



## Do Ethics Matter? Tax Compliance and Morality

### ▼ Author Info

---

Listed author(s):

- James Alm  
([jalm@tulane.edu](mailto:jalm@tulane.edu))  
(Department of Economics, Tulane University)
- Benno Torgler  
([benno.torgler@qut.edu.au](mailto:benno.torgler@qut.edu.au))  
(School of Economics and Finance, Queensland University of Technology)

Registered author(s):

- James Alm

### ▼ Abstract

---

In this paper we argue that puzzle of tax compliance can be explained, at least in part, by recognizing the typically neglected role of ethics in individual behavior; that is, individuals do not always behave as the selfish, rational, self-interested individuals portrayed in the standard neoclassical paradigm, but rather are often motivated by many other factors that have as their main foundation some aspects of "ethics". We argue that it is not possible to understand fully an individual's compliance decisions without considering in some form these ethical dimensions. Specifically, we argue here that there is much direct and indirect evidence that ethics differ across individuals and that these differences matter in significant ways for their compliance decisions. We then put this in the larger context of the inability of the standard neoclassical paradigm to explain compliance of at least some individuals, and we suggest several possible avenues by which theory can be expanded to incorporate ethics. We conclude by arguing that a full house of compliance strategies is also needed to combat tax evasion, strategies that include the traditional "enforcement" paradigm suggested by and consistent with neoclassical theory, a less traditional "service" paradigm that recognizes the important role of a "kinder and friendlier" tax administration in encouraging compliance, and, importantly, a new "trust" paradigm that is built on the foundation of ethics, in which the tax administration must recognize that it can erode the ethics of taxpayers by its own decisions.

### ▼ Download Info

---

#### Contents:

- Author info
- Abstract
- Bibliographic info
- Download info
- Related research
- References
- Citations
- Lists
- Statistics
- Corrections

If you experience problems downloading a file, check if you have the proper application to view it first. In case of further problems read the IDEAS help page. Note that these files are **not** on the IDEAS site. Please be patient as the files may be large.

● **File URL:** <http://econ.tulane.edu/RePEc/pdf/tul1207.pdf>

**File Function:** First Version, 2012

**Download Restriction:** no

---

➤ **Bibliographic Info**

---

➤ **Related research [Other version(s) available]**

---

➤ **References**

---

➤ **Citations**

---

➤ **Lists**

---

➤ **Statistics**

---

➤ **Corrections**

---

This information is provided to you by IDEAS at the Research Division of the Federal Reserve Bank of St. Louis using RePEc data.