

Introduction

This book investigates the fundamental relationship between taxation, the State and society in our democracies, based on the development of a social science, fiscal sociology. Viewed as a political phenomenon, taxes have also been a field of study of economics for a long time. It is also a social process, of which the sociologist Tocqueville had an intuition in the context of the causes of the French Revolution or the tendency of the increase of public expenditure. Fiscal sociology is far-reaching in terms of its disciplines, general in terms of the set of problems it tackles, and empirical in terms of the diversity of the materials used. The importance of the fiscal State justifies the questioning of interventionist democracy as a real and ethical socio-political process.

1. The Importance of Multidisciplinary Fiscal Sociology

Being a result of financial sociology which appeared during the First World War, fiscal sociology constitutes an important approach to understanding the evolution of Western societies. The founders of the Austrian school of this meta-discipline have well perceived that the emergence of the modern State in Europe should be sought mainly in the establishment of a permanent tax system related to public action. Thus, ever since its formation, fiscal sociology has offered a major alternative to the Marxist interpretation of the State by discussing the evolution of capitalism. Without neglecting the economy, in particular currently through the effects of neo-liberal financial globalization, it sheds light on the importance of the socio-political development of fiscal State. In this respect, it also differentiates from Durkheim's analysis of the State as a functional response to the complexity produced by the division of labour. In addition, it relativizes the historical primacy of legal rational bureaucratization studied by Weber.

Goldscheid and Schumpeter create fiscal sociology as a result of their interest in the tax State crisis. They have conflicting approaches: Goldscheid is inspired by Marx, but upon revising his erroneous outlook on the State, predicts its collapse; Schumpeter, adhering to an ambiguous liberalism, rightly maintains that its financial failure is improbable in the developed countries. Historically related to the formation of the modern European State, this political issue of taxation has continued to play an essential role since the "crisis" of the interventionist State. The slump in the summer of 2008 gives a new vent to this problematic

aspect as it led to public intervention at the end involving the taxpayers to bolster up the banking sector and stimulate the economy. Represented by Pareto, his followers and other authors in the financial science, the Italian school supports the Machiavellian tradition. From this point of view, public finance is considered as means for the elite to stay in power. The two schools have of course proposed other ideas for investigation. Mann, in particular, and some Italians, in their own way, introduced an approach based on the socio-political functions of taxation, an approach which has fallen into oblivion. Since then the literature refers more to the economic functions to the detriment of fruitful reflection on social regulation by the fiscal State.

After its creation by the founders, fiscal sociology experiences uneven development over different periods and in different countries. It tends to be divided into an economic approach and a socio-political approach which mobilize mainly Anglo-Saxon studies. Its scientific market depends on the attitude shown by the administration and individual societies towards overcoming the obstacles to the demand and the technical specialization of the supply of knowledge, devolved to lawyers and economists. The longitudinal approach suggests a relation, sometimes altered over time, with the evolution of the interventionist State. With the generalization of Keynesian and social politics, a consensus legitimates the tax State by the financing of its economic and social activity. A general reflection on financial public activity is substituted by the specialized study of taxpayers' behaviour, associated to the progress of social psychology. The underlying purpose is to reinforce tax compliance in order to finance Welfare State intervention. By focusing on the social attitudes, these studies ignore tax policy.

The economic crisis of the 1970s gives rise to a radical criticism of the interventionist State. The Public Choice school, based on the Rational Choice Theory, defends the doctrine of tax aversion, which completes that of the limitation of social expenses. The neo-Marxist analysis of the tax State's crisis also casts doubt on the legitimacy of taxation.

After the 1990's fiscal sociology is renewed. The context of economic globalization fuels the debate on the retrenchment of the State. The domination of utilitarianism (self-interest) is discussed on the basis of economic psychology whose success is explained by the recourse to the experimental method. It appears that taxpayers are (also) altruists when the fiscal State is legitimate. The enrichment of the studies in fiscal sociology is nourished by new domains, such as decentralization, developing countries, the former Soviet republics etc., and by several disciplines.

Fiscal sociology plays an essential role for researchers, citizens and decision-makers: as a matter of fact, the tax system is at the core of politics, constituting an original form of public action affecting society. Taxes are at the same time an instrument of the other public policies, benefiting enterprises, social categories, certain sectors etc., and an object of public policy through the tax redistribution of revenues, public program financing etc. It is a fundamental process of categorization, stratification and functionalization of society, and includes the relation with the market. It is therefore unfortunate that fiscal sociology has suffered the effects of the division of the financial science into specialized disciplines with a predominantly technicist vision. The diversification of public policies in developed countries and the specialization of scientific knowledge tend to create particularist models of knowledge, decisions and reforms. The interventionist State instrumentalizes the taxation to the detriment of the citizen-taxpayer. Beyond fiscal techniques, a global social science on taxes introduces a critical dialogue with the normative approaches of economics and law. Financial sociology studies public budgets, while fiscal sociology focuses on research material proper to taxes.

By relying on a multidisciplinary approach, the purpose of fiscal sociology is to deal with fiscal phenomena in accordance with a general societal and political outlook. It focuses on the process of the intervention of public institutions in tax matters. It questions the legitimacy of the State for the citizen and proposes a reflection on social justice. It converts empirical data into models with wide-ranging influence. In this way fiscal sociology proposes a fundamental issues for public action and social sciences: tax reform is tied to social change; the administrative implementation of taxes leads to theories of bureaucratic regulation (in the business world in particular); the social acceptance of taxes refers to the legitimacy of public policies; tax burden is assessed in the real-life context of fiscal justice; tax evasion is explained by a sociology of deviance which studies the delegitimization of functional norms of public action; tax revolt, as a form of collective activity, reveals political dysfunction; taxpayer decision is a matter for a model of rationality subsuming the utilitarian model of interest: it validates the relevance of an altruist concept of the contribution-tax founded on political values and specific reasoning (cognitive rationality) etc.

Having a broad outlook due to its subject and sets of problems it deals with, this general social science is based on a hybridization of topics imported from several disciplines. Indeed taxation constitutes a “total social fact” as defined by Mauss: its study originates from several types of sociology.

Fiscal sociology is a political sociology because of its orientation towards the State, power and public action. Close to political science, it is different from it because of its sensitiveness to the societal dimension. Historically linked to the modern European State, the political dimension of taxation remains essential (marked by the crisis of the 1970's, by globalization etc.). The dialectic of taxation is that of an obligation to the sovereign authority and of a legitimately assented contribution to public policies. The tension between the constraint, like that of the globalized market, and the political choice of tax functions must be resolved in the framework of citizenship in democracy. It also has to do with the management of public decisions, with reforms, bureaucratic changes, the neo-liberal ideological impact etc.

Fiscal sociology is a legal sociology when it studies the connections between tax law and society. Its relation to technicist law is critical. For example, tax audit leads to questioning on the social mechanisms of the official qualification of fraud, on the strategic use of fiscal procedure, on national types of administrative regulation, on the determining factors of dispute etc.

Fiscal sociology is an economic sociology which goes beyond the limits of the rigid theory of rational choice (utilitarianism). It borrows the already old approach of social economics, but insists on the importance of the tax State. It shows a particular interest in the impact of economic globalization, in the "social contract" for the taxation of capital and labour, in the spreading of the guidelines of (the new) public management.

In the strict sense, the social science of taxation is a sociological discipline when the societal perspective leads to theorizing fiscal facts as being processes of society. Fiscal sociology does not however make a well-defined academic discipline. While there is extensive literature material concerning the Welfare State, it remains relatively less developed¹, despite its practical importance for individuals and public policies. In its theoretical models, fiscal sociology uses official data, its own materials, the results of fiscal psychology, of financial history, of economic psychology etc. It resorts to historical, cognitive and functional methods. Thus, the study of the genesis of royal taxation in the Middle Ages brings forward the typical ideal characteristics of the modern State. The logic of the knowledge of taxes explains the citizen's rational attitude towards this "obligation". The political, social, territorial and environmental functions of tax policies complete the economic and financial approach etc.

¹ Sociologists do not show much interest in taxation (Leroy, 2002, p. 5; Morgan, Prasad, 2009, p. 1350). In addition, in certain countries like France, tax policy has been in a large extent ignored by public policy analysis.

2. The Fiscal State and Interventionist Democracy

This book has a double objective: on the one hand, it gives an integrated presentation of compartmentalized studies of taxation as a socio-political phenomenon; on the other hand, it explores the logic of interventionist democracy which is built around the fiscal State.

Regarding the first objective, it consists in constituting a corpus of data by uniting into one reflection studies and data dispersed in specialities that largely ignore each other. These studies usually divide the socio-political phenomenon of taxation into separate objects such as taxpayers, tax policies, revenue distribution etc. The particular approaches of each discipline often still struggle to go beyond technicist specializations. In the spirit of the fiscal sociology programme outlined above, our research uses, next to such dominant disciplines as fiscal law and taxation economics, the results of sociology, political science, management, and economic, experimental, cognitive and social psychology etc.

This effort is attested by the bibliography: a variety of publications from all disciplines has been quoted in order to reflect as best as possible the present state of knowledge. Certain choices are inevitable in order to ensure a delicate equilibrium between the precision and the clarity of the analyses. Some elaborations have therefore been excluded and others cut short with the intention to focus on the most interesting aspects. For example, by opting to go in depth into the unrecognized contribution of Tocqueville as pioneer in fiscal sociology, we have chosen not to quote a great deal of good authors. Purely legal accounts are summarized in order to emphasize their socio-political interpretation. The list of case studies, that includes numerous areas, could be extended even more etc. These choices will perhaps leave specialists in certain fields unsatisfied, while at the same time less informed or more hurried readers may regret the details and undertones provided. In spite of these limits due to the editorial format of a written work, the reader will find a big inventory of references, including public finance studies, especially on social expenses.

The second objective is to lay the bases of a democratic theory of political choices. A normative and ethical perspective is thus opened up, based on the results of studying the intervention of the fiscal State with regard to the civic society. Fiscal sociology sets the conditions of a civic idea of a “contribution-tax” to public action. Related to financing that support public policies, the execution of a social contract on interventionist democracy is then possible, even if there are numerous obstacles to the democratization of public action.

Without being concerned about maintaining a literary suspense less suited to scientific work, it is helpful to present the framework of our research, all the more so given the complex nature of the subject. The book consists of twelve chapters structured around the double prospect presented. Chapter 1 draws up a model of all the cumulative variables considered by Tocqueville in order to establish the law of the tendency of democratic State spending to increase. The discovery of this law, which is linked to subsequent studies of the economist Wagner, justifies the labeling of this founder of sociology as a pioneer of fiscal sociology. Drawing up a model of the study of the fiscal causes of French revolution set out in *L'Ancien Régime et la Révolution* completes this presentation. On a more normative level, one of the first foundations of the democratic theory of financial political choices is thus put forward, even though the intricacy of the evolution of the fiscal State requires other analyses.

Chapter 2 concentrates on the direct founders of fiscal sociology by looking at the Austrian and Italian schools. We have already mentioned the interest of the work produced by Goldscheid, Schumpeter and Mann. The Italian fiscal sociology is less well-known. It appears to be less homogeneous, even though it is influenced by the Machiavelli's thinking which separates the governing elite from those being governed. It is linked to the development of a science of finances, not in its purely economic aspect (marginalism), but in its (socio-political) aspect that concentrates on government. Current literature has retained Puviani's theory of fiscal illusion. On this basis, economists postulate the irrationality from taxpayers in their demand for public services, which is erroneous: for taxpayers, the idea (cognitive rationality) is that there are means for financing other than taxes, for example loans or the reallocation of expenses. In any case, the variety of the other contributions of the Italian school has been neglected.

Pareto deserves a separate place, he who, even though he taught in Lausanne, is linked to this Italian tradition by the influence he exercised on it notably through his followers. The ideas initiated in *Traité de sociologie générale* start by criticizing the financial science in order to prove that public finance depends on non-logical actions performed in the service of the ruling elite. In spite of his popularity as a classical figure in economics and sociology, Pareto's unfinished financial theory is known but to a few. It forms part of the complex research of a social equilibrium related to the circulation of elites. It accepts limited methodological "approximations" emphasizing the role of the economic cycle, ideology, clientelism and despoliation of certain social classes. This analysis, even if it is imperfect, provides an interesting counterpoint to the democratic theory of political choices. The tendency for public expenditure is denounced; but unlike Tocqueville or Wagner, the

key factor of this “plutocracy” resides in the clientelism of the ruling elite.

Chapter 3 describes the path fiscal sociology has followed in its formation as a social science according to the approach presented above. It also includes a study of the sociology of knowledge which reveals the factors for its institutional recognition.

Chapter 4 contains a historical, intellectual and typological analysis of the fiscal State in Europe. The characteristics of the “modern” tax State are explained by the establishment of a royal taxation modifying the socio-political structures of feudalism. Permanent taxes become an attribute to the sovereign power of the national State. It fulfils financing functions, originally in times of war, functions that claim to be based on the general interest. This view differs from the Weberian model of bureaucratization and of the relation between domination and legitimacy. As the founders of fiscal sociology have understood it, it is precisely the search for the means of financing which has given shape to modern State: rationality, of a cognitive type, relates to the concrete justification of public action through taxes, by generalizing certain particular cases, such as feudal aid; this rationality is not formal and legal as it leaves a space for sheer moments of absolute domination (French monarchy), assigning at the same time a future role to tax consent. Through this turbulent historical and intellectual genesis, the fiscal State has asserted itself as a tension between the free consent of citizens, even if this political trait was not acknowledged by all, and the obligation of the sovereign who holds the power. The history of ideas, illustrated in this chapter by a brief presentation of the tax doctrines of Bodin, Bossuet, Smith, Montesquieu and Rousseau, confirms the importance of this tension between sovereignty and legitimacy. But for the democratic theory of political choices, it is finally the second pillar of public action that really matters. So the problem of the legitimacy of the State is posed by a typology which cross references the level of taxation and the level of intervention of public expenditure.

Chapter 5 presents another level of analysis, that of the public finance system. It confirms the reality of Western interventionist States whose effects on the economy and society are proven. The evolution of public expenditure, explained for the main part by social public activity, is characteristic for interventionist democracy. The extension of social rights, which would lead to the Keynesian Welfare State, despite some slight differences, forms part of the democratic theory of political choices. In fact, 19th century liberal ideas aiming to restrict the intervention of the State clash with the social issue which would be settled by the Welfare State. The socio-financial democratic contract extends

social protection, public health care and education; as counterpart, it establishes mass taxation, according to different agreements.

This system is also that of rich countries. It contrasts with the system of developing countries where the fragility of tax revenue (including social security) is explained by the difficulties to institutionalize the fiscal State. Socio-economic differences should of course be taken into consideration when differentiating States living on rents from manna in the form of oil from States without natural resources, countries with an emerging economy from the rest, countries with a big informal sector from those with a more market-oriented economy etc. It appears here that the tax pressure (revenue) in developing countries is explained by the level of economic development. But the economic approach cannot on its own take into account the logic of the fiscal State which is political. This view supposes that one must define a relation to the democratization of working-class claims as a means of ensuring social services which are in a dramatic way deficient in these countries. It is also advisable not to eliminate specific kinds of social solidarity through an imitation (mimetism), constrained or voluntary, based on the Western “model”.

Chapter 6 examines the relative influence of the causes of fiscal policy (including public expenditure) summarized in literature in a somewhat simplified list of ideas, institutions and interests. The influence of ideas is important for the conception of public finance. The transit from the neutrality of liberal ideas proper to the 19th century to the interventionist ideas of post-war social Keynesianism illustrates this observation. The effect of neo-liberalism appearing in the 1970s is specifically discussed in the symbolic case of anti-fiscal ideological clichés. The referential frame of budget performance, imposed at the end of the 1990s in many countries, is analyzed in its problematic relation with the political regulation of the choices of society. Institutions, shaping public policies, also find their place inspired by law in the classic sense, and by political science in the more modern sense. More specifically, the role played by the parliament, which varies in each country, is perceived as a challenge set by representative democracy. Other variables, such as the impact of veto points, are also examined. The influence of socio-economic groups is especially perceptible because of their access to institutions and the general validity of their arguments. The paramount importance of ideas can be found by not absolutizing the powerful pressure of interests, especially validated by studies of the American case. The left-right division affects expenditure especially during certain periods that appear more “ideologically charged”. We also observe that programmes of political parties are rarely implemented in a radical way.

In conformity with the epistemology of this work, the level of analysis of the elemental factors of public policy is completed by the study of the causal biases of public action which are obstacles to democracy. Chapter 7, using empirical data, thus unmasks the ideology of constraints in its deterministic settings. In fact, the true causal variable is of cognitive nature. It is based on a reasoning centered on the fake necessities of crises (fiscal, military, economic, social etc.). In the same way, the weight of institutions appears exaggerated.² But it is especially the determinism of market constraints, that have become globalized, that is criticized. Since the 1990s the neo-liberal ideology of economic globalization has found a scientific echo in the theory of market efficiency. Nevertheless, as is demonstrated by the theory of compensation, the fiscal Welfare State shows firm resilience; it uses social expenditure to compensate for the negative effects of globalization. The complexity of converting interventionist fiscal policy into an instrument of action furthers this form of democratic alienation. The configuration of public action is distorted by the ideology of causal biases which conceals the reality of the choices of decision-makers. The political choices opened up by each context are denied. The fiscal State taxes the masses, while at the same time taking advantage of its power of exemption with respect to certain groups and tolerating a self-referential institutional game.

Fiscal democracy remains an ideal of public action to be achieved through a coherent fiscal policy. Chapter 8 deals with implementing fiscal policy within the framework of bureaucratic issues. It describes the administrative logic in the field of the history of French modernization and of the original organization of tax control. The bureaucratic regulation of tax evasion is questioned when compared with certain classical theories of bureaucracy. It is established depending on the model of performance which in many countries sets the basis of public management reforms. It is also confronted with the conception of new public management which validates, with unquestionable success, the cooperation with the business world. This conception is the subject of a critical deconstruction, starting from the case of re-invoicing goods or services provided within multinational corporations in the global market context (the case of transfer prices).

The logic of the individual with regard to taxes is the subject of chapter 9. The lessons of the complex history of tax revolts help to build

² European Union legal criteria relative to limiting the deficit and debt of member states acquire a political overtone as is proven by the difficulties to impose sanctions on countries which failed to observe the Maastricht Treaty, as well as by the relaxation brought about by the Treaty of Amsterdam. The current extent of public expenditure on economic stimulation also questions the future effectiveness of this policy.

up the sociology of individual tax decisions. The level of analysis is that of the theory of rational choice that creates the individualist methodology of utilitarian interest. But the approach is broadened to the axiological rationality which goes back to the idea of the centrality of the political legitimacy of taxes, while at the same time settling the question of moral values. It also relies on cognitive rationality which examines the taxpayers' practical (concrete) reasoning, their way of processing information at hand. This third form of rationality allows one to clarify a certain number of enigmas (issues) like: the evaluation of the risk of tax audit (fiscal control), the relation experienced between taxes and public expenditure, the "painless" nature of indirect taxes such as the VAT etc. There again numerous empirical details are brought together. They show the limits of the utilitarian model whose scope is relativized. "Contribution-tax" is defined as citizen participation in general interest programmes. It reflects a credible sociological representation. It is opposed to taxes based on an "obligation" or "constraint" or a "tribute" that indicate the intensity of the fiscal burden, and to "exchange-tax" considered to be the price fiscally owed in exchange for services received by the individual.

The possibility of a "contribution-tax", on the more or less altruistic grounds of citizen consent, depends on the legitimacy of public action. This result constitutes another basis for the democratic theory of political choices. It justifies the criticism of the clichés of the anti-fiscal neo-liberal ideology, by supporting the following particular proposition, not very well-known: tax revenue (including social security) is not adverse to economic growth (cf. the Nordic countries) and does not necessarily foster fraud. Besides, from the point of view of procedural democracy, empirical evidence shows that participation in fiscal choices encourages the tax compliance. The problem of tax deviance is thus restated politically at the collective level of society. Chapter 10 deals with this question by firstly highlighting the state, difficult to assess, of the unofficial economy and of the tax evasion (fraud). The labeling of tax deviance is studied by means of a typology cross referencing decisions of public authorities with intentions of taxpayers to minimize taxes. This task is completed with a classification in socio-economic categories of the forms of tax minimization, which distinguishes between the large enterprises, the rest of the enterprises, the wage earners, those "excluded" and the economy of crimes. This is then followed by a reflection on the deviations of the socio-political regulation exercised by the tax State. The degradation of fiscal normativity is related to the axiological evolution of the interventionist role of public action with regard to the market. Under the impact of neo-liberal ideology, the norm of the minimization of corporate taxes is spread out. This leads to the international competi-

tion between States who offer attractive advantages for investments of the globalized market.

Chapter 11 pursues this reflection by studying the destabilization of the functions of the tax State. While also being wary of hyper-functionalism, it uses a renewed approach, based on financial, economic regulation, social, territorial, environmental and political functions of taxes. Taxation constitutes in general the principal revenue of public budgets. This function of financing public services is in competition with tax expenditure (advantages leading to the renouncing of revenue) and more and more with loans. While public debt increases as a result of the massive public interventions to curb the effects of the 2008 crisis, tax expenditure progressively fulfils microeconomic objectives. With the decline of Keynesian policies, the macro-regulation of the economy finds less usage. The policies of decreasing taxes (income and corporate taxes) have not always resulted in a reduction of tax revenue (including social security) because the tax basis was increased or other taxes were modified. The social function of taxation is evaluated with regard to the major challenge of the redistribution of income. This includes a study of the impact of social transfers (social redistribution). The results, although uneven depending on the country, show a failure to stop the escalation of inequalities in the era of economic and financial globalization.

Other social issues are concerned, such as the fiscal classification of families, the Workfare aimed for by the negative tax, the “vices” (taxation of gambling, spirits, tobacco etc.). The territorial function includes geographical sovereignty and the differentiated treatment of certain privileged territories (tax havens). It evolves towards difficult attempts to establish an ecology-oriented tax system in order to ensure sustainable development that shows consideration for the environment. The political function is at the core of the legitimacy of the fiscal State. The challenge consists in succeeding to establish the figure of the contribution-tax consented to democratically. Here one should not underestimate the neo-liberal movement calling into question the social-fiscal compromises of the Keynesian Welfare State, despite their resilience. It presents a tendency towards the axiological de-functionalization of the interventionist democracy of the “the Glorious Thirty” years by promoting market supremacy.

Chapter 12 treats the difficult issues concerning globalization and Europe directly. Durkheim’s theory of anomie is used to analyze the neo-liberal globalization of economies. They become more and more financial, accompanied by a succession of social injustices (deregulation, inequalities, employment crisis, destruction of the real economy etc.) and from this point of view that appears harmful. The loss of the

social markers of economic globalization has become chronic in line with the Durkheimian model. But this is furthermore coupled with a perverse transformation of the regulation of the fiscal State which disrupts the social contract of the interventionist democracy. The absence of international regulation, based on the social logic of the human world, and not on a perverted ideology of the market, is at issue. As is illustrated by the tax competition between States or the growth of tax havens helping the globalization of profits, the soft law of international organizations is insufficient for the establishment of a social functionality. Tax Europe, in spite of certain achievements, is blocked in its normative conception of the market and in its institutional rules of unanimous decision-making. Its deficiencies in social matters are evident and its political legitimacy presents problems. No lessons have been learnt from the democratic theory of political choices in order to fight inequalities. In fact, the redistribution of income does not depend on a natural mechanism of cyclical stabilization, but on the vigour of the counterweight of democracy.

The conclusion therefore invites us to reflect on the elaboration of a new social contract of interventionist democracy on the basis of the fiscal State and with the ideal of an international political regulation.