

Chapter 3

Tax Compliance and the Psychology of Justice: Mapping the Field

Michael Wenzel

‘In this world nothing can be said to be certain, except death and taxes.’

Benjamin Franklin writing to Jean Baptiste Le Roy, 13 November 1789

According to this popularised aphorism, taxes are ubiquitous, as they affect practically everybody, and surely they are as little in our personal interest as death. Yet, while the everyday use of the expression does not occur without a wink, science seems to have missed the humour in it. It is certainly true that taxation deserves the closest scientific attention, as hardly any other legislation has such a widespread impact on our lives, from ‘impacting personal decisions to shaping economic phenomena, political forces and the institutional fabric of our society’ (Long and Swingen, 1991, p. 638). Furthermore, the failure to comply with tax laws costs states billions of dollars each year, thus impacting severely on their provision of government services and their socio-economic functioning (see Andreoni, Erard and Feinstein, 1998). However, the dominant theoretical paradigm that understands tax compliance in terms of individual self-interest, that is, as an individual’s rational choice aimed at maximising individual outcomes under conditions of uncertainty (in the tradition of Allingham and Sandmo, 1972), misses important dimensions of the phenomenon. In recent years, a number of researchers have pointed to the limited understanding this paradigm provides and delivered empirical evidence for the role of ‘non-economic’ factors in tax compliance (see Grasmick and Bursik, 1990; De Juan, Lasheras and Mayo 1994; Reckers, Sanders and Roark, 1994; Alm, Sanchez and De Juan, 1995). At the same time, there have been attempts to incorporate factors such as equity considerations and moral constraints into traditional expected utility theory, as another category of individual outcomes to be maximised (see Gordon, 1989; Cowell, 1992; Bordignon, 1993; Falkinger, 1995).

Research so far has referred to non-economic factors in a rather selective fashion. A more systematic analysis of these factors seems necessary for further progress in the explanation of tax non-compliance. The present chapter focuses on *justice* and *fairness* considerations that could play a role in taxpayers’ evaluations of the tax system and therefore in their decision to comply or not comply with tax laws. I will offer a conceptual framework for such justice considerations based on conceptual distinctions made in social psychological justice research. I will review

research on fairness perceptions in the area of taxation as it relates to the suggested taxonomy and finally discuss implications of the conceptual framework. Specifically, the review will demonstrate the wealth of justice issues potentially relevant to tax compliance and the neglect of certain justice perceptions in existing research. The taxonomy raises the question of the relative importance of the various justice issues for tax compliance as well as the conditions of their importance.

Firstly, however, I will present arguments for the limitations of a purely economic self-interest approach to tax compliance. While similar critiques have been put forward elsewhere (see Cowell, 1992; Scholz, 1998), my arguments will specifically make a case for a consideration of justice issues at different levels of analysis.

Beyond Individual Self-interest: A Multi-level Approach to Tax Evasion

Traditional economic models of tax evasion (see Allingham and Sandmo, 1972) regard tax compliance as an outcome-maximising decision between the alternatives of: (a) truthfully paying tax which results in a certain loss, and (b) evading tax which results, with some uncertainty, in either a reduced loss (in terms of taxes not paid) or an even greater loss (due to the fines imposed if the evasion is detected and penalised). These early models, however, neglect the fact that taxpayers also have their share in government services and public goods that are funded by the tax revenue. Taxpayers receive some gains in exchange for the taxes they pay, and not only may they consider these outcomes in their rational equation, but they may also evaluate whether the exchange is an *equitable* one or not (Cowell, 1992; Falkinger, 1995).

Further, the issue of public goods in return for taxes adds a social dimension to the problem, because the amount of revenue available, and the quantity and quality of public goods provided, is not solely dependent on the single taxpayer's choice to pay or evade taxes. Rather, taxpayers are interdependent, as their outcomes in terms of the public goods they share are a function of their combined behavioural choices. The issue of tax compliance can therefore be considered a social dilemma (see Dawes, 1980). Individual taxpayers may choose to evade tax in order to maximise their personal outcomes and still enjoy their share of the public good, which is not affected by single defective choices. However, if many taxpayers chose to do so, revenue would fall to a level where certain public goods would be no longer affordable and everyone's outcomes would be reduced (Weigel, Hessing and Elffers, 1987; Elffers, 2000). Models of tax compliance would have to incorporate taxpayers' awareness of their mutual interdependence in their rational decision of how to maximise individual outcomes. Furthermore, as research on social dilemmas informs us (see Pepitone, 1971; Wit, Wilke and Oppewal, 1992; van Dijk and Wilke, 1993), taxpayers may also evaluate what would be *fair* for

them to contribute to the public good, considering their relative resources and relative share of the public good as well as others' level of evasion (Bordignon, 1993).

Social psychological research also informs us that social dilemmas assume a quality of greater competitiveness and less cooperativeness when the involved parties define themselves as members of *different groups* rather than as individuals (see Brewer and Schneider, 1990; Schopler and Insko, 1992). A crucial factor contributing to this effect may be the perceived sharedness of and consensus on distinctive group interests that give social-normative support for one's tendency to act in the interests of one's group (Zander, 1971; Haslam, 2001). Importantly, once one identifies with a group, norms and perceived consensus within the group should make members act in the interests of their own group, even if they personally would not profit from their own behaviour. Most models of tax evasion assume that taxpayers are motivated to maximise their individual outcomes; they do not consider the possibility that taxpayers define themselves as members of social groups and act in terms of the interests and norms of their group and fellow group members (Sigala, Burgoyne and Webley, 1999). Again, it also holds for this level of analysis that group members are not only concerned about maximising their group's outcomes but also about their group receiving the outcomes it is perceived to be entitled to, according to ingroup norms of *justice* and *fairness*. Research on relative deprivation has repeatedly shown that group deprivation is a stronger predictor for social protest and resistance than feelings of personal deprivation (see Dubé and Guimond, 1986; Walker and Mann, 1987; Hafer and Olson, 1993). The possibility that tax evasion is an act of social protest against a tax system perceived to be unfair to their ingroup needs to be considered.

Finally, research shows that persons or groups involved in a social dilemma are more cooperative and show more concern for collective outcomes when they identify themselves in terms of the same inclusive group (Brewer and Schneider, 1990); for instance, the society including all individuals and all different groups of taxpayers. Defining themselves more inclusively, their selves and correspondingly their self-interests become so transformed that they include the interests of others and of the collective as a whole (Brewer, 1991; Morrison, 1997). A concern for the interests, goals and values of the inclusive category has rarely been taken into account in research and models on tax evasion (see Taylor, Chapter 4, this volume for a departure from general practice). Again, based on a collective self-identification, taxpayers might feel committed to maximising their collective outcomes as well as committed to socially shared and normative representations of their collective identity that prescribe certain distributions of burdens and goods as appropriate and just. A concern for a fair society rather than for one's personal or group interests would then motivate taxpayers. Tax evasion would depend on taxpayers' (socially mediated) perceptions of whether the current tax practice is either conducive to maximising the collective's welfare or consistent with a representation of how society should look.

To sum up, research on tax evasion has been dominated so far by individualistic approaches that focus exclusively on the motivation to maximise personal material outcomes. The analysis needs to be extended to also include the possibility of taxpayers defining themselves in more inclusive ways, either as members of different social groups or, most inclusively, as members of the society as a whole, implying a concern for outcomes of their ingroup or the welfare of their whole nation, respectively. Furthermore, models of tax evasion need to take into account that taxpayers may not only want to maximise their interests, however defined, but also desire to see justice and fairness realised (see Kinsey, Grasmick and Smith, 1991). In the remainder of this chapter, I will look more closely at different *justice* considerations that may play a role in tax compliance and differentiate between an individual, group and inclusive (societal) level of analysis.

Justice, Fairness and Tax Compliance: A Taxonomy

Empirical research on tax compliance often refers to issues of justice and fairness in a rather undifferentiated and/or selective manner. Given the dominance of the rational actor approach, authors interested in issues of justice and fairness seem to have found it their main challenge to demonstrate the general importance of these perceptions for tax compliance. Justice perceptions have often been either operationalised through global measures, or selected aspects (e.g., one's relative tax burden) have been treated as representative indicators of generic concepts such as 'fiscal fairness' (see De Juan et al., 1994). Other research has looked at single justice issues in more depth, but in isolation. Although some authors have demanded that attention be 'directed toward what forms of inequity are likely to affect tax evasion behavior' (Spicer and Becker, 1980, p. 174) and 'that one has to specify fairly carefully what one means by the inequity or injustice that is often cited as a motive for evading taxes' (Cowell, 1992, p. 540), so far these questions have not been systematically addressed.

The most common differentiation in research on tax compliance refers to the concepts of exchange equity, vertical equity and horizontal equity (e.g., Kinsey and Grasmick, 1993). Exchange equity concerns the perceived value of tax-funded government benefits and services received relative to one's tax contribution. Vertical equity concerns the burden of taxes for certain social strata relative to other strata. Horizontal equity concerns the burden of taxes for members relative to others within a given social stratum. Other studies have focussed on the structure of tax rates (e.g., Roberts, Hite and Bradley, 1994) or on procedural fairness in audits (e.g., Stalans and Lind, 1997). A few studies have tried to specify empirically the dimensionality of the fairness concept. Based on factor analysis, Gerbing (1988, cited in Roberts and Hite, 1994) found four dimensions of tax fairness, namely general fairness and distribution of tax burden, exchange with government, taxes of the wealthy and progressivity of tax rates. Christensen,

Wehrich and Newman (1994) also used factor analysis and found five factors: personal payment level, exchange with government, tax rate structure, special provisions and overall fairness.

However, outcomes of factor analyses depend on the measures fed into the analyses; the dimensionality of a concept cannot be decided on purely empirical grounds. We require a theoretical framework that guides the formulation of measures and that aids us in systematically investigating the role of fairness for taxpaying attitudes and behaviour. Such a framework should also help us integrate diverse research findings, point to areas that have been neglected so far and identify areas where the evidence is either inconsistent or conclusive. In the following, I will suggest a taxonomy for this purpose and review the literature on this basis.

Three Areas of Justice

In social psychology it has become common practice to differentiate between three areas of justice (Tyler and Smith, 1998). *Distributive justice* refers to the fairness of the outcomes of a resource allocation or distribution and has the longest research tradition in social psychology (Homans, 1961; Adams, 1965; Walster, Berscheid and Walster, 1973). At its core lies the concept of entitlement or deservingness; that is, a situation is considered just when a given social unit receives the amount or share of resources it is perceived to deserve (Lerner, 1991; Major, 1994; Feather, 1999; Wenzel, 2000).¹ Resources may be understood here in a wide sense and include material and non-material, positive and negative resources (e.g., tax burden). Distributive justice thus refers to a perceiver's view of how to distribute a given pool of resources so that a certain target, or all social units involved, receive what they are entitled to (proactive); and it refers to the post-decisional perception of whether a target, or all social units, have received what they are entitled to (reactive) (Greenberg, 1982). The reactive version, furthermore, includes attributions of responsibility and blame when entitlements are perceived not to be met (Mikula, 1993).

Procedural justice refers to the fairness of the processes of a resource allocation or distribution. While distributive justice concerns decision outcomes, procedural justice pertains to the ways, modes and procedures of reaching the decision (Thibaut and Walker, 1978; Leventhal, 1980; Lind and Tyler, 1988). Although not yet established practice, the entitlement concept may also be applied to the procedural arena (Heuer, Blumenthal, Douglas and Weinblatt, 1999; Wenzel, 2000). An allocation decision will be regarded as procedurally fair when a certain target, or all social units involved, are perceived to be granted the treatment, role and quality of decision-making they are entitled to. It is inherent to the concept that entitlements are not constant but relative and variable in that they involve social comparisons and context effects. Perceptions of procedural justice would therefore

be understood as equally variable and context-dependent. Indeed, Barrett-Howard and Tyler (1986) found that the importance of Leventhal's (1980) six rules of procedural justice – consistency, bias suppression, accuracy, correctability, representativeness and ethicality – varied between different situations. However, compared to the distributive arena, researchers often regard variability and context-dependence of criteria to be less intrinsic to the procedural justice concept. Given the empirical invariance of criteria between different ethnic groups, Tyler, Boeckmann, Smith and Huo (1997) argue that procedural justice has the potential to bridge across norm and value conflicts (e.g., conflicts due to differing notions of distributive justice).

Retributive justice refers to the fairness of sanctions and reactions to the breaking of social rules and norms (Hogan and Emler, 1981; Miller and Vidmar, 1981; Tyler et al., 1997). Retributive justice is distinct from distributive and procedural justice because, as Tyler and Smith (1998) argue, if a norm of distributive justice has been violated, that norm would only demand the restitution of the just situation (as the norm defines it). In fact, however, people may not only demand restitution but also punishment of the actor, going beyond the distributive norm and requiring a further category of justice principles for its justification. Again, a concept of entitlement or deservingness can be considered to be at the core of retributive justice (the term 'entitlement' is of course awkward for negative outcomes). The central question of retributive justice is what treatment and degree of sanction the rule-breaker deserves. Deservingness of punishment should depend on the perceived importance of the violated rule, the severity of rule violation and the degree of responsibility and blame attributed to the actor (Miller and Vidmar, 1981; Weiner, 1995).

It is beyond the focus of the present chapter to further discuss and review the research on these three areas in the abstract. As I will argue below, all three aspects of justice play a role in the realm of taxation and it will be shown that taxpayers' perceptions of each justice aspect could impact on their level of tax compliance.

Three Analytic Levels of Justice

As argued earlier, the expected utility approach to tax compliance is limited in its assumption that taxpayers try to maximise the absolute utility or favourability of outcomes rather than also being concerned about their fairness and appropriateness. Moreover, the approach focuses on the *individual's* outcomes alone and does not acknowledge potential concerns for outcomes of certain societal groups with which taxpayers may identify, or outcomes of the society at large. Justice and fairness perceptions at an *individual*, *group* and *societal* level might impact on tax compliance. To clarify this differentiation, I will distinguish it from the related concepts of micro and macro-justice as suggested by Brickman, Folger, Goode and Schul (1981) (see Tyler et al., 1997; Tyler and Smith, 1998).

At an *individual* level, people can be concerned about the justice and fairness of their individual outcomes and treatment. The perceived recipient unit (Eckhoff, 1974) of the outcome allocation is the individual; and people want a certain target individual (normally themselves) to be treated in a way they feel they are entitled to. This seems close to what Brickman et al. (1981) define as microjustice; that is, individuating principles prescribing that individuals be treated according to an assessment of their individual attributes (e.g., merits, efforts, needs). However, individuals' entitlements can also be based on what Brickman et al. (1981) define as principles of macrojustice; that is, deindividuating principles that do not consider individual attributes as a basis for resource distributions and rather prescribe properties of the distributions themselves. For instance, a macro-principle could prescribe a flat distribution (e.g., a flat tax rate), implying that each social unit should receive an equal share (or burden) regardless of their individual differences (i.e., the equality principle). So, independent of the nature of the principles applied, it is essential for individual level justice that the perceiver regards the individual as the recipient unit and evaluates the degree to which the entitlements of a certain target individual are met (e.g., one's own entitlements).

At a *group* level of analysis, people can be concerned about the justice and fairness of a group's outcomes and treatment. The group is regarded as the recipient unit and people want a certain target group (in most cases the group they identify with, i.e., their ingroup) to be treated in a way they feel the group is entitled to. Again, these entitlements can be based on micro-principles that prescribe a treatment based on an assessment of relevant attributes of the target group relative to other groups. Alternatively, the group's entitlement can be based on macro-principles that prescribe certain features of the distribution as a whole. For instance, a macro-principle could specify the maximum burden (e.g., tax rate) any group should have to bear, implying that a certain target group (e.g., high-income earners) is entitled to carry a burden no higher than the specified maximum.

Thus, it is essential to the group-level analysis that groups, rather than individuals, are the recipient units whose entitlements are to be judged, on the basis of intergroup rather than interpersonal comparisons (Markovsky, 1985; Major, 1994). In research on relative deprivation, we find a related distinction between personal and group relative deprivation (Runciman, 1966; see Kessler, Mummendey and Leisse, 2000). Note that even in cases where single persons receive certain resources (e.g., a job), they might be considered as members of social groups rather than individuals; and they might receive these resources based on perceived entitlements of their group rather than individual entitlements (e.g., in affirmative action programs). Hence, the level of abstraction of the recipient unit is a function of social categorisation (Smith, Spears and Oyen, 1994), which in turn is an act of social construction and sense-making rather than objective criteria (Oakes, 1996). Also, the level of abstraction of the recipient unit can vary beyond a simple dichotomy of individuals versus groups; it can vary on a continuum of

inclusiveness (e.g., individual, carpenter, trades people, employees, taxpayers) (see Turner, Oakes, Haslam and McGarty, 1994).

At a *societal level*, people can be concerned about outcomes, their general level or the form of their distribution, of the society at large (see Wenzel, 2000, 2001a, 2002). Either individuals or groups can be the recipient unit of the distribution; however, people would want the collective of all individuals or groups to be treated in a way they consider fair or appropriate. That means, the *societal* level of analysis deals most directly with Brickman et al.'s (1981) concept of macrojustice. Different from the previous two levels of analysis, macrojustice principles are not merely applied to evaluate the outcomes of a target person or group; rather, the overall realisation of these principles is evaluated across all individuals or groups, across all potential recipients.

Following this discussion, the present taxonomy distinguishes between an *individual*, *group* and *societal level* of analysis and applies these to the three areas of justice, namely *distributive*, *procedural* and *retributive justice*. Instead of doing this in the abstract, however, I will refer to research on the relation between justice and tax compliance to illustrate the taxonomy and, conversely, use the taxonomy to systematically review relevant research.

Justice and Tax Compliance

Justice aspect (distributive, procedural, retributive) and level of analysis (individual, group, societal) are considered here as two dimensions of a taxonomy used to differentiate research and findings on the role of justice in tax compliance. Note that I do not suggest that this (or any other) taxonomy in itself provides us with a theoretical understanding of the relationship between justice and compliance. We might have better glasses to see the world, but that does not replace efforts to comprehend what we see, namely by applying, testing and developing substantial theoretical propositions about underlying processes (e.g., Tyler, 2000; Wenzel, 2001b).

Distributive Justice and Tax Compliance

Similar to the priority that social psychology has historically given to distributive justice (Adams, 1965; Walster et al., 1973; Leventhal, 1976; Lerner, 1977), tax compliance research has so far mainly focussed on distributive aspects of taxation. It has done so on all three levels of analysis, as defined above, however without differentiating them explicitly in most cases. Some research has used measures that did not specify the level of analysis and so these cases cannot be categorised unambiguously into the present schema (see Table 3.1).

Table 3.1 Distributive justice in taxation: examples for three levels of analysis

| | Individual level | Group level | Societal level |
|---------------------------------|---|--|---|
| Tax burdens | personal tax burden; compared to others; other times; one's relative income | ingroup's tax burden; compared to other groups; other times; its relative income | tax level; distribution; progressivity |
| Tax-based benefits | personal benefits compared to others; other times; one's relative taxes | ingroup's benefits; compared to other groups, other times; its relative taxes | level of spending; efficiency; distribution over different policies |
| Avoidance/evasion opportunities | personal options compared to others; other times | ingroup's options relative to other groups | level; distribution of opportunities |

Two issues of taxation have commonly been considered in terms of distributive fairness, namely (a) tax burdens and (b) tax-funded benefits or government services. Another 'resource' distributed among taxpayers are (c) opportunities to avoid (or evade) tax. The latter issue also involves elements of procedural justice (and retributive justice) but is considered here primarily as a distributive justice issue, because such opportunities can affect one's actual tax burden. In fact, one might argue that this issue could be subsumed under (a). However, having opportunities to avoid or evade taxes does not mean that one actually uses them to reduce the tax burden; and yet, the distribution of opportunities itself could be evaluated in terms of fairness. Hence, the issues will be dealt with separately.

At an *individual level*, taxpayers might evaluate the distributive fairness of their personal tax burden, share in tax-funded benefits or avoidance opportunities. They may evaluate their tax burden compared to other taxpayers; in particular those taxpayers they would consider equivalent and comparable in terms of their economic circumstances. This would be a case of horizontal justice. Dean, Keenan and Kenney (1980) found in a survey with taxpayers in Scotland that perception of horizontal injustice were very prevalent, with 26 per cent of taxpayers believing they paid 'far too much' relative to other taxpayers of the same income level. Other studies investigated the impact of such perceptions on tax evasion. In an experimental simulation study, Spicer and Becker (1980) manipulated people's relative tax burden. Participants' tax burden was portrayed as either lower, equal or higher than others. They found that disadvantageous inequity increased tax evasion and advantageous inequity decreased tax evasion. However, Webley, Robben and Morris (1988) used a similar manipulation for relative tax-free allowances and did

not find an effect on tax evasion. Again using a similar manipulation (but with only two levels, i.e., horizontal equity and unfavourable inequity), Moser, Evans and Kim (1995) also failed to find a main effect of horizontal justice on the amount of income correctly reported (however, they found an interaction effect with exchange equity; see below).

Taxpayers may also refer to other comparison referents when evaluating the fairness of their tax burden. For instance, they could compare their current tax level with their earlier tax burdens (Calderwood and Webley, 1992). Wartick (1994) investigated effects of tax law changes and found that the changes were considered more unfair when participants felt they made them worse off (however, the effect was moderated by whether or not justifications for the changes were provided; see below). Furthermore, individuals could also compare their tax burden with others who are in a different economic situation than they are and evaluate their own and others' tax rates relative to their income levels (i.e., considering income levels as inputs, according to the equity calculus) (Walster, Walster and Berscheid, 1978).

Similarly, taxpayers could be concerned about the fairness of their share in tax-based benefits. They could evaluate their benefits relative to their tax burden, the benefits of others (either in absolute terms or relative to their different tax burdens) or the benefits they enjoyed at an earlier time.² These issues have been studied under the label 'exchange equity', although only a comparison of benefits relative to taxes paid would be a strict case of exchange equity (Vogel, 1974; Spicer and Lundstedt, 1976). Wallschutzky (1984) surveyed a group of convicted tax evaders and a control group in Australia and found no difference in their evaluations of income tax relative to government services. In an interview study in Oregon, Mason and Calvin (1978) asked taxpayers to evaluate their tax levels compared to the benefits they received, and the amount of their benefits compared to the benefits of the average person in the state. Neither rating was related to self-reported evasion. However, Porcano (1988) applied very similar measures in a survey with American taxpayers. He combined the two questions into one score and found that self-reported evaders perceived the exchange as more unfair than non-evaders did. In an experimental study, Alm, McClelland and Schulze (1992) manipulated the magnitude of returns relative to the taxes paid and found that compliance increased with the favourability of that ratio (note that the manipulation applied to the whole group and can also be interpreted as affecting the exchange relationship at a 'societal' level; see below). Finally, Moser et al. (1995) found that exchange equity (manipulated via different tax rates while the amount of tax-funded benefits was constant, namely nil) interacted with horizontal inequity and affected the correct reporting of income only when one's tax rate was higher than others' tax rate.

Taxpayers may also evaluate the fairness of their opportunities to avoid or evade tax, again compared to others' minimisation or evasion options or one's own options at different times. However, most studies that investigated perceived opportunities to avoid or evade tax dealt with their absolute level but not their

perceived fairness (Vogel, 1974; Wallschutzky, 1984; Porcano, 1988). In fact, when fairness of avoidance opportunities was addressed, it was usually done at a *group* level of analysis (see below). This is not surprising, because, minimisation opportunities are given in the structure of the law, specifying circumstances that apply to groups of taxpayers (rather than individuals). Moreover, differences between taxpayers in terms of their resources to employ tax minimisation strategies, and strategists, define salient groups in the context of taxation (e.g., the rich versus the poor).

At a *group* level, taxpayers may evaluate the fairness of the same three issues – tax burden, tax-funded benefits and avoidance/evasion opportunities – for their group (or any group). They could evaluate these outcomes again relative to other social referents (i.e., groups), temporal (i.e., former times) or counterfactual referents (i.e., an imagined world). However, only a small amount of published research applied such a *group* level analysis, despite Schmolders' (1970) early contention that 'success of an income tax depends on cooperation; this means not so much on individual but group cooperation' (p. 305). Kinsey and Grasmick (1993) found that American taxpayers' belief that the tax system (after the *Tax Reform Act* of 1986) benefited the rich had a significant effect on respondents' expressed acceptability of tax cheating. Recall also that Gerbing (1988) found attitudes towards taxes of the wealthy as a factor of fairness in taxation. This was also one of the aspects Roberts (1994) addressed in his televised appeal messages that successfully affected perceptions of fairness and attitudes to non-compliance. Admittedly, such *group* level issues are at times difficult to distinguish from research applying a *societal* level of analysis (see the concept of vertical justice below).

Further evidence for the role of *group* level injustice for tax evasion comes from some qualitative data concerning avoidance/evasion opportunities. Spicer and Lundstedt (1976) report that 75 per cent of those who found the distribution of tax burdens unfair stated as the major reason the 'extensive tax avoidance by affluent taxpayers and corporations' (p. 301). Likewise, in Wallschutzky's (1984) survey, respondents in both the group of convicted evaders and the control group 'expressed grave concern [about] the lack of opportunity for wage and salary earners to evade tax [with] the consequent shift of the weight of tax burdens' (p. 381). Conversely, it could be that more affluent people, who pay a higher tax rate but are less likely to be recipients of tax-funded welfare benefits, feel that their exchange relationship with the government is unfair when compared to lower income groups (Vogel, 1974).

At a *societal* level, taxpayers could evaluate whether the tax system yields good and fair distributions of tax burdens, tax-funded benefits or minimisation/evasion opportunities. They could do so in comparison with other societies, different times and counterfactual systems – generally on the basis of an idea of how their society should look. Concerning *tax burdens*, people could evaluate various parameters of their distribution; for instance, the level of taxes for different societal groups, the

degree of progressivity of tax rates, the taxable income threshold or the maximum tax rate. Or, they could evaluate the degree to which the tax system overall realises, or deviates from, a good distribution of tax burdens. Porcano (1988) used a rather global measure of such an evaluation, asking whether the current tax system treats everyone fairly and whether certain types of taxpayers (based on income) received favourable treatment. Aggregated into one scale, the measure did not account for differences in hypothetical or self-reported evasion.

A more sophisticated method was used by Kinsey and Grasmick (1993), who asked respondents to rate the fairness of tax burdens (on a scale from less to more than their fair share) for four categories of taxpayers representing lower versus upper income strata. For each respondent they calculated the standard deviation across the four ratings, as a measure of how strongly his/her fairness ratings varied between the different groups. Note that this measure would yield a low score even if all tax burdens were considered as unfair but deviating in the same direction from fairness. This would be the case, for instance, if tax burdens were generally considered too high. Hence, the mean level of ratings across groups could be used as an additional *societal* level fairness measure of the level of tax burden or the government-taxpayer exchange relationship (Kinsey et al., 1991). The standard deviation measure, in contrast, is a measure of discrepancies between different groups or, as used by Kinsey and Grasmick (1993), between different economic strata, and is thus a measure of vertical injustice. In Kinsey and Grasmick's (1993) third study, the measure significantly contributed to the prediction of future intentions to cheat on taxes.

Fairness of the tax rate structure and its degree of progressivity is another aspect of vertical justice. With a regressive tax rate, taxes are less than proportional to income (even though people with higher income may pay higher taxes); with a flat tax rate, taxes paid are strictly proportional to income; and with a progressive tax rate, taxes are more than proportional to income. Preferences for a more or less progressive tax structure may be based on views about the relative benefits from tax-funded services for low and high-income earners, the belief that those able to pay more should pay more tax or some notion that the disutility of tax sacrifices varies with income (see Musgrave, 1994). The concept of progressivity is, however, a complex one and respondents often misunderstand it (Sheffrin, 1994), which is why results are often inconsistent (e.g. results depend on how abstractly or concretely the questions are put) (Roberts et al., 1994). While various studies have investigated taxpayers' preferences concerning a more or less progressive tax structure (e.g., Lewis, 1978; Porcano, 1984; Hite and Roberts, 1991; Copeland and Harmelink, 1995), few studies have shown how these preferences, or their perceived frustrations, are related to taxpaying attitudes and tax compliance. Roberts and Hite (1994) distinguished between three groups of participants who found a flat rate, a mildly progressive rate and a steeply progressive rate most fair, respectively. Respondents tending towards a flat rate evaluated the overall tax system as more unfair, while the level of compliance in terms of underreporting of

cash income did not differentiate between the groups. For all groups, attitudes about current tax rates were related to the perceived overall fairness of the tax system. Interestingly, however, overall fairness ratings of respondents who preferred progressive rates were also influenced by their concerns about the existence of loopholes for the wealthy.

Thus, preference for progressive tax rates can partly be a response to a perceived *societal* level unfairness of a different kind, namely the unfair distribution of *avoidance* and *evasion opportunities*. As reported earlier, Spicer and Lundstedt (1976) and Wallschutzky (1984) also found evidence for the view that taxpayers are very concerned about inequities with regard to minimisation and evasion options (see Song and Yarbrough, 1978). In his televised appeal campaigns, Roberts (1994) addressed both the reduction in tax shelter activity and the decrease of opportunities for tax evasion (next to other issues). The campaigns proved effective in increasing fairness ratings and compliance attitudes. However, more controlled research would be needed on the impact of this *societal* level justice perception before any firm conclusions could be drawn.

Finally, taxpayers can also evaluate the fairness of the *taxpayer-government exchange* relationship at a *societal* level. As noted earlier, the fairness of the general level of taxes can be seen as part of the *societal* level exchange equity. Kinsey et al.'s (1991) measure of mean fairness across groups offers one possible operationalisation of this construct. More specifically, however, this fairness aspect would concern the satisfaction with the government's use of revenue. Revenue use could be evaluated in terms of the perceived general level and efficiency of spending as well as the distribution of revenue across different policies, portfolios and taxpayer groups. Wallschutzky (1984) did not find a significant difference between convicted evaders and a control group with regard to their overall satisfaction with government spending (satisfaction was generally low). In a study referred to earlier at the individual level, Alm et al. (1992) manipulated the efficiency of revenue use and, correspondingly, the relative level of benefits in return for taxes paid. They varied the level of benefits as a multiple of taxes paid by the collective (multiplying tax revenue by 0, 2 and 6, respectively); hence, a societal-level interpretation may be appropriate. Indeed, compliance increased with efficiency of provision of social goods. In another simulation study, Alm, Jackson and McKee (1993) manipulated the favourability of the 'policy' on which revenue would be spent (when the choice for one out of two options was imposed on them). Compliance was significantly lower when the revenue was supposed to be spent on the less favoured public good. Interestingly, the study indicated a clear social dimension of the effect of public good preference. Namely, in two other conditions participants decided per majority rule on the use of the tax revenue and were given feedback about the vote outcome. When the vote was clearly in favour of one option (rather than an unattractive alternative), compliance was significantly higher than when the vote showed a narrow preference for the same option with an attractive alternative. This finding suggests that when the preference for a public

good to be funded by tax was socially shared, tax compliance was increased. Moreover, the research showed that compliance was higher when revenue use was decided on by majority vote rather than imposed; this, however, leads us to a different area of justice.

Procedural Justice and Tax Compliance

Compared to distributive justice, procedural justice has received considerably less research attention in the area of taxation, but undeservedly so. Four issues of procedural justice are distinguished here: (a) the quality of treatment in interactions between taxpayers and tax authorities, (b) the degree to which taxpayers have a say (voice and control), (c) the extent and quality of information provided by tax authorities, and (d) compliance and administration costs. The last issue also has a distributive justice dimension, as compliance costs can mean a material burden on taxpayers and administration costs can imply a waste of revenue. However, because inappropriate procedures are the cause of the problem, and there are other possible effects apart from material losses, the issue is dealt with here as a procedural one. Again, all these issues can be analysed at an *individual*, *group* and *societal* level (see Table 3.2).

At an *individual* level, taxpayers could evaluate how fairly the Australian Taxation Office (ATO) treats them personally (or any other target individual, such as a family member or friend) in terms of respectfulness, neutrality and trustworthiness (see Tyler, 1989, 1997). Following Tyler's (1990) work, Smith and Stalans (1991) regard respectful and responsive treatment as a 'positive incentive' that could increase taxpaying attitudes and behaviour through strengthening the allegiance to tax authorities. Smith (1992) indeed found a measure of taxpayers' perceived fairness of the tax authority (consisting of items tapping respect and trustworthiness) to be negatively related to perceived acceptability of non-compliance (i.e., cash under reporting). Stalans and Lind (1997) interviewed taxpayers, or their representatives, after being audited by the ATO. Respondents who mentioned in their open-format evaluations that they had been treated respectfully rated the auditor as procedurally fairer than those who did not mention respectful treatment. Likewise, perceived neutrality of the auditors' decision-making was related to perceived fairness. However, the study did not include any findings on whether or not perceived fairness had any implications for compliance attitudes or behaviour.

Table 3.2 Procedural justice in taxation: examples for three levels of analysis

| | Individual level | Group level | Societal level |
|------------------------------|--|---|---|
| Interactional treatment | respect for the individual; consistency relative to other individuals | respect for the ingroup; consistency relative to other groups | rights for taxpayers and service standards |
| Process and decision control | voice; control; consultation of individual | voice; control; consultation and representation of ingroup | consultation of taxpayers in general; democratic structures |
| Information and explanation | explanations and justifications for decisions affecting the individual | explanations and justifications for decisions affecting the ingroup | transparency; presentation in media |
| Compliance costs | efficiency; service vs. costs for the individual | efficiency; service vs. costs for the ingroup | administration and compliance costs; complexity of the tax system |

Taxpayers can also evaluate the amount of voice or control they have in decision processes; that is, the degree of consultation and representation in tax matters. In their study on audits, Stalans and Lind (1997) found that taxpayers who mentioned that auditors were unresponsive to their views and comments thought auditors tried less hard to be fair. Alm et al.'s (1993) finding falls in the same category of fairness effects. As mentioned earlier, participants who could decide over the use of tax revenue by vote and majority rule, rather than the spending purpose being imposed on them, were more compliant (see Tyler, Rasinski and Spodick, 1985).

Another potential subject of fairness evaluations is the extent and quality of information provided by the ATO. While access to and provision of information may also impact on compliance costs (see below), they are first of all understood here in their intrinsic value of providing transparency, justifications and explanations for decisions (informational justice) (Greenberg, 1993). Magner, Johnson, Sobery and Welker (2000) found that perceived attempts to justify a revenue spending decision did not contribute uniquely, that is, beyond the effects of other fairness criteria, to perceived procedural justice. However, Wartick's (1994) research, referred to earlier, showed that the provision of explanations for a tax law change can increase perceptions of fairness. However, the outcomes of her

two studies were inconsistent in that the justification effect occurred either only for those less well off due to the change (study 1) or only for those unaffected by the change (study 2). As Wartick argues, the results might reflect the fact that the justification needs to be found adequate in order to be effective (Greenberg, 1993).

Moreover, procedural justice was defined earlier as implying a concept of entitlement. Hence, it could be argued that taxpayers would regard a certain treatment as particularly fair when it satisfies their perceived entitlements. In a study with a student sample in Australia, I asked respondents to rate their perceptions of and response to a reminder letter that they hypothetically received from the ATO (Wenzel, 2001c). The letter either contained respectful treatment (interpersonal justice), provided explanations and justifications (informational justice), or was a usual, rather concise, letter from the ATO (control). Furthermore, each letter highlighted one of three rights from the Taxpayers' Charter (Australian Taxation Office, 1997), namely, rights to respectful treatment, explanation of decisions, or minimisation of costs (control). In line with the prediction, the interpersonal justice letter was considered fairer than the other two letters, when the interpersonal right (respect) was salient. The informational justice letter was considered fairer than the other two letters when the information right (explanation) was salient. Feelings of entitlement seem to play a role for perceptions of procedural fairness. The results suggest that tax authorities could indeed profit from alerting attention to and granting taxpayer rights, but they would need to assure that the rights are indeed fulfilled.

Finally, individuals may also be concerned about the efficiency of their interactions with the ATO or, conversely, the costs of their attempts to be compliant. Possible issues could be the promptness of correspondence, provision of assistance and clear instructions, waiting time on the phone and length of queues at information desks (see Smith and Stalans, 1991). For instance, in Stalans and Lind's (1997) study, respondents' satisfaction with their audit treatment was affected by the perceived time the auditor used to gather information and make a decision. Likewise, respondents were more dissatisfied, the longer it objectively took to reach a decision. Wallschutzky (1984) found that convicted evaders were less satisfied than the control group with the efficiency and speed of the ATO's handling of their tax returns.

The same issues of procedural justice could be analysed at a *group level*, which research has so far neglected. For instance, taxpayers could feel they are treated disrespectfully as members of a certain group (rather than as individuals) (see Hobson, 2002; Murphy, 2002a). They could believe that the ATO is not neutral and treats their group differently from another group (see Hobson, 2002; Murphy, 2002b). Likewise, they could feel that the ATO allows voice, and listens, to certain *societal* groups rather than others. They could think that the ATO goes to great lengths to explain decisions to, and try to receive consent from, some groups but not when it comes to their group. Or, they could believe that their dealings with the ATO are less efficient and the costs of complying with the laws are higher for their

group than for others. A good example of this latter issue is the strong dissatisfaction small business owners expressed after the introduction of Tax Reform in Australia in 2000. With the introduction of the Goods and Services Tax (GST), and the (initial) requirement to lodge quarterly tax statements, they felt small business was carrying the greatest burden of the tax changes. They also felt disadvantaged compared to larger business who were in a better position to make one-off investments in structural changes to cope with the new system.

At a *societal* level, the same four issues and how they apply to the ATO's treatment of *all* taxpayers could be of concern. For instance, the ATO's formal granting of respective rights and service standards could be seen as a measure of procedural fairness at a *societal* level. Based on a survey with Australian citizens, Braithwaite and Reinhart (2000) found that respondents had greater trust in, and more favourable attitudes towards, the ATO when they believed that the ATO met their obligations set out in the Taxpayers' Charter. The Australian Taxpayers' Charter not only grants fair and respectful treatment and confidentiality, but also makes explicit taxpayers' options for making complaints and appealing decisions. The latter would be an instance of voice and process control at a *societal* level. Perceptions of large-scale voice and control about taxation issues, however, are also based on views about the presence of participatory and democratic political structures (as simulated in the study by Alm et al., 1993 or referred to in the vignette study by Tyler et al., 1985). The third issue of informational justice is played out at the *societal* level in terms of the ATO's transparency towards the public, its presentation in the media and the extent of communication with taxpayers.

Overall, these societal-level issues have rarely been investigated in their potential impact on tax compliance. In contrast, the fourth issue, namely the efficiency or costliness of the tax system, has attracted quite a lot of research attention. This issue has been dealt with in particular under the labels of administration and compliance costs (e.g., Sandford, Godwin and Hardwick, 1989) and the complexity of the tax system (e.g., Milliron, 1985). Both topics are related (e.g., Blumenthal, 2000), but only the latter has been discussed explicitly in relation to perceptions of fairness, with authors disagreeing about how, or whether at all, complexity is related to fairness) (see Carnes and Cuccia, 1996). According to Carnes and Cuccia (1996), complexity overall is negatively related to perceived equity; however, taxpayers can regard specific complexities as justified and thus these would contribute less to perceptions of unfairness. Yet, Smith asked respondents to rate the probable effectiveness of eight possible 'ways that might help the IRS [Internal Revenue Service] do a better job' (1992, p. 237). Respondents most strongly recommended a simplification of the tax system; and the more unfair they thought the current tax system was, the more they recommended simplification. It may be added here that respondents' second strongest recommendation was to increase the likelihood of tax offenders being caught. This leads us to the third area of justice.

Retributive Justice and Tax Compliance

Issues of retributive justice have rarely been explicitly studied in the context of tax compliance. Findings like Smith's (1992), however, suggest that they deserve our attention, as the results seem to indicate that honest taxpayers (i.e., presumably the majority of taxpayers) are concerned about others betraying the system and getting away with it. In fact, however, questions of retributive justice have two perspectives. First, as just stated, honest taxpayers could perceive it as unfair, and consider their sense of responsibility to be disrespected or ridiculed, when they see others violate the law, disregard civic duties, make their profit and go unpunished. Second, taxpayers who violate tax laws could find the penalty they receive unfair, disproportional to the offence, or for other reasons unjustified. In its narrow sense, retributive justice deals here with the question of fair and appropriate punishment for tax evaders. In a wider sense, this could also include the appropriateness of procedures involved in investigating tax evasion. Thus, there is some overlap with the category of procedural justice, where we already discussed research on fairness in the context of audits.

As with distributive and procedural justice, issues of retributive justice could be relevant at three different levels of analysis (see Table 3.3).

Table 3.3 Retributive justice in taxation: examples for three levels of analysis

| | Individual level | Group level | Societal level |
|-----------|---|--|--|
| Penalties | appropriateness of penalty for individual (relative to the offence, others) | appropriateness of penalty for ingroup (relative to the offence, others) | severity of penalties; distribution penalties for different offences; quality of penalties |
| Audits | rigidity or inconsiderateness of audit for individual case | rigidity or inconsiderateness of audit for ingroup cases | rigidity or inconsiderateness of audits in general |

Taxpayers could question the fairness of the treatment that they (or another target *individual*) receive as a response to a suspected or established act of tax evasion. They could find a penalty too severe (or not severe enough) relative to the offence, given the degree of blame attributed to oneself (or the other person) or compared to other cases. They could find the audit process too rigid, ignorant of possible harm to the person or their business, or a mere harassment. At a *group* level, the same

issues could be considered for the treatment of one's own group relative to other groups. At a *societal* level, some possible issues could be the perceived fairness of the general severity of penalties for tax offences, the relative severity of penalties for small versus serious offences (i.e., a version of vertical justice), or the perceived quality of the punishments such as their punitive versus reintegrative character (see Braithwaite, 1989).

As stated above, there is not much research available on these issues. Vogel (1974) asked participants to select appropriate penalties (no penalty, fine, imprisonment) for acts of tax evasion differing in seriousness. However, he compared the responses with the penalties suggested for other offences, but not with the perceived actual penalties for tax evasion. Thus, the questions were used as an indirect measure of people's attitudes towards tax evasion as an offence compared to other offences (see Song and Yarbrough, 1978), but not people's perceived fairness of the current system of penalties for tax evasion. There is, however, much anecdotal evidence for taxpayers' resentment over incidences where individuals defied the ATO, evaded or avoided tax, and yet escaped prosecution. In fact, the resentment is often better understood as an intergroup phenomenon in that certain groups of people (e.g., the rich, big business) are considered to be able to dodge their taxpaying responsibilities and the ATO is perceived as being soft on 'them' (see Shover, Job and Carroll, Chapter 8, this volume; Braithwaite, Chapter 12, this volume).

Likewise, researchers have argued that taxpayers subject to investigation or punishment could resent their treatment, find penalties unfair or audits unreasonably intrusive, and as a consequence develop more negative attitudes towards the ATO (Strümpel, 1969; Spicer and Lundstedt, 1976; Sheffrin and Triest, 1992; Murphy, 2002a, 2002b). At a group level, taxpayers could also question the consistency of the ATO's enforcement procedures and penalty regimes across different *societal* groups. For instance, in the 1990s, tax minimisation schemes gained popularity, and were strongly promoted, among groups of middle and working-class Australians (see Murphy and Byng, 2002). While the ATO tolerated the practices for several years, in early 1998 it decided to crack down on the schemes, declared them illegal and amended previous tax assessments. Taxpayers involved in the schemes faced large tax bills, penalties and interest charges (Murphy, 2002a, 2002b). There was not merely a perceived inconsistency over time; more crucially people resented the decision because they thought it reflected discriminatory treatment of them, the normal middle or working-class people, versus the rich who always go unpunished. As one tax scheme promoter put it: 'You see, it was OK while it was the top end of town, but when it was the mums and dads of Australia starting to take advantage of the same tax breaks, then, of course, it was time to call a halt' (Australian Broadcasting Commission, *Four Corners*, 2001) (see also Senate Economics References Committee, 2001; Hobson, 2002; Murphy, 2002a, 2002b, for work on perceptions of ATO fairness by scheme investors).

Issues of retributive justice may also play a role in the success or failure of tax amnesties (Hasseldine, 1998); however, tax amnesties have been analysed so far mainly from an economic expected utility perspective (e.g., Alm and Beck, 1990; Stella, 1991). Under these programs, previously non-compliant taxpayers are asked to come forward and disclose their tax deficiencies, normally with the incentive of penalties being waived before a certain deadline. The aims of such measures are twofold: to get hold of revenue that would otherwise be lost because detection of the evasion would be either unlikely or costly, and to bring taxpayers who dropped out of the system back into the system. Taxpayers who previously evaded tax but have changed their attitude would no longer feel forced to repeat their previous behaviour out of fear of receiving high penalties. They might therefore view the amnesty as a way of giving them a fair chance. In contrast, taxpayers who are already honest may consider a tax amnesty unfair, because it does not acknowledge their integrity, disadvantages them materially and rewards tax evasion (Hasseldine, 1998). The perceived unfairness of tax amnesties, in addition to their potential impact on expected utilities from evasion behaviour, may undermine tax morality in the long run.

Conclusion

The evidence for the role of justice perceptions for tax compliance, as reviewed in the previous sections, supports my introductory argument that a pure self-interest account is insufficient for a proper understanding of taxpaying behaviour. Furthermore, the review demonstrates the complexity of questions of fairness in the area of taxation and supports my view that we need to differentiate more precisely the aspects of justice we are talking about. The distinction between distributive, procedural and retributive justice is an established one in psychological research on justice (Tyler and Smith, 1998). As shown, all three areas seem to be potentially relevant to the phenomenon of tax compliance. Likewise, the distinction between different levels of analysis, even though often overlooked, is considered valuable in psychological research on justice (Tyler and Smith, 1998). To some extent, this distinction was already implicit in the fairness concepts applied to tax compliance (e.g., horizontal versus vertical justice), but an explicit and systematic application of different levels of analysis proved possible and instructive. In particular, an intermediate *group* level analysis has been largely neglected in tax compliance research, whereas studies on justice and relative deprivation have demonstrated the distinctive dynamics when people do not consider themselves as individuals but rather as members of social groups (e.g., Smith et al., 1994; Platow, O'Connell, Shave and Hanning, 1995; Wenzel, 2002). An analysis of tax non-compliance as a *group* level response that is based on an interpretation of the situation shared within one's relevant ingroup, and that is justified as a response against the perceived unfair treatment of one's ingroup

(relative to other groups), is more than plausible. Unfortunately, however, there is limited research that speaks directly to such an account.

Indeed, the main value of the present review is less likely to consist in its statement about what we know about the role of justice perceptions for tax compliance, but rather what we do not know. For several issues, the review revealed inconsistent findings that could not be resolved here, because a more thorough analysis of the different methodologies and operationalisations would be required. More importantly, however, the argument is that we cannot expect all findings to be consistent as they refer to various forms of fairness perceptions. The taxonomy suggests which results should be comparable and therefore which inconsistencies need to be resolved. Moreover, the review showed that a number of issues identified on the basis of the present taxonomy have rarely been investigated at all. Specifically, questions of retributive justice at all three levels of analysis have been largely ignored. Likewise, only a few studies have looked at the role of procedural justice for tax compliance. Further, even in the area of distributive justice, which has been the main focus of research, a *group* level analysis has been clearly neglected so far. Future research needs to address these issues.

Future research would also need to test for independent and unique effects of the various justice considerations, as they are likely to be empirically correlated with each other. Research could try to establish which of the more finely differentiated justice considerations are most strongly related to, and most predictive of, tax compliance (Wenzel, 2001d). The results could be valuable for tax legislators and tax authorities, not only by providing a more differentiated diagnosis of the underlying problem, but also by suggesting priorities for addressing the issues.

However, contextual conditions should furthermore moderate the impact of the various justice concerns on taxpaying behaviour. We need to apply and develop more refined theoretical accounts for the relevance of justice concerns. Empirical inconsistencies revealed in the present chapter, where consistency was expected, may be partly due to methodological differences between the studies; however, they also encourage us to look for moderating factors and gain a better understanding of when and why people are concerned about fairness at all.

In a recent study on tax compliance (Wenzel, 2001b), I tested the prediction that concerns for procedural and distributive justice would depend on the level of identification with the inclusive category (i.e., one's nation) within which procedures were applied and resources distributed (Tyler, 1997; Tyler and Smith, 1999; Wenzel, 2000, 2001a, 2002). Based on a survey with Australian citizens (Braithwaite, 2001), the results confirmed the predictions for two forms of tax compliance (i.e., under reporting of non-pay income, exaggerations of deductions). Self-interest variables were more influential when respondents were less identified as Australians, while perceptions of procedural and distributive justice were more positively related to compliance when respondents identified strongly as Australians. Two other forms of compliance were not related to fairness concerns

but to self-interest considerations. These two forms, namely cash under reporting and tax minimisation, could be considered more legitimate behaviours, at least for certain reference groups, and might therefore constitute rational choices rather than a protest against perceived injustices. Thus, not only could social identity influence whether or not people are concerned about justice, but qualities of the specific behaviours could moderate whether or not these would be used as a response to perceived unfairness.

Certainly, further research in this direction is necessary. The present chapter was not meant to offer substantial theoretical propositions about underlying psychological processes. Rather, it provides a map to the field, using a larger scale and covering familiar and unfamiliar territory that will hopefully act as a tool for future expeditions.

Notes

- 1 I will not distinguish here between entitlement and deservingness, but see Feather (1999) and Steil (1994).
- 2 In fact, they could also compare their share in tax-funded benefits with their share at future times or under counterfactual conditions; for instance, when the opposition party suggests a different use of tax revenue (see Folger, 1986).

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