

## **On the Inhuman Act of Tax Evasion: Is there a Progress in Economic Scientific Knowledge?**

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### **Abstract**

*We contribute by approaching this epistemological question ontologically, i.e., by focusing on the meaning of tax evasion whose causalities tested by the literature we also survey here. There could be no progress on the economic knowledge because axiological critic we use is self-complete and thus no-comparable. However, we certify through ontological considerations that Walrasian “private-individual” has no reason for not to tax evading if it can be possible. On the contrary, our “modern civilization”, on which economics is based, accepts as the supper need of this economic agent how to be wealth, a target which can be facilitated by tax evasion. This isolated individual is not “partner” of the society, he is not a “citizen”, and thus the “society” has no thesis in modern “representative democracy”, because it is not recognized as a statehood coherent entity. So, as we reject the autonomy of the economy from its social and political roots, nowadays we can understand why on the decline of the fair state, people react with corruption and tax evasion.*

**Keywords:** taxation, epistemology, interdisciplinarity, socio-economics, democratic capitalism.

## 1. Introduction

We are interested in the problem of the socio-economic “inhuman” action of the tax evasion, in the sense of individualistic or antisocial behavior (Yannaras, 2006). Our motif doesn’t come up only from the global crunch of 2008 and the following bankruptcies of banks, states, non-financial firms, or households which have resulted in the rise of the relative tax burden of, employed and retired, through austerity economic policies and enlarged the already unequal income distribution. We are mainly willing to contribute on the discussion on the epistemological question “Is there any progress as far as the scientific knowledge for facing tax evasion?” We approach the subject ontologically either with causal considerations or and mainly, with axiological critics (Carassis, 2010). Just here, our main contribution is focused on the literature, which, as far as we know, is limited on causalities, and it isn’t interested enough in the meaning, the purpose or the value of tax evasion. However, Economics doesn’t merely belong to social sciences but especially to ontological ones along with sociology and history. So, the relevant economic scientific knowledge referring to experience level is double approached as following: (1) as far as the causalities of tax evasion, we survey the literature classified by economic and non-economic determinants; (2) for axiological-teleological critics, we discuss that “why” occurred the evidence, the literature claims. Thus, we certify that the globally dominant “modern civilization” (modernity), which sets on the top of human needs the wealth of individuals, shapes the quality of our modern representative democracy on a way that helps tax evasion.

The resulting central idea here is “why should individuals not evade, since they can, given that they satisfy their consuming needs?” Logically we come up to the suggesting answer on the epistemological research hypothesis. “Progress on economic scientific knowledge of tax evasion can be only on causal considerations, where econometrics has made many leaps, since the 80s”. On the contrary, in axiological critics, cannot be any progress, with the sense of causal and linear steady route to the better, since the meaning of tax evasion expresses quality, which by nature cannot either, verified or estimated by econometric models, so as to be comparable with any other. The sense of tax evasion, like any other economic action, is self-complete and non-comparable figure. Effortlessly, we logically sum up that tax evasion cannot efficiently be faced with on the framework of modernity we live, by political systems which function, as very well Calomiris and Haber (2014) explain, as intermediate between government-sponsored enterprises (GSEs) and banks. Paraphrasing their conclusion on banking crises and scarcity of bank credit “... a country does not “choose” its banking system: rather it gets a banking system that is consistent with the institutions that govern its distribution of political power”, we believe that on the basis of the literature review on tax evasion we consider here, if we replace with tax system the banking one we arrive in the same as these authors answer on *why* peoples tax evade. Thus, “on the decline of the state people “react” with tax evasion and corruption” (Ramfos, 2011). Therefore, it is exactly the difficulties in facing with modernity, as civilized paradigm, which in the form of “metamodernity” we are living defoliates the parliament-representative democracy, so as to be verified, almost globally, the above conclusion of Calomiris and Haber (2014). Naturally, the sense of this kind of decline of democratic political system is already mentioned by Aristotle with “Elective Tyranny”.

The consequences of the modern anthropocentric cosmosystem (Contogeorgis, 2001 and 2008), for both the quality of the prosperity of the private-individual in the so-called our “representative democracy”, and the methodology of Economics, are very important, through the way we approach and discuss the subject in this article. Our science still perceives with Newtonian mechanic logic, only the utilitarian version of the reality, since it understands it only through “phenomenology”. Therefore, as Economists we do not distinguish otherness, uniqueness, or indeterminacy on human relations or actions, like tax evasion. However, using for instance, quant mechanic logic (indeterminacy principle, probabilistic theory, etc), we may perceive the reality as a set of energetic human relationships and not as a sum of undifferentiated conceivable entities –like “economic agent” or “modern private-individual”-, so that we could forecast the probability that the system (comprising the action of tax evasion) could be found in one or another state in the future. The decline of modernity as a special hierarchy of needs, and particularly, the great crisis of economic theory emerged from the crash of 2008 (Kirman, 2010), constitute at least a challenge to brainstorm given the failure of the economic policies, facing with phenomena like tax evasion. We conclude that this may be due to what philosopher Yannaras (1989) described as confusing “the real and the imaginary in Political Economy”, which is located on the *meaning* we give to being, co-being and our daily practice. The paper is organized as follows.

In the next section we present the methodology adopted. In the third section we briefly survey the literature relevant to causal relationships. In the fourth section we establish our suggestion on the axiological critic on the meaning of tax evasion, while in the last we conclude.

## 2. Methodological Approach

We have chosen the ontological approach to the scientific knowledge appropriate in Economics (Carassis, 2010). It is accomplished in two steps-considerations in order to acknowledge about the inhuman behavior of tax evasion. First, the necessary conditions are referred to the *causal* relationships explaining this action. Second, the sufficient conditions focusing on *axiological* critics, which define the relation between means (offered by the causalities of the first step), and aim, meaning or value of tax evasion. In this approach it is crucial to get to the essence or value of the relevant behavior through the method of understanding, due to its knowledge and not normative character. The ontological method in social sciences differs from physiocratic ones because includes besides the empirical part of the knowledge, the axiological-teleological too. Especially in economics, the scope of the ontological knowledge is not the action only as empirical event but mainly as a carrier of significant economic value. Both considerations, causal and axiological, remain theoretical and do not change to practical, because the understanding of human actions has a cognitive, not normative character. The first consideration replies to the research question “*How did the events constituting the socio-economic action of tax evasion occur?*” The answer defines the causal relationship as the necessary condition to understand tax evasion. The second one asks the teleological (axiological) research question “*Why has the event occurred with the way the causal relationship predicted?*” The answer of this last question helps us to understand the substance of human behavior in order to face with it in a radical way. The extensive literature review we classify in the next section mainly refers to economic and non-economic (on which we focus) determinants of tax evasion. However, the understanding of any economic behavior, within the framework of the ontological social sciences to which Economics belong, comes true to the axiological critics of the meaning of the tax evasion. Here is our main contribution on the literature. As reported progress on causalities’ methodology is possible and has been significant on quantitative methods, especially on econometrics, used in economics. On the contrary, in axiological consideration cannot be applied the notion of progress, since it is about critics, which by default are self-complete and thus no comparable, on terms of space or time. In addition, in “philosophy of economics”, the progress is also impossible (like generally in philosophy), the scope of which is to diagnose the validity of economic values on the level of ideas whereas the object of economics is the scientific knowledge of economic facts on the level of experience.

These definitions (Carassis, 2010) are necessary for binding the understanding of the subject. We use purposely the word “understanding” because not only human actions are not physical phenomena to be explained, but also as notion it extends over the knowledge and the cleverness (Ramfos, 2011), since it refers to human ecstasy, so as to be able to recognize human behavior. Thus, it is necessary property of the scientists, especially on epistemological research where our paper belongs to. On this way, since there cannot be any progress in our knowledge on tax evasion, the policy implications, should be defined on its causalities subject to versions of modernity. The latter, is on one hand based on the principles and values of Enlighten for the emancipation of human being, the rationalism and the scientific of investigation of the truth, and on the other hand it also refers to Descartes (1596-1650). Here, we don’t consider metamodernity, agreeing with Ziakas (2012), that it is nihilist while it is concerning to scholars who make theory the sickness like Sophistics in Ancient Polis-Athens. The sum of cognitive relativism plus moral one produces nihilist and therefore it doesn’t concern economists, who are interested in the truth, which comes from the logical perception of human actions. The metamodernity with fundamentals the meta-industrial era (since the 60s), the collapse of the borders of place and time (Assimaki et al., 2011) as well as, the dysfunction of parliament-representative democracy, and the anthropological discretion between manager and consumer it appears with Foucault, Derrida, Baudrillard, Rotry, Lyotard and Jameson. Concerning back to modernity as the deep foundation of Economics it can’t be but heterogeneous, since each civilization is the result of internal human projections on the external material reality (Ramfos, 2011). Summing up we can ontologically recognize only the evolution of tax evasion and not to test the progress of economic scientific knowledge, in the contrary of what it is predicted by rationalism in modernity.

### 3. Literature Review

In the tables 1 and 2 we present the classification of the literature we review distinguishing on economic and non-economic factors, respectively.

**Table 1: Economic Determinants of Tax Evasion**

	<b>Correlation</b>	<b>Authors (Year)</b>
<b>Tax System</b> (Characteristics: complexity, overregulation, ambiguities and frequent changes in tax legislation, structure, etc.)	Positive	Clotfelter (1983), Collins et al. (1992), Tatsos (2001), Agapitos (2004), Gkoumpanitsas (2004), Georgakopoulos (2005), Richardson (2006), Matsaganis and Flevotomou (2010), Ahangar et al. (2011), Palil and Mustapha (2011), Vasardani (2011)
<b>Level of Tax Rates &amp; Burden</b>	Positive	Friedland et al. (1978), Clotfelter (1983), Baldry (1987), Alm et al. (1992), Christian and Gupta (1993), Ali et al. (2001), Park and Hyun (2003), Gkoumpanitsas (2004), Georgakopoulos (2005), Bayer (2006), Torgler (2007)
	Negative	Feinstein (1991), Alm et al. (1993)
	None	Porcano (1988)
<b>Penalties Imposed</b> (amount and severity)	Negative	Allingham and Sandmo (1972), Yitzhaki (1974), Marrelli and Martina (1988), Gordon (1990), Agapitos (2004), Gkoumpanitsas (2004), Georgakopoulos (2005)
<b>Probability of Detection</b>	Negative	Allingham and Sandmo (1972), Schepanski and Shearer (1995), Bergman (1998), Gkoumpanitsas (2004), Richardson (2006), Eisenhauer (2008), Matsaganis and Flevotomou (2010), Vasardani (2011)
	Positive	Young (1994), Slemrod et al. (2001), Braithwaite et al. (2009)
<b>Tax Audits</b>	Negative	Allingham and Sandmo (1972), Jackson and Jaouen (1989), Andreoni et al. (1998), Bergman (1998), Hyun (2005), Matsaganis and Flevotomou (2010)
	Positive (Continuous audits on the same taxpayers)	Young (1994), Slemrod et al. (2001), Kirchler (2007)
<b>Tax Mechanisms</b> (Degree of competence and effectiveness of a country's tax collection and control)	Negative	Hasseldine and Li (1999), Tatsos (2001), Agapitos (2004), Gkoumpanitsas (2004), Georgakopoulos (2005), Vasardani (2011)
<b>Economic Structure &amp; Activity</b>	Significant	Tatsos (2001), Kanellopoulos (2002), Agapitos (2004)
<i>Size Ratio Public to Private Sector</i>	Positive	Agapitos (2004)
<b>Degree of Market Organization. Firms' Size &amp; Organization</b>	Significant	Doxiadis (2010)
<i>Percentage of Self-Employed in the Total Labor Force</i>	Positive	Tatsos (2001), Agapitos (2004), Gkoumpanitsas (2004), Lyssiotou et al. (2004), Eisenhauer (2008), Doxiadis (2010), Matsaganis and Flevotomou (2010), Vasardani (2011)
<i>Percentage of Agriculture in the GDP</i>	Positive	Tatsos (2001), Agapitos (2004), Doxiadis (2010)
<i>Underground Economy (especially "black" employment)</i>	Positive	Tatsos (2001), Agapitos (2004), Gkoumpanitsas (2004)
<i>Unemployment</i>	Positive	Paleologos and Kassar (2003), Gkoumpanitsas (2004)

We focus on non-economic determinants of tax evasion.

Table 2: Non-Economic Determinants of Tax Evasion

Non-Economic Determinants of Tax Evasion		
	Correlation	Authors (Year)
<b>1. Education and Culture -"Civilization"-</b>		
<b>Educational level</b>	Negative	Lewis (1982), Wallschutzky (1993), Eriksen and Fallan (1996), Hite (1997), Chan et al. (2000), Georgakopoulos (2005), McGee and Bose (2006)
	Positive	Collins et al. (1992), Richardson (2006)
	None	Agapitos (2004), McGee and Gelman (2008)
<b>Cultural level</b>	Significant	Strümpel (1969), Tittle (1980), Roth et al. (1989), Coleman and Freeman (1997), Chan et al. (2000), Gilligan and Richardson (2005), Edling and Nguyen-Thanh (2006), Richardson (2008), Bame-Aldred et al. (2011), Porcano et al. (2011)
<b>Tax morale level</b>	Positive	Song and Yarbrough (1978), Jackson and Milliron (1986), Baldry (1987), Elffers et al. (1987), Roth et al. (1989), Tatsos (2001), Orviska and Hudson (2002), Gkoupanitsas (2004), Riahi-Belkaoui (2004), Trivedi et al. (2004), Alm and Torgler (2006), Richardson (2006), Kirchler et al. (2008), Torgler et al. (2008), Cummings et al. (2009), Economic Chamber of Greece (2011)
<b>2. Political System</b>		
<b>The way government faces with tax evasion and deals with tax evaders</b>	Significant	Roth et al. (1989), Agapitos (2004), Gkoupanitsas (2004), Edling and Nguyen-Thanh (2006), Torgler et al. (2008), Torgler and Schneider (2009), Economic Chamber of Greece (2011)
Quality of public governance and political institutions	Negative	Agapitos (2004), Edling and Nguyen-Thanh (2006), Cummings et al. (2009)
Government's role	Significant	Hasseldine and Li (1999), Kirchler et al. (2008), Richardson (2008)
Government's decisions and changes to its policies	Significant	Hasseldine and Hite (2003), Palil and Mustapha (2011)
<b>Justice of the tax system</b>	Negative	Strümpel (1969), Allingham and Sandmo (1972), Spicer and Lundstedt (1976), Song and Yarbrough (1978), Spicer and Becker (1980), Jackson and Milliron (1986), Barjoyai (1987), Hite and Roberts (1992), Wartick (1994), Tan (1998), Chan et al. (2000), Fjeldstad (2004), Edling and Nguyen-Thanh (2006), Richardson (2006), Kirchler et al. (2008)
	None	Vogel (1974), Porcano (1988), Antonides and Robben (1995)
<b>Taxpayers' trust in the state's institutions</b> (government, parliament, politicians, tax administration, public servants) and <b>"society's" cohesion</b>	Negative	Vogel (1974), Song and Yarbrough (1978), Jackson and Milliron (1986), Smith and Stalans (1991), Smith (1992), Pommerehne and Weck-Hannemann (1996), Wearing and Headey (1997), Levi (1998), Slemrod (1998), Bergman (2002), Feld and Frey (2002), Slemrod (2003), Torgler (2003), Fjeldstad (2004), Gkoupanitsas (2004), Torgler (2005), Torgler and Schneider (2005), Edling and Nguyen-Thanh (2006), Feld and Frey (2007), Kirchler (2007), Torgler (2007), Kirchler et al. (2008), Richardson (2008), Torgler et al. (2008), Cummings et al. (2009), Hammar et al. (2009), Torgler and Schneider (2009), Wahl et al. (2010)
<b>The way tax revenues are utilized by the state</b> (effective use – no wastes)	Negative	Agapitos (2004), Georgakopoulos (2005), Edling and Nguyen-Thanh (2006), Devos (2008), Economic Chamber of Greece (2011), Palil and Mustapha (2011), Vasardani (2011)
Retribution of Taxes (in quality and quantity level of public goods provided to taxpayers)	Negative	Alm et al. (1992), Pommerehne et al. (1994), Bergman (2002), Agapitos (2004), Gkoupanitsas (2004), Hanousek and Palda (2004), Cummings et al. (2009), Torgler and Schneider (2009), Economic Chamber of Greece (2011), Vasardani (2011)
<b>3. Other Non-Economic Determinants</b>		
<b>Social Organization</b> (various levels)	Significant	Allingham and Sandmo (1972), Spicer and Lundstedt (1976), Clotfelter (1983), Hasseldine et al. (1994), Gkoupanitsas (2004), Economic Chamber of Greece (2011), Palil and Mustapha (2011)
<b>Psychology</b> (psychological or mental satisfaction/cost)	Significant	Roth et al. (1989), Kanellopoulos (2002), Gkoupanitsas (2004), Kirchler (2007), Economic Chamber of Greece (2011)
<b>Individuals' Characteristics</b>	Significant	Gkoupanitsas (2004), Devos (2008)
Attitude towards risk	Significant	Gkoupanitsas (2004), Economic Chamber of Greece (2011)
Gender (Who evade taxes more?)	Males	Vogel (1974), Mason and Calvin (1978), Tittle (1980), Jackson and Milliron (1986), Oxley (1993), Richardson and Sawyer (2001), Hasseldine and Hite (2003), McGee and Bose (2006), Torgler et al. (2008)
	Females	Friedland et al. (1978)
	None	Richardson (2006)
Age	Positive	Wallschutzky (1984), Wahlund (1992)
	Negative	Mason and Calvin (1978), Jackson and Milliron (1986), Smith (1992), Wearing and Headey (1997), Andreoni et al. (1998), Orviska and Hudson (2002), McGee and Bose (2006), Torgler (2007), Braithwaite et al. (2009)
	None	Spicer and Lundstedt (1976), Spicer and Becker (1980), Porcano (1988)
Personal income level	Positive	Wallschutzky (1984), Tatsos (2001), Matsaganis and Flevotomou (2010)
	Negative	Smith (1992), Christian and Gupta (1993), Wearing and Headey (1997), Torgler (2007)
	None	Worsham (1996), Chan et al. (2000), Park and Hyun (2003)

### 3.1 Education and Culture

Regarding evidence summarized in table 2, the higher the educational level of a country's "citizens" is, the higher is the level of their tax consciousness and on this way the lower taxpayers' tendency appears to evade taxes, since they realize their responsibility and not obligation to pay. Education and especial culture ("Παιδεία") is considered to be able to succeed in the state's goals more understandable-acceptable to taxpayers. Furthermore, education may achieve the improvement of tax compliance, when educated taxpayers should be more aware of their responsibility, as well as, of penalties imposed in case of non-compliance with the tax legislation. Of course, there are different opinions about the contribution of good knowledge of the tax system to taxpayers' compliance with tax laws. On the one hand, some conclude that citizens' tax attitudes can be improved through better tax knowledge, which in turn contributes to an improvement in their tax compliance, and therefore, in reduction of their tendency to evade taxes, while others come to the opposite results. However, many researchers find a significant negative correlation between the taxpayers' educational level and their tax compliance. As regards the cultural level of a country's citizens, many studies come to the conclusion that civilization and especially culture, plays a catalytic role in tax compliance. Different shapes of modernity (as a dominant civilization) in several countries provide different levels of tax evasion with different definitions and variables emphasized by the literature, as important factors determining the relationship between culture and tax evasion.

### 3.2 Tax Morale

Despite the fact that tax evasion proved negatively correlated with both the probability of detection and the severity of penalties imposed, it has also revealed, in many countries, that the level of state's deterrence appears to be poor to explain the high degree of citizens' tax compliance. The latter prompted many researchers to accept that the citizens' voluntary obedience to the tax legislation comes from tax morality. The literature predicts that in a rise of tax rates citizens with high level of tax morality are affected lesser than citizens with a low one. Thus, generally the taxpayers' attitudes such as their tax morality and their perception of the tax system's justice, clearly affect their tendency to evade taxes.

### 3.3 Quality of Governance and Government's Role

The manner in which the government faces with tax evasion and deals with defaulters has been proved significant by the literature as we can see in Table 2. There is strong empirical evidence in favor of Government's role, decisions and stability of respective tax policies. As it was expected, the literature has verified the negative correlation between democratic quality of political institutions and tax evasion. Executive and legislative powers, with their expressors like the government, the parliament as well as the public servants have also been proved in negative relation with the phenomenon under investigation. Crucial factor in this respect is that citizens ask for practical confirmation of the retribution of paid taxes in quantity and in quality of public goods provided by the state. In addition, the subjective notion of justice of a country's tax system has once again given ambiguous sign (negative in the majority but also none in some cases) in the respective estimated coefficient. The autocratic political system of a country is also included among the crucial causes of the onset and the continuity of tax evasion. The degree of individuals' participation in political process appears to affect their tax compliance not only directly, but also indirectly, as it contributes significantly to improve the quality of government. Moreover, taxpayers' perception of the quality of political institutions affects their willingness to comply with tax laws. The literature verifies that taxpayers ask for the political institutions to apply practically the retribution of taxes. The self-evident role of the government in designing and implementing the tax system as well as the tax collection mechanism is verified too. Furthermore, the non clear goals of a government which acts under a hostile climate and promotes mutual trust are considered to be highly important. The transparency and preparation of the public budget negatively influences taxpayers' compliance. An interesting empirical evidence whereas expecting is that citizen' tax compliance increases when the decisions for providing public goods are made by voting, rather than imposing. Moreover, the means through which the enforced rules are determined can also affect the taxpayers' obedience. It is also verified that taxpayers evaluate that the government cope with the tax evasion as mainly an economic and not a moral problem, while the majority of taxpayers has perceived the state's advantages to high-income tax evaders against to lower ones.

### **3.4 Perceptions of Equity and Justice**

With reference to Table 2, several studies indicate that the justice of the tax system affects the level of taxpayers' compliance. If the society perceives that the tax system is fair and equitable, it will enjoy wider acceptance from taxpayers, it will also increase in voluntary tax compliance, and thus, a reduction in tax evasion should be expected. The opposite is also verified that an unfair tax system which clearly violates the principles of horizontal and vertical tax equity. The ambiguous empirical evidence (positive or no correlation) on the relation "justice of tax system and taxpayers' compliance" is also assured. It is argued that the multidimensional nature of tax justice as determinant of tax compliance is responsible for this inconsistency in the results. Three different suggestions of "justice" are proposed: (1) distributive justice, i.e., the exchange of resources; (2) procedural justice, i.e., the redistribution process and (3) retributive justice, i.e., the perceived appropriateness of the sanctions imposed in case of violation of the rules. Thus, the more the distribution of tax burdens responds to the prevailing perception of social justice, the less appears to be the taxpayers' tendency for tax evasion (distributive form). In addition, if the legality is guaranteed and not undermined by corrupt practice then the tax evasion will be reduced (procedural justice). The conducts of unreasonable and intrusive audits, as well as, the imposition of unfair penalties by tax authorities cause taxpayers stress, which in turn results in their negative attitude towards tax authorities (retributive justice).

### **3.5 Relationships of Respect and Trust**

Taxpayers' trust in the state has been proved to have a significant positive impact on their tax compliance, after having enhanced their willingness to cooperate and pay for imposed taxes. Tax compliance appears particularly reduced, and the collection of taxes are getting more and more difficult, since taxpayers feel frustrated and cheated, so that their trust in the state will decrease if they perceive that: (a) corruption is widespread; (b) institutional instability and the state's institutions lack transparency and accountability; (c) taxes are not spent properly and retributively; and (d) they are not protected by the law. Moreover, it is recognized that taxpayers' trust in the government is another crucial determinant of tax evasion. Thus, if taxpayers believe that the government acts in a fair and reliable way for their interests and repays their trust, they could be more willing to comply with tax laws. Citizens' tax compliance appears to be significantly enhanced by their trust in (a) the national parliament; (b) the reliability of politicians; (c) the public servants, who could increase their positive attitude towards the tax system and their commitment to pay the taxes; (d) their co-citizens, who could produce a more positive attitude towards the contribution providing public goods and paying taxes.

### **3.6 The Way of Managing Public Money**

It is common that the way public institutions manage tax revenue affects the taxpayers' tendency for tax evasion. They tend to illegal actions when they feel that their taxes are not used productively, and efficiently but wastefully by the state. The more prudent and rational, as well as, transparent and sound the spending of tax revenue by state institutions is, the less is the taxpayers' tendency for tax evasion. It is also worth mentioning that the sense of waste of public money, and especially of the revenue derived from taxes, is included among the most important causes of the phenomenon, in countries with chronic bad behavior from the tax authorities. Due to the basic property of taxes, that of retributive one, the way citizens perceive their relationship with the state is crucial as far as their attitude on the subject. Indeed, reduce in the efficiency of state expenditures leads to a corresponding one in taxpayers' willingness to pay taxes.

## **4. Discussion**

In order to found our axiological critic we discuss the involved notions of the tax evasion and the progress of scientific economic knowledge. First, the objective of the inhuman economic action is the tax evasion. This can be defined as the illegal act not to pay due taxes provided by the legislation. Thus, the definition depends on the measure each time decides the legislative power. Effortlessly it follows that, the particular way of social and political organization of any human collegiality is selected by the societies, plays a crucial role on the definition of the measure, what is or not tax evasion. Within the polity-matrix of the "nation-state", that is a nation, a society, a language and cultural reference, chosen by the nations of Western Europe after the French revolution and under the influence of the Enlightenment has been qualified, firstly, as political system the so-called "representative democracy", distinguishing among legislative, judicial and executive.

This "democracy" founded on the requirements for (1) "individual Freedom", i.e., utilitarian freedom unfettered individual choice, (2) "Equality" under the law, at the level of human rights, and (3) "Brotherhood" i.e., cohesion resulting through practical consensus on a "social contract"-constitution (Yannaras, 2014). Secondly, from the liberation of the "Despotism-Feudalism" of the Middle Ages, Western Europe on the philosophical field opted for social organization the "early anthropocentric cosmosystem" (Contogeorgis, 2001). The latter, as "modernity" broadly known, on the one hand, characterized the quality of the chosen "democracy", and on the other hand, because of the global European hegemony that period, has been notified gradually as unusual and native paradigm. Although the culture of modernity is a clear progress compared with the previous despotism, it must be recognized, however, as a regression of its uterus, the "Hellenic Universal Sociocentral Cosmosystem", which achieved (being always under freedom as measure of progress), to ensure both superior individual (since modernity reaches only up to "human rights" which of course are only a part of individual freedom) as well as social and political freedom till the collapse of the Eastern Roman Empire disparagingly called Byzantine. Unfortunately, social and political freedom hasn't been yet managed by modernity that we all over the globe we have adopted (Yannaras, 2010a; Contogeorgis, 2001 among others). Second, the subject of tax evasion throughout the aforementioned literature (Tables 1 and 2) is the imaginary homogenous anthropological type of "private-individual". As the case of Economics generally, the same is true in the particular notion of "economic agent" or "private-individual" which can be described by the properties of modernity emerged as global way of living-civilization at the beginning and ending as ideology. Civilizations can be distinguished by the hierarchy of human needs (Yannaras, 2010a). Modernity accepts as supper need to be wealth or able to consume goods and services easily. Thus, we start economic analysis of consumer from optimizing the utility function subject to its disposable income. The latter, as the basic textbook says is coming up if from the gross disposable consumer's income we subtract net taxes. Needless to say, that objective function is served by increasing income through, either, rising gross amount or reducing net taxes, or any combination of these. In the choice of reducing net taxes, may be included the illegal action of tax evasion. Therefore, an early answer-axiological critic to the teleological researched question "why have the possible causalities been recorded by the relevant literature" seems to be "why, under certain conditions, not tax evade private-individual, since so, *ceteris paribus*, optimizes its welfare?"

Third, the "scientific economic knowledge" stems ontologically from the "cosmosystem", as an overall interpretative preposition of the "social making" in synchrony and diachrony on particular (Contogeorgis, 2001). The cosmosystem chosen by Western Europe and ultimately globally is modernity, on which Economics are based, too. It should be obvious the need to remember the basic characteristics of modern social and political organization, so as to be able to perceive the framework of the primary human target of individual, social and political "freedom". The achievement degree of the latter should be the criterion assessment of humanity's progress. In part of individual freedom is identified the starting point of economic analysis, that of "utility or welfare function". The modern progress, against feudalism, it is statue sly determined by the conquests of the French Revolution mentioned above. Cornerstone of the institutional framework of this modernity is ownership (Contogeorgis, 2001). The major social problem of the economic relationship "labor-capital" has been finally solved by the guilty type contract (debtor-creditor) allocation of the labor force to the employer, while its property remains in the employee. However, this contract law does not undermine the essence of the "sovereign power of property", that it can be escalated from an enterprise (property on production factors) even to the whole economic system, called either as "market economy" or "corporate system" (Galbraith, 2004) or "corporate society" (Contogeorgis, 2008). Rescued so, individual but not "social freedom", since in the legitimized regime that the contracted of "employee" enters, there is self evident the social heteronomy, and thus, this time period is counted as a deficit of personal autonomy and finally of the individual freedom (Contogeorgis, 2008).

Furthermore, the modern individual is not "partner" of the society, i.e., he doesn't participate in social-making, he is merely a "private-individual", so that even the social-care could be seen in the light of solidarity or even charity and not as statutory right inherent in the status of the individual as a "citizen". "Politics" in modern environment of clear power is an "operational" one, so, firstly, it is judged by its effectiveness, and secondly, as a sovereign-authoritarian belonging to the "state". The latter is an autonomous legal entity with essential modern feature to be founded on the principle of dichotomy between the social and the political. In addition, the "society" has no place in modern political system, because is not recognized as a statehood coherent entity, but it is allocated unilaterally by the political heteronomy, the right of "social contract", mainly the "constitution". Direct consequence of the briefly pre-described modern notions of the private-individual, society, politics and state, is the incompatibility between the "political sovereignty" and the "popular one".

The latter cannot exist because the people have not universal political authority. Thus, it emerges the necessity of “representation” of the modern society. However, from the main components of the representation that is, election, command content, right aligned, audit, withdrawal etc, it is allowed to the people only the election and moreover, as a legitimizing function through the intermediary “parties”. Effortlessly results that the political system of modernity is not a “democracy”, despite the fact that it is so called, because it assigns to individuals the feature of the “citizen of the state” (which owns politics), instead of “citizen of the polity”, therefore, modernity ignores political freedom. The digression of the modern polity worsens from the “representation principle” adopted. The latter belongs to “power systems” incompatible with democracy. Finally, the identity we have chosen for the “way” we like to live –modernity- refers to the city-state of legislators of the 7<sup>th</sup> and 6<sup>th</sup> centuries BC in Ancient Athens. Thus, it is about an early anthropocentric cosmosystem, in the sense of non-integrated human freedom, because there is no freedom, either, in social version or, in political one, or individual freedom limited only to consumer choices. Within the framework of modernity, why not to be appeared the anti-social and illegal behavior of tax evasion, since there is no culture for “collective consciousness”, while education targets only to “self-interest” (Nussbaum, 2010), since, either, private-individuals consider the society as a sum of competitive entities, or the state occupied by intermediary politicians (Calomiris and Hamber, 2014), finally both fighting in practice against the concept of “common or public interest” institutionalized society? In modernity we adopt welfare as compatible notion with economic criteria of hierarchy of needs, so accepting A. Smith’s principle “achieving self-interest will benefit society”, while in general it is not verified historically. In contrast, we completely forgotten the prosperity (“*εὐδαιμονία*”) achieved by the Hellenes through philosophy and politics by leaping from the “natural society of the needs” to “political society of the truth” (Yannaras, 2010a).

In that way of living, the search for the truth was a matter of “common” experience (through community-society) as a prerequisite of the knowledge. Only then, on condition of the achievement of the common interest was possible the personal one. Sp that it could be clear that the Hellenic sociocentric cosmosystem of “polis-state i.e., political society”, remains in the antipode of modernity and “nation-state, i.e., natural society” that we have chosen nowadays. In the former, the Hellenes, defined the “polis” another way of collectivity institutionally and functionally homolog of the truth! Based on this demand “to have priority the truth against utility” was born on both coasts of Aegean Sea the “critical thought”, the second leap of the Hellenes’ contribution on human civilization. It is valuable to remind Aristotle relevant words “*it does not fit to free and magnanimous people to seek everywhere the utility, to evaluate everything, primarily considering how useful it is*” (Yannaras, 2010a). Regarding “life to be true” the most important for the Hellenes was first, a need not an ideology or morality, and second, they were not interested in merely the knowledge but mainly in their being. On the contrary, in the ideology of modernity we are interested in only in the useful, mainly in the sense of monetary wealth, version of reality, i.e., “the natural society”.

Thus, under these main properties of modernity which shape Economics, the subject private-individual acting with a primary target to be wealth, it seems from the aforementioned causalities that probably uses the object of tax evasion to that end. Therefore, we discuss on this reality as follows:

- (1) He acts anti-socially since our modern society, understood as sum of individual entities, does not correspond to the ideal notion of social freedom or “collective consciousness” or at least of that of equal opportunities to its citizens. Therefore, since he does not “belong to community” why not deify his “Ego” which is being upgraded with the satisfaction of his primary need of enrichment, even with the illegal action of tax evasion? That’s *why* social organization, psychology, and mainly civilization have proved as non-economic determinants (see Table 2).
- (2) He has lost the feature of the citizen, which could offer him automatically, political freedom under the responsibility of the “Polis” (“*Πολιτείας*”), to be able to control his representative politicians, apart from, either, for the institutionalization of the tax system to be fair, or for the target of human integration, or even socialization of the citizen through participation to politics. This objective has been modernly deducted to the efficiency of income re-allocation through, among others, tax policy, too. After that, he hasn’t the possibility to participate and control policy making, why not to feel “against” the abstract “public” instead of “social” benefit (Contogeorgis, 2001), and fortified on individualism which is served even with unlawful acts such as tax evasion? This argumentation seems valid and solid to justify the non-economic determinants of political system with emphasis on the justice of tax system, verified by the literature (see Table 2).

(3) It seems that he cares only for the utilitarian version of the reality within its narrow freedom, declined in the level of “human rights” delivered by the state’s power. Thus, since modern private-individual has degraded well-living to simple living, through utilitarianism, materialism etc of the Enlightenment heritage, tax evasion gains meaning in his optimization process. That’s “why” economic determinants of Table 1 acquire a sense, always under Newtonian mechanic logic that “economic agents” are supposed to act in our science. On the contrary, in quantum mechanics logic, for instance, which denies causalities, but accepts the principle of indeterminacy, it makes no sense to speak about people’s tax evasion behavior, rather than the probability to occur one or the other behavior in the future.

Finally, as Professor Yannaras (1989) explains “... in order to elucidate the real or imaginary content of the meaning we attribute in reality are not enough science’s conclusions, ethics, or ideological patterns. It is so, because our relationships with reality are not theoretical, ethical or ideological. It is relationships that meet specific needs. When they are limited in only the use of the world, then we easily glide to an imaginary objectification of the real. Only a change in the hierarchy of needs, a different meaning of the human existence and action can alter our relationships with reality –these ones of production, consumption, exchange”. Paraphrasing his consideration we conclude, that if the relevant literature on tax evasion displays today some real impasses, since as economists we haven’t yet solved the problem, we ought, at least, to ask ourselves whether the proposed solutions (especially these resulted as policy implications from Table 1) are depleted in the logic of rational “improvements”, while in fact, these impasses reflect a confusion of the real with the imaginary, i.e., a confusion on the meaning we attribute, as modern people, in our very existence and daily action.

### **Conclusions**

In this article we have examined the epistemological question “is there any progress in economic scientific knowledge to tackle the tax evasion?” We do not believe that economics is no longer science because it has not predicted the crash of 2008 and the ongoing global crisis (among others, Jorion, 2012). However, we share the agonies of colleagues in sociology, politic and philosophy sciences (among others, Contogeorgis, 2001, 2008; Yannaras, 1989, 2010, 2014; Ramfos, 2011; Carassis, 2010; Ziakas, 2012; Naussbaum, 2010) about the methodological impasses in economic science, which shape our thesis to the subject of tax evasion. We approach the issue ontologically, since plus to sociology and history, economic science belongs to the sub-category of ontological part of social sciences. Ontological methodology means that in the acquisition of economic knowledge it is of major concern its second component that is, attributing the meaning of tax evasion’s causalities or replying to the question *why* these determinants have been verified by the literature presented in Tables 1 and 2. Since, the axiological critic required replying to research question of this work it is self-complete and non-comparable with others, effortlessly it arises that, in principle it can be no progress in scientific knowledge of the inhuman action called as tax evasion.

Moreover, in discussing the matter, we support that the aforementioned causalities for tax evasion can be understood by the anthropological type of private-individual, which our civilization has cultivated, of early anthropocentric cosmosystem, -modernity-. The latter bore economic science as well, which considers that the economic agent in constructing the hierarchy of his needs sets as primer the maximization of the wealth or consumption, subject to his disposable income. Our analysis has showed that the private-individual of the dominant globally modernity, has limited individual freedom, as the concerning of the possibility of choice consumable goods and services, while almost non-existent social and political ones. The contradiction regarding the liberties into account, betrayed by the very concept of “representative democracy”, can explain why this citizen of the state seems to be a stranger as far the “general” interest –wrongly called “public”- which appears radically different of his own. In addition, since his relationships with reality aren’t theoretical, ideological or moral, but response to specific hierarchy of needs we can understand why tax evade when he can do so, raising respectively his disposable income in optimization procedure of his utility. Therefore, we conclude that in the context of modernity the progress in economic scientific knowledge of tackling tax evasion does not seem to be able, unless we escape from the utilitarian version of reality, which leads us to narrow conception that only consumption and profit, for household and enterprise respectively, cover human needs. However, this consideration leads to the change of the pattern of our needs, and so to another civilization. In this perspective, the incentive to tax evade is abolished when society is considered not as a sum of autonomous entities (modernity) but rather as dynamically energizing relationships, as for instance, the joy of creation is the same as an important human need as the consumption.

Thus, improvement of the quality of our democracy, in the sense that “the many govern for the benefit of all” (the “Polity” notion of Aristotle), will convert the economic agent to citizen of the “Polity” (Πολιτεία), concluding as a direct effect that his self interest arises from the common one. Why then the citizen tax evades involved in both the formulation of the common (true) needs and the adopted policies, including fiscal policy? Obviously, changing the target of our Education, for improvement of per capita cultivation of free people that is citizens, instead of maximizing individual income in prevailing ideology of modernity, should comprises the first priority towards a socio-centric cosmosystem which could radically face with among others, the present issue of tax evasion.

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