

# ALTERNATIVE APPROACHES TO INTERPRETING THE RELATIONSHIP BETWEEN TAXATION AND SOCIAL RESPONSIBILITY

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## ABSTRACT

*One of the main purposes that we want to pursue with this essay is to synthesize the main contributions of the three heterodox approaches which depart from the conventional interpretations of neoclassic economic theory and from the school of public elections. Particularly, we will try to clarify some of the fundamental contributions that we have been doing related to the interpretation to the fiscal state and fiscal system. Therefore, we start with a presentation of various interpretations that have been made in what is known as fiscal sociology. An historical analysis is made about the principal intellectual traditions that have dominated since its origins. We emphasize our work in the Austrian traditions, although we also present a brief report about the most current interpretations from James O'Connor about the fiscal state crisis, Richard Musgrave's publications in the same area of fiscal state crisis and last of all we present the epistemological approach, methodology, and the cognitive rationality from the fiscal sociology that Mark Leroy proposes. Then, we conducted a brief presentation about the contributions of the new economic institutionalism, basically in the same area of contributions that have been made by Oliver Williamson and Douglas North. We also make a brief description of the approach of the three French modern public finances or the financial sociology approach. To sum up, we conducted a final reflection comparing the three heterodox approaches with the most significant contributions to the analysis of fiscal state and fiscal system.*

*Key words: Fiscal sociology, fiscal state, fiscal system, fiscal crisis, new economic institutionalism.*

## I. Different interpretations of fiscal sociology.

The origins of fiscal sociology as an intellectual movement or as a tradition in fields of study, refers to two well identified schools in their historical development. Wilfredo Pareto's Italian school and his Italian disciples (Sensisini, Bargatta, Murray y Gizzioti), also working with Conigliani, Puviani and Montemartini. The other one is the Austrian school, represented for Goldshield and Shumpeter. Both traditions developed in response to the different peculiarities in their objects of study, the Austrian School mostly focuses their attention in the studies of fiscal state crisis. Meanwhile, the Italian school is part of the Machiavellian tradition and works on the study of the new fiscal policy measures that impact both the economic equilibrium and the social balance which could be evaluated before reaching any judgment on the implications these may have on the economic welfare.

Also, we must recognize that there are several authors who are identified as inventors of fiscal sociology for their seminal contributions. This is the case of Adam Smith's contributions for the study of fiscal evasion. The same as A. de Toqueville's contributions on taxation and the formations of the modern state. Similarly, we mention Adolfo Wagner's analysis about the social action on taxation, Eduardo Bernstein, Hilferding, Bruno Moll, Constantino Frantz, and some others.

Particularly, in the Austrian tradition about fiscal sociology, both Goldshield and Shumpeter agree on the necessity of the implementation of fiscal sociology to the study of public financial phenomena. In Goldshield essay from 1925, that is called "A sociological approach to problems of public finance ", he argues that the sociological approach is the fundamental condition for any objective theory of public finances. He also argues that the history, sociology and statistics of finances are the three elements that can only support a theory of public finances that is not far apart from reality. From these three elements, financial sociology is the most important one. On the other hand, for Shumepeter fiscal history is highly significant not only because it explains the major events of history, but because it give us the opportunity to understand the spirit of the people, their cultural level, their social structure, the

mechanisms that their policy should prepare, all of this and more is found and written in the fiscal history. These arguments were part of their contributions contained in his initial work entitled "The Crisis of the Tax State", published in 1918.

In the publications of two of the great representatives of the Austrian school, there are two different solutions regarding the state's fiscal crisis and thus on the nature and sustainability of the Fiscal State. Also, for Goldsheild to dispose the fiscal state of minority of public properties allows the financial capitalists with possibilities of exploiting the State by providing more and more debt. Under these circumstances, the budgetary pressures produced by the higher debt service are presented as a manifestation of social struggle, expressing a greater exploitation by the employees of the fiscal State, in benefit to the creditors of the debt. In these circumstances/ under these circumstances, the budget pressures, product of the major service of the debt, are borrowed as manifestation of the social fight, expressing itself as the major exploitation of the workers for the fiscal tax in benefit of the debt creditors. This fiscal exploitation is conceived as interdependent of the exploitation of the workers in the private economy. A fiscal crisis comes as a consequence of the relation among the fiscal system and capitalism.

Shumpeter's position in respect to the State fiscal crisis, expresses this crisis as a fiscal potential of the State limited by the capacity of taxation of the private economy. The indirect taxes over the particular goods can lead to point of a decrease on income. The taxes of benefits, particularly to companies that look for innovation, can delay the technological progress. For Shumpeter, the savings, investments and the company's spirit, are crucial machines of the economic growth, and have to be respected. The collapse of the capitalism is a derivation of the increasing growth of the administration and war costs, at the same time the change of attitude over the demands of social costs and of property, offer an ominous future. The relative autonomy of the State in respect to the private economy weakens, which can provokes a collapse in the fiscal state/tax status.

The sustainability of capitalism according to Goldshield lies on the search on the accumulation and concentration of the public capital. The potential development of the community grows in extent to which income can be converted in goods

of public inversion and human resources. For these reasons, state capitalism and human resources are the two pillars of a new economic order.

For Shumpeter, the avoidance of a collapse of the tax state can be possible due to that is not an advocate of the inevitability of tax/ fiscal crisis. A good tax/fiscal administration can delay or avoid the collapse of the fiscal State. For Shumpeter, the fiscal State is not necessarily lost, at least at the particular historic moment he wrote his work. Shumpeter doubts about the viability of Goldshield's proposal about the capitalism of state, considering that the administration of the public organization cannot differ from the private. Therefore, for Shumpeter the problem can be solved within the bases of market economy and the fiscal State. The problem of the tax state at the end of World War I can be solved especially regarding to the war cost, only reducing the financial liquidity, balancing the budget and amortizing the debt. This can be achieved increasing the taxes or, for once and for all the capital taxation using the procedure that consists on repaying bank loans, reducing the excesses of money offer and by this way, reduce the debt. With these measures the possibility of a fiscal crisis was banished.

Anyway, in both positions of Austrian tradition it can be appreciated how the resilience that it could have the fiscal state and the possibility of sustaining an increasing public spending, was being underestimated. Nevertheless, Shumpeter's essay, which talks about the State fiscal crisis, can be considered as an effort aimed to encourage the fiscal sociology as a multidisciplinary and trans disciplinary science.

At the same time when the authors of the Austrian tradition of the fiscal sociology were facing a situation marked by the collapse of the old order and the end of the status that dominated Europe from 1815 to 1918, with the annihilation of four empires that dominated Europe for a long period of time (Márquez, 2008). Meanwhile, in 1973 the work "State's fiscal crisis" was published (O'Connor, 1973), right under a severe questioning to the welfare state when the North American economy was passing through an inactivity with inflation. In this context O'Connor anticipates the crisis of the welfare state which was product of a growing gap among the budget surplus and the reduced capacity for the state to

capture more revenue. Operating from a neo-Marxist approach, it postulates the inevitability and the State's fiscal crisis. The fiscal crisis is a result of the growing need for state's intervention to ensure the reproduction of the status quo of monopolies. To achieve this goal, the state is forced to increase the social costs of legitimation. At the same time, private interests pressure to socialize costs and load them into the state budget, and other fiscal benefits. The state cannot balance the budget, since employers are not willing to accept higher tax burdens through tax benefits and, on the other hand, the strength of the unions do not accept new taxes. This contradiction leads to an inevitable state fiscal crisis.

In the context of North American fiscal sociology, the publication of James O'Connor arises, which is a contribution that follows the divergent Schumpeterian analysis, is the contribution of Richard Musgrave in his essay "Theories of fiscal crisis: An essay in fiscal sociology "(Musgrave, 1980). O'Connor's position regarding the structural deficit in the budget resulting in a tendency toward fiscal crisis, will be challenged from Musgrave non-Marxist position. For Musgrave the analysis of social classes is not very promising to determine the net benefits from the public budget. According to Musgrave analysis of the net proceeds of the budget activity is most likely to be made according to interest groups, for fiscal activity is often stratified by income source and activity budget for the expenditure by households and by age. Thus, it is very complex and multidirectional to realize an analysis in terms of capital-labor dichotomy. Likewise, it is not easy to identify the consequences of fiscal policy on business monopolies. In addition, Musgrave founds out that the proportion of social expenditure in GDP is very small, contrary to the thesis of O'Connor. He also notes that one of the reasons for the growth of public expenditure can be found in the growth of population after the Second World War, the so-called Baby Boom.

One of the recent contributions to fiscal sociology comes from the professor Marc Leroy, from the University of Reims, France-based. He defines sociology as the study of fiscal relations between the tax, the state and society, which provides the key to a pertinent analysis in the context of the problem of the social sciences. Tax is considered as a social process to theorize on an empirical basis rather than a purely technical process. Due

to his questioning of fiscal policy, it is considered that this involves a process of social change, for this reason it is interested in the process of tax reform. Goes further in identifying the functions of the tax, adding to the financial functions of macroeconomic stability and the redistributive function on the political, territorial and social integration. However, is not enough to identify new fiscal functions. You must apply a cognitive approach, where tax sociology focuses on the arguments, ideas and reasons for the influence of the classical variables of the tax reform, all considering the influence of theories of public policy and of the State.

The sociological study of the fiscal change proposes to register in a global epistemological position and retains three stages in the construction of a deontological theory of the reform of the fiscal system: a) Typological analysis of the relation between the income levels and expenses that characterize the form of the fiscal State; b) The analysis of the economic, social, politic and territorial functions of tax and finally; c) The cognitive analysis of the causal variables of the fiscal reform through models of the political science relative to the State and the public policies.

Conducting a synthesis of the three stages in the construction of a deontology of the fiscal reform (Leroy, 2004), we propose the following scheme:

- a) Typological analysis of the Fiscal state. Based on the problem of relation between the level of income and expense, the typology establishes a relation between the level of taxation and the level of intervention from the State, determining four forms of the Fiscal State:

<u>Level of taxation</u>	<u>Level of intervention</u>	<u>Weak</u>	<u>Strong</u>
<u>Weak</u>		<u>Liberal State</u>	<u>Fiscal State Crisis</u>
<u>Strong</u>		<u>Waste State</u>	<u>Intervencionist State</u>

The liberal conception of the State establishes a level of weak taxation associated correlatively to a level of weak intervention. It is the conception that states that the fiscal State does not have to intervene in the economic activity and in the

social development, as a result of respecting the concurrence and the neutrality referring to the economic agents' decisions. Under this conception, the tax does not have to modify the economic agents' behavior and must be limited to a strictly financial role in order to cover the public expense in the classic mission of security, diplomacy, justice, etc.).

The wasting state is postured based on a high taxation level associated with a weak intervention level. Their characteristic features are corruption, inefficiency and oppression. It is expressed through public expenses that do not abide to strict controls and a bad public procedure.

The state of the fiscal crisis is characterized by a level of weak taxation associated with a high level of intervention. According to Goldscheild's idea, the Capitalist State is born structurally poor, opposite of the Feudal State or Absolutist State where the heritage incomes were its fundamental funding source. This is contrary to the case of the fiscal state, which does not retain its primary resources from their patrimony, but rather from the taxes. This is equal to O'Connor's postures about the fiscal crisis of the State, where the highest budget expenses to sustain the economy are translated into higher public imbalances because of the resistance of the monopolist groups and workers' unions for the paying of higher taxes. It has been proven, just as Shumpeter has proposed, that fragile taxation seems doubtful in developed countries, because of political solutions taken to overcome the fiscal crisis (fiscality, cuts, privatization, negotiation of the debt, etc).<sup>1</sup>

<sup>1</sup> According to Mark Leroy, the crisis works as a cognitive argument to justify the changes under the fiscal politics or budget (Leroy, 2009).

The figure of the interventional State is defined as a level of strong taxation and a level of strong intervention, such is the case of developed countries.<sup>2</sup> After the economic crisis of 1970, the viability of the welfare State was put into doubt. Only some of the countries have continued supporting the welfare state as a product of the democratic politics, but only after making fundamental changes in the public administration. Three types of welfare State have been historically divided:

the State of free welfare, where the help is concentrated on the lower classes and where the coverage of the social security is managed for private sectors (like EUA).

The Welfare Providence state which is financed by the social contributions (such as the case of Germany and Italy). Finally, the Universalist Providence State, which is financed with taxes. The case of France, which is a mix of financing by taxing, Generalized Social Contribution, and the contribution of the salary earners, paves the way to ensure the universal health coverage.

- b) The analysis of the economic, social, politic and territorial functions of the tax.

Referring to the traditional functional analysis of the tax system, which is restricted to the economic functions of the tax, the fiscal sociology proposes enriching the economic analysis in order to take into account the complexity of fiscal interventions nowadays. The three economic functions of the tax system: financial, macroeconomic stabilization, and redistributive, have been losing force. In particular, the financial function has taken from the tax a strong inelasticity in front of the economic growth to the debt, privatizations, and decentralization, as part of the financial reform. The regulations of macroeconomic functions have been dispersed in numerous particularities of the tax. The function of redistribution has also lost power for the least participation of the tax over the income of the total income, the decrease of marginal rates, the minimal steps on the tables of frequency and the strong presence of tax evasion and avoidance lowers its redistributive effectiveness.

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<sup>2</sup>According to Mark Leroy all countries of the OCDE enjoy an interventionist state, however, the case of Mexico seems more of an exception to the rule because the taxation load is the lowest from all countries of the OCDE (Leroy, 2009). With the incorporation of the three additional functions presented by Marc Leroy, the functional approximation to Musgrave's monetary system is exceeded. With the social function the income redistribution is integrated. The tax' political function renovates citizen's legitimacy; this aspect has lost strength due to determination of fiscal policies and other figures outside the parliament. The territorial function is renewed through territorial arrangement and development policies through a revoked fiscality and selective support.

- c) Cognitive analysis of the causal variables of the fiscal reform through

political science models concerning to State and public policies.

The political dimensions are studied in relation to the theory of inertia, the new institutionalism, elite theories, the public election theory and lobbyists.

The inertia theory concentrates on the past of public policies. The objective of a decision maker is to maximize the performance and minimize political costs; in order to avoid fiscal reforms. The use of loan will be preferred over the fiscal reform or to the decrease of expenses. Fiscal inertia's main weakness is that even though it has been empirical verified it does not justify a reform explanation of the framework's influence. Ideas regarding a fiscal change exist and in historical development these ideas overcome reform blockage. However, the cognitive model goes beyond proposing that begin against the reform, or a restrictive analysis to the problem can become part of the institution's evolution itself and their lack of adaptation to the needs of the society.

The institutions theory or neo-institutionalism analyzes the Benefactor State's institutions, criticizing rational public assumptions (based on interest). This theory admits state's autonomy and studies the institutional logics of organization and operation that influence the reforms.

The elite theory raises the study of fiscal privileges supported by the parliament, journalists, art collectors, captains of industry and Supreme Court members. The cognitive method allows revealing how journalists while invoking freedom of press, they are favored by fiscal privileges.

The public election theory studies public decisions in terms of cost/benefit and lies in a narrow conception of rationality (utilitarian), for both, decision makers and citizens. The cognitive analysis attempts to highlight the limits of utilitarian rationality, considering the behavior of tax payer citizens, following an axiological or cognitive rationality. A cognitive rationality takes into account how the information is processed and represented by a citizen to vote or support the government's fiscal policies.

The theory of social groups, in its pluralist version, maintains that there is a balance between the demands of different groups of interest. While the corporatist theory holds that the commitments made between the state and representatives of officially recognized social groups must be

honored. Whereas, a cognitive analysis refers more to the arguments of interest groups to legitimize their claims.

## II. The new economic institutionalism.

Oliver Williamson is the creator of the term “New institutional economy” which emerged in the 90’s and refers to various schools of thought which are interwoven by the idea that institutions import and can be analyzed with the instruments of the standard economic theory. This idea of new economic institutionalism differs from the old American economic institutionalism (Commons, Wesley, Mitchel, etc.) which maintained a no theoretic position, reluctant to neoclassic economics.

### II.1. Market, firm, transaction costs, comparative effectiveness.

One of the key concepts of the new institutional economy is the reintroduction of the concept of organization. The firm is conceived, according to Williamson, as the hierarchy. Esencialmente la firma se concibe, de acuerdo a Williamson como la jerarquía. Market and hierarchy are two alternative methods of coordination of production. When price setting assumes positive transaction costs, the market may be replaced by a form of coordination of alternative production: hierarchy or firm. To make transaction costs economies several hybrid forms emerge built by lasting relationships between companies. Such as different ways of contracting: subcontracting, partnerships and varied alliances. It also considers the departments or government agencies, which shapes the institutions of governance: markets, hybrids, hierarchy or companies and government departments. All these institutions seek to minimize transaction costs.

The new economic institutionalism heterodox view allows dealing with capitalist coordination compounds: market, state, business organization and hybrids. Which is the best organizational choice? Market or hierarchy institutions constitute alternative governance structures.

According to Williamson, the institutional analysis is focused on the comparison of forms of organization regarding to market. In a microeconomic level it would be about institutional arrangements, while in a

mesoeconomic level it will be about institutional environment (costumes, rights, politics).

### II.2. The varied theories of the new institutional economy.

In an evaluation of institutional economy carried out by Williamson (2000), it is clear how there are two polarized positions: neoclassic economy, which is pertinent for continuous frequency transactions, and Social Theory (History, Sociology, etc.) more valid at a secular scale. As time for institutional evolution increases, more distance is drawn in regard to neoclassic economy. Therefore, the Theory of Transaction Costs lies closer to the Neoclassic Theory, whereas the Property Rights Theory lies closer to Social Theory.

### The varied institutional economic theories, according to Williamson.

Theories	Level	Frequency (years)	Purpose
N1. Social Theory	Framework: informal institutions, habits, traditions, norms and religion.	10 <sup>2</sup> to 10 <sup>3</sup>	Not calculated. It was spontaneously.
N2. Property Rights theory/Positive Political theory	Institutional environment: formal game rules, property in particular (politic, judicial and bureaucratic)	10 to 10 <sup>2</sup>	Institutional environment arrangements. First order economies.
N3. Transaction costs theory	Governance: How the game is played- the contract in particular (governance structures adjustments to the transactions)	1 to 10	Governance structures arrangements. Second order economies.
N4. Neoclassic Theory/Agency Theory	Assignment and employment of resources (prices and quantities; Stimuli adjustment)	Continuous	Marginal conditions arrangements. Third order economies.

Source: Williamson, 2000.

### II.3. The formal and informal institutions in North.

North's standing on Williamson's classification scheme would be located between levels 1 and 2. One of his main contributions was the creation of a particular concept of formal and informal institutions. According to North, institutions are the restrictions established by the men who structure human interactions. They are made up of formal restrictions (Rules, laws, constitutions), informal restrictions (behavioral norms, conventions, self-imposed codes of conduct, etc.)

and the characteristics of their implementation (North, 1994). Moreover, North makes reference to the game rules, but in a different way than the Games Theory.

It is also worked with the notion of beliefs structures. With this concept, the instrumental rationality of the neoclassic theory is refuted, since it considers that history demonstrates that the ideas, ideologies, myths, dogmas, and prejudices count (North, 1994). Ideologies as well as institutions can be considered as types of mental models. Under situations of strong uncertainty, the individual turns to his mental models to take decisions, for the communication between individuals gives rise to mental models, leading to the creation of ideologies and institutions inside a coevolutionary process (Deanzau y North, 1994). His cognitive approximation inside the economic change analysis will lead him to grant the social and institutional context a relevant role in individual decisions.

#### II.4. The organizations and the institutions.

The distinction between institution and organization is key according to North. If institutions are the rules of the game, organizations and businessmen are the players. Rules define the way we play the game; whereas the teams seek to win under the framework of these rules, using strategy, coordination, competences and honest means as well as dishonest ones. Organizations are groups of individuals linked by a common project to meet their goals. Economic, political, and educational organizations can be distinguished like so. A learning process takes place in these.

The interaction between organization and institution is fundamental. The institutional frame conditions the type of organization that will be created, as well as its evolution. There is a need to specify, however, that the organizations are the source of institutional change.

#### II.5. The Fiscal system as institution and organization.

The Fiscal system is an institution because its formal and informal game rules are established.

As a formal institution there are laws, rules, constitutional precepts, jurisprudence from the supreme court of justice that determines the rules of the game, the way how economic agents must apply their fiscal contributions and the fiscal institutions structuring: taxes, rights, products, etc.

As an informal institution, it is about the usual behavior in the periodic payment of taxes, or also about extra-legal practices to avoid taxing. Therefore, to get to know the workings of the fiscal system, one must go deep into social and cultural matters. These can be: social norms, internally accepted conduct norms, mental interpretations that make the individual interpret legal norms from his own perspective and, consequently, operate.

Behind the fiscal system as an institution, it also operates as an organization. In particular, the tributary administration has a common project and seeks to meet specific goals defined by the fiscal policy.

#### II.6. Taxes, Transaction Costs and Property Rights.

We should add the role of transaction cost theory. For a contractual state it would seek to reduce transaction costs and increase production levels. The opposite of a predator state. Nonetheless, the predator state cannot forget that there are limits in the taxation, therefore has to legitimize itself. Furthermore, the contractual state will not always face positive costs of transaction to follow a path of increasing growth (Caballero, 2000). Also, the asseveration that the transaction costs makes positive law provisions disagree from the executed acts. Therefore, the constitution does not define the law processes; more likely is the institutional evolution the fundamental explanatory factor.

In matter of property rights that the state creates, taxes limit the rights of ownership. This is the case of the property tax and the VAT taxes therefore limit the exclusive rights to real property and ownership of consumer goods purchased.

#### III. The conception of modern public finances.

The modern conception of the public finances states the disciplinary vision of law and economics do not allow taking into account the complexity of the financial life of the public

collectivities. It is essential to integrate the various elements into a broader concept that can be described as a sociological study in which decisions and means of implementation, by which governments ensure the division between social groups of the public burdens arising from the administrative and economic and social development of the national assembly. The object of study shifts to an examination of decision-making procedures or enforcement order to take into account both the legal rules, the political game of social forces and administrative and economic role of real or perceived the funds used<sup>3</sup>.

### III.1. What is a tax system?

To Pierre Beltrame it is a more or less consistent institutions, fiscal rules and practices that are part of our social world, economic and even psychological.

According to Juan Bautista Candelario, the term system refers to an organized set of elements which tend to achieve a particular purpose or fulfill a function. It also refers to a set of rules and principles on a topic defined. Therefore a system is a set of taxes that are valid in a spatial and temporal dimension. However it is considered that the tax system must fulfill several functions in addition to the simple finance public spending. If only serves to provide the resources to finance government spending talks of tax regime and not the tax system.

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<sup>3</sup> Among the leading exponents of the modern conception of French public finances are Duverger, Mauirice; Gaudemet, Paul Marie; Lalumiere, Pierre; Miller, Jean; jogged, Luis; Mhel Lucien, etcetera. . Their studies found that the budget is the primary means of implementing social and economic policy of governments. Thus, the budget serves three functions: to finance public services (classic role), to reduce inequality in the distribution of wealth and regulate economic growth (modern roles).

The logical link that binds the various levies a tax system, in addition to defining the objectives to be met given rise to the definition of rational tax system. However if such harmony is formed from the vagaries of historical evolution, and not form the will of the legislature, we are talking about historic tax system. The analysis of the characteristics assumed by each tax system is to distinguish whether the harmony of the system responds to the will of the legislator or state

monetary needs. It is considered that the creation of liens must rise above short-term needs of the state, so as to fulfill the aims and objectives set out in the constitution and not be at the expense of the discretion of the ruler in turn.

### III.2. The methodological perspective of Pierre Beltrame.

The three main characteristics that define a tax system are determined by their average performance, the income structure and modalities of the tax administration. In the case of the tax systems of developed countries, those of characterized by low levels of fiscal performance, unbalanced structures, and suffer problems of low efficiency in tax collection.

#### III.2.1. A tax system with low performance.

- Pressure or tax return can be defined as the ratio between consolidated revenues of the three levels of government to GDP at market prices. It depends mainly on the political-economic structure, but mainly the political regime and the level of economic development, as well as certain social structures, such as in attitudes and behavior patterns. Given that the tax ratio OECD defines as a relationship between taxes and social security contributions to GDP does not take into account the income of organizations and public sector enterprises, or those obtained through financial transactions. Likewise, international comparisons have no meaning if you do not believe that countries have different economic and social structures. Therefore, international comparisons of taxation are of interest more than anything political, because the same fiscal performance can be obtained by a tax system more or less strong, by an effort of taxpayers more or less large.
- According to M. Lauré's law: "The global contributive capacity of a nation varies in direct function of the economic productivity". This law explains the fact that when the PIB rises, the number of fiscal contributors rises, to the extent that the susceptible incomes of being recollected, like the ISR- to the current rate- are higher. On the other hand, a



fraction of the marginal incomes, which are not destined for the payment of the ISR, tends to consume and therefore not cover the IVA. This is why a strong correlation between the growth of the fiscal performance of progressive tax over rent and the rhythm of productivity exists.

- For Pierre Beltrame the fiscal system's performance exists not only in the functions of the economic productivity, but also in the intervention grade of the economic state.
- The elasticity and flexibility of a fiscal system exist in function of the rhythm of growth of the national rent. An important economic growth makes the taxes more supportable, not only in an economical way but psychological as well. However, under conditions of economic stagnation, the system tends to transform to a more rigid state, making any increase of the fiscal charges to the diverse social groups unbearable.

### III.2.2. A fiscal system undiversified and unbalanced

- The fiscal collection can be based under the form of taxes on rent, the expense, the capital and the contributions that come from social estimates. The fiscal incomes of developed countries have fiscal systems very diversified and also relatively balanced. None of these ways of fiscal taxes provide more than half of the fiscal resources. Making an abstraction of the social estimate, there are developed countries with fiscal systems that seem to be unbalanced, there are some based on taxes over rent (E.U.A, Sweden), others on the taxes over expenses (France, Italy, Austria, etc. ) and those uniquely mixed and therefore more balanced in their structure (Germany, Belgium, Denmark, Netherlands, etc.) . The richest countries of the world have fiscal systems centered in the ISR and the poorest of the occidental world (Spain, Italy, Ireland, Austria) have a fiscal regimen based on taxes to expense.
- The relation between direct and indirect taxes is another indicator that reflects the

different levels in the socioeconomic development. In those countries, members of the OCDE, with lower levels of development, the quantity incoming from the indirect taxes is slightly more important, with respect to the tax over rent of physical and moral people. According to Musgrave, the proportion of indirect taxes is higher when the level of national rent is weaker.

- The diversity and relative equilibrium of the fiscal structure allow the sensibility towards fluctuations of the economic juncture to diminish, and contributes to reinforce its efficacy while permitting an optimum distribution of the fiscal responsibilities.

### III.2.3 A fiscal system with low administrative efficiency.

- An under-qualified fiscal administration personnel.
- Absence of an administrative deontology formed by some generations of employees, the existence of tribal sympathies that are hard to reject, and the scandalous inequality of the rents that increases the temptation for corruption.
- Some disorganized services, due mostly to the lack of one authority, which paralyze administration and make the formation of political-bureaucratic feudalities easier, in which each acts under its own risk.
- Some maladjusted fiscal texts that favor synthetic taxes on analytics, which implies a higher level of administrative difficulty since the synthetic taxes are based on over-elaborated fiscal techniques ( tax over income tax credit, collection in origin), that are inadequate to the existing administrative structures.
- In underdeveloped countries, fiscal systems exhibit more importance than in first world countries, since aside from ensuring the coverage of public expense, they must serve as an instrument to promote economic development. However, development programs from the government have increasingly stopped being crucial factors to the thrust for economic activity.

- Bertrame's proposal is in favor of a tributary regime that is better adapted, more realist, more active and more equitable as a condition to promote socioeconomic development.

#### Final considerations.

It seems that fiscal sociology has been conditioned in its theoretical developments by Fiscal state crises or by situations where the Estate's financial maneuver margin has a limited capacity for settling the budgetary expenses defined by the inertia from the past. This situation emerged at the end of World War I, where the Austrian school, represented by Goldscheild and Shumpeter, make an analysis of the fiscal crisis with theoretical devices that have more of a multidisciplinary and trans-disciplinary nature. The same thing happened at the start of the 70's, when O'Connor predicted the problems that the welfare state would face, even more so with the structural inevitability of the Estate's fiscal crisis. On the interpretation of the fiscal crisis, in the Austrian tradition as well as the North-American, it is evident how there is a resilience of the public finances to deal with the financing problem of the growing public expenses.

Professor Mark Keroy provides an explanation on why the welfare state can deal with fiscal crises and succeed. He argues that the fiscal change or reform is a political decision, besides the fact that taxing has ceased being the fundamental source of marginal financing to deal with the fiscal crisis. It has been turned to debt in a permanent manner to increase public income, and privatization and budget reduction as a last resort. The same improvement in the financial management comes as an obliged measure when facing the resistance to tax increases, the very economical inflexibility of taxes, and the increase of financial expenses. Mark Keroy's proposal of fiscal sociology breaks with the economic tradition of the functional classification of taxes. The tax functions are: to finance public spending on goods and services, redistribute income and promote macroeconomic stability and thereby promote economic growth. The enrichment of tax functions leads to define new functions such as: social, political and territorial tax. Although there are some current considerations about the new financial functions in some authors of the French modern public finance school, Mark Leroy's effort is to have specifically defined these new functions and

adding to all the tax functions the analysis method) of cognitive rationality.

The new institutional economics is presented as a promising analytical framework for understanding most of the institutional problems and most important the organizational part of the fiscal system. Basically, the theory of transactional costs can be look at as a conceptual tool that may bring solutions to the problem of various institutional arrangements that limit the effectiveness of organizations and limit economic growth as well. The conceptual system of North about the rules of formal and informal organizations is a key tool to go beyond the limiting disciplinary schemes to understand the complexity of fiscal systems.

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