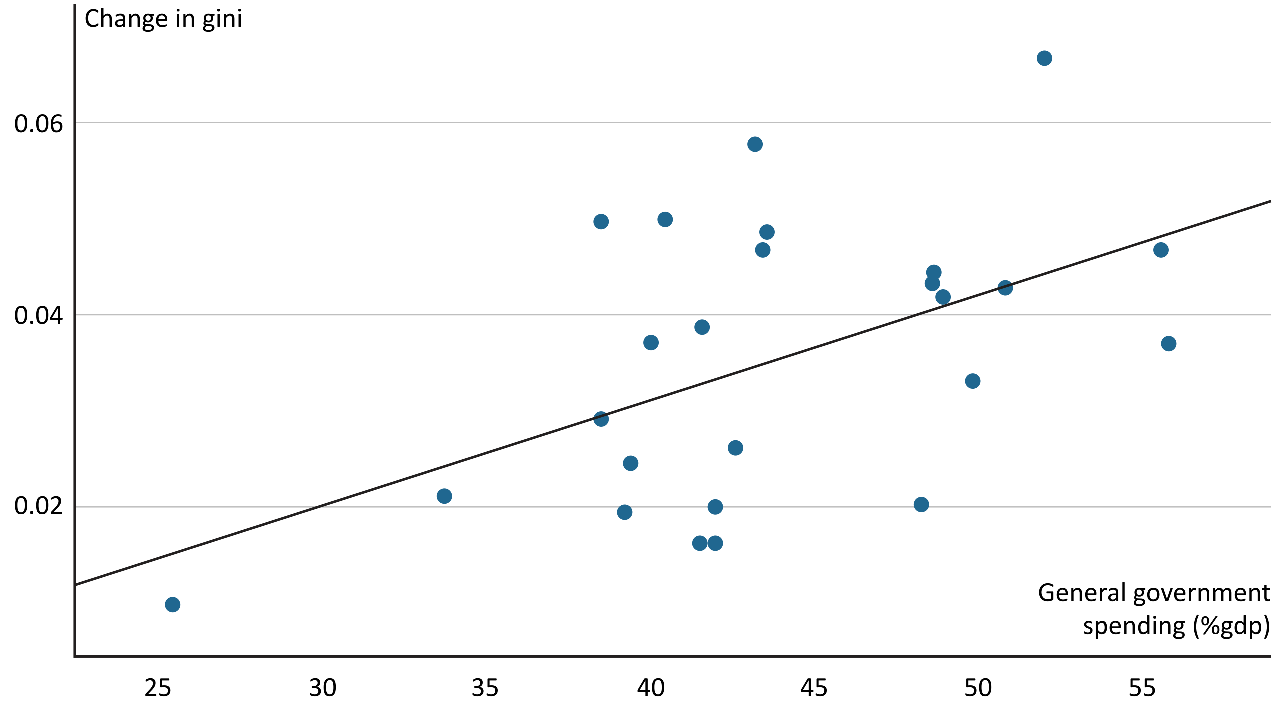


Taxation is also closely related to social cohesion, for better or worse. In societies with a high level of social cohesion, the State is perceived as a vehicle of inclusion and provision of protection and services.[4] On the other hand, low levels of cohesion are correlated with low levels of trust and legitimacy—a sort of "every person for themselves" mentality. This condition is pervasive in countries with high levels of social exclusion, which appears as a primary source of distrust among different groups in a society. The literature on growth and diversity shows a negative correlation between ethnic diversity and economic growth, but a recent study[5] has shown that this correlation is initially generated by the exclusion of disadvantaged groups who have been on the short end of the institutional and economic setup.

Examples of the negative dynamic between low levels of social cohesion, poor State legitimacy, and exclusionary institutions are abundant. Latin America institutions have historically discriminated against indigenous populations: indigenous communities are excluded from public investment projects, the quality of public schools in indigenous communities is consistently lower and the unchecked rule of strong-men is rife. All of these elements indicate social, economic, and political exclusion, which in turns hampers elements of trust across people, as well as the legitimacy of the State.[6]

This dynamic is also present in high- income countries with historically discriminated groups. In the United States the cost is highlighted by a recent book by Heather McGhee, "The Sum of Us: What Racism Costs Everyone and How We Can Prosper Together." McGhee[7] argues that public policies benefitting everyone in the US were unpopular if their benefits were relatively greater for certain groups, in particular African Americans. McGhee uses the specific examples of drained public pools—a service financed with taxes—following racial integration.

General government spending as percent of GDP and change in GINI for selected OECD countries

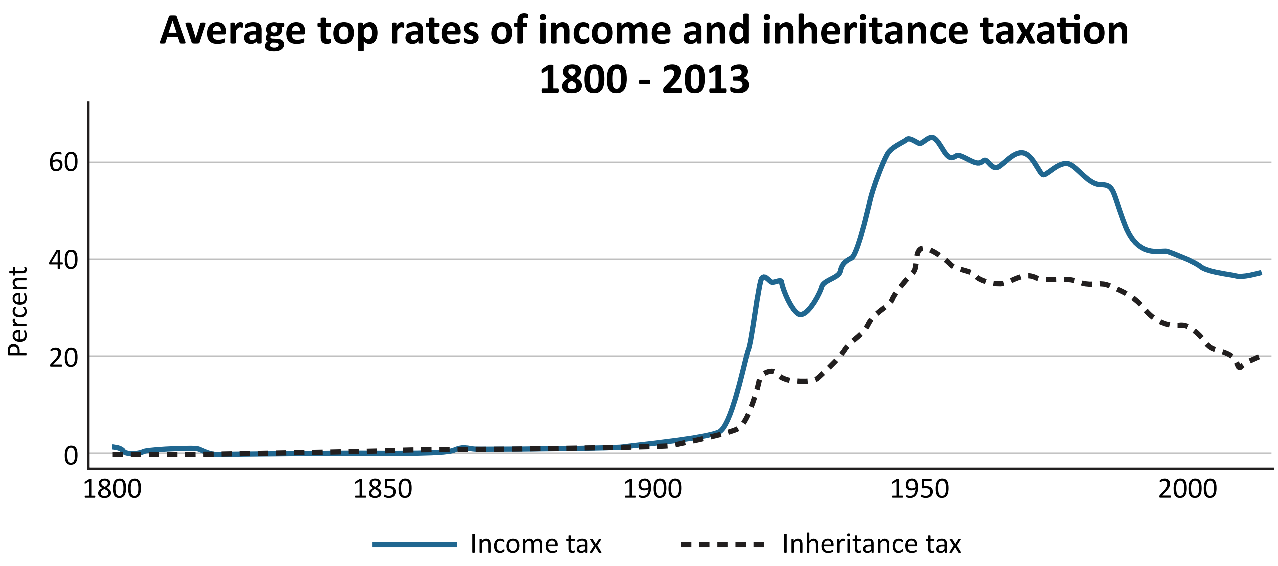


Source: OECD - Created with Datawrapper

Reducing horizontal and vertical inequalities requires conscious public policies, which in turn require resources. Taxation is the basis for a functioning state and more developed and equal societies. The development of the state is closely linked to taxation, so much that Joseph Schumpeter wrote in his classic 1918 document The Crisis of the Tax State: *"fiscal demands are the first sign of life of the modern state. This is why "tax" has so much to do with "state" that the expression "tax state" might almost be considered a pleonasm"*. More recently, a 2016 IMF study detailed the conceptual and empirical linkages of state capacity (including legal, tax and administrative capabilities of the state) and economic growth. This same study finds that GDP per capita grows rapidly when the tax-to-GDP ratio reaches around 13 percent – and they establish the causality using regression discontinuity design. Once a country crosses this threshold, its GDP per capita will increase by 7.5% after ten years.[8]

Taxes have been paid since time immemorial: the Bible and the Quran mention them; in the 11th Century, within two decades after William the Conqueror finished the invasion of the British Isles, he commissioned the Domesday book, a massive survey of all agricultural land in Britain, with the purpose of levying a land tax. Historically, the most common cause of tax increase has been the need to finance wars – as mentioned above, Lincoln used the income tax to finance the Union Army during the US Civil War. But over time, this was met with specific demands for more representation. The history of political development in Western Europe shows that rulers gave up power to elites in exchange of fiscal resources to finance conflicts. This exchange was the root of balance of power between monarch and parliaments, increased voice in public issues by certain groups, and democratic progress over time.[9] The idea of no taxation without parliamentary consent was a result of the Glorious Revolution in England. A few decades later, this idea transmuted into the rallying cry of the American War of Independence "No Taxation without Representation".

And yet, despite the fact that taxes have been a mainstay in human history, it was (again) in the 20th Century that the world experienced a dramatic change in tax collection. The graph below shows the average rate of income and wealth tax in the 19th and 20th century. The striking result is how tax collection through income and wealth taxes was almost non-existent 1900. Tax rates reached their peak in the aftermath of World War II, and have since declined steadily—a trend that partially motivates this paper—but are still well above the levels seen in the 1800s.



Source: Scheve and Stasavage (2016).

The effects of taxation on development are manifold. The Cambridge economist Nicholas Kaldor explained[10] the centrality of taxes for development. In a seminal paper, he wrote "*Irrespective of the prevailing ideology or the political color of particular governments, the economic and cultural development of a country requires the efficient and steadily expanding provision of a whole host of non-revenue-yielding services—education, health, communication systems, and so on, commonly known as infrastructure—which refer required to be financed out of government revenue.*" But the importance of taxes goes well beyond obvious resource availability: they shape the way societies function politically, economically, and socially. Moreover, taxes serve as collateral for government debt, and a solid tax base and efficient tax administration allows governments to borrow at lower tax rates.

Besley and Persson[11] rethink some of Kaldor's ideas and provide a framework to explain the relationship between economic development, the tax system, and political institutions.[12] Besley and Persson understand the issue of taxation beyond its technical and economic aspects and recover the centrality of political economy: tax systems are also closely intertwined with political structures. By including political institutions, Besley and Persson recognize that issues of distribution of power within a society, reflected in the tax system and political institutions, as central to economic development and the evolution of institutions.

This idea is rather important, as tax reforms and policies to increase tax compliance have mostly focused on the technical and administrative side of tax systems (e.g., issues of size of the tax administration, legal enforcement, and stronger and more efficient bureaucracies). All of these elements, and others, are vital for tax collection. But they quite often ignore the political economy and non-rational elements that motivate voluntary payment of taxes.

3. The political relationship between citizen and State

Additional financial resources enable the state to provide goods and services for the community. Beyond the benefits of additional public finance, paying taxes also creates a bond between citizen and state. This more sophisticated relationship mediated through taxes creates what some authors have called "tax bargaining." In a recent paper, Weigel[13] describes the nature of this negotiation: citizens can demand more public goods and more participation in the decision making when the state solicits taxes from them. Historical accounts, detailed by Bates and Lien,[14] indicate that people have asked for better governance before they actually paid taxes. Otherwise, their bargaining power disappeared.

The basic exchange between citizens and the state is captured in the idea of a "social contract," which was the basis of the transition from feudalism to modern nation-states. The political philosophers who developed the theory of a social contract (Hobbes, Locke, and Rousseau) in the 17th century had different points of departure in their understanding of basic human nature, but they reached the conclusion that voluntary—or self-interested—participation of people in a political arrangement (the state) could be exchanged for basic security. The state in turn could impose laws over the people under the same contract—including taxation.

Although the idea of a social contract is rather important in political theory and philosophy, it is not without criticisms, especially in light of new anthropological evidence. Fukuyama[15] has detailed how the "state of nature" of humans never saw individuals but rather small groups of related people; and that even in its most basic forms, social organization is a type of "reciprocal altruism." Yet, the social contract theories, developed without access to evidence we now have, has been extensively used to explore sources of state legitimacy, and is thus still useful.

Despite the criticisms around social contract theory, the idea of *exchange* is an important one, especially where taxes are concerned. Other authors have used the idea of "Psychological Tax Contracts. According to Feld and Frey "*tax compliance is driven by a psychological tax contract between citizens and tax authorities. For that contract to be upheld, incentives like rewards or punishment need to be provided, but loyalties and emotional ties that go well beyond transac- tional exchanges must be considered additionally. These bonds between taxpayers and the state provide for the core of individual tax morale and thus positively affect tax compliance*."[16]

The idea of psychological tax contracts is less demanding than the idea of a social contract: the link between citizens and taxes is a direct one, and the resulting exchange is much easier to understand.

Very importantly, recent authors have argued that motivations for paying taxes go beyond legal obligations but include moral ones as well. In the words of Gribnau and Dijkstra,[17] *"Paying taxes is a moral obligation owed to the community by its members for the purpose of enhancing one's own liberty as well as the liberty of others (horizontal reciprocal relationship). Taxes are a contribution to the expense incurred by meeting collective needs."*[18] Summarizing their view: when paying taxes, people feel a legal obligation to the State—but a moral obligation to society. This idea provides an opportunity to explore the concept of "tax morale" and its determinants in the next section.

4. Tax Morale, Trust and Fairness

Paying taxes involves legal and moral obligations. Economists have studied for some time the reasons why people actually pay taxes. The standard economic model for tax compliance assumes a cost-benefit calculation where someone balances the cost of being caught cheating the tax systems versus the benefit of keeping some money hidden from the tax authorities.[19] Yet there are other important reasons why people pay taxes that are not captured by a purely rational calculation. There is evidence of a "puzzle of tax compliance": the fact that tax collection is higher than predicted by the traditional model. In other words, deterrence is too low to explain the levels of compliance.[20]

The reasons why people pay taxes beyond the calculations of a *homo economicus* have been dubbed "tax morale" and has also been called "voluntary tax compliance". The most recent approach for tax morale comes from Luttmer & Singhal.[21] These authors indicate that tax morale is "shorthand for any such nonpecuniary factors as well as deviations from expected utility maximization" and, based on behavioral models, indicates a catalogue of different reasons: reciprocity, culture, information, and peer pressure.

Two elements in the diverse discussion on tax morale (and tax reform) receive more attention than others: trust and fairness. Most often, authors argue that fairness. Most often, authors argue that issues of fairness is a precondition for trust in authorities and *voluntary* tax compliance. The process leading from fairness (and perception of fairness) to trust has been called "procedural justice"—in other words, how authorities (representing the state) treat taxpayers following fair and transparent procedures consistent with commonly agreed rules.[22] Other authors have tried to disentangle what fairness means in a tax regime, mostly focusing on four elements: general fairness and distribution of tax burden; exchange with government; taxes on the wealthy; and progressivity of tax rates.[23]

One of the challenges in using trust and fairness as direct determinants of tax morale is that there are, in turn, many determinants of trust and fairness. To complicate matters further, these different elements interact with each other. To simplify, in the following pages I will focus on issues of fairness and trust and provide a basic understanding of each in the context of taxation. It should be considered, though, that the relationship between trust and fairness, and their underlying dimensions is a dynamic and mutually reinforcing one.

4.1 Trust and the mechanisms of corruption, transparency and reciprocity

The literature on trust and governance is clear about the importance of trust in well-administered societies, as legislation and enforcement alone cannot ensure the functioning of markets, the security of people, and collaboration among citizens. In previous paragraphs I have explored the concept of social contract as the basis of a relationship, mediated through taxes, between citizens and the state. In fact, one of the early theorists of social contract theory, John Lock, argued that in the foundations of that formal relationship was trust. In his own words "*Political power is that power, which every man having in the state of nature, has given up into the hands of society, and therein to the governors, whom the society hath set over itself, with this express or tacit trust, that it shall be employed for their good, and the preservation of their property.*"

But what determines trust? Since it involves at least two parties and the connection between them, trust is created by three elements: trustworthiness of the recipient; the information at hand from the provider; and the actual (expected and observed) results of the relationship. In terms of taxation, this could be mapped into honesty and lack of corruption by the government; accountability and transparency on the use of taxes; and issues of efficiency and reciprocity.

The empirical literature on trust and taxes uses surveys with questions about how much people trust institutions (vertical trust) and how much people trust each other. Other authors make the distinction between trust in input organizations (those with executive and legislative mandate) and trust in output organizations (those with the mandate to deliver public services), which suggests that when it comes to trusting the state, people don´t have monolithic views about different parts of the public administration.

There is a consistent result that vertical trust improves voluntary tax compliance. A recent document uses date from the World Values Survey and Freedom House from ninety-two countries over thirty years. These authors conclude that trust improves tax morale (consistent with other studies). Interestingly, their findings also reveal that trust in public organizations in charge of delivering public goods and services is more important than other trust in other branches of government.[24] An older survey by the OECD[25] similarly also found that tax morale is higher when people trust their government, and also when they believe in democracy and have a stronger preference for redistributive policies.

4.1.1 Corruption and trustworthiness

The issue of corruption and perception of corruption is gaining increasing interest. The obvious reason is that tax authorities are uniquely placed to misappropriate public funds. The negative consequences, beyond the loss of revenue, include the loss of legitimacy by the state, distortions in prices, and in some cases increased social tensions among groups.

Recent empirical work has shed light on the topic: Transparency International[26] has documented the extent of corruption in tax systems in sub-Saharan Africa. According to them “Corruption in tax administration in Africa remains a fundamental barrier to effective and fair taxation and to building trust between government and citizens.” Their results show that more than half of respondents to surveys and who interacted with tax authorities reported some sort of corruption, which can take many forms, detailed below:

- **Bribery:** Illegal payments to tax/custom officials to reduce taxation or to be granted tax exemptions, licenses, and clearances.
- **Revenue fraud:** The undervaluation or under- declaration of goods.
- **Embezzlement:** The dishonest and illegal appropriation of public funds for personal enrichment.

- **Extortion:** The abuse of power to extort illicit payments from tax-payers.
- **Patronage/nepotism:** The use of influence to help his/her kin and community of origin.
- **Regulatory capture:** The undue influence that well-connected companies exercise on laws and regulations.

What are the preconditions for a corrupt tax system? Many of the causes relate to state capacity, while others relate to societal values. Purohit identifies the complexity of tax laws discretionary power of tax officials, lack of monitoring and supervision, political leadership, unwillingness to pay taxes.[27] The issue of corrupt tax authorities is then a profound catch-22 problem where the lack of state capacity to simplify, monitor, and punish wrongdoers limits public revenue, which in turn leads to state weakness.

To change this pervasive dynamic, it is important to understand the mechanisms of trustworthiness. A recent paper by the World Bank[28] collected information in fifty countries via an online survey. A total of 65,000 people responded the survey. The authors then asked a series of questions about anti-corruption efforts and participation on expenditure. The results show that anti-corruption efforts have a higher impact on tax morale. This finding does not, however, relate necessarily to the trustworthiness of government, but more to an issue of fairness: questions asked were about consequences of the use of funds. Specifically, the treatments on anticorruption ask the questions:

> *When government money is misused, it is very important to find and punish those responsible. Your government has a national agency, the [AGENCY NAME] comment that helps to punish the misuse of government funds*
>
> And
>
> *The [AGENCY NAME] has investigated many cases of government corruption. Many people who misuse government funds have been punished. Do you think it is good to have an agency that investigates government corruption?*

The way these questions are posed relates to the idea of "retributive justice" described above. This distinction is important because what seem to matter is the punishment and indicates the overlap between building trust and creating a sense of fairness.

In a different study[29] in four sub-Saharan countries – Kenya, South Africa, Tanzania, and Uganda, the authors use data from the Afrobarometer to identify which factors affect the willingness to pay. Corruption is an important predictor in South Africa and Uganda, where corruption of tax officials reduces the probability of tax compliant attitude by 6% and 4% respectively.

Another paper also using data from Afrobarometer[30] looks at the question of corruption and willingness to pay taxes in twenty-nine Sub-Saharan African countries from experiences on petty corruption. The most interesting element in this study is the statistical exercise where the authors try to disentangle direct and mediated effects of corruption on tax morale. This is noteworthy because it suggests that the sequence of mechanisms is important, and any policy design will thus also need to take into account the steps needed to rebuild trust once corruption has been experienced. In their words "*Corruption experiences may then not only have direct effects but also indirect effects on tax morale, mediated through reduced levels of confidence in the tax authorities.*" The authors find that both direct (lower tax morale when having paid bribes) and indirect effects (lower tax morale because of lower trust in government after having paid bribes) are significant. The indirect effects, unsurprisingly, are smaller.

4.1.2 Transparency and information

Flow of clear information and transparency represent another pillar for the generation of trust in governments. As said above, this goes beyond the formal design of transparency institutes and involves levels of education, media, and easily understandable information. In several of the empirical studies there is a relationship between better informed citizens and tax compliance. The OECD[31] finds that more educated societies have higher scrutiny of how taxes are used through the awareness on the relationship between taxes and public services. A study in Indonesia[32] found that media coverage is rather important in the perception of corruption and the willingness to pay taxes.

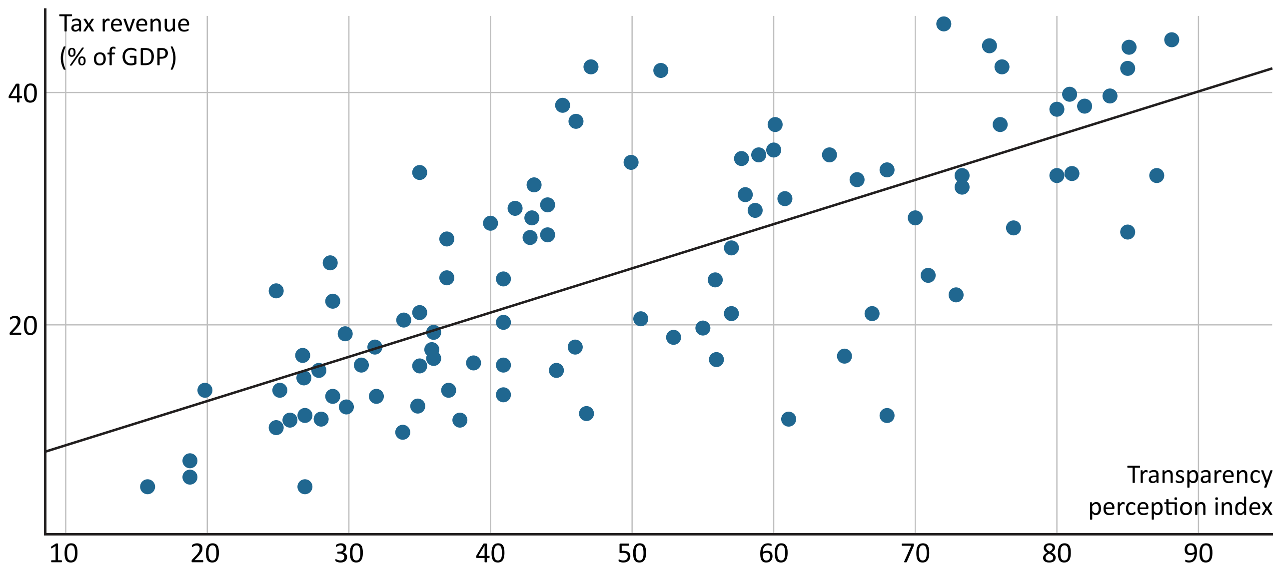
Clear communication from authorities, along with public relations efforts in favor of taxation, is often neglected. The result of this poor dissemination of information is that people know very little about the tax system, and create misconceptions that can adversely affect policy and potential policy change. A recent study in Mexico[33] found that people across the full distribution of income over-estimate the taxes they pay and thus have the desire to pay less.

An alternative is to use the insights in marketing literature to enhance the flow of information and general exchange. It´s important to note that whenever this approach is used in the context of taxation it should not replace elements of enforcement and administrative quality but complement them. A survey of the literature[34] and suggest the marketing tactics that can be used to increase fiscal compliance: these include value-for-money; improving the state´s image, and the role of opinion leaders.

Another option is to focus on nudging strategies – although the evidence on their effectiveness is mixed. An experiment with positive results[35] was conducted in the UK, where sending letters on social norms (how many people actually pay their taxes) and public goods (how taxes finance the NHS, roads and schools) increased tax compliance, generated additional revenue for the HMRS and was cost free.

Crucially, a badly-designed nudge could have negative impact on tax morale if the information presented provides a justification to not pay; e.g., if the compliance rate is low and the nudge is sent to people who do actually comply with their payments.[36]

Transparency perception index and tax revenue (as percentage of GDP) for selected countries in 2018



Source: OECD and Our World in Data - Created with Datawrapper

4.1.3 Reciprocity

Communication and marketing need to be backed up by actual services and public goods, otherwise their effect is limited and short-lived. The issue of reciprocity – the underlying exchange of public goods in return to taxes – has been widely studied. An important characteristic of reciprocity is that it deviates from expected self-interested behaviour:

> "In the case of taxes, one could say that the individual would be willing to pay more taxes to the extent that the use of these resources by the State is beneficial for him and for society as a whole. The departure from self-interested behavior is clear, since the individual's contribution to the government's budget is negligible and thus cannot expect to make a difference in the amount of goods and services received. Thus, reciprocal behavior is altruistic, but conditional on receiving satisfactory goods and services from the State."
>
> ––Daniel Ortega, Lucas Ronconi, and Pablo Sanguineti[41]

There is evidence that reciprocity I countries in a diversity of countries, across income groups and geographical zones. The OECD 2013 finds that satisfaction with public expenditures and services such as health, education, water and sanitation increase the voluntary payment of taxes. Ortega[37] find that the issue of reciprocity is important in cities like Rio de Janeiro and Cordoba – although this effect doesn´t exist in other cities in their study. Local governance – or the issue of reciprocity at the local level - is important because people are closer to the benefits of the exchange with authorities. A study in four sub-Saharan African countries found that "individuals who are more satisfied with public service provision are more likely to have a tax compliant attitude in all the four countries.". Another study in Germany[38] found that when people were shown the statement "With these foregone earnings, the German government could raise its expenditures for education by about 50 percent," tax morale increased significantly.

4.2 Fairness and three types of justice: distributive, procedural, and retributive

An early consensus of the empirical literature on tax fairness found four basic dimensions that matter to people: how the tax burden is distributed; what people get in exchange for paying taxes; how much taxes are paid by the wealthy; and how progressive the tax system is (Gerbing, 1988, as cited in Wenzel, 2002). But as Wenzel suggest, identifying the dimensions using only empirical methods will be incomplete as the results will depend on the data analyzed. To complement the empirical findings, social psychologists have used three theoretical concepts of justice: Distributive justice (or fairness in the distribution of resources and outcomes); procedural justice (fairness in the process determining the distribution); and retributive justice (fairness in social penalties and reactions when someone breaks social rules).

These three elements of justice have implications for tax compliance which go beyond a thorough review of the literature here. It is important, however, to understand the role of these three mechanisms in policy options when focusing on tax compliance or tax reform: the outcomes matter, the processes matter, and the consequences of not playing by the rules matter. These elements of justice are broad enough to provide information in different contexts.

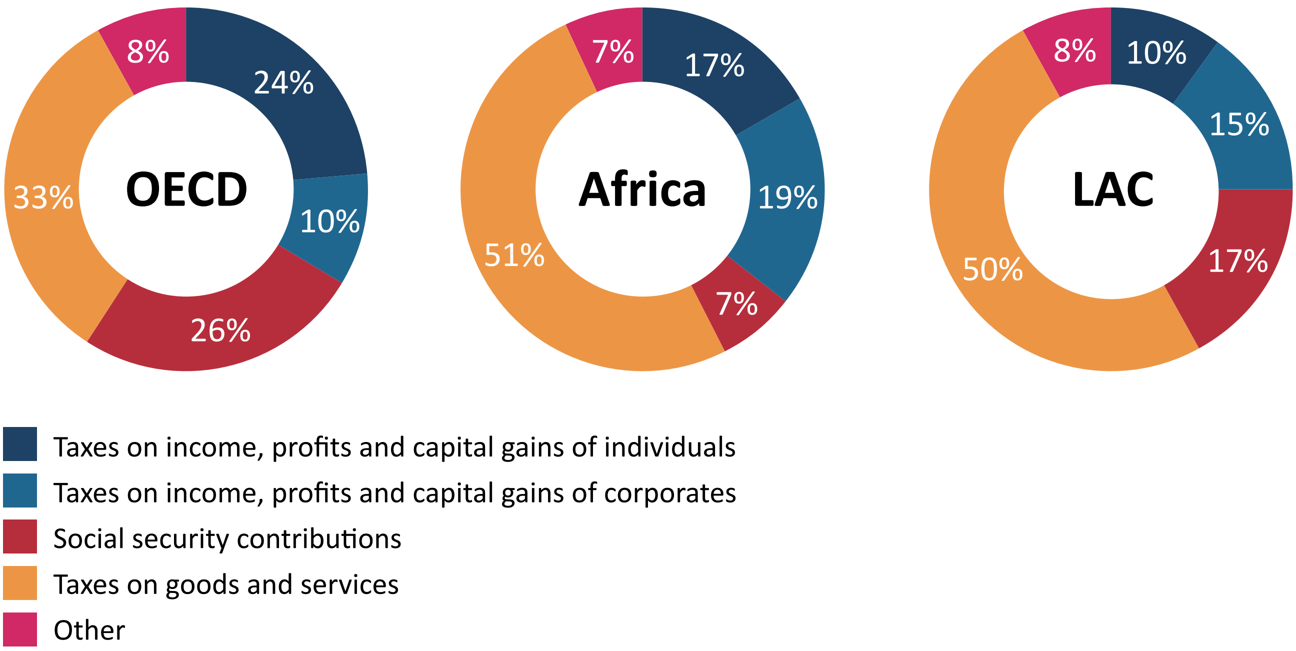
For instance, in his historical survey of fiscal fairness of the US and Europe, Scheve and Stasavage[39] make the argument that historical support for higher income and wealth taxes on the rich depend on the belief that people are treated as equals (a basic element of fairness) *by the state. In their words* "*When citizens think about taxing the rich, they think not just about whether the rich have been lucky, but more specifically about whether the rich were lucky to receive privileges awarded by the state*" (p.210). The authors called this the "compensatory argument" and the logic is that higher tax rates for the right hand of the distribution will be more palatable and broadly demanded if there is a common perception that they, the rich, have received a larger share of benefits by public decision. A clear example is how massive military mobilization and conscription during the World Wars created the pressure for "conscription of wealth" – with the resulting higher income and wealth taxes - as societies saw the burdens of war falling disproportionally on the mass of the population through forced military service, and how war economies benefitted already wealthy sectors of the population. The resulting question is how can compensatory arguments be developed in times of peace to ensure changes in tax regimes where people with higher incomes pay more taxes?

4.2.1 Progressive justice

The most obvious element of justice and taxation is the issue of progressivity. However, the issue is not as simple as it seems, as Steven Weisman[40] argues in his book on the history of income tax in the United States. Tax compliance and reform, Weisman asserts, are heavily influenced by two powerful underlying sentiments: the sentiment of justice and the sentiment of virtue. Weisman claims that taxing people according to their ability to pay underscores the idea of social justice in the allocation of rewards (mediated by the state) and sacrifice in society. Whereas the idea of virtue supports the perception that wealth is the result of hard work, ingenuity and talent. Support and opposition to progressive taxation (such as an income tax) will depend on the prevalent views on justice and virtue on a given society.

Progressivity of the tax system is also related to the different taxes collected in a given society. The figure below shows that higher levels of development are associated with more progressive tax systems, while middle- and low-income countries rely more on direct taxes such as the VAT, which are generally regressive, for a larger share of their public resources. VAT are easier to collect and their prominence in lower income countries is partially explained by the administrative capacity of these countries, but also by the typically lower trust in the governments.

Tax structures averages for the OECD, Africa and Latin American countries in 2018



Source: OECD - Created with Datawrapper

4.2.2. Procedural Justice

People also care about process. The idea that justice involves process and not only outcomes is well-established and tax justice is no different. Studies in procedural justice consistently show that people who perceive they have been treated fairly will be more inclined to accept decisions and comply with rules. This compliance behavior is mediated by people´s emotion. The lesson from these studies is that policies that elicit negative emotions from the outset (generated by the perception of unfairness) will have a harder time meeting their objectives.[42] The sequence in policy design matters: in Australia, a study shows that tax authorities lost legitimacy when they opted to use sanctions or punishments as their first option: using sanctions as the primary course of action was perceived as being procedurally unfair.[43]

Another study in Australia found that when people feel they have been treated fairly by the tax authority (and procedurally fair decision rules are employed), their sense of deference to authority increases while their sense of defiance falls. Moreover, these results come from a feeling of national identity: *"receiving fair treatment and fair decision making processes communicate identity relevant information regarding peoples' status within the group (i.e., respect) as well as the status of the group (i.e., pride). These identity judgments, in turn, affect motivational postures of deference positively and those of defiance negatively"*[44] This result suggests that procedural fairness is correlated to issues of social cohesion, as discussed above.

The evidence on participatory budgeting and voice in levels and use of taxes support this. In the study described above using data from an online survey in fifty countries,[45] there is strong evidence that tax morale increases when citizens are participants in the design of government´s expenditure priorities. A study in Brazil[46] tested the impact of two interventions (policy management councils and participatory budgeting programs) and found that both had positive effects on tax collection at the municipal level. The participatory approach not only is perceived as fair, but also increases trust in government: designed "to engage citizens, increase transparency, and improve governance." Studies in laboratories also suggest the importance of procedural justice. For example, during laboratory experiments, people willingness to pay for the *same policy* increase when they agree on such policy through voting, as opposed to a decision from above. Even more, their compliance is greater when the vote indicates a clear group consensus.[47]

4.2.3 Retributive justice

Finally, there is the issue of retributive/restorative justice. The intuition behind this is simple paying taxes is costly and unpunished free-riders generate a sense of unfairness. Actions undertaken after someone breaks the rules have two possible objectives: 1.) change behavior through punishment, and 2.) restore a sense of justice[48] When it comes to tax compliance and breaking the law—either through tax evasion or tax avoidance—it can be difficult to distinguish what is what. Moreover, issues of retributive justice in tax compliance have not been as closely studied as the other two elements of justice.[49] Some of the scant evidence suggest that tax compliance increases when there is a perception that tax authorities can detect and punish the evaders[50] and, on the other side, positive effects can be observed when there are rewards for those who pay in time and form.[51] And more recent evidence was quickly described above[52] find that when presented with the idea of retribution, citizens of 50 increased, on average, their willingness to pay taxes.

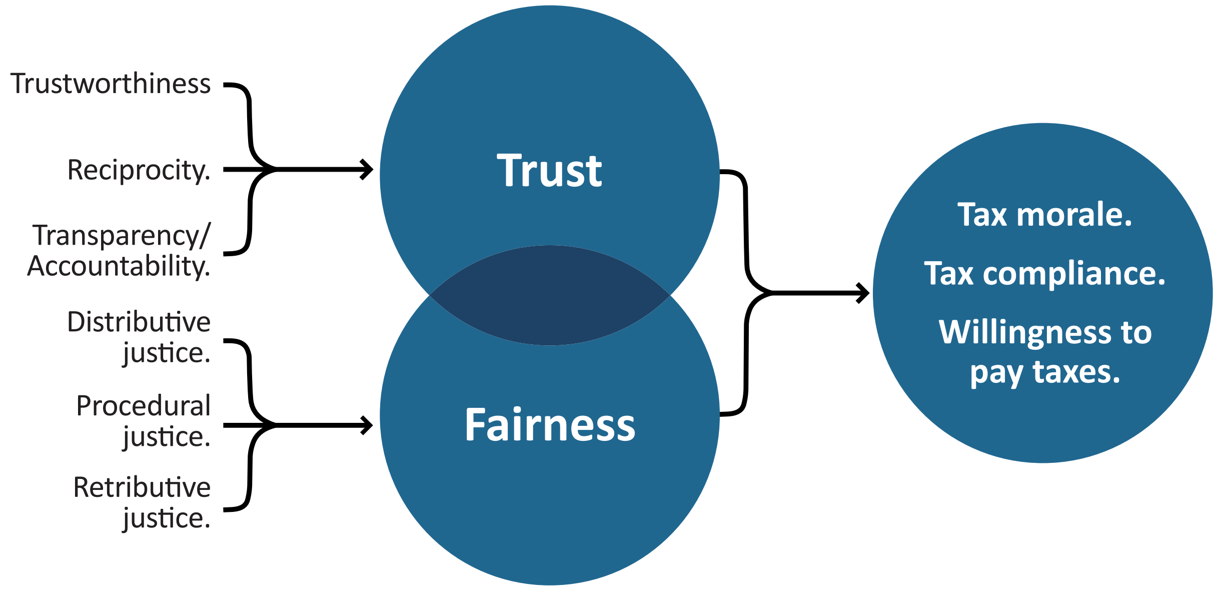
What can be gleaned is that issues of retributive justice are closely associated with impunity and the Rule of Law. Countries with high levels of impunity and weak Rule of Law will find it hard to punish tax evasion and thus, over time, this can foster a sense of unfairness for those who actually pay. This is another catch-22 situation, as investments in Rule of Law and justice systems need public resources and their weakness can in turn limit the ability of the state to generate said resources.

4.3 A framework

The six elements outlined above interplay with each other which explains why the literature on tax morale is not conclusive or organized about the mechanisms and interventions that enhance voluntary tax compliance. For instance, a framework proposed by the World Bank Group, "Innovations in Tax Compliance," assumes that trust is mediated by fairness, equity, reciprocity, and accountability.[53] A recent survey of the literature[54] identified five "classical" mechanisms: intrinsic motivation; reciprocity; peer effects and social influences; long-run cultural factors; and information imperfections. In short, tax morale literature incorporates several common dimensions across different authors, but there is wide variation about the levels and hierarchy among them.

Accordingly, one of the objectives of this paper is to systematize and organize the channels and interventions around the six mechanisms underpinning two overarching dimensions, trust and fairness. This will enable identification of the pressure and entry points in different policy contexts: in country X, for example, it might be easier to start with an anticorruption campaign if corruption is high in the minds of citizens-voters.

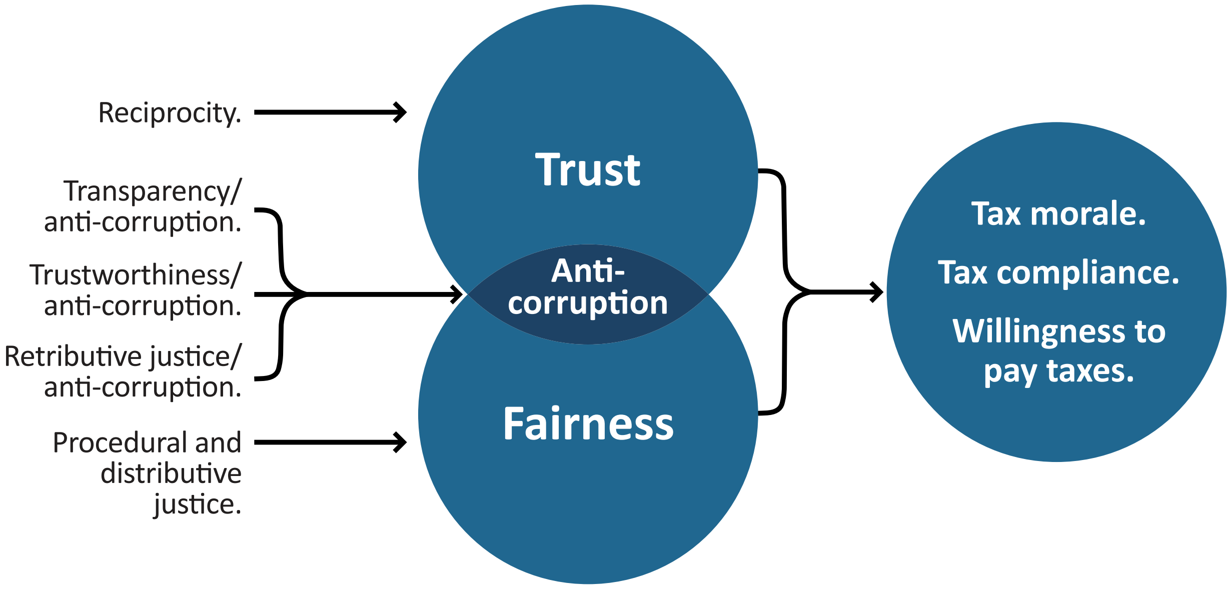
In this paper, I suggest an alternative framework that channels tax morale via trust and fairness directly, and corruption, reciprocity and other mechanisms indirectly. This framework could then be tested empirically but that task is beyond the scope of this paper. I will focus on what the literature says about the connections, correlations and possible policy actions.



Interestingly, the effects of corruption and its relationship with basic perceptions of fairness and trust have not been deeply studied. This is more puzzling given the relevance of corruption in developing countries. Corruption is linked to at least three of the elements of this framework: trustworthiness; transparency/ accountability; and retributive justice. This means that in the intersection between trust and fairness showed in the diagram the common element is administrative and public honesty.

Recent evidence supports the link between corruption—or its absence—and trust in government. The TrustLab, an initiative from the OECD that *"combines cutting-edge techniques drawn from behavioral science and experimental economics with an extensive survey on the policy and contextual determinants of trust in others and trust in institutions, administered to representative samples of participants"* found that the perceptions of government integrity is the strongest determinant of trust in a study of six highly developed countries (France, Germany, Italy, South Korea, Slovenia and the United States). More specifically, the most important determinants of self-reported trust in government were, in descending order: perception of high-level corruption; government reliability (e.g., whether a government will react in an emergency); and government responsiveness (e.g., responding to citizens complains about public services).[55]

Corruption, or perception of corruption, also creates a sense of injustice, especially if it goes unpunished. The idea that civil servants taking advantage of their position for their (or their families) personal can generate dep emotions in people. A recent study in China using the three elements of justice (distributive, procedural and retributive) found that citizens have a preference for political leaders who are able to punish corruption and malfeasance within the government. Their evidence also suggests that anticorruption campaigns that do not result in punishment backfire and are considered "cheap talk." The authors conclude that *". . . concerns about retributive justice have as much or more influence than concerns about procedural justice and distributive justice."*[56]



4.4 Practical Considerations: Understanding the Context, Implementation, and Sequencing

There is a growing literature on exploring the voluntary elements of tax compliance. Empirical literature on the six elements which, according to the framework in this paper, determine trust and fairness is inconclusive; this is likely a consequence of the variety of concepts and potential interventions, the way these concepts are communicated, and also the fact that these elements depend enormously on context (transparency does not mean the same for people in the same city, let alone the same country, for instance).[57]

Many of these new studies move away from the canonical cost-benefit model by Allingham and Sandmo described above. There are several reasons why this is so: first, the advances in behavioral theory and linkages between the disciplines of psychology and economics. Second, a growing use of tax related data for research and policy design purpose – famously, Piketty and coauthors used historical administrative tax records to map out the distribution of top incomes. These sources of information are complemented by the rapid growth and systematization of *indirect* data (such as electricity consumption, luminosity, currency movements and the like) that are part of the big data revolution.[58] Third, the growing collaboration between tax administrators and researchers in which both parties win: researchers gain access to hitherto unpublished data, and tax authorities get brain power to design and test innovative policies. Pomeranz and Vila Belda[59] describe in length how these collaborations take place.

Despite all these advances, there is still so much to do when it comes to understand the drivers and the sequencing of voluntary tax compliance. In terms of context, as Alm[60] indicates, taxpayers are part of a social compact. Their behavior therefore depends on their moral values and those of their peers, as well as the perception of the overall strength of the tax and public administrations, the state, and the overall cohesion across society. Thus, the use of surveys to understand the basic attitudes toward taxes *at a given point in time* before designing policy is of paramount importance. The Pew Research Center, for instance, conducted a survey with the main question asking to identify what bothers Americans about the federal tax system. The results indicate the importance *in the US* in *recent years* of paying fair shares. Notably "*62% say they are bothered "a lot" by the feeling that some corporations don't pay their fair share of taxes, and 60% say the same about some wealthy people not paying their fair share*."[61] Despite the importance of these surveys, they should nevertheless be used with caution: evidence shows that attitudes are poorly correlated with actual behavior. But it is safe to assume that the behavior of a taxpayer with a positive attitude toward taxes will be easier to change than that of a taxpayer with a deep hatred for taxation. The issue of corruption and taxation is one of equilibrium, or lack thereof: the balance between citizens and the State does not exist when citizens provide the State with resources and then the administration is corrupt or permits corruption to be unpunished.

Where to start with the implementation? The issue of sequencing (which intervention try first) is probably the most important policy question that arises from this paper. It is a complex one since compliance may be affected by a large number of factors in the specific intervention, such as timing, language and framing, complexity, and a large etcetera. Hallsworth et al.[62] found that the way a policy is implemented (in their case, when a letter is sent) generates different results even when the policy is the same (everyone received a letter).

In more general political development terms, Fukuyama[63] has argued that the order of which of his three pillars of a modern society (Rule of Law, functioning state, and democratic accountability) develops first will lead to rather different political regimes. India, for instance, first developed its democratic accountability while the state remained weak; China on the other hand, developed a strong state rather early with poor democratic accountability. The political, economic, and social development are vastly different.

In terms of tax compliancy, the "slippery slope" approach suggests there are different routes, and thus different initial points, to increase tax collection: the first one travels through deterrence of tax evasion via audits and fines, and the second one relies on developing a trusting relationship between taxpayers and the State through the provision of services and a fair process.[64 65] The "slippery slope" approach also assumes the two main dimensions are power (in the form of the ability of the state to enforce compliance) and trust (in form of willingness to pay by taxpayers). Many papers testing the empirical validity of the "slippery slope" model then test several different hypotheses with the combinations of high and low trust and power (e.g., high-high; high-low; low-high; low-low) and the effect of these combinations on different elements of compliance (voluntary and enforced, for instance).

The "slippery slope" model is relevant for our discussion because it formalizes the (part of) relationship between context and compliance. A study conducted in 44 countries[66] attempted to disentangle the effects of the different elements of this model. The authors randomly assigned the participants in the study to four different scenarios (with the four combinations described above). The results found that trust had the largest influence on voluntary tax compliance, and a combination of high power with lower trust decreased it. A total of 42 out of 44 countries saw an increase in voluntary tax compliance through trust. The authors conclusions in terms of policy recommendation are clear "*Our results provide clear suggestions to governments in terms of appropriate strategies to improve compliance, while adapting them to national circumstances. In nations where trust and power are perceived as weak, disregarding taxpayers' demands and expectations concerning assistance, equity, and welfare will result in evasion. However, providing support and services for taxpayers (e. g., fiscal incentives to run businesses, media facilities to monitor policy accountability and transparency, resources to voice a say in major decisions), while fighting free riders in a goal-directed manner may enhance compliance.*"

The specifics of Portugal were presented in a different study.[67] The findings are consistent with the more general study above comparing 44 countries. In the case of Portugal, participants were more likely to comply when they perceived the governments as trustworthy and fair. Going from low trust to high trust increased intended, voluntary and enforced compliance and reduced the likelihood of tax evasion. The authors conclude that "*trust is essential and since corruption erodes trust, corruption must be addressed as a precondition*".

The slippery slope approach addition to the literature is, in fact, the segmentation of taxpayers. Deterrence and enforcement, although necessary, can only achieve a certain level of tax collection, and at some level can backfire. Moreover, it requires sizeable investments in administrative capacity. Sequencing will depend on the context but the evidence of several studies testing the "slippery slope" approach indicates the importance of trust in all interventions.

5. Pathway to Voluntary Tax Compliance through Trust and Fairness

Benjamin Franklin wrote, famously, "in this world, nothing is certain except death and taxes". His dictum appears to imply that we, as citizens, cannot escape our obligations. But evidence shows that we actually pay more taxes that a pure rational model of enforcement would suggest; that our obligations go beyond the fear of legal consequences. Recent years have seen more interest in the academic discussion on what drives voluntary tax compliance, and although the evidence on the different drivers and interventions is mixed, there is clarity that a combination between trust in government and a sense of justice, mostly believing the different elements of taxation are fair – underlie tax compliance and support tax reform.

This paper has argued that a healthy tax collection is a precondition for progress. This implies not only increases in development indicators, such as life expectancy, education or income, but also a functioning state, and healthier political institutions. A government that can collect taxes is a government with a solid administration and, very importantly, with legitimacy based on the fact that citizens pay their taxes by a combination of laws and a sense of duty and belonging. This sense of duty and belonging can disappear quickly if taxpayers perceive corruption, widespread tax evasion, lack of information, or a perception of freeloading, among other elements. This paper has endeavored to provide a simplified framework connecting all these issues through the overarching dimensions of trust and fairness.

But how does a country then change its tax system? How does it go from low tax collection to levels that unleash dynamic progress? The first part of the answer is that context matters, and that all the elements will be related. But a policy aiming at increasing taxation or introducing new taxes will, by necessity, require detailed information on the views of its citizens toward the state and their relations with authorities, the tax level and progressivity of the tax system, the use of said taxes in public goods and services, and the honesty, transparency and participation of the process. This baseline information, if properly collected, will increase the chances of success and will also help identify the key entry points in this myriad of dimensions. That sounds more complicated than it is: it really requires a well-designed representative survey to learn what people think of their relationship with authorities and taxes, and discern the path of least resistance to change.

And change is possible. The decades long history of the implementation of the income tax in the US is an illustrative example. First introduced during the Civil War by Abraham Lincoln to finance the Union Army, the tax income was then rescinded once the war was over. In 1890, when the financial crisis following the Panic of 1837 put pressure on public finances, the income tax resurged briefly alongside fierce debates in the US Congress. The debates utilized statistics about the concentration of income and wealth in the newly publish Census. These figures are not too different from the "killer facts" such as "the 85 richest people control more wealth than the bottom half of the world´s population" produced by Oxfam[68] every year since 2014 around the World Economic Forum meeting. According to Weisman "*[M]ost instructive to the House members were the findings of the Ways and Means Committee, which used census figures from 1891 to show that more than 13 million families had an assessed wealth of more than $62 million, of which the top 70 families were worth more than 2.6 million. A tiny handful of persons own over one-half of the wealth in the United States, while one-sixtieth owned over two-thirds of the wealth. On the lower end of the scale, the tables showed that three-quarters of American families were not worth more than $600 for all members*."[69] These figures proved powerful debate props.

Shortly after the 1890 debates, the new introduction of the income tax was declared unconstitutional by the US Supreme Court. Just a few decades later, the Constitution was amended (this would be the 16th Amendment of the US Constitution) to give way to income tax, and the resources needed to finance American troops in the First World War.

Although the income tax became legal, more efforts were needed to convince the American people of its legitimacy. During World War Two, Donald Duck became a strong advocate of income tax in a propaganda film titled The New Spirit, produced by Walt Disney. Here are elements of the script:

> "**Radio Announcer:** *yes, there is a new spirit in America. The spirit of a free people united again in a common cause to stamp tyranny for the earth. Your whole country is mobilizing for total war. Your country needs you. Are you a patriotic American? Disposed to do your part? Then there's something important you*

can do. You won't get a medal for doing it. It may mean a sacrifice on your part, but it will be a vital help to your country in this hour of need. Shall I tell you what it is? YOUR INCOME TAX. Yes, your income tax. It may not seen important to you, but it is important. It's your privilege, not just your duty, but your privilege to help your government by paying your tax and paying it promptly.

-Donald Duck: *What's the big hurry?*

-Radio Announcer: *What's the big hurry? Your country is at war. Your country needs taxes for guns. Taxes for ships. Taxes for democracy. Taxes to beat the axis.*

Donald Duck shows himself excited about paying his taxes and goes for all his belongings."

Time Magazine reports the film was a massive success. It screened to 26 million people, and according to a Gallup poll, 37 percent of people who saw the film increased their willingness to pay their income tax.[70]

The history of the income tax in the US illustrates how legal—even constitutional—attitudes have changed over decades. It also shows that it requires the work of lawyers, congresspeople, political leaders, and marketing experts (and also Donald Duck). The modern challenge is how to achieve this change in a shorter period of time.

This paper provides a framework to systematically address that challenge. In terms of voluntary tax compliance, issues of fairness and trust are of paramount importance, as supported by the empirical literature. But trust and fairness are big concepts. It is necessary to disentangle the different elements that drive changes as perceived by citizens. The paper proposes six elements—three for trust, three for fairness—that can inform policy makers in their interventions. These six elements are: trustworthiness of the government, reciprocity, and transparency/accountability for trust, and three types of justice for fairness: distributive, procedural and retributive.

The issue of corruption requires particular attention, as it affects three of the six elements (trustworthiness, accountability, and retributive justice). The empirical literature shows a strong negative correlation between indicators of corruption (flawed as they are) and voluntary willingness to pay taxes. But context matters enormously as well as the sequencing of policies. Recent studies from the field of economic psychology, grouped around the "slippery slope" approach to tax compliance, shed some light on this. This approach suggests that trust of citizens and the power of the administration can influence compliance via voluntary desire to contribute (trust) and enforcement (power). The "slippery slope" also provides the opportunity to test several different hypotheses about which element is most important in which context, and where to start. Increasing trust is systematically found to be of paramount importance. In many countries, this would imply dealing with the issue of corruption first.

Taxes are an unhappy subject, but they deserve a better reputation. A positive dynamic between the state and citizens can be generated through taxation by implementing it with intelligent investment of public resources in goods and services, discussion and accountability, and administrative capacity the results are better lives for more people, lower levels of income inequality (although not necessarily the eradication of exclusion of certain groups) and a stronger social compact. Building this positive dynamic, and making it sustainable, should be the priority of every government in the 21st Century.

Endnotes

1 Allingham, Michael G, and Agnar Sandmo. "Income Tax Evasion: A Theoretical Analysis." *Journal of Public Economics* 3, no. 2 (May 1974): 323–38, https://doi.org/10.1016/0047-2727(74)90037-1.

2 Von Chamier, Paul. 2019. "Creating Political Space for Fiscal Compromises: How to Build Consensus around Progressive Taxation and Spending." Pathfinders.

3 Organization for Economic Co-operation and Development. 2013. "Tax and Development: What Drives Tax Morale?" https://doi.org/http://www.oecd.org/ctp/tax-global/TaxMorale_march13.pdf

4 Haldenwang, Christian von. 2008. "Taxation, Social Cohesion, and Fiscal Decentralization in Latin America." DIE Discussion Paper 1/2008.

5 Van Staveren, Irene and Zahid Pervaiz. 2017. "Is It Ethnic Fractionalization or Social Exclusion, Which Affects Social Cohesion?" Social Indicators Research 130 (2): 711–31. https://doi.org/10.1007/s11205-015-1205-1.

6 World Bank. 2015. "Indigenous Latin America in the Twenty-First Century: The First Decade." World Bank.

7 McGhee, Heather. 2021. "The Sum of Us: What Racism Costs Everyone and How We Can Prosper Together." One World/Ballantine.

8 Gaspar, Vitor, Laura Jaramillo, and Philippe Wingender. 2016. "Tax Capacity and Growth: Is There a Tipping Point?" IMF Working Paper 16/243.

9 Bates, Robert H., and da Hsiang Donald Lien. 1985. "A Note on Taxation, Development, and Representative Government." Politics & Society 14, no. 1 (1985): 53–70. https://doi.org/10.1177/003232928501400102.

10 Kaldor, Nicholas. 1963. "Taxation for Economic Development." The Journal of Modern African Studies 1 (1): 7–23.

11 Besley, Timothy, and Torsten Persson. 2013. "Taxation and Development." In Handbook of Public Economics, 5:51–110. Elsevier B.V. https://doi.org/10.1016/B978-0-444-53759-1.00002-9.

12 Besley, Timothy, and Torsten Persson. 2013. "Taxation and Development." In Handbook of Public Economics, 5:51–110. Elsevier B.V. https://doi.org/10.1016/B978-0-444-53759-1.00002-9.

13 Weigel, Jonathan L. 2020. "The Participation Dividend of Taxation: How Citizens in Congo Engage More with the State When It Tries to Tax Them." Quarterly Journal of Economics. Oxford University Press. https://doi.org/10.1093/qje/qjaa019.

14 Bates, Robert H., and da Hsiang Donald Lien. 1985. "A Note on Taxation, Development, and Representative Government." Politics & Society 14, no. 1 (1985): 53–70. https://doi.org/10.1177/003232928501400102.

15 Fukuyama, Francis. 2011. "The Origins of Political Order : From Prehuman Times to the French Revolution." Farrar, Straus and Giroux.

16 Feld, Lars P., and Bruno S. Frey. 2006. "Tax Compliance as the Result of a Psychological Tax Contract: The Role of Incentives and Responsive Regulation." CREMA Working Paper No.2006-10.

17 Gribnau, Hans, and Carl Dijkstra. "Social Contract and beyond: Sociability, Reciprocity and Tax Ethics." In *Ethics and Taxation* (Singapore: Springer, 2020), 47–90. https://doi.org/10.1007/978-981-15-0089-3_3.

18 Gribnau, Hans, and Carl Dijkstra. 2020. "Social Contract and beyond: Sociability, Reciprocity and Tax Ethics." Ethics and Taxation, November, 47–90. https://doi.org/10.1007/978-981-15-0089-3_3.

19 Allingham, Michael G, and Agnar Sandmo. 1972. "Income Tax Evasion: A Theoretical Analysis." Journal of Public Economics 1: 323–38. https://doi.org/10.1016/0047-2727(74)90037-1.

20 Torgler, Benno, Markus Schaffner, and Alison Macintyre. 2007. "Tax Compliance, Tax Morale and Governance Quality." CREMA Working Paper 2007-17.

21 Luttmer, Erzo F.P., and Monica Singhal. 2014. "Tax Morale." Journal of Economic Perspectives 28 (4): 149–68. https://doi.org/10.1257/jep.28.4.149.

22 Leonardo, Gabriel, and Jorge Martinez-Vazquez. 2016. "Politicians, Bureaucrats, and Tax Morale: What Shapes Tax Compliance Attitudes?" International Studies Program Working Paper 16–08.

23 Wenzel, Michael, Tyler G. Okimoto, Norman T. Feather, and Michael J. Platow. 2008. "Retributive and Restorative Justice." Law and Human Behavior. Vol. 32 (5): 375-389. https://doi.org/10.1007/s10979-007-9116-6.

24 (Koumpias, Leonardo and Martinez Vazquez, 2020) – missing citation

25 Organization for Economic Co-operation and Development. 2013. "Tax and Development: What Drives Tax Morale?" https://doi.org/http://www.oecd.org/ctp/tax-global/TaxMorale_march13.pdf.

26 https://knowledgehub.transparency.org/helpdesk/approaches-to-curbing-corruption-in-tax-administration-in-africa

27 Purohit, Mahesh C. "Corruption in tax administration." Performance accountability and combating corruption (2007): 285-302.

28 Sjoberg, Fredrik M, Jonathan Mellon, Tiago Peixoto, Johannes Hemker, and Lily L Tsai. 2019. "Voice and Punishment A Global Survey Experiment on Tax Morale." The World Bank. http://www.worldbank.org/prwp.

29 Ali, Merima, Odd-Helge Fjeldstad, and Ingrid Hoem Sjursen. 2013. "Citizens' Attitudes Towards Taxation in Kenya, Tanzania, Uganda and South Africa." Afrobarometer Working Paper 143.

30 Jahnke, Björn, and Reinhard A. Weisser. 2019. “How Does Petty Corruption Affect Tax Morale in Sub-Saharan Africa?” European Journal of Political Economy 60 (101751). https://doi.org/10.1016/j.ejpoleco.2018.09.003.

31 Organization for Economic Co-operation and Development. 2013. “Tax and Development: What Drives Tax Morale?” https://doi.org/http://www.oecd.org/ctp/tax-global/TaxMorale_march13.pdf.

32 Rosid, Arifin, Chris Evans, and Binh Tran-Nam. 2018. “Tax Non-Compliance and Perceptions of Corruption: Policy Implications for Developing Countries.” Bulletin of Indonesian Economic Studies 54 (1): 25–60. https://doi.org/10.1080/00074918.2017.1364349.

33 Campos-Vazquez, Raymundo M. 2020. “Perceptions of Inequality and Social Mobility in Mexico.”

34 Saeed, Amir, and Attaullah Shah. 2011. “Enhancing Tax Morale with Marketing Tactics: A Review of Literature.” African Journal of Business Management 5 (35): 13559–65.

35 Hallsworth, Michael. 2014. “The Use of Field Experiments to Increase Tax Compliance.” Oxford Review of Economic Policy 30 (4): 658–79. https://doi.org/10.1093/oxrep/gru034.

36 Cialdini, Robert B. 2003. “Crafting Normative Messages to Protect the Environment.” Current Directions in Psychological Science 12 (4): 105–9.

37 Ibid.

38 Dolls, Mathis, Doerrenberg Phillipp, Andreas Peichl, and Holger Stichnoth. n.d. “Do Retirement Savings Increase in Response to Information About Retirement and Expected Pensions?” CESifo Working Paper 6842.

39 Scheve, Kenneth, and David Stasavage. 2016. Taxing the Rich: A History of Fiscal Fairness in the United States and Europe. Princeton: Princeton University Press.

40 Weisman, Steven R. 2004. The Great Tax Wars: lincoln--Teddy Roosevelt--Wilson How the Income Tax Transformed America. Simon and Schuster.

41 Ortega, Daniel, Lucas Ronconi, and Pablo Sanguineti. “El Buen Gobierno y La Disposición a Pagar Impuestos.” In *Perspectivas. Análisis de Temas Críticos Para El Desarrollo Sostenible* 10 (2012): 93–119, www.publicaciones.caf.com/.

42 Murphy, Kristina, and Tom Tyler. 2008. “Procedural Justice and Compliance Behaviour: The Mediating Role of Emotions.” European Journal of Social Psychology 38 (4): 652–68. https://doi.org/10.1002/ejsp.502.

43 Murphy, Kristina. 2003. “Procedural Justice and Tax Compliance.” Australian Journal of Social Issues 38 (3): 379–408. https://doi.org/10.1002/j.1839-4655.2003.tb01151.x.

44 Hartner, Martina, et al. "Perceived distributive fairness of EU transfer payments, outcome favorability, identity, and EU-tax compliance." Law & Policy 33.1 (2011): 60-81.

45 Sjoberg, Fredrik M, Jonathan Mellon, Tiago Peixoto, Johannes Hemker, and Lily L Tsai. 2019. “Voice and Punishment A Global Survey Experiment on Tax Morale.” The World Bank. http://www.worldbank.org/prwp.

46 Touchton, Michael, Brian Wampler, and Tiago Peixoto, “Of Governance and Revenue Participatory Institutions and Tax Compliance in Brazil,” Policy Research Working Paper 8797, 2019.

47 Alm, James. “What Motivates Tax Compliance?” *Journal of Economic Surveys* 33, no. 2 (2019.: 353–88, https://doi.org/10.1111/joes.12272.

48 Wenzel, Michael, Tyler G. Okimoto, Norman T. Feather, and Michael J. Platow. “Retributive and Restorative Justice.” *Law and Human Behavior* 32, no. 5 (2008): 375-389, https://doi.org/10.1007/s10979-007-9116-6.

49 Wenzel, Michael. 2002. “The Impact of Outcome Orientation and Justice Concerns on Tax Compliance: The Role of Taxpayers’ Identity.” Journal of Applied Psychology. Vol. 87: 629-645.

50 Saeed, Amir, and Attaullah Shah. 2011. “Enhancing Tax Morale with Marketing Tactics: A Review of Literature.” African Journal of Business Management 5 (35): 13559–65.

51 Falkinger, Josef, and Herbert Walther. 1991. “Rewards versus Penalties: On a New Policy against Tax Evasion.” Public Finance Quarterly 19 (1): 67–79.

52 Sjoberg, Fredrik M, Jonathan Mellon, Tiago Peixoto, Johannes Hemker, and Lily L Tsai. 2019. “Voice and Punishment A Global Survey Experiment on Tax Morale.” The World Bank. http://www.worldbank.org/prwp.

53 https://www.worldbank.org/en/topic/macroeconomics/brief/innovations-in-tax-compliance

54 Luttmer, Erzo F.P., and Monica Singhal. 2014. “Tax Morale.” Journal of Economic Perspectives 28 (4): 149–68. https://doi.org/10.1257/jep.28.4.149.

55 Murtin, F., et al. (2018), "Trust and its determinants: Evidence from the Trustlab experiment", OECD Statistics Working Papers, No. 2018/02.

56 Tsai, Lily, Minh Trinh, and Shiyao Liu. 2017. “The Role of Retributive Justice in Citizen Evaluations of Government: The Case of China.” SSRN Electronic Journal. uhttps://doi.org/10.2139/ssrn.3038955.

57 Hallsworth, Michael. 2014. “The Use of Field Experiments to Increase Tax Compliance.” Oxford Review of Economic Policy 30 (4): 658–79. https://doi.org/10.1093/oxrep/gru034.

58 Alm, James. 2019. "What Motivates Tax Compliance?" "Journal of Economic Surveys" 33 (2): 353–88. https://doi.org/10.1111/joes.12272.

59 Pomeranz, Dina, and Joseacute Vila-Belda. 2019. "Taking State-Capacity Research to the Field: Insights from Collaborations with Tax Authorities." Annual Review of Economics 11: 755–81. https://doi.org/10.1146/annurev-economics-080218-030312.

60 Alm, James. 2019. "What Motivates Tax Compliance?" "Journal of Economic Surveys" 33 (2): 353–88. https://doi.org/10.1111/joes.12272.

61 https://www.pewresearch.org/politics/2017/04/14/top-frustrations-with-tax-system-sense-that-corporations-wealthy-dont-pay-fair-share/

62 Hallsworth, Michael, John A. List, and Robert D. Metcalfe. 2014. "The Behavioralist as Tax Collector: Using Natural Field Experiments to Enhance Tax Compliance." NBER Working Paper 20007.

63 Fukuyama, Francis. 2011. "The Origins of Political Order : From Prehuman Times to the French Revolution." Farrar, Straus and Giroux.

64 Kirchler, Erich. 2007. "The economic psychology of tax behaviour." Cambridge University Press.

65 Kirchler, Erich, Erik Hoelzl, and Ingrid Wahl. 2008. "Enforced versus Voluntary Tax Compliance: The 'Slippery Slope' Framework." Journal of Economic Psychology 29 (2): 210–25. https://doi.org/10.1016/j.joep.2007.05.004.

66 Batrancea, Larissa, Anca Nichita, Jerome Olsen, Christoph Kogler, Erich Kirchler, Erik Hoelzl, Avi Weiss, et al. 2019. "Trust and Power as Determinants of Tax Compliance across 44 Nations." Journal of Economic Psychology 74: 58–60. https://doi.org/10.1016/j.joep.2019.102191.

67 Wilks, Daniela C., and Luis Pacheco. 2014. "Tax Compliance, Corruption and Deterrance: An Application of the Slippery Model." In Interdisciplinary Insights on Fraud, 87.

68 Fuentes Nieva, Ricardo and Nicholas Galasso. "Working for the few: Political capture and economic inequality." Oxfam, 2014.

69 Weisman, Steven R. 2004. The Great Tax Wars: lincoln--Teddy Roosevelt--Wilson How the Income Tax Transformed America. Simon and Schuster, p. 138.

70 https://time.com/5239332/tax-day-2018-history/