

The Ethics of Tax Evasion: Two Empirical Studies of Puerto Rican Opinion

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The present paper consists of two empirical studies. The goal of the first study is to determine the strength of the 15 arguments justifying tax evasion that Crowe identified in his study of 500 years of theological and philosophical research on the issue of tax evasion, plus 3 more recent arguments. A survey was constructed using a seven-point Likert scale that included all three positions and all 18 arguments and distributed to students at a university in Puerto Rico. The 18 arguments were ranked in terms of strength, from strongest to weakest. Comparisons were also made between male and female responses and between accounting student and law student responses.

The second study analyzes some empirical data from a much larger study of human beliefs and values. Data for that study were gathered by face-to-face interviews. The questions and methodologies were different and the results of the two studies are not strictly comparable. However, a comparison of the two studies does provide a more complete view of Puerto Rican opinion regarding the ethics of tax evasion.

INTRODUCTION

Most articles written on tax evasion are published in tax practitioner journals and take a practitioner or legal perspective. Although many studies have been done on tax compliance, very few have examined compliance, or rather noncompliance, primarily from the perspective of ethics. Most studies on tax evasion look at the issue from a public finance or economics perspective, although ethical issues may be mentioned briefly, in passing.

A few studies have been focused on tax evasion in a particular country. Ethics are sometimes discussed but, more often than not, the focus of the discussion is on government corruption and the reasons why the citizenry does not feel any moral duty to pay taxes to such a government.

Some of the studies have made comparisons by groups such as gender, age or religion. The findings of the few studies that have compared the views of men and women on the ethics of tax evasion are mixed and thus non-conclusive. The studies that have looked at ethical attitudes toward tax evasion for different age groups show some evidence suggesting that level of

education and view toward the justifiability of tax evasion are correlated. There are many studies on tax evasion from the religious perspective but very few of them are empirical. Thus, there is a need for further research on these points.

OBJECTIVES

The present study is aimed at partially filling the gaps found in the literature. The first goal is to determine if participants opine that tax evasion may be ethically acceptable in some circumstances. Specifically, this study looks to determine the relative strength that Puerto Ricans ascribe to the different arguments to justify tax evasion identified in the literature. In addition, the study seeks to gather new evidence regarding possible differences by gender, age and religious denomination. Finally, the present results were contrasted with the results of a larger study of beliefs and values to gain better understanding of the participants' opinions.

LITERATURE REVIEW

Some authors have taken a philosophical approach to tax evasion (McGee, 1994). One of the most comprehensive analyses on tax evasion from a philosophical perspective was a doctoral thesis written by Martin Crowe in 1944, titled *The Moral Obligation of Paying Just Taxes*. This thesis reviewed the theological and philosophical debate that had been going on, mostly within the Catholic Church, over the previous 500 years. Some of the debate took place in the Latin language. Crowe introduced this debate to an English language readership. Martin Crowe (1944) examined the three main approaches in the literature: (1) the relationship of the individual to the state, (2) the relationship between the individual and the taxpaying community or some subset thereof and (3) the relationship of the individual to God. There are three basic positions regarding the tax evasion debate: (1) it is always acceptable, (2) it is acceptable in some circumstances and, (3) it is never acceptable. Torgler (2003) wrote a more recent doctoral dissertation on the topic, discussing tax evasion from the perspective of public finance but also touched on some psychological and philosophical aspects of the issue.

The *Journal of Accounting, Ethics & Public Policy* published a series of articles on tax evasion from various religious, secular and philosophical perspectives in 1998 and 1999. Most of those articles were also published in an edited book (McGee, 1998a). One of them was an empirical study on the ethics of tax evasion done by Nylén (1998), who did a survey soliciting the views of Swedish chief executive officers (CEOs). McGee (1998e) commented on this study. A study by Reckers, Sanders and Roark (1994) presented participants with a case study and asked them whether they would be willing to evade taxes. Englebrecht et al (1998) did a study involving 199 subjects who replied to 29 ethical orientation questions, some of which had to do with tax evasion. Inglehart et al (2004) conducted a large survey of more than 200,000 people in more than 80 countries that asked more than one hundred questions, one of which was about tax evasion. Since the publication of that book, a few other articles have addressed the issue of tax evasion from an ethical perspective.

Several studies have looked at the ethics of tax evasion from a religious perspective (Judaism – Cohn, 1998; Tamari, 1998; McGee, 1998d; Christianity – Pennock, 1998; Schansberg, 1998; McGee, 1998c; Catholicism – Crowe, 1944; Gronbacher, 1998; Mormonism – Smith & Kimball, 1998; Islam – Murtuza & Ghazanfar, 1998; McGee, 1998b; Baha'i – DeMerville, 1998) but very few of them have been empirical studies.

McGee and Cohn (2006) surveyed the views of Orthodox Jews on the ethics of tax evasion. McGee and Smith (2006) surveyed Mormons. McGee (2007) asked the opinions of Episcopalian seminarians. Cohn (1998) and Tamari (1998) discuss the Jewish literature on tax evasion and on ethics in general. Much of this literature is in Hebrew or a language other than English. McGee (1998d, 1999a) commented on these two articles from a secular perspective.

A few articles have been written on the ethics of tax evasion from various Christian viewpoints. Gronbacher (1998) addresses the issue from the perspectives of Catholic social thought and classical liberalism. Schansberg (1998) looks at the Biblical literature for guidance. Pennock (1998) discusses just war theory in connection with the moral obligation to pay just taxes, and not to pay unjust or immoral taxes. Smith and Kimball (1998) provide a Mormon perspective and McGee and Smith (2007) conducted an empirical study of this group. McGee (1998c, 1999a) commented on the various Christian views from a secular perspective.

The Christian Bible discusses tax evasion and the duty of the citizenry to support the government in several places. Schansberg (1998) and McGee (1994, 1998a) discuss the biblical literature on this point. When Jesus is asked whether people should pay taxes to Caesar, Jesus replied that we should give to Caesar the things that are Caesar's and give God the things that are God's (Matthew 22:17, 21). But Jesus did not elaborate on the point. He did not say what we are obligated to give to the government or whether that obligation has limits. There are passages in the Bible that may be interpreted to take an absolutist position. For example, Romans 13, 1-2 is read by some to support the Divine Right of Kings.

A few other religious views are also addressed in the literature. Murtuza and Ghazanfar (1998) discuss the ethics of tax evasion from the Muslim perspective. McGee (1998b, 1999a) comments on their article and discusses the ethics of tax evasion under Islam citing Islamic business ethics literature (McGee, 1997). DeMoville (1998) discusses the Baha'i perspective and cites the relevant literature to buttress his arguments. McGee (1999a) commented on the DeMoville article. McGee (2004) discusses these articles in a book from a philosophical perspective.

Another research stream focused on tax evasion in particular countries. Ballas and Tsoukas (1998) discuss the situation in Greece. Smatrakalev (1998) discusses the Bulgarian case. Vaguine (1998) discusses Russia, as do Preobragenskaya and McGee (2004) to a lesser extent. A study of tax evasion in Armenia (McGee, 1999b) found the two main reasons for evasion to be the lack of a mechanism in place to collect taxes and the widespread opinion that the government does not deserve a portion of a worker's income.

Studies have been done for a few Latin American countries. McGee and Lingle (2006) collected the views of business and law students in Guatemala. McGee and Rossi (2006) studied law and business student opinion in Argentina. McGee, López-Paláu and Jaramillo (2007) gathered data on Ecuadorian opinion. Alfonso Morales (1998) examined the views of Mexican immigrant street vendors and found that their loyalty to their families exceeded their loyalty to the government.

Some studies in gender ethics, conducted in the United States, have found that women are more ethical than men (Akaah & Riordan 1989; Baird 1980; Brown & Choong 2005; Sims, Cheng & Teegen 1996), while other studies found that there is no statistical difference between men and women when it comes to ethics (Roxas & Stoneback 2004; Sikula & Costa 1994; Swaidan, Vitell, Rose & Gilbert 2006). A few studies have found that men are more ethical than women (Barnett & Karson 1987; Weeks, Moore, McKinney & Longenecker 1999).

Studies conducted in other countries, or religious groups, have shown the same conflictive results. Studies of international business professors (McGee, 2005a), people in Thailand (McGee, 2006) and Orthodox Jews (McGee & Cohn, 2006) found women to be more opposed to tax evasion, whereas studies of Poland (McGee & Bernal, 2006), Hong Kong (McGee & Ho, 2006) and China (McGee & Noronha, 2007) found no significant difference based on gender. A study of Romania (McGee, 2005b) found that men were more opposed to tax evasion than were women.

Some studies, like Ruegger and King (1992); Alm and Torgler (2004); and McGee and Tyler (2007), comparing responses by groups suggest that people become more ethical as they get older. Their study divided respondents into the following four groups: 21 or less, 22-30, 31-40 and 40 plus. But Sims et al. (1996) found that older students had fewer qualms about pirating software than did younger students. Babakus et al. (2004) also found that age made a difference, but what difference age makes sometimes depends on culture. Younger people from the UK, USA and France tend to be less ethical consumers than do older people from these countries, whereas younger Austrians tend to be more ethical consumers than their elders. Age generally did not matter for Hong Kong consumers, except in the case of stealing towels from hotels and blankets from aircraft. Younger people tended to be less tolerant of these kinds of activities than did their elder Hong Kong consumers. Brunei consumers showed mixed results. In some cases, younger people were more ethical whereas in other cases older people were more ethical.

McGee and Tyler (2007) examined the relationship between education and respondents' position to tax evasion for 33 countries using the Inglehart et al. (2004) data. The study concluded that people are less likely to view tax evasion as never justifiable if they are more educated, or at least as they move out of the lowest category of education.

Collectively, the studies on the ethics of tax evasion suggest that: (1) the most frequent positions about tax evasion are that it is never ethical or it may be ethical in particular circumstances; (2) the arguments and their strength to justify tax evasion vary by country and religious groups; and (3) the results of studies making comparisons by gender, age and education level show conflicting and inconclusive evidence.

METHODOLOGY

The present study really combines two studies, a survey conducted of students at a university in Puerto Rico and an analysis of data of Puerto Rican opinion that was collected as part of a much larger study on human beliefs and values (Inglehart et al, 2004). The survey instrument for the first study included all three views on the ethics of tax evasion that Crowe (1944) identified in his thesis. Eighteen statements covering the 15 arguments that Crowe identified plus three more recent arguments were included. The statements generally began with the phrase "Tax evasion is ethical if ...". Participants were asked to select a number from one to seven to reflect the extent of their agreement or disagreement with each statement. Results were tabulated and the arguments favoring tax evasion were ranked from strongest to weakest. Group comparisons by gender and academic major were made.

The Human Beliefs and Values Surveys (Inglehart et al. 2004) collected responses to over one hundred questions by interviews face to face. Question F116 of that study asks "Please tell me for each of the following statements whether you think it can always be justified, never be justified, or something in between: Cheating on taxes if you have a chance." The study used a 10-point scale from 1 meaning never justifiable to 10 representing always justifiable. The

responses of Puerto Ricans to this question were tabulated and compared by gender, age, level of education and religious denomination. Those results were used to complement the analysis of the results of the first study.

Results - First Study

Sample Composition

The sample consists of 233 students. About 62 percent were females and approximately 85 percent were accounting students. Table 1 shows the sample composition by gender and major.

TABLE 1		
SAMPLE COMPOSITION		
Panel A: Composition by Gender		
	Sample Size	Percentage
Males	82	35.2
Females	144	61.8
No Response	<u>7</u>	<u>3.0</u>
Total	233	100.0
Panel B: Composition By Major		
Accounting	197	84.5
Business/Economics	3	1.3
Law	29	12.4
Others	3	1.3
No Response	<u>1</u>	<u>.4</u>
Total	233	100.0

Mean Scores

Table 2 shows the scores for each of the 18 statements and Chart 1 shows the relative scores in graph format. The average score for the whole 18 arguments was 5.62, on a scale from 1 to seven, showing a relatively high opposition to tax evasion. Responses ranged from 4.29 to 6.46 showing a moderate high strength for the strongest arguments to justify tax evasion.

Table 3 shows how the arguments were ranked from the strongest (lowest score) to the weakest (highest score) supporting tax evasion. The strongest argument favoring tax evasion was the case where a significant portion of the money collected winds up in the pockets of corrupt politicians or their families and friends. That argument had a score of 4.29, which, on a scale of 1 to 7 indicates that it is regarded as a moderately strong argument. In second place, with a score of 4.62, was the argument that evasion is ethical if a large portion of the money collected is wasted. The unfairness argument took third place with a 4.84 score.

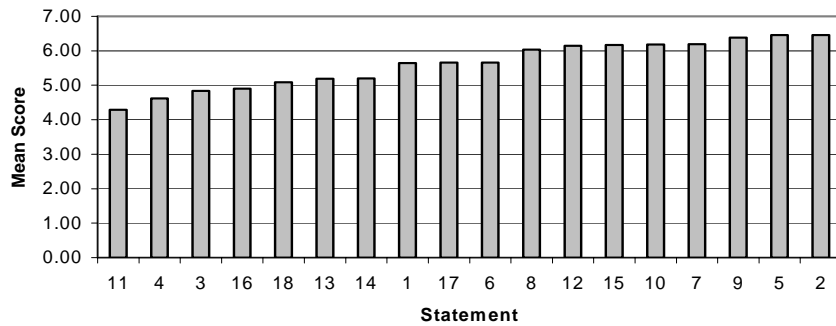
In fourth place, with a 4.90 score, was the view that tax evasion would be ethical for Jews living in Nazi Germany. It was somewhat surprising that this argument ranked fourth. It was placed in the survey instrument to test the limits. It was thought that surely if tax evasion would ever be ethical it would be in the case of Jews living in Nazi Germany. Yet, three other arguments ranked higher. Other high-ranking arguments included cases where human rights were being abused, where tax funds were spent on projects that the taxpayer disapproves of or does not benefit from or where rates were perceived to be too high. The inability to pay argument, which has a long history in the Catholic theological literature, also ranked in the top half.

The weakest arguments were in cases where tax funds were spent wisely or when taxpayers get something in return for their money. The “everyone else is doing it” argument did not fare well. Neither did the argument about not getting caught.

TABLE 2
TOTAL SAMPLE MEAN SCORES BY STATEMENT

Stmt. #	Statement	Score
1	Tax evasion is ethical if tax rates are too high.	5.64
2	Tax evasion is ethical even if tax rates are not too high because the government is not entitled to take as much as it is taking from me.	6.46
3	Tax evasion is ethical if the tax system is unfair.	4.84
4	Tax evasion is ethical if a large portion of the money collected is wasted.	4.62
5	Tax evasion is ethical even if most of the money collected is spent wisely.	6.46
6	Tax evasion is ethical if a large portion of the money collected is spent on projects that I morally disapprove of.	5.66
7	Tax evasion is ethical even if a large portion of the money collected is spent on worthy projects.	6.19
8	Tax evasion is ethical if a large portion of the money collected is spent on projects that do not benefit me.	6.04
9	Tax evasion is ethical even if a large portion of the money collected is spent on projects that do benefit me.	6.38
10	Tax evasion is ethical if everyone is doing it.	6.19
11	Tax evasion is ethical if a significant portion of the money collected winds up in the pockets of corrupt politicians or their families and friends.	4.29
12	Tax evasion is ethical if the probability of getting caught is low.	6.15
13	Tax evasion is ethical if some of the proceeds go to support a war that I consider to be unjust.	5.19
14	Tax evasion is ethical if I can't afford to pay.	5.20
15	Tax evasion is ethical even if it means that if I pay less, others will have to pay more.	6.17
16	Tax evasion would be ethical if I were a Jew living in Nazi Germany in 1940.	4.90
17	Tax evasion is ethical if the government discriminates against me because of my religion, race or ethnic background.	5.66
18	Tax evasion is ethical if the government imprisons people for their political opinions.	5.09
(1 = Strongly Agree; 7 = Strongly Disagree)		Average Score
		5.62

Chart 1: Total Sample Mean Scores

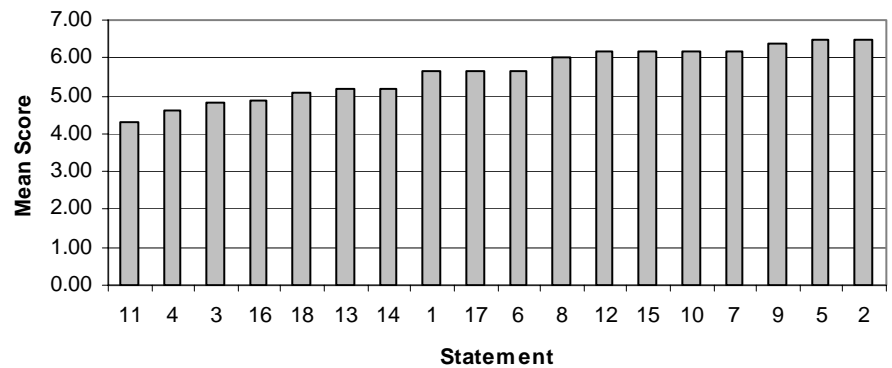


**TABLE 3
STATEMENTS RANKED FROM STRONGEST TO WEAKEST ARUMENTS**

Rank	#	Statement	Score
1	11	Tax evasion is ethical if a significant portion of the money collected winds up in the pockets of corrupt politicians or their families and friends.	4.29
2	4	Tax evasion is ethical if a large portion of the money collected is wasted.	4.62
3	3	Tax evasion is ethical if the tax system is unfair.	4.84
4	16	Tax evasion would be ethical if I were a Jew living in Nazi Germany in 1940.	4.90
5	18	Tax evasion is ethical if the government imprisons people for their political opinions.	5.09
6	13	Tax evasion is ethical if some of the proceeds go to support a war that I consider to be unjust.	5.19
7	14	Tax evasion is ethical if I can't afford to pay.	5.20
8	1	Tax evasion is ethical if tax rates are too high.	5.64
9	6	Tax evasion is ethical if a large portion of the money collected is spent on projects that I morally disapprove of.	5.66
9	17	Tax evasion is ethical if the government discriminates against me because of my religion, race or ethnic background.	5.66
10	8	Tax evasion is ethical if a large portion of the money collected is spent on projects that do not benefit me.	6.04
11	12	Tax evasion is ethical if the probability of getting caught is low.	6.15
12	15	Tax evasion is ethical even if it means that if I pay less, others will have to pay more.	6.17
13	7	Tax evasion is ethical even if a large portion of the money collected is spent on worthy projects.	6.19
13	10	Tax evasion is ethical if everyone is doing it.	6.19
14	9	Tax evasion is ethical even if a large portion of the money collected is spent on projects that do benefit me.	6.38
15	2	Tax evasion is ethical even if tax rates are not too high because the government is not entitled to take as much as it is taking from me.	6.46
15	5	Tax evasion is ethical even if most of the money collected is spent wisely.	6.46

(1 = Strongly Agree; 7 = Strongly Disagree)

**Chart 2:
Statements Ranked
from Strongest to
Weakest Arguments
Supporting Tax
Evasion**



Comparison by Gender

Table 4 shows that the female scores were higher than the male scores in 16 of 18 cases. But applying Wilcoxon tests to the data found that female scores were significantly higher than male scores in only three cases, as shown in Chart 3. However, these findings do not allow us to conclude that women are more ethical than men. In order to arrive at that conclusion we must begin with the premise that tax evasion is unethical, which may or may not be the case. All we can conclude is that women are sometimes more opposed to tax evasion than are men. The differences by gender were found in the arguments regarding high tax rates, if the money is used in worthy projects and if the government is entitled to collect taxes.

Comparison of Law and Accounting Students

The sample sizes for accounting and law students were sufficiently large to make a comparison. It was difficult to determine a priori which group would be more opposed to tax evasion. Lawyers supposedly respect the law, yet many practicing lawyers are cynical and merely use (or abuse) the law in order to win. However, law students are still at the idealistic stage of development and perhaps still have a strong respect for the law. Accounting students are taught to follow the rules and not to enter into philosophical discussions about whether the rules themselves are ethical. Therefore, it could be expected that accounting students would be opposed to tax evasion. Table 5 shows the results by academic major.

The scores were evenly split. Accounting students scored higher in nine cases and law students scored higher in nine cases. The accounting student scores were higher overall, on average, 5.63 to 5.45, but the accounting student scores were significantly higher than the law student scores in only the case that the money is spent in projects that do not benefit the tax payer. Chart 4 shows the extent of the difference for that case.

TABLE 4. COMPARISON AND MALE AND FEMALE SCORES

#	Statement	Scores ^a		Score Larger by ^b		p value
		Male	Female	Male	Female	
1	Tax evasion is ethical if tax rates are too high.	5.29	5.89		.60*	.032
2	Tax evasion is ethical even if tax rates are not too high because the government is not entitled to take as much as it is taking from me.	6.24	6.57		.33*	.012
3	Tax evasion is ethical if the tax system is unfair.	4.67	4.91		.24	.489
4	Tax evasion is ethical if a large portion of the money collected is wasted.	4.43	4.76		.33	.338
5	Tax evasion is ethical even if most of the money collected is spent wisely.	6.49	6.41	.08		.771
6	Tax evasion is ethical if a large portion of the money collected is spent on projects that I morally disapprove of.	5.52	5.71		.19	.290
7	Tax evasion is ethical even if a large portion of the money collected is spent on worthy projects.	5.95	6.29		.34*	.036
8	Tax evasion is ethical if a large portion of the money collected is spent on projects that do not benefit me.	5.87	6.10		.23	.282
9	Tax evasion is ethical even if a large portion of the money collected is spent on projects that do benefit me.	6.21	6.45		.24	.115
10	Tax evasion is ethical if everyone is doing it.	6.10	6.20		.10	.229
11	Tax evasion is ethical if a significant portion of the money collected winds up in the pockets of corrupt politicians or their families and friends.	4.20	4.36		.16	.724
12	Tax evasion is ethical if the probability of getting caught is low.	6.10	6.17		.17	.585
13	Tax evasion is ethical if some of the proceeds go to support a war that I consider to be unjust.	5.13	5.23		.10	.731
14	Tax evasion is ethical if I can't afford to pay.	4.87	5.34		.47	.162
15	Tax evasion is ethical even if it means that if I pay less, others will have to pay more.	6.07	6.19		.12	.171
16	Tax evasion would be ethical if I were a Jew living in Nazi Germany in 1940.	4.89	4.96		.07	.935
17	Tax evasion is ethical if the government discriminates against me because of my religion, race or ethnic background.	5.62	5.69		.07	.706
18	Tax evasion is ethical if the government imprisons people for their political opinions.	5.30	5.02	.28		.468
Average Score		5.50	5.68			

a: (1 = Strongly Agree; 7 = Strongly Disagree)

b: * Significant at the 5% level

CHART 3
SIGNIFICANT DIFFERENCES BETWEEN MALE AND FEMALE MEAN SCORES

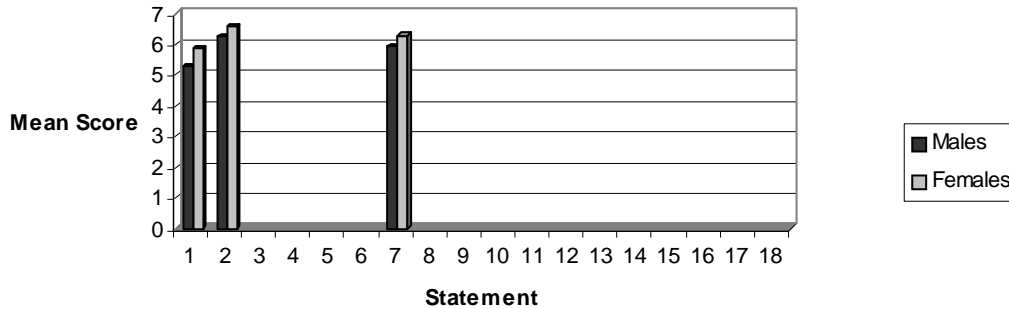


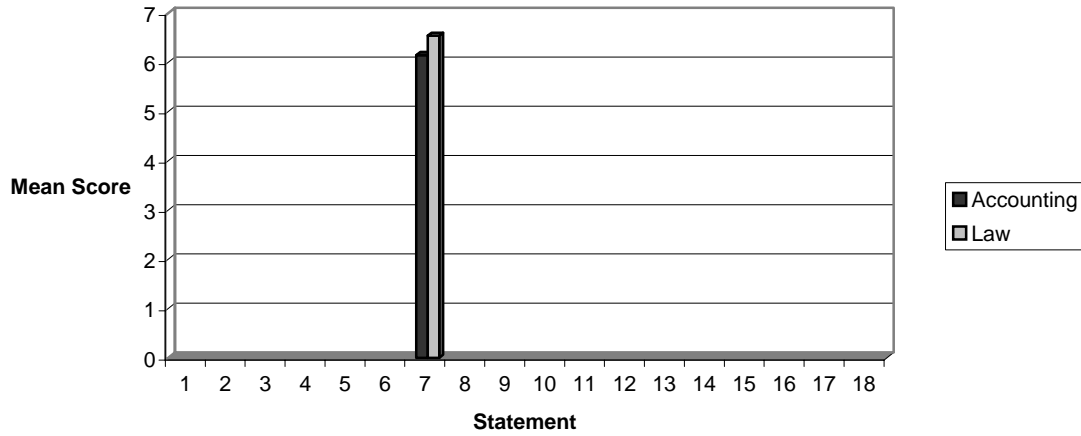
TABLE 5. COMPARISON OF ACCOUNTING AND LAW STUDENT SCORES

#	Statement	Score Larger by		p value		
		Acct.	Law			
1	Tax evasion is ethical if tax rates are too high.	5.72	5.17	.55	.473	
2	Tax evasion is ethical even if tax rates are not too high because the government is not entitled to take as much as it is taking from me.	6.52	6.07	.45	.421	
3	Tax evasion is ethical if the tax system is unfair.	4.90	4.34	.56	.230	
4	Tax evasion is ethical if a large portion of the money collected is wasted.	4.65	4.38	.27	.713	
5	Tax evasion is ethical even if most of the money collected is spent wisely.	6.43	6.55		.12	.771
6	Tax evasion is ethical if a large portion of the money collected is spent on projects that I morally disapprove of.	5.70	5.34	.36		.645
7	Tax evasion is ethical even if a large portion of the money collected is spent on worthy projects.	6.15	6.54		.39	.964
8	Tax evasion is ethical if a large portion of the money collected is spent on projects that do not benefit me.	6.05	5.90	.15*		.031
9	Tax evasion is ethical even if a large portion of the money collected is spent on projects that do benefit me.	6.36	6.52		.16	.718
10	Tax evasion is ethical if everyone is doing it.	6.15	6.41		.26	.382
11	Tax evasion is ethical if a significant portion of the money collected winds up in the pockets of corrupt politicians or their families and friends.	4.30	4.41		.11	.156
12	Tax evasion is ethical if the probability of getting caught is low.	6.14	6.21		.07	.758
13	Tax evasion is ethical if some of the proceeds go to support a war that I consider to be unjust.	5.23	4.97	.26		.374
14	Tax evasion is ethical if I can't afford to pay.	5.20	5.41		.21	.974
15	Tax evasion is ethical even if it means that if I pay less, others will have to pay more.	6.16	6.24		.08	.131
16	Tax evasion would be ethical if I were a Jew living in Nazi Germany in 1940.	4.95	4.39	.56		.609
17	Tax evasion is ethical if the government discriminates against me because of my religion, race or ethnic background.	5.70	5.24	.46		.721
18	Tax evasion is ethical if the government imprisons people for their political opinions.	5.00	5.45		.45	.111
Average Score		5.63	5.45			

a: (1 = Strongly Agree; 7 = Strongly Disagree)

b: * Significant at the 5% level

CHART 4
SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING AND LAW STUDENTS
MEANS SCORES



Results - Second Study

The Human Beliefs and Values Surveys (Inglehart et al. 2004) collected responses to scores of questions from 200,000 people in 81 societies. The Puerto Rican sample consist of 720 responses; six replied *don't know* and eight did not answer, leaving a usable sample size of 706. Respondents chose a score from one (never justifiable) to ten (always justifiable) to give their opinion about the statement *Cheating on taxes if you have a chance*. Table 6 shows the Puerto Rican responses. More than three out of four (77.8%) respondents said that tax evasion is never justified.

TABLE 6
OVERALL SCORES

Scores ^a	Frequency	Percentage	Cumulative Percentage
1	549	77.8	77.8
2	33	4.7	82.4
3	18	2.5	85.0
4	11	1.6	86.5
5	29	4.1	90.7
6	16	2.3	92.9
7	5	0.7	93.6
8	5	0.7	94.3
9	7	1.0	95.3
10	33	4.7	100.0

a: (1 = never justifiable; 10 = always justifiable)

Comparison by Gender and Country

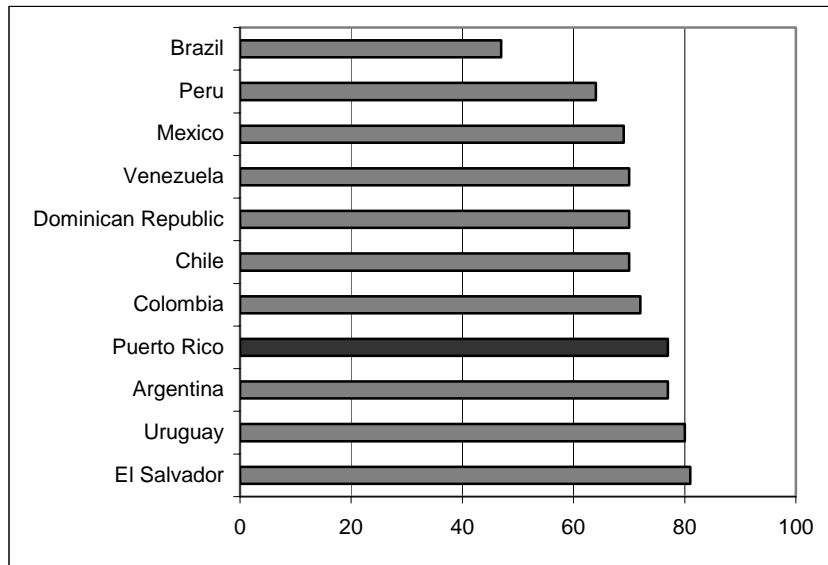
Table 7 shows the answers respondents gave from the Latin American countries that were included in the survey to the same statement (Inglehart et al, 2004, Question F116). Results show the percentage of respondents that chose "1" (never justifiable) ranked highest to lowest, in the

total population and by gender group. Chart 5 shows the percentages of respondents by country that chose "1" as their response.

TABLE 7
PERCENTAGE OF RESPONSES – NEVER JUSTIFIABLE

Country	Total Population %	Male %	Female %	Higher Male Score	Higher Female Score
El Salvador	81	81	81		
Uruguay	80	79	81		2
Argentina	77	73	81		8
Puerto Rico	77	76	78		2
Colombia	72	70	74		4
Chile	70	70	70		
Dominican Republic	70	70	71		1
Venezuela	70	70	70		
Mexico	69	67	71		4
Peru	64	61	67		6
Brazil	47	47	47		
Average	70.6	69.5	71.9		2.4

Chart 5
Percentage of "1" Responses
by Country



The range of scores was 47 to 81 percent. Puerto Rico's percentage was 77, which ranked as the fourth most opposed to tax evasion from among 11 Latin American countries that were included in the survey. As can be seen, in the same table, female percentages were higher in 7 of 11 cases, and the percentages were tied in the other four cases. In no case was the male percentage higher than the female percentage, which might lead one to logically conclude that women are more opposed to tax evasion than are men. On average, the percent of females indicating that tax evasion is never justifiable was 2.4 percent higher than for males. However, a high percentage of respondents of both groups think that tax evasion is never justifiable.

Table 8 shows another way to look at the male and female scores just for Puerto Rico. The sample consisted of 250 males and 452 females. A few respondents marked *don't know* or did not answer. Those data were excluded from the computation. A Wilcoxon test was done to see whether the differences were significant. They were not ($p = 0.6006$).

TABLE 8
MALE AND FEMALE SCORES FOR PUERTO RICO

Score ^a	Total Sample	Male		Female	
		#	%	#	%
1	548	192	76.8	356	78.8
2	31	12	4.8	19	4.2
3	18	5	2.0	13	2.9
4	11	2	0.8	9	2.0
5	28	12	4.8	16	3.5
6	16	4	1.6	12	2.7
7	5	3	1.2	2	0.4
8	5	2	0.8	3	0.7
9	7	4	1.6	3	0.7
10	33	14	5.6	19	4.2
Total	702	250	100.0	452	100.0
Mean	2.06	2.43		1.94	

a: (1 = never justifiable; 10 = always justifiable)

Comparisons by Age

The Inglehart et al. (2004) study also reported results by age. The data was divided into three age groups. Table 9 shows the breakdown. The mean decreases as age increases, which means people tend to think tax evasion is less justifiable as they get older. However, are the differences significant? Wilcoxon tests were performed to get the answer to that question. The results are given in Table 10.

TABLE 9
PUERTO RICAN SCORES BY AGE GROUPS

Score ^a	Total Sample	Age 15-29		Age 30-49		Age 50+	
		#	%	#	%	#	%
1	548	94	65.3	187	76.6	267	84.5
2	32	13	9.0	8	3.3	11	3.5
3	18	4	2.8	5	2.0	9	2.8
4	11	4	2.8	3	1.2	4	1.3
5	29	7	4.9	16	6.6	6	1.9
6	16	6	4.2	4	1.6	6	1.9
7	5	1	0.7	2	0.8	2	0.6
8	5	1	0.7	2	0.8	2	0.6
9	7	3	2.1	2	0.8	2	0.6
10	33	11	7.6	15	6.1	7	2.2
Totals	704	144	100.0	244	100.0	316	100.0
Mean	2.02	2.58		2.18		1.63	

a: (1 = never justifiable; 10 = always justifiable)

TABLE 10
SIGNIFICANCE OF AGE DIFFERENCES

Age Group Comparisons	p value
15 – 29 vs. 30 – 49	0.40
15 - 29 vs. 50+	0.02*
30 – 49 vs. 50+	0.082**

* Significant at 5% level ** Significant at 10% level

As can be seen, the difference between the 15-29 and 50+ age groups is significant at the 5% level and the difference between the 30-49 and 50+ age groups is significant at the 10% level, indicating that people do tend to become more opposed to tax evasion as they get older. However, a high percentage of respondents of the three age groups think that tax evasion is never justifiable.

Comparison by Level of Education

The Inglehart et al. (2004) study compiled data for Puerto Rico based on the level of education. Table 11 shows the specifics. The categories for education were compiled as follows:

<u>Lower</u>	Inadequately completed elementary education, or Completed (compulsory) elementary education, or (Compulsory) elementary education and basic vocational qualification
<u>Middle</u>	Secondary, intermediate vocational qualification, or Secondary, intermediate qualification, or Full secondary, maturity level certificate
<u>Upper</u>	Higher education – lower- level tertiary certificate, or Higher education – upper -level tertiary certificate

TABLE 11
JUSTIFIABILITY OF TAX EVASION BY LEVEL OF EDUCATION

Score	Total Sample	Lower		Middle		Upper	
		#	%	#	%	#	%
1	545	60	84.5	168	78.5	317	76.4
2	32	2	2.8	12	5.6	18	4.3
3	18	4	5.6	5	2.3	9	2.2
4	11	2	2.8	4	1.9	5	1.2
5	29	0	0.0	6	2.8	23	5.5
6	16	2	2.8	7	3.3	7	1.7
7	5	1	1.4	0	0.0	4	1.0
8	5	0	0.0	2	0.9	3	0.7
9	6	0	0.0	3	1.4	3	0.7
10	33	0	0.0	7	3.3	26	6.3
Totals	700	71	100.0	214	100.0	415	100.0
Mean	2.01	1.45		1.91		2.16	

a: (1 = never justifiable; 10 = always justifiable)

A high percentage of respondents of each education level group think that tax evasion is never justifiable. However, the mean scores rose as education rose, indicating that individuals become less morally opposed to tax evasion as their education increases. Nevertheless, are the differences in mean score significant? Wilcoxon tests were performed to find the answer to this question. The results are given in Table 12. None of the differences were significant at the 10% level or lower, a finding that contradicts that of the McGee and Tyler (2007) study of 33 countries.

TABLE 12
SIGNIFICANCE OF DIFFERENCES
BASED ON EDUCATION

Educational Level Comparisons	p value
Lower to Middle	0.4329
Lower to Upper	0.2047
Middle to Upper	0.5092

Comparison by Religious Groups

The Inglehart et al. (2004) study also compiled data by religion. Table 13 shows the data for the religions in the Inglehart et al. (2004) study that had a sample population of at least 25 for Puerto Rico. A high percentage of respondents of the three groups think that tax evasion is never justifiable. Buddhists appear to be most strongly opposed to tax evasion on moral grounds, with a mean score of 1.16. Protestants are less opposed. Their mean score was 1.73. Roman Catholics are least opposed to tax evasion, with a mean score of 2.00. However, since the scale was from 1 to 10, it would not be accurate to say that Catholics strongly support tax evasion. Table 14 shows the p scores for the various comparisons. As can be seen, the differences in scores were not significant for any of the comparisons.

TABLE 13
JUSTIFIABILITY OF TAX EVASION BY RELIGION

Score ^a	Buddhist		Protestant		Roman Catholic	
	#	%	#	%	#	%
1	21	84.0	78	83.0	315	78.0
2	4	16.0	4	4.3	18	4.5
3	0	0.0	2	2.1	9	2.2
4	0	0.0	0	0.0	7	1.7
5	0	0.0	4	4.3	17	4.2
6	0	0.0	2	2.1	11	2.7
7	0	0.0	0	0.0	3	0.7
8	0	0.0	0	0.0	4	1.0
9	0	0.0	1	1.1	2	0.5
10	0	0.0	3	3.2	18	4.6
Totals	25	100.0	94	100.0	404	100.0
Mean	1.16		1.73		2.00	

a: (1 = never justifiable; 10 = always justifiable)

TABLE 14
SIGNIFICANCE OF DIFFERENCES
BASED ON RELIGION

Educational Level Comparisons	p value
Buddhists vs. Protestants	0.8286
Buddhists vs. Roman Catholics	0.4585
Protestants vs. Roman Catholics	0.4140

CONCLUDING COMMENTS

The relatively high mean score for the 18 arguments to justify tax evasion obtained in the first study and the high percentage of respondents that chose the alternative of never justifiable in the second study suggest that, in general, Puerto Ricans are opposed to tax evasion. The scores in the Inglehart et al. study (2004) showed much more opposition to tax evasion. There could be several explanations for the more conservative scores. Methodology is one explanation. Face-to-face interviews might tend to produce outcomes that are more conservative. The fact that many of the respondents were older in the Inglehart et al. study might be another reason, since people tend to become more opposed to tax evasion than younger people. Other differences between the two surveys might also explain some of the differences in outcomes. The study of university students consisted of a sample population that was both young and educated, whereas the Inglehart et al. (2004) study included participants who had a less homogeneous age and education distribution.

These results contrast with the findings of the Special Commission for Fiscal Reform of Puerto Rico (2005) pointing out that tax evasion in Puerto Rico was estimated by many studies as large as the formal economy. Maybe people really think that tax evasion is not ethical, but that it is not a deterrent to evading taxes.

Despite the general opposition to tax evasion, this study identified the stronger arguments to justify it. As expected, some arguments proved to be stronger than others. Some of the arguments proved to be fairly strong, as indicated by the scores received. Four of the arguments scored between 4.29 and 4.90 and six arguments scored between 5.09 and 5.66. However, eight arguments scored above 6.0, indicating that about half of the arguments were weak.

The three strongest arguments were related to corruption, money wasted and the unfair system. It is of public concern that those arguments are three huge problems in Puerto Rico that anyone may corroborate by reading any local newspapers any day. Particularly, the period from 1993 to 2000 was characterized by a lot of corruption and money wasting scandals. As a result many government officials are now in prison, including senators, executives, mayors, etc. Then, the strength ascribed to these arguments by respondents is not a surprise, given the particular reality of the country.

In general, this study did not find significant differences by gender, age, level of education or religious group. In the case of age, it seems that people tend to become more opposed to tax evasion as they get older. In the few instances in the first study where significant differences by gender were found, women seemed to be somewhat more strongly opposed to tax evasion than were men but there was no significant difference between male and female scores in the

Inglehart et al. (2004) study. One must be careful not to conclude that women are more ethical than men. To arrive at that conclusion, one must begin with the premise that tax evasion is unethical, which may or may not be the case.

The present study leaves some questions unanswered. One might ask “why” tax evasion is frowned upon more in some cases than in others. It would also be interesting to explore the reasons why women might be more opposed to tax evasion than men or why people become more opposed to tax evasion as they grow older. However, exploration of these questions must be deferred to another day.

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