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Tax Behavior: Actors in the Field and Research Paradigms

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Abstract

The main focus of the present article is to give a historical overview with regard to different paradigms that have shaped the research in the field of tax behaviour. In this vein tax compliance is evaluated from different perspectives, such as a decision under risk, a social dilemma or by emphasizing the psychological contract between tax authorities and taxpayers. Additionally, the main actors in the field of tax research are presented, and it is argued that besides taxpayers also tax authorities, the government and tax accountants have to be taken into consideration. Furthermore, particular attention is paid to differences among taxpayers and different interaction climates between taxpayers and authorities as well as the factors that have an important influence on these interactions.

Tax Behavior: Actors in the Field and Different Research Paradigms

It is argued that citizens in general value the public goods financed by the money of other taxpayers, but they themselves are reluctant to pay their tax due. This reluctance to pay taxes is often explained by individual profit seeking, which is in many cases justified by doubts concerning the responsible spending of the tax budget or the belief that one's own tax burden is unfair, either in comparison to other taxpayers, or with respect to the opportunities to take advantage of public goods (Kirchler, 1997). In this tradition the decision to pay taxes is classified as an economic choice between a sure option, i.e. paying all taxes honestly, and the risky option of evading taxes, which may result in a higher or a lower pay-off compared to the sure option, depending on the occurrence of audits and fines.

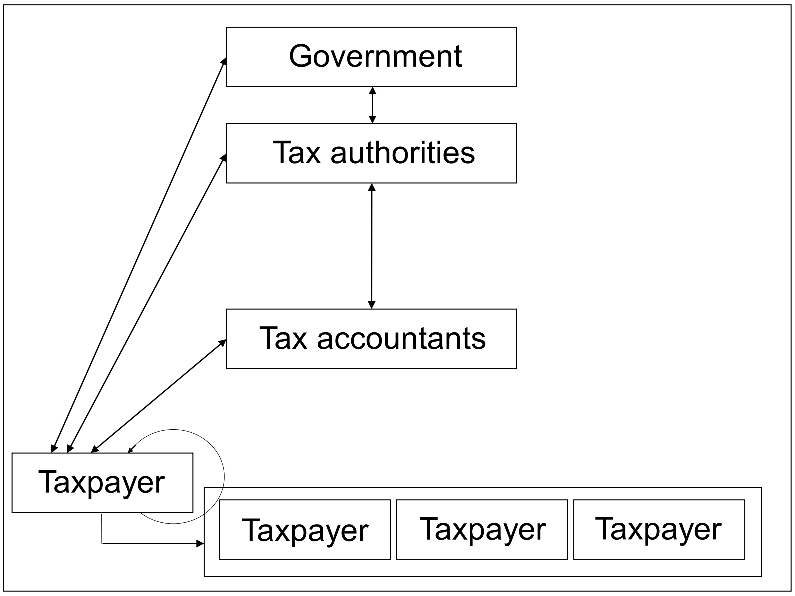
In this vein tax compliance can be considered as the result of a rational decision process and is predominantly not a voluntary action but subject to legal coercion. According to Lavoie (2008, p. 639), "up until the late 1980's, most scholars considered the question of tax compliance using a deterrence model", and until recently "compliance studies focused primarily on the coercive aspect of government". The investigation of taxpayers' attitudes and behavior has predominantly been the focus of psychologists, since the complex decision to pay taxes cannot be understood solely under classical economic considerations or within a framing as a gamble respectively a decision under risk of one single taxpayer. However, there are more actors in the field of tax behavior that have to be considered and the dynamics of their interactions may serve as a basis to explain cooperation and non-compliance in this context.

The following sections of this article depict who these actors are and how they interact with one another. Furthermore we sketch a chronicle of the different research perspectives and their development from purely classical economic views to the integration of psychological concepts. In the last section we concentrate on the dynamics of power- and trust-building measures, which are important factors for the interaction climate between different actors in tax compliance research.

1. Who are the Actors in the Field of Tax Behavior?

Taxes are paid by the residents of a state earning a taxable income, collected by tax authorities and spent by the political representatives of the state. In this field of interest, the activities of the responsible government, the tax authorities, the taxpayers and not to forget the tax accountants are mutually related. Figure 1 presents these actors and their interactions within the social system of tax legislation, tax payments and revenue spending.

Figure 1: Actors and interactions in the tax field.



Considering the government, relevant determinants of the tax climate in a country are the beliefs of the politically responsible regarding the taxpayers and maintainable tax rates as well as arguable types of taxes. Furthermore the way of communicating taxes to the citizens and the decision on how to spend the revenues for the welfare of the nation are very important aspects on this level. Laws are often not clearly formulated and comprehensibly communicated, which is heavily supported by the fact that the reading skills required to understand legal texts in western countries like Great Britain, the United States and Australia are much higher than the average reading ability in the respective populations (Lewis, 1982). So undoubtedly a significant simplification of tax laws is urgently necessary.

Another actor a special focus needs to be placed on are the tax authorities, who act under the mandate of the government. They offer services, implement controls and impose punishments according to their conception of the motives driving the behavior of the taxpayers. Depending on their perception of the citizens, the authorities approach taxpayers either as egoistic, non-cooperative profit maximizers who must be enforced to contribute, or as sovereign citizens with a clear appreciation of the advantages of taxation in ensuring general welfare, thus motivated to cooperate voluntarily. Up to now, neither tax authorities nor tax accountants – who may often act as intermediaries between authorities and taxpayers – have been studied in any detail. Nevertheless it is often assumed that the purpose of tax accountants is to reduce the tax load of their clients by all available means. In fact, Sakurai and Braithwaite (2003) found out that the majority of taxpayers actually expect their accountants to fill in their tax declarations correctly and thereby want to diminish their concerns about controls by the authorities and to avoid any mistakes.

Finally, the decision of a single taxpayer whether to cooperate depends on conceptions and judgments about the government, the authorities, tax accountants and also the activities of other taxpayers (Kirchler, 2007). In addition the behavior of the taxpayer is also driven by individual values and characteristics, personal norms and situational factors. Up to now, taxpayers were the center of attention in research on tax compliance. After recognizing that not all citizens have to be forced to contribute to the tax system, it was established that the willingness to pay increases with a rising awareness of tax laws and relevant rules. Additionally, social norms were identified as a strong regulative of behavior and citizens were evaluated to have a pronounced sense of justice and to respond accordingly to violations of the principles of justice. Altogether this means that the motivation for cooperation or evasion may vary among tax payers: Whereas a large part of the population acknowledges the necessity and the advantages of tax payments, this sense of community and responsibility is not shared by all citizens. Those who are not willing to cooperate voluntarily need to be confronted with enforcement mechanisms to make sure that the majorities' readiness to cooperate is not undercut by the selfishness of a few "black sheep".

2. A Chronicle of Different Research Paradigms

2.1 Tax Behavior as a Decision under Risk

Already several decades ago economists were aware of the significance of taxpayers' attitude towards the state, the government and taxes in explaining tax compliance (Veit, 1927;

Schmölders, 1959). However, a milestone was achieved when scholars framed the decision to comply or evade taxes as a decision under risk. Taxpayers either decide to declare their income honestly, paying their due as required and knowing the amount of money remaining with a sense of security, or they choose the risky option of evading taxes. In the case of being audited and fined they end up with less money compared to declaring their income honestly, if no audit takes place they possess a higher income than their honest counterparts.

The economic theory of criminal behavior (Becker, 1968) states that legitimated punishments cause a significant deterrence effect and therefore the level of punishment and the probability of being detected are relevant factors in determining behavior. Two publications in the early 1970s by Allingham and Sandmo (1972) and Srinivasan (1973) presented a model of tax behavior postulating that tax honesty increases with higher audit probability and severe fines. However, findings on potential effects of income level and tax rate remain opaque. Although an effect of controls and sanctions can be shown in experiments in the lab, their influence seems less striking than expected (Alm, Sanchez & de Juan, 1995). According to an overview of experimental results on the effects of tax audits, fines, marginal tax rate and income effects, audits and fines have a clear deterrent effect, whereas the results concerning tax rate and income appear inconclusive (Kirchler, Muehlbacher, Kastlunger & Wahl, 2010).

Nevertheless the long-lasting effect of audits and fines is more than questionable. Within an experimental setting, Guala and Mittone (2005) found a strong decrease in taxpayers' compliance immediately after an audit. This so-called "bomb crater effect" proved to be quite robust in various experimental studies (e.g. Kirchler, Maciejovsky & Schwarzenberger, 2005; Kastlunger, Kirchler, Mittone & Pitters, 2009) and one possible explanation is that those participants who were punished for incorrect declarations strived to regain their lost money in the following filing periods. On the other hand audits and the threat of negative sanctions may be perceived as a signal of a lack of trust from the authorities, causing mistrust on the part of the taxpayer, thus promoting deliberate decision making dominated by egoistic considerations and leading to a crowding out of intrinsic motivation to cooperate. Additionally, punishments may evoke negative attitudes towards the authorities and taxes in general. In contrast to current sentencing practices which determine the level of punishment based on the extent of the committed tax evasion, the offender's ability to pay should be considered if sanctions were to have any significant deterrence effect (Muehlbacher, Hoelzl & Kirchler, 2007).

If tax behavior is investigated in the context of risky decision-making, the focus of interest lies on the individual taxpayer. Thus, the government, tax authorities and tax accountants are neglected, as well as psychological and social aspects of the interaction dynamics between these agents. Furthermore, all taxpayers are considered as equal in being dominantly motivated by trying to maximize their individual gains according to rational criteria. From this point of view it is sufficient to place controls and sanctions severe enough to ensure compliance and the authorities perceive all taxpayers as potential criminals, making coercive power a necessary tool to prevent taxpayers from maximizing their own profit.

2.2 Tax Behavior as a Social Dilemma

Taxpayers acknowledge that their contributions are used for the community welfare and the vast majority understands that taxes need to be paid. Public goods financed by tax revenues benefit both individuals and the community, so the image of taxpayers as being only interested in selfish gain maximization seems somewhat outdated. Nevertheless, it might be doubted that the collected tax revenues are spent efficiently for the public good, and moreover there may be suspicion that some individuals could take advantage of the situation and avoid paying their tax due. This raises a social contribution dilemma where the accumulation of personal gains works against the growth of the collective good, thus some taxpayers may try to minimize their contribution.

A social dilemma (Dawes, 1980) is defined as a decision context in which individuals' interests are opposed to the goals of the community. By acting selfishly an individual can benefit. However, if the majority decides to maximize their own individual profit, the community and consequently the single individuals are both harmed because the financing of the public goods is not secured. In experiments a social dilemma can be easily created: Participants are endowed with money and are free to contribute any given amount to a collective account. The supervisor in the laboratory multiplies the collected sum by a fixed factor and returns it to the participants in equal proportions. If all players are uncooperative, nothing can be multiplied and redistributed from the collective account and everyone is left with only the original endowed money. In this case the yield is significantly lower than when all participants cooperate.

The crucial question is how to influence the willingness to cooperate in public contribution scenarios? In the lab the government respectively the supervisor is reliable to act in the interest of the public represented by the whole group of participants, but whether the other players can be trusted is uncertain. However, if it is possible to make cooperation a binding social norm so that others can be trusted, the contribution of the majority is assured. Hence, cooperation increases, when people are allowed to communicate (Kerr & Kaufman-Gilliland, 1994), set the rules of the game themselves (Wahl, Muehlbacher & Kirchler, 2010), and especially when defection is announced in public. In reality, these experimental results are supported by higher tax morale in regionally limited areas with direct democracy. In particular, the cantons in the east of Switzerland approach the highest level of tax honesty and the lowest concerning shadow economy compared to other countries and regions (Alm & Torgler, 2006; Mühlbacher, Kirchler, Hoelzl, Ashby, Berti, Job, Kemp, Peterlik, Roland-Lévy & Waldherr, 2008).

Rothstein (2000) emphasizes that without norms of trust a social dilemma emerges. He reports an encounter with a Russian tax official who argued, that although Russians cherish the public goods financed by tax payments, most of them do not want to pay taxes, because of the high corruption and lax social norms to cooperate. To increase compliance two conditions need to be fulfilled: (i) taxpayers need to believe that other taxpayers are paying their share and (ii) tax authorities have to ensure that the money is invested in public welfare, rather than filling the pockets of the administration. In other words, interpersonal trust – leading to binding social norms – and institutional trust are of paramount importance for ensuring cooperation.

In contrast to research on effects of audits and fines, social dilemma research additionally acknowledges social values. Still the individual is assumed to be primarily motivated by rational gain maximization and suspected not to behave cooperatively in the anonymity of the mass. The focus of interest lies on the individual taxpayers as well as on the group as a whole. In experiments the behavior of the governmental institutions is held constant, i.e. they are reliable. Thus, the government, authorities and of course tax accountants are not included in the analyses. The motives that drive taxpayers' decisions are considered to be of utilitarian and social-normative origin. Social dilemma research still can be described as taking an authoritarian view, but not only controls and sanctions are important for understanding the behavior of taxpayers, social values such as fairness, reciprocity and social norms need to be accounted for as well.

2.3 Differences Among Taxpayers

Taxpayers should not be perceived as a homogeneous group, since they find themselves in various situations, have developed different personal values and often have a decided sense of community. Individual differences in terms of morality have been shown in a natural field experiment investigating the honesty of Austrian newspaper purchasers (Pruckner & Sausgruber, 2011). In Austria on Sundays newspapers are placed in plastic bags attached to street lanterns and when somebody wants to buy a paper the money has to be put into a fixed cashbox. According to Pruckner and Sausgruber (2008) approximately one third of the observed customers paid at least part of the price, whereas the rest did not pay anything at all. However, when a message thanking customers for their honesty was added, thus appealing to personal norms, cooperation was found to increase.

Looking at different sub-groups of taxpayers, in particular the self-employed are considered to be a high-risk group concerning tax evasion. Opportunity makes the thief, and while employees in many countries have their taxes directly deducted from their salary with little opportunity to cheat, self-employed are required to pay income tax, value added tax, social insurance contributions, etc. out of their own pocket. For self-employed there are various possibilities to render services for cash without an invoice or to declare costs that are not business related. Paying taxes out of pocket makes it more likely that tax contributions are conceived as a personal loss compared to the direct deduction of taxes. According to prospect theory (Kahneman & Tversky, 1979), losses loom larger than gains of the same magnitude and therefore individuals should be more willing to take risk to avoid an impending loss. In fact, research has confirmed that out of pocket-payments are experienced as a loss and thus the tendency to evade taxes increases (e.g. Kirchler, Maciejovsky & Weber, 2005). Nevertheless, the general opinion that self-employed are unwilling to pay their taxes honestly is false. However, young and inexperienced self-employees show a greater tendency towards evasion, but it decreases with more working experience (Kirchler, 1999). This may be explained by the fact that increasing experience could lead to separate accounts for tax debts and own money, at least at a virtual level (Muehlbacher, 2010).

Besides the influence of the occupational situation, the work of Valerie Braithwaite (2003, 2009) shows that taxpayers differ strongly with regard to their motivations concerning tax compliance respectively non-compliance. She distinguishes five so-called motivational postures: commitment and capitulation both combine views that express a responsibility to follow the interests of society and to cooperate. The remaining three postures express a negative tendency in terms of motivation. Resistance characterizes doubt regarding the good intentions of the government, similar to disengagement which stands for abandoning the struggle for one's own rights and seeing no sense in cooperating. Finally, game playing refers to taxpayers who refuse to act according to the law, but see it as something that can be dealt with cleverly to one's own advantage. Thus, Braithwaite (2009) argues for a differential approach of regulation on part of the authorities, which means taxpayers should be seen as clients and sanctioned according to their underlying motivation. Hence, in general a service orientation including a sensitive approach on the part of the authorities is needed, whereas "an iron fist in a velvet glove" should await those who repeatedly violate the law.

The differential approach focuses primarily on distinctions between taxpayers, such as age, traditional gender roles, motivational tendencies, personal values and situational differences such as the opportunity to cheat. In this line of research different approaches of the authorities are required, but the authorities themselves are not questioned, although a general service orientation is demanded. The taxpayer is the center of attention, while other actors are more or less neglected.

2.4 The Psychological Contract

Audits and sanctions have an impact on the behavior of taxpayers, but there are also other determinants of tax behavior like social norms, fairness as well as violations of rules on part of the authorities, and the majority has an intrinsic motivation to cooperate (Braithwaite, 2009). The concept of this intrinsic motivation is related to tax morale, which is defined as an attitude of a group or a population of taxpayers regarding the question of accomplishment or neglect of their tax duties and therefore resulting in compliant or non-compliant behavior. Tax morale is said to be anchored in the consciousness to be a citizen as a basis to accept one's tax duty and acknowledge the sovereignty of the state (Schmölders, 1960). Frey (1997a) and Alm and Torgler (2006) define tax morale as an intrinsic motivation to pay one's taxes, which Orviska and Hudson (2002) link to the concept of civic duty, proposing that people are motivated by a sense of responsibility and loyalty to society. Responsible citizens are claimed to be collaborative even if the system would allow for non-compliance, because their behavior is not externally regulated by controls and sanctions, but the concern for society and an intrinsic motivation to cooperate. Such an undermining of intrinsic motivation to cooperate by exaggerated punishments for non-compliance or inadequate rewards for cooperation represents a phenomenon called “crowding out” (Frey, 1992; 1997b).

In fact, Gneezy and Rustichini (2000) showed that punishment may have counter-intentional effects, because sanctions do not necessarily serve as an effective deterrent, but are sometimes perceived as the price one has to pay for not being compliant. Tax offenses can often not be prevented by financial sanctions, particularly if fines are easily affordable, but a sentence to community service, experiencing feelings of shame or the threat of a loss of reputation seems more promising (Braithwaite & Wenzel, 2008).

Feld and Frey (2007, 2010) argue for maintaining a good cooperative relationship between authorities and taxpayers in order to promote and stabilize tax honesty. Inspired by the concept of the “psychological contract” between employees and management in organizations, existing expectations and commitments between taxpayers and authorities go beyond legal regulations (Rousseau, 1995). In the sense of a norm of reciprocity, the commitment of one party requires an equivalent commitment of the other party. By focusing on the reciprocity of commitments between authorities and taxpayers it becomes not only clear, why the hierarchical and authoritarian structure often reflected in the formulation of tax laws seems obsolete, but also the fact that many taxpayers respond reactant to pressure can be comprehensibly explained. The psychological contract implies that citizens entrust their money to the authorities to invest it in sensible projects in favor of long-term advantages based on the decisions of elected politicians. As long as authorities and politicians do not disappoint the trusting citizens, it is ultimately in the interest of the taxpayers to ensure the provision of public goods. Violations of the psychological contracts on the other hand will lead to the termination of this cooperation.

The assumption of the psychological contract shifts attention to the relationship between taxpayers and tax authorities. Instead of a hierarchical structure between authorities and citizens this view postulates a cooperative relationship of equal partners and within this tradition of research the authorities are questioned. The actors considered are the authorities and the state represented by the politicians as well as the taxpayers, whereas tax accountants are not paid attention to.

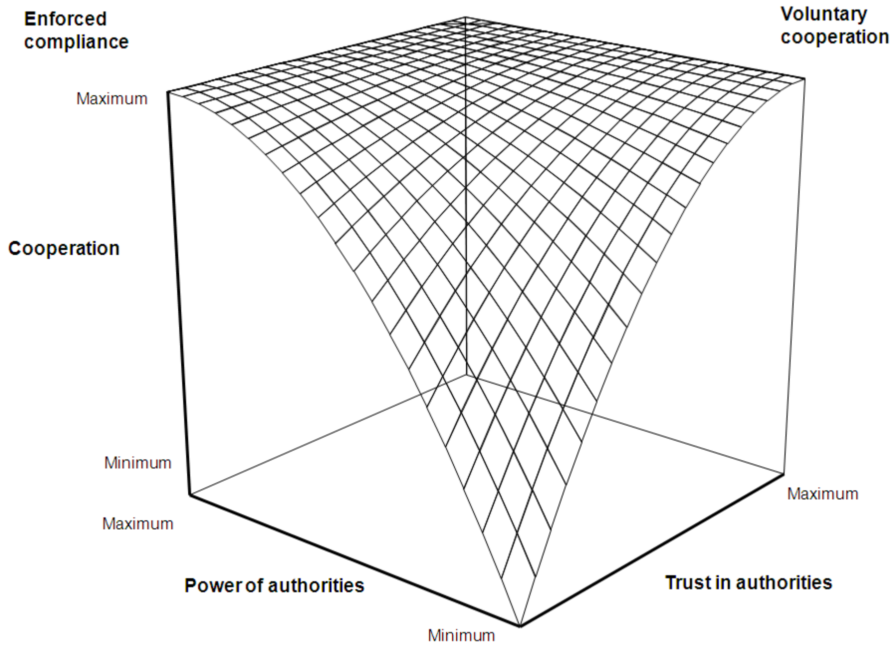
2.5 Different Interaction Climates

While under the premise of rational decision-making it is presumed that all taxpayers try to maximize their personal payoffs and the state and its authorities have the obvious right to collect taxes by imposing controls and sanctions, the psychological contract adopts the view of an equal relationship where cooperation works as long as no party disappoints the other. Thus, these concepts characterize different interactions between authorities and taxpayers.

In what we labeled the “Slippery Slope-Framework” (Kirchler, 2007; Kirchler, Hoelzl & Wahl, 2008) not only the relationship between citizens and authorities is considered, but also the climate of interaction as determining factor whether the taxpayer’s compliance can be characterized as voluntary or needs to be obtained by constraints. Referring to Figure 1 this implies that all the actors and their relationships need to be taken into account and this entire system of interactions needs to be structured in a way promoting cooperation. The government and the authorities are no longer assessed as superior agencies that force legal compliance in general and tax honesty in particular, but act as servants of the citizens and for the well-being of the community. Instead of concentrating on the enforcement of compliance, importance is granted to shaping the interaction as to promote mutual trust and cooperation. This corresponds to the “trust paradigm” that Alm and Torgler (2011) identify as one of the three paradigms of tax administration: whereas in the traditional “enforcement paradigm” taxpayers are treated as potential criminals, the “service paradigm” acknowledges the necessity to ease tax honesty by way of service offerings. Tax authorities are to provide services to taxpayers that facilitate compliance with the law. The “trust paradigm” emphasizes the importance of building trust between interacting parties, based on the expectation of taxpayers and tax authorities that the other party will act beneficially rather than detrimentally (Gambetta, 1988).

The Slippery Slope-Framework distinguishes two types of tax honesty: Voluntary compliance and enforced compliance (see Figure 2). Voluntary cooperation depends primarily on trust in the state and its authorities, which is influenced mainly by perceptions of fairness and social norms and therefore may be better entitled voluntary cooperation. If taxes are not paid voluntarily, tax honesty can also be ensured by enforcing citizens to pay under the precondition that the authorities have the power to exert sufficient pressure to serve the purpose of deterrence including (perceived) audit frequency and severity of fines. It is assumed that tax payments are influenced by trust and power of authorities: if both trust and power are at a minimum level, tax payments are assumed to be low; taxpayers are acting selfishly by maximizing their own gains through tax evasion. When the trust in authorities increases, tax payments are also assumed to increase. Furthermore, if the power of authorities – i.e. the ability to detect and punish tax fraud – increases, tax payments are expected to increase as well.

Figure 2: The Slippery Slope-Framework of tax compliance (Kirchler et al., 2008, p.212).



Wahl, Kastlunger and Kirchler (2010) empirically tested the basic assumptions of the Slippery Slope-Framework with a computer-aided experiment. Participants were randomly presented with one of four different descriptions of a fictitious country, manipulating if the authorities were characterized as either trustworthy or untrustworthy on the one hand and either powerful or powerless on the other hand. The results showed that participants paid significantly more taxes when power and trust were high compared to the other conditions, and that voluntary compliance was highest when the authorities were presented as trustful and powerful, whereas enforced compliance was highest when authorities were pictured as powerful but not trustworthy.

Thus, the basic assumptions of the Slippery Slope-Framework could be confirmed in a laboratory experiment and were supported by findings from an online study (Wahl, Kastlunger & Kirchler, 2010) as well as two other surveys investigating real taxpayers (Muehlbacher, Kirchler & Schwarzenberger, 2011; Muehlbacher, Kogler & Kirchler, 2011). However, the power- and the trust-dimensions proposed in the Slippery Slope-Framework are likely to affect each other, and therefore may have complex interactions and dynamics in the course of time. Since the character of this interaction has hardly been addressed in empirical studies, the following section of this paper will discuss the interaction between trust in authorities and power of authorities in the field of tax behavior.

3. The Dynamics of Power and Trust-Building Measures

3.1 The Relationship Between Power and Trust

In the field of tax behavior dynamic aspects of the relation between power and trust have not been investigated up to now. Several studies in less applied fields of research have argued that power has negative effects on trust, while a couple of other studies have suggested that power affects trust positively, so there are quite contradictory results.

Exerting power may evoke suspicion and mistrust (e.g. Castelfranchi & Falcone, 2010; Farrell & Knight, 2003; Kramer, 1999; Gambetta, 2000; Nooteboom, 2002) and thus lead to a crowding out-effect of intrinsic motivation to cooperate due to a vicious circle of mistrust on both sides (Frey, 1997b; Feld & Frey, 2007). Additionally, the exertion of power is said to disband affective and social bonds among interacting partners, which are some of the most important preconditions for trust (Castelfranchi & Falcone, 2010).

On the other hand there is evidence in the literature that power affects trust in a positive manner (e.g Gambetta, 2000; Bachmann, 2001; Blundell-Wignall, Atkinson & Lee, 2008). For instance, depersonalized forms of power such as the law, technical standardization or powerful trade associations can be perceived as a necessary precondition for trust (Bachmann, 2001). If a system of sanctioning leads to the perception that breaking rules and free-riding will be punished accordingly, power may increase trust.

Only few studies deal with the opposite research question, i.e. the influence of trust on power, though there is some evidence that trust might decrease the perceived level of power (e.g., Cummings & Bromiley, 1996; Nooteboom, 2002; Ireland & Webb, 2007). Trust can make measures directed at enforcing rule compliance unnecessary, thus making the exertion of power redundant (Costa, Roe, & Taillieu, 2001; Currall & Judge, 1995; Dekker, 2004; Gulati, 1995; Inkpen & Currall, 2004; Ireland & Webb, 2007) and therefore can be an important possibility to reduce costs of control (e.g., Cummings & Bromiley, 1996; Nooteboom, 2002; Ripperger, 2007).

However, trust may also increase power (e.g. Cummings & Bromiley, 1996; Nooteboom, 2002; Ireland & Webb, 2007). If one of the involved parties is assumed to be trustworthy and legitimated to execute power, the other party is more likely to be compliant and assisting to fulfill its liabilities, therefore increasing the power of the first party (Tyler, 2006).

Altogether, the evidence regarding the interaction of trust and power in general is quite inconsistent and often not empirically investigated, apart from the fact that most of the research on the topic is not related to the field of tax behavior.

3.2 Disentangling Different Aspects of Power and Trust

The concept of power has received plenty of attention in various scientific disciplines, such as Philosophy (Foucault, 1975), Sociology (Weber, 1947), Psychology (French & Raven, 1959), Economics (Galbraith, 1983) and Management Science (Follett, 1942). Generally speaking, power can be defined as the potential and perceived ability of a party to influence another party in an intended way (French & Raven, 1959; Russell, 1986; Molm, 1994; Freiberg, 2010). Concerning a classification of different qualities of power, the most prominent psychological taxonomy stems from French and Raven (1959; Raven, 1965) who distinguish between different bases of power, namely coercive power, reward power, legitimate power, expert power, referent power and information power. We base our assumptions on their two meta-factors (i) harsh power, which combines coercive and reward power, and (ii) soft power, which includes legitimate, expert, referent and information power (Raven, Schwarzwald & Koslowsky, 1998). The labels harsh and soft power correspond to the terms coercive and legitimate power as used by Turner (2005) and Kirchler, Hoelzl and Wahl (2008).

While legitimate power is connected to positive evaluations of authorities' power and positive attitudes towards authorities, coercive power describes tax authorities' ability to enforce a law regardless of its acceptance. It is likely that different qualities of power have different effects on trust. However, only few of the discussions on the relation of power and trust make these distinctions (e. g., Das & Teng, 1998, Korczynski, 2000; Leonidou, Talias, & Leonidou, 2008). Furthermore, the literature also distinguishes between different qualities of trust (e.g., Lewis & Weigert, 1985; McAllister, 1995; Tyler, 2003). Most conceptualizations separate a form of trust based on automatic, intuitive or affective processes – i.e. implicit trust – from trust determined by the motivation, benevolence, goal achievement and dependency on trustees, hence a rather rational assessment of the trustworthiness of others, i.e. reason-based trust (Castelfranchi & Falcone, 2010). Until now, the interactions of these forms of trust and power have not been studied, but this differentiation could allow for explaining the inconclusive interaction of trust and power.

Different interaction climates between taxpayers and authorities arise depending on the authorities' type of regulation. Alm and Torgler (2011) propose three different paradigms to regulate tax behavior: (i) enforcement, (ii) service, and (iii) trust. The essence of this classification is that in the enforcement paradigm compliance may be based on mechanisms that punish or reward certain behavior, whereas in the service approach behavior is regulated by a system referring to legitimated rules and standards. Finally, in the trust paradigm interactions are characterized by a climate of mutual trust and behavior is regulated mainly by social norms. We propose three interaction climates between taxpayers and authorities that correspond with these paradigms: antagonistic climate, service climate and confidence climate.

4. Conclusion

The trend in tax behavior research indicates a move from understanding taxpayers as selfish individuals trying to maximize their own gain to people with a sense of community who are ready to cooperate, if all agents in the social system of the state contribute to a climate of mutual trust. The arguments combine considerations from economic as well as psychological research, whereby no certain perspective is preferred compared to another when tax behavior is considered from a scientific point of view. Instead, we take into account the fact that all research paradigms and perspectives offer essential contributions to understand tax behavior, and that an integration of all findings- although not always easy realizable in practice- seems to offer the most promising perspective.

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