

## Comment on Jonas Edlund and Rune Åberg: Social norms and tax compliance

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Edlund and Åberg ask two questions.

- Which factors explain people's attitudes toward tax evasion?
- Do attitudes affect actual levels of tax evasion?

In my view, both questions are important. Also, I agree with the authors that the measures of attitudes obtained by the World Values Survey and other similar sources provide a good starting point for empirically addressing these issues.

While the authors have put together an interesting data set, I am disappointed that the analysis is not more carefully executed. Essentially, what we get is glance at some of the correlations in the data, with the authors' rather heuristic interpretations on top. On some occasions, the authors end up drawing too strong conclusions, on others, they are too careful. For example, they could probably have been bolder when studying the relationship between tax morale and tax levels. We learn that tax evasion is considered somewhat more justifiable in countries with high taxes. Does this mean that an increase in taxes tends to reduce the tax morale, and if so, by how much? The answer depends on our beliefs about the determinants of tax levels. The authors write as if the tax level were unaffected by tax morale, in which case it would be correct to regress the latter on the former, and the parameter estimate would indicate to what extent the tax morale has suffered in high tax countries. However, there is strong reason to believe that tax rates are higher in countries with a higher tax morale. (Public sectors are larger in less corrupt countries, probably because voters are unwilling to pay high taxes to fund an inefficient public sector. See La Porta et al., 1999, for evidence.) If so, there may indeed be a causal relationship from tax rates to tax morale; the regression coefficients of Åberg and Edlund are bound to *underestimate* the deleterious effect of high tax rates on tax morale. To make a better assessment of the extent to which higher taxes erode the tax morale, we would need to include a variable with a direct effect on tax levels but

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no direct effect on tax morale in the analysis. (Trade dependence could be one such variable, because it has been shown to lead to larger public sectors, possibly as an insurance device, by Rodrik, 1998.)

To take an example where the authors err in the other direction, consider the finding that tax morale is lower in countries with more political instability. Does this mean that instability by itself erodes tax morale as the authors imply? Not necessarily. Instability and tax morale are probably both affected by other factors, such as sociolinguistic heterogeneity. Thus, the reported relationship between instability and tax morale need not be causal. This is an important caveat, because the authors' results could otherwise be taken as support for political systems with few parties.

One set of results appears reasonably robust. Personal characteristics do affect tax morale to some extent. The findings regarding age and sex are entirely believable, because these personal characteristics are largely unaffected by morale and taxation. The distribution of people across occupational groups, on the other hand, does depend on the tax system, and thus some caution is called for, but I am willing to believe that the reported results are reasonably unbiased. In particular, I am pleased to see scientific documentation that self-employed people have the lowest tax morale, something that most of us will be prepared to believe from personal experience.

The authors do not find much support for the hypothesis that social norms affect actual tax evasion. However, their analysis of this issue suffers badly from the kind of methodological problems described above.

As a final critical remark, let me express my surprise that the authors do not relate their work to that of Assar Lindbeck. Lindbeck has long argued that the welfare state system, with its high taxes and generous benefits, is bound to erode valuable social norms, including tax morale.

Despite these misgivings, I learnt a great deal from the paper. There is no doubt that we need more empirical investigations of the causes and consequences of attitudes and social norms. For some interesting views, see e.g. the overviews by Manski, Ostrom, and Fehr and Gächter in the *Journal of Economic Perspectives*, Summer, 2000. Lalive and Stutzer (2001) is another good example of recent work in this underdeveloped area.

## References

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