

When idealists evade taxes: the influence of personal moral philosophy on attitudes to tax evasion – a Lebanese study

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This paper explores attitudes regarding tax evasion and the relationship between personal moral philosophy and such attitudes in a weak tax environment. The results confirm the multidimensionality of tax evasion attitudes. Idealism was negatively related to self-interest tax evasion attitudes while relativism was positively related to such attitudes. Idealism was also positively related to tax evasion attitudes stemming from concerns about the justice of the tax system. Idealists in a weak tax environment seemingly go through a cognitive reframing process where they recognize that the tax system is unfair, and accordingly tax evasion is a way to serve a different moral absolute, that is of equity, rather than another different moral absolute, which is fulfilling obligations to governments. The results are also explained in light of the suggested low moral intensity of tax evasion among respondents. Policy implications are presented.

Introduction

In 1971, Philip Zimbardo conducted the famous Stanford Prison Experiment where normal good college students, after being randomly assigned to play the role of prison guards, turned brutal on others who were playing the role of prisoners. A few decades later Zimbardo (2007) wrote a book addressing an ongoing question of how sometimes good people do evil things. While tax evasion is not one of the typical examples that are advanced when assessing why good people do bad actions, this act remains an interesting topic as it is sometimes committed by people who would otherwise be labeled good. This paper addresses tax paying attitudes in Lebanon, a Middle Eastern country characterized by

a weak tax environment in terms of tax administration and tax culture. We assess the relationship between ethical ideology (idealism and relativism) and such attitudes. Tax evasion stems from different motives, and the Lebanese context represents an interesting case as this could be typical, in many respects, of countries that share a similar tax culture.

Tax evasion is a problem in both developed and developing societies and its persistence has detrimental effects on economic growth as it reduces the ability of governments to supply public services (Cerqueti & Coppier 2011). In addition, it is related to undermining administrative efficiency and social justice (Skouloudis *et al.* 2011). While tax evasion has been extensively analyzed in developed societies,

there is still a need to understand how it operates in developing countries. The combination of corruption and tax evasion in many countries hits economic efficiency and performance to a great extent (Flatters & Macleod 1995, Fjeldstad 2003). Studies conducted outside the Western world on this topic include Albania (Gerxhani 2007), Uganda (Gauthier & Reinikka 2001), and Chile and Argentina (Bergman 2003). The fact remains, however, that evidence regarding tax evasion and tax morale in developing countries is scarce (Torgler 2005), although tax evasion takes away about 900 billion USD a year from those countries (Mathiason 2008).

The paper starts by presenting some theories of tax evasion including the concept of tax morale and discusses the potential impact of moral ideology on tax evasion attitudes. We then provide some contextual information about Lebanon before explaining our methodology including data collection procedures, measures used and findings. The paper concludes with a discussion of the findings and implications for future research and policy.

Theories of tax evasion

Tax evasion has been negatively linked to levels of economic freedom, effectiveness of competition laws and moral norms (Riahi-Belkaoui 2004). Scholars have also associated tax evasion with such things as tax rates, types of taxes, fines on noncompliance and probability of being audited, economic growth, and personality variables (Chen 2003, Martinez-Vazquez & Rider 2005, Fortin *et al.* 2007). Jackson & Milliron (1986) posit several determinants of tax evasion including demographics, economic factors, income levels, tax rates, probability of detection, and behavioral influences. Different approaches explaining tax evasion include economic deterrence and fiscal psychology models (Hasseldine & Li 1999, Slemrod 2007). The first approach rests on an explanation of tax evasion relating to its costs vs. benefits (Allingham & Sandmo 1972). A rational taxpayer will purportedly evade taxes as long as the pay-off from evading outweighs the cost of getting caught and penalized. Later models, however, included an attempt to explain the reasons why some people, given a perception of services received from the

government, would not strictly follow a pure cost-benefit approach. Economic conditions, tax rates, the institutional tax environment and similar factors can all be used to explain tax compliance.

Problems with economic deterrence models were highlighted in earlier studies (e.g. Weigel *et al.* 1987, Feld & Frey 2002). These include the inability of those models to explain the high tax morale prevalent in some contexts when the risk of being audited and caught is minimal. If the size of the shadow economy is one indicator of tax evasion, what explains the relative similarity in size (about 18%), of shadow economies of Indonesia, Qatar, Denmark, Iran, Norway and Finland (Schneider *et al.* 2010) that have markedly different economic institutional contexts? Economic and regulatory factors alone thus cannot explain rates of tax evasion. Cullis & Lewis (1997: 310) summarize the discrepancy in a few words: 'Economists tend to see . . . tax evasion as a technical problem; social scientists (including psychologists) as a social problem'. Thus, an alternative or complementary perspective is needed.

This other approach includes a fiscal-psychology or behavioral approach where evasion is understood in light of theories such as the theory of reasoned action (Ajzen & Fishbein 1980). Evasion is explained by people's attitudes, social norms, and behavioral intentions; it has a significant moral component. In order to understand behavior, personal and social factors need to be taken into consideration (Vallerand *et al.* 1992). Like any other action of moral significance, people act because of certain attitudes they have, values to which they adhere, beliefs that they embrace, and social norms with which they feel more or less pressured to comply. Tax morale is invoked in this perspective reflecting the notion that it can explain differences in tax compliance (Torgler 2005).

Tax morale

Tax morale is the belief that there is a moral obligation to pay taxes (Torgler & Schneider 2007) or the 'intrinsic motivation' behind paying taxes (Feld & Frey 2002, Alm & Torgler 2006). It helps in clarifying why some people choose to pay taxes (Torgler 2005) even when the possibility of detecting evasion

does not warrant compliance in pure economic terms (Alm *et al.* 1992, Feld & Frey 2002). This becomes relevant in countries where the extent of corruption is high and where problems exist in the way taxes are collected and distributed. Among the few studies that address what shapes attitudes to tax-paying, some have cited extreme risk aversion, social norms, and fairness perceptions (Webley *et al.* 1991, Alm *et al.* 1992, Güth *et al.* 2005). Other studies focused on social and institutional factors (Alm & Torgler 2006). Nickerson *et al.* (2009) asserted that there seems to be more than one perceptual dimension for tax evasion. People sometimes evade taxes out of pure selfishness. Sometimes, however, the more pertinent factor relates to the fairness of the tax system itself and how tax money is spent and who is benefiting from it. People may evade taxes when they feel that there is something not working properly in the tax system such as high incidence of corruption. People may evade taxes if they feel that there are certain classes of individuals who are not treated equally under the prevailing system.

Research addressing what impacts tax morale is not conclusive and requires more scholarly attention. For example, personality variables that have been extensively investigated in ethics research have scarcely been used to explain tax morale. Torgler *et al.* (2008) have contended that 'willingness to obey' has a relatively strong impact on tax morale, but this finding remains one of the few instances where personality variables have been found to associate with tax morale. While tax morale is argued to eventually impact evasion behavior, it is treated as a black box as not much is known about the factors that contribute to its formation (Feld & Frey 2002, Torgler & Schneider 2007). Little has been analyzed regarding how it develops or how it is sustained; more interest has been directed on how tax morale impacts tax evasion behaviors and not on how tax morale is formed in the first place. On a different note, there is enough evidence to conclude that tax morale differs between different national contexts. Differences were found, for example, among participants in Russia, Belarus, Ukraine, Hungary, Bulgaria, and Poland (Frey & Torgler 2007) and between respondents in Hong Kong vs. the US (McGee *et al.* 2008).

This paper aims at identifying some components of attitudes pertaining to tax evasion and the rela-

tionship between ethical ideology and such attitudes. Because of the scarcity of studies that looked into the formation of tax morale, this paper treats tax morale, or tax evasion attitudes, as a dependent variable, which is not common in tax compliance literature (Torgler 2005). In light of the dimensions of tax evasion identified above (Nickerson *et al.* 2009), two dimensions for tax evasion attitudes are relevant for this paper. First, tax evasion attitudes include a personal component based on self-interest that emanates from a desire to maximize personal gains (McGee *et al.* 2008). The second dimension is contextual relating to the objectivity of the tax system and the process by which money is collected and spent. Those two dimensions are impacted by many variables, one of which is a personality component represented in idealism and relativism, two dimensions of personal moral philosophy.

Idealism/relativism

How people react in situations that hold ethical dimensions depends on discrepancies in their personal moral philosophies. Forsyth (1980) distinguished between ethics of idealism and ethics of relativism that are not opposite ends of the same continuum, but rather represent two separate dimensions. Idealism refers to people's belief in the existence of moral absolutes (Forsyth & O'Boyle 2011). Idealists are concerned for the welfare of others and assume that this can occur with right actions. Relativists consider the situation from perspectives other than universal moral principles, acknowledging that situational demands necessitate a deviation from a right action. Prior research has shown that there is an association between those ethical ideologies and the ethical decision-making process. For example, Tansey *et al.* (1994) found that different moral philosophies led to different moral judgments. In another study, idealism was found to be associated with judgments about the ethical nature of selling practices, but a link was not established between relativism and the ethical decision-making process (Bass *et al.* 1999). Vitell *et al.* (2003) found that idealists tend to believe in the importance of ethics to the success of the firm; the opposite was true for relativists. High relativists are more lenient in their

ethical judgments (Forsyth *et al.* 2008) and as situations change, they become tolerant of incidents that pose questions of an ethical nature. On the other hand, idealists tend to be harsher in their judgments. There is a stream of research that hints that the relationship between idealism and ethical judgments is actually much stronger than between relativism and ethical judgments (Bass *et al.* 1999).

Cross-national differences have been noted in a number of studies along those two dimensions (Forsyth *et al.* 2008). Differences were found between American and Thai marketers (Singhapakdi *et al.* 1994), Saudi Arabians and Kuwaitis (Al-Khatib *et al.* 2005), Americans and Russians (Robertson *et al.* 2003), Turkish respondents and other Europeans (Vitell & Paolillo 2004), respondents in Spain, Turkey, the US, and the UK (Vitell *et al.* 2003), Canada, China, India, Ireland, Japan, and Thailand (MacNab *et al.* 2011), and Brazil, Chile, China, Estonia, and the US (Alsua *et al.* 2012), Chinese and Americans (Singh *et al.* 2007), Belgians and Americans (Al-Khatib *et al.* 2011), and between Europeans and Chinese (Vitell & Patwardhan 2008). Of specific relevance to this paper, people from the Middle East tend to be more idealistic than Westerners and less relativistic than Easterners (Forsyth *et al.* 2008).

There is scarcity of studies that assess the impact of moral philosophies on tax compliance. Keller (1997) made a link between idealism/relativism and tax compliance in an experimental setting, but his study did not invoke tax morale as an attitude that impacts behavioral intentions and behavior. In this paper, we assess the impact of idealism and relativism on tax morale. We expect that there is a relationship between people's ethical ideologies and their ethical judgments and, for the case of tax evasion, this will hold whether those stem from self-interest or from perceptions of injustices in the tax system. This is because people make ethical judgments based on many factors (see e.g. Hunt & Vitell 1986) which include personal characteristics such as ethical ideologies, values, and belief systems (Kish-Gephart *et al.* 2010).

As idealists tend to hold principled opinions about what is right, they would not adopt attitudes of tax evasion based on self-interest. Idealists respond to universal moral rules and thus are expected to adopt

positions that do not serve their self-interest. Universal rules of justice and fairness preclude them from internalizing attitudes that come at the expense of others. That is why they are expected to embrace what is fair, not only to them, but also to others. Tax evasion to them is inconsistent with standards of fairness, equity, and justice. Thus idealists, who try their best to live according to such rules and standards, are expected to adopt views that are more commensurate with tax compliance rather than tax evasion. Accordingly, we hypothesize:

Hypothesis 1: *Idealism will be negatively related to tax evasion attitudes that emanate from self-interest.*

Because idealists think in terms of what is right for others, it is expected that, in a tax environment that is riddled with injustice and corruption, they would be torn between what is right as a matter of principle, and what is fair to others. When they perceive injustices in the tax system, their idealism will prompt them to depart from conventional ethical rules as they believe that people should act to reach the best conceivable outcome for all. According to Forsyth *et al.* (2008: 815), some idealists do inspect the situation and look for 'the consequences both intentionally and accidentally produced – in reaching a contextually appropriate moral evaluation'. Idealists would display an attitude of tax evasion if they are faced with an unfair tax system because they would be complying with a higher-level moral principle (justice) rather than a lower one (compliance with rules). In their minds, an unfair tax system works against the welfare of individuals. Accordingly:

Hypothesis 2: *Idealism will be positively related to tax evasion attitudes that emanate from issues with the fairness of the tax system.*

In the case of relativism, it is expected that it would be positively related to the two dimensions of tax evasion. Relativists tend not to adopt a universalist perspective and their judgments are contingent on the situation. They sometimes are more tolerant of situations of questionable ethical content as they are not inclined to rely extensively on universal moral

rules. In the specific case of tax evasion, tax compliance will not lead to the best consequences for all. Relativism, more linked to situation ethics and value pluralism (Forsyth *et al.* 2008), will drive people to think more of the elements of the situation. Rather than relying on moral absolutes such as the need to obey the law, they would invoke rationalizations to justify their adoption of tax evasion attitudes. Accordingly we hypothesize:

Hypothesis 3: *Relativism will be positively related to tax evasion attitudes that emanate from self-interest.*

Hypothesis 4: *Relativism will be positively related to tax evasion attitudes that emanate from issues with the fairness of the tax system.*

Before presenting our methodology and findings, we briefly describe the Lebanese tax environment and ethical tendencies.

The Lebanese context

Compared to many other national contexts, taxes in the Middle East are less complicated and tax obligations are lower (The World Bank 2011). Lebanon, however, lags behind some countries in the region (such as those in the Arab Gulf Region) in terms of the tax burden and the ease of tax payments. The Lebanese tax system is characterized by a heavy reliance on indirect taxes. The most recent innovation has been the introduction of value-added tax (VAT) in 2002 which constitutes the largest revenue source for the government. Over the past few years, successive governments introduced several reforms. The case remains, however, that Lebanon suffers from a severe corruption problem as tax evasion is rampant and bribing is used to ignore tax irregularities (Adwan 2003). The rate of unpaid taxes on business profits was estimated to exceed 50% (LEA 2008) prompting the director general of the Finance Ministry to express his disenchantment with the level of tax evasion which hurts the Lebanese treasury and economy (*The Daily Star* 2010). The shadow economy in Lebanon is estimated to have been around 34% for the period 1999–

2007, ranking it in 79th place out of 162 countries (Schneider *et al.* 2010). In a study about ethical sensitivity in Lebanon, it was found that 30% of respondents did not feel that inflating expenses or reporting lower revenues posed an issue of ethical significance (Sidani *et al.* 2006). Research has also noted that the Lebanese business culture suffers, in some respects, from problems of corruption, lack of transparency, and deficiencies in ethical sensitivity (Rawwas *et al.* 1998, Sidani & Gardner 2000, Zgheib 2005). In a study comparing Lebanese to Egyptian consumers, it was found that the Lebanese tended to be more Machiavellian, less idealistic, and more relativistic than their Egyptian counterparts (Rawwas *et al.* 1994). Those studies have attributed such problems to economic, political (impact of unrest), and sociocultural factors. Overall, Lebanon suffers from a weak tax administration and lack of taxpayer compliance. This could be illustrative, to a certain extent, of other cases characterized by similar weak tax systems.

Methods

Data collection

In some countries, researchers often find difficulty in recruiting participants based on a random sample where there are no reliable databases or directories. Tax evasion data collection carries even more complexities due to its sensitive nature (Gerxhani 2007). In some countries, the survey method is often the only way to collect information about tax evasion (Hanousek & Palda 2003) as national statistics may be unavailable or inaccessible to researchers. Gerxhani (2007) defended the use of 'self-administered questionnaire' in tax evasion research in Albania; the same reasoning applies to the Lebanese case. The combination of personal contact and written questionnaire increases response rates, and avoiding direct questions about tax avoidance reduces the possibility of intimidation. Using mailed questionnaires is not an option due to the fact that people are not used to such methodologies and there is a lack of reliable national databases that can be used. This makes the hand-delivered self-administered questionnaire, under the supervision of a strict research protocol, one of the best tools to use (Rawwas *et al.* 1994).

Response rate biases have been identified as a problem in prior research (Bain 1995, Kujala 2001). It becomes a bigger problem in a country like Lebanon where there is a weak tax environment and the topic under study, tax evasion, is sensitive. Nevertheless, we utilized mechanisms to ensure participation that is representative of the Lebanese taxpayer. Techniques suggested include targeting a sub-population and persuading respondents of the importance of the research topic (Randall & Gibson 1990). We utilized some of these techniques to satisfy ourselves as to the relative generalizability of the data to the Lebanese tax-payer. Personal contacts were used to ensure that surveys were properly handled and survey questions asked about attitudes rather than specific behaviors which, we judge, significantly reduced social desirability or non-response biases. In all cases, absolute anonymity ensured in the cover letters led to more comfort in our data. Out of about 300 surveys distributed, 207 were collected (69% response rate). Demographic information suggests that no apparent problems exist in the gender, age and other indicators. The survey covered areas in Beirut, Mount Lebanon and North Lebanon that represent the most vibrant economic sectors in Lebanon (European Commission 2006).

Participants were recruited from several occupational backgrounds including sales, manufacturing, and trade sectors. Forty-nine percent were women and about 81% had at least some university education (Table 1 provides more information about the participants). The anonymous survey included four parts. The first assessed perceptions about different aspects of the tax system. The second asked for respondents' opinions regarding tax evasion. The third part measured levels of idealism and relativism. The last part collected some demographic information.

Measures

Tax morale has been measured in earlier studies through directly asking respondents whether it would be justifiable under different stated conditions to evade taxes (e.g. Frey & Torgler 2007). A tax evasion survey (McGee *et al.* 2008) asking respondents for their views on tax evasion in fifteen different situations was adopted after minor contextual

Table 1: Profile of the participants

	Number	Percentage
Gender		
Male	105	51
Female	101	49
Age		
Less than 35 years	89	43
36–50 years	76	37
More than 50 years	42	20
Education		
High school or less	38	19
Undergraduate degree	119	58
Graduate degree	46	23
Social status		
Single	71	36
Married	120	61
Other	7	3
Experience		
5 years or less	50	24
6–10 years	38	19
11–20 years	54	27
More than 20 years	62	30

adjustments. Sample statements are 'Tax evasion is ethical if a large portion of the money collected is spent on projects that I morally disapprove of' and 'Tax evasion is ethical if I cannot afford to pay'. The Ethic Position Questionnaire (EPQ) (Forsyth 1980) was utilized to assess moral philosophies. EPQ has two separate 10-item scales to measure idealism (sample item is 'Risks to another should never be tolerated, irrespective of how small the risks might be') and relativism (sample item is 'What is ethical varies from one situation and society to another'). A five-point Likert scale was used (1 = strongly disagree and 5 = strongly agree). All questions were translated by a professional translator and the back-translation was reviewed by another expert to correct any inconsistencies.

Data analysis

An exploratory factor analysis (principal components with varimax rotation) of the fifteen statements was conducted on the tax morale questions. The Kaiser-Meyer-Olkin (K-M-O) measure of sample accuracy (0.81) and the Bartlett test of sphericity

Table 2: Factor analysis of the tax evasion survey

	SITE Cronbach $\alpha = 0.84$	JSTE Cronbach $\alpha = 0.80$
Tax evasion is ethical even if a large portion of the money collected is spent on worthy projects.	0.811	
Tax evasion is ethical even if a large portion of the money collected is spent on projects that do benefit me.	0.801	
Tax evasion is ethical even if most of the money collected is spent wisely.	0.769	
Tax evasion is ethical even if tax rates are not too high.	0.721	
Tax evasion is ethical if a large portion of the money collected is spent on projects that do not benefit me.	0.695	
Tax evasion is ethical if the tax system is unfair.		0.847
Tax evasion is ethical if a large portion of the money collected is wasted.		0.809
Tax evasion is ethical if tax rates are too high.		0.792

SITE, Self-interest tax evasion; JSTE, Justice of tax system tax evasion.

($p < 0.0001$) indicate that the factor analysis is adequate for the data collected. The factor analysis, which explained 59% of the variance, yielded three factors (eigenvalues > 1) but one was dropped due to its low reliability. Seven items were dropped from the analysis because they either loaded on more than one factor or they belonged to the third dropped factor. According to expectations advanced above, the two factors were identified as follows (Table 2):

1. **'Self-interest'** tax evasion (SITE) comprised five items and had a Cronbach alpha reliability of 0.84. This factor basically reflects ethical attitudes that are more in line with a strict self-interest perspective tax evasion. A sample item is *'Tax evasion is ethical even if a large portion of the money collected is spent on worthy projects.'*
2. **'Justice of tax system'** tax evasion (JSTE) comprised three items and had a Cronbach alpha reliability of 0.80. A sample item is *'Tax evasion is ethical if a large portion of the money collected is wasted.'*

Further analysis revealed that SITE (mean = 2.13) was significantly lower than JSTE (mean = 3.61).

We conducted an exploratory factor analysis of the idealism-relativism scale. Factor analysis led to explaining 68% of the variance (six factors of eigenvalues greater than 1). The first two factors were

clearly related to idealism and relativism. A close look at the other factors revealed that they each contained one or two items that did not register in the minds of respondents as part of idealism and relativism. The ten items that survived the analysis were subjected to a second factor analysis which revealed a two-factor solution that explained 56% of the variance. The Kaiser-Meyer-Olkin (K-M-O) measure of sample accuracy (0.78) and the Bartlett test of sphericity ($p < 0.0001$) indicate that the factor analysis is adequate for the data collected. Factor 1 (idealism) comprised five items and Factor 2 also comprised five items. One item that belonged to the second factor was dropped due to double loadings. Cronbach's alpha reliability for idealism was 0.84 and for relativism was 0.74 (Table 3). The respondents demonstrated high levels of idealism (mean = 4.43 out of 5) and moderate levels of relativism (Mean = 3.08 out of 5).

Basic descriptive statistics and correlations are presented in Tables 4 and 5.

Earlier research on tax evasion has found that demographic variables impact tax evasion (Jackson & Milliron 1986, Richardson 2006) and thus are expected to explain variance in tax morale. Although results are not conclusive, women were found to evade taxes less than men and younger individuals to evade more than older ones (Giese & Hoffman 1999, Orviska & Hudson 2002, Gerxhani & Schram 2006).

Table 3: Factor analysis of the EPQ

	Idealism Cronbach $\alpha = 0.84$	Relativism Cronbach $\alpha = 0.74$
One should never psychologically or physically harm another person.	0.816	
If an action could harm an innocent person, it should not be done.	0.815	
One should not perform an action which might in any way threaten the dignity and welfare of another individual.	0.775	
Risks to another should never be tolerated, irrespective of how small the risks might be.	0.752	
The dignity and welfare of people should be the most important concern in any society.	0.623	
Moral standards are individualistic; what one person considers to be moral may seem immoral to another.		0.778
What is ethical for everyone can never be resolved since what is moral or immoral is up to the individual.		0.752
What is ethical varies from one situation and society to another.		0.729
Different types of moralities cannot be compared as to the 'rightness'.		0.696

Table 4: Descriptive statistics

	Mean*	Standard deviation
Idealism (IDE)	4.43	0.61
Relativism (REL)	3.08	0.87
Self-interest tax evasion (SITE)	2.13	0.88
Justice of tax system tax evasion (JSTE)	3.61	0.98

* Scales ranges from 1 to 5.

Table 5: Correlations

	SITE	JSTE	IDE	REL
Self-Interest TE	1			
Justice of System TE	0.146*	1		
Idealism	-0.203**	0.172*	1	
Relativism	0.381**	0.146*	0.012	1

* $p < 0.05$.

** $p < 0.01$.

Education was also found to impact tax morale (Richardson 2006, Frey & Torgler 2007). ANOVA test revealed that people's education was related to their self-interest tax evasion attitudes ($F = 9.576$, $p < 0.0001$) and justice of tax system tax evasion ($F = 3.497$, $p < 0.05$). No impact was found for other demographic variables.

Simultaneous equation modeling was used to test the above hypotheses. The advantage of this approach is that it can estimate the impact of numerous independent variables on numerous dependent variables while taking into consideration correlations among different variables. Because preliminary analysis indicated that one demographic variable (education) may have an impact on the purported relationships, we included education in the model as potentially impacting both types of tax evasion. The overall model was found to fit the data ($\chi^2 = 2.84$,

$p > 0.05$ leading to the acceptance of the null hypothesis that the model fits the data). The overall model is shown in Figure 1. Table 6 shows the standardized regression coefficients of the model.

The model indicated that both education and idealism impacted both types of tax evasion. Education was related negatively with both types of tax evasion. This relationship is in line with prior research which indicates that as the general education in a country increases, tax evasion tends to get lower (Richardson 2006). Idealism was related negatively with self-interest tax evasion and positively with justice of tax system tax evasion. Relativism was found to be related positively to self-interested tax evasion but not to justice of system tax evasion. The results lend support to Hypothesis 1 (Idealism will be negatively related to tax evasion attitudes that emanate from self-interest), Hypothesis 2 (Idealism will be positively related to tax evasion attitudes that emanate

Figure 1: Ethical ideology–tax evasion attitudes model

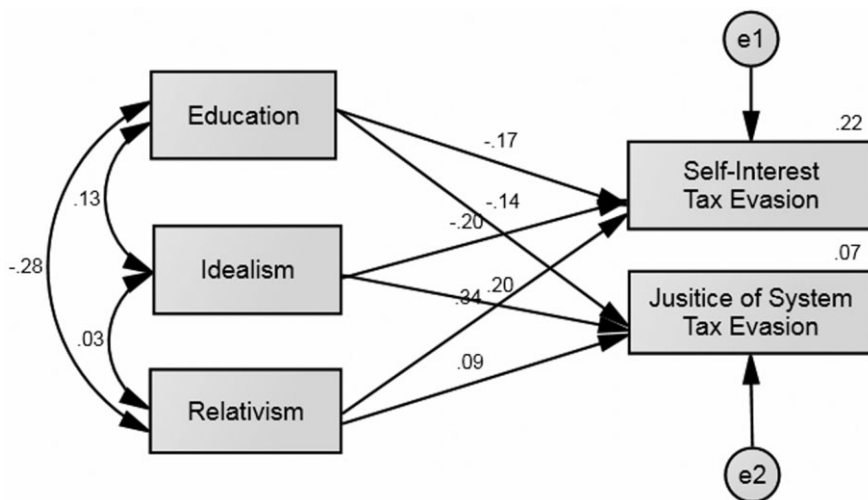
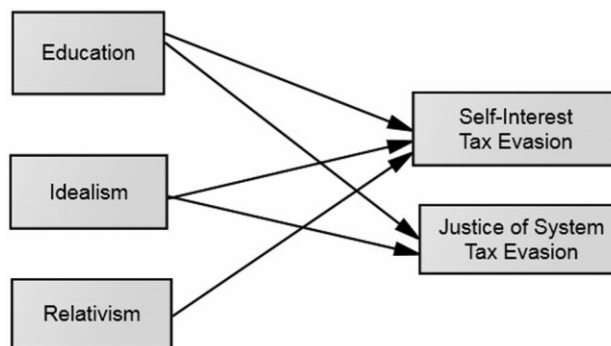


Table 6: Standardized regression weights in the ethical ideology–tax evasion attitudes model

Path	Weight
Idealism to:	
Self-Interest Tax Evasion	-0.196**
Justice of System Tax Evasion	0.204**
Relativism to:	
Self-Interest Tax Evasion	0.339**
Justice of System Tax Evasion	0.090
Education to:	
Self-Interest Tax Evasion	-0.144**
Justice of System Tax Evasion	-0.174*

* $p < 0.05$.
** $p < 0.01$.

Figure 2: Relationships confirmed in the analysis



from issues with the fairness of the tax system) and Hypothesis 3 (Relativism will be positively related to tax evasion attitudes that emanate from self-interest). No support was found for Hypothesis 4 (Relativism will be positively related to tax evasion attitudes that emanate from issues with the fairness of the tax system). Figure 2 portrays the relationships confirmed in our analysis.

Discussion

People's attitudes and decision-making do not solely depend on their ethical ideologies, and idealism or

relativism cannot – on their own – explain people's ethical attitudes. It is evident, however, that they are part of this interactive process. The results indicate that both idealism and relativism impact attitudes towards tax evasion. Results indicate that relativists tend to adopt attitudes of tax evasion that emanate from self-interest. This is in line with research that suggests that relativism is associated with ethical leniency (Forsyth *et al.* 2008). Relativism was not found to predict tax evasion attitudes emanating from feeling that the tax system is unfair. It seems that relativism does not only involve different attitudes and behaviors in different situations, but that agents/actors make divergent evaluations regarding the situational change. In other words, there are variations in some people's (relativists) assessments of situational change which would lead to variations in their attitudinal change as well.

In a weak tax system environment, where tax administration is deficient or when there are high incidents of corruption, people will internalize attitudes against the payments of taxes. From an equity perspective, a corrupt environment will prompt people, who are otherwise law-abiding citizens, to consider evading taxes. Yet, this does not apply equally to everybody as people differ in their ethical ideologies prompting them to behave in varying directions. While people differ cross-culturally on their degree of idealism, the relationship between idealism and ethical judgments is expected to hold (Vitell *et al.* 2003). Idealists, who tend to hold moral absolutes as to what is right and what is wrong, do not typically involve themselves in self-interest tax evasion. Their attachment to the welfare of others forbids them from harming others. Abstaining from paying taxes that are due to the government, just to serve egotistic concerns, does not appeal to them.

Respondents in our sample scored higher on idealism which is in line with prior research that indicated people in the Middle East tend to be more idealistic. It seems the case that many respondents were idealists living in a tough environment. In a weak tax environment, idealists face a troubling situation; they face a less than ideal tax environment where it is hard to attach to moral absolutes. Our results indicate that some idealists tend to develop tax evasion attitudes if they feel that the tax system is corrupt and not fair. This is in line with the situation in Lebanon: people score high on idealism yet tax behaviors – as evidenced from contextual discussion about Lebanon – show low levels of compliance. Idealists in Lebanon seemingly go through a cognitive reframing process where they recognize that the tax system is unfair, and accordingly tax evasion is a way to serve a different moral absolute, that is of equity, rather than another different moral absolute, which is fulfilling obligations to governments. Moreover, because idealism and relativism are two separate dimensions, some people who score high on idealism will also look at the situation and adjust their attitudes and ensuing behaviors. Those people are called situationists (Forsyth 1980, Forsyth *et al.* 2008).

A further explanation of this finding is that ‘not harming others’, that idealists dearly uphold, does not include the tax administration. Jones (1991) explains how the intensity of the moral issue itself

impacts how agents/actors approach ethical dilemmas. He indicates that aspects of the moral issue impact how people make decisions in such a context: ‘magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity, and concentration of effects’ (p. 372). Idealism is not a dichotomous construct; it is a continuum on which people have varying positions. As idealism is concerned with the degree of harm that impacts people because of an agent’s decision, it would be expected that decision-makers would assess the magnitude of consequences of a certain moral issue. In the case of tax evasion, decision-makers often are not able to conceptualize the degree of harm that impacts others. In Lebanon, people do not have a culture of tax-awareness so, in general, they are not aware of the harms caused by tax evasion or they tend to minimize it.

The high degree of tax evasion also means that the second component of the moral intensity of tax evasion makes it of low intensity. Though it is illegal, tax evasion is not met with much social disapproval in the Lebanese context. Anecdotal evidence suggests that some Lebanese business people would not mind confiding to their inner social circles about their ability to get around the system and escape tax obligations. Probability of effect refers to the actor’s assessment of the joint probability of a certain act taking place and the magnitude of harm. As the magnitude of harm caused by tax evasion – as discussed earlier – is significantly discounted, the probability of effect in their minds tends to be low. In a culture where people are not able to link their behaviors to overall societal harm, they will tend to minimize the probability of harm caused by their actions.

Temporal immediacy refers to the length of time between an action and its consequences, or – in our case – between tax evasion and harm to other citizens. Even in the unlikely case where the agent is able to discern the harm caused by tax evasion, such harm is not immediate (at least in the mind of that agent) and accordingly tax evasion loses its ‘moral urgency’.

The fifth dimension of moral intensity is probably the most relevant in the Lebanese context. Proximity of the act (social, cultural, psychological and physical) to the victims of the act in question gives a sense of nearness – or lack of it – that impacts agents’

attitudes and their behaviors. In the minds of agents, tax evasion is not an act directed against other citizens. It is rather an act directed against a tax regime, system, or administration. In a context where there is little trust between the tax payer and the government or tax administration, proximity is low. In other words, agents do not feel 'nearness' to the other party that is being harmed.

The last component of moral intensity is 'concentration of effects'. According to Jones (1991): 'Cheating an individual . . . out of given sum has a more concentrated effect than cheating an institutional entity such as a corporation or government agency, out of the same sum' (pp. 377–378). On top of all the above, the moral intensity of an action of tax evasion is lessened by the perceived ineptness and corruptive actions of the tax system itself.

The findings gain more significance as they indicate the negative relationship between education and tax evasion attitudes. As people get more educated, tax evasion attitudes tend to be lower. But in a weak tax environment, the impact of education on behaviors might not be significant enough to counter the injustice that some taxpayers feel and their desire to achieve more equity, albeit even through tax evasion.

Conclusion

Future studies conducted in other tax contexts will add more perspective on the relationship between ethical ideology and tax evasion attitudes. This will allow the comparison of different individuals with different moral philosophies in varying tax cultures. In addition, future studies could assess the attitudes of people with more varying educational levels, which may give some insight into the real role of education in impacting tax morale. Based on an assessment of people's ethical philosophies, this paper shows that some people, who are 'ethically lenient', avoid paying for pure self-interest reasons. Idealists, on the other hand, consider that tax evasion is not at all ethical if it emanates from selfish motives. This paper also explains why some people evade taxes even when they adopt an idealistic ethical philosophy. Idealists respond to moral absolutes but sometimes these absolutes conflict with one another and tax evasion occurs when one moral

absolute takes precedence over another conflicting moral absolute. When some 'good' people perceive that there are structural problems in the system, in terms of the fairness by which tax money is collected and disbursed, they are going to withhold payment of such obligations.

Policy implications are manifold. We found that education is negatively related to both types of tax evasion. Accordingly, as more effort and resources are allocated to education, the incidence of tax evasion would be expected to diminish. Though this is a necessary step, it will take a lot of time before its benefits can be realized. It should be noted, however, that education alone will not solve the problem of tax evasion. In a system that is riddled with corruption, people will find different reasons to avoid paying taxes. Governments and tax administrations cannot rely on the goodwill of people to pay their taxes if there is lack of trust in the credibility of such systems. Policymakers can work to change the moral intensity of tax evasion through publicizing the real impacts on those who depend on government subsidies for their livelihood. Taxpayers should know that their tax money is being put to good use and if they do not believe that this is happening, they would have no motivation to pay. There is a dire need in such contexts to develop dependable institutions that can facilitate development of mutual trust between tax authorities and taxpayers. There will always be people who will avoid paying taxes, irrespective of the institutional context. Yet most would not mind paying their taxes if they perceive that the system is fair and that the administration is not discriminatory. In the absence of a trusting environment, even those who rate high on idealism will tend to evade taxes like everyone else. People's motivations differ, but the behavior, tax evasion in this case, will still be the same.

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