

# Chapter 1

## Four Views on the Ethics of Tax Evasion

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### Introduction

A few years ago I published an article in the *Journal of Business Ethics* titled Three Views on the Ethics of Tax Evasion (McGee, 2006). Actually, there are four views. The purpose of the present chapter is to update that article and discuss the view that was omitted.

Most articles written on tax evasion are published in tax practitioner journals and take a practitioner or legal perspective. However, some authors have taken a philosophical approach (McGee, 1994a). One of the most comprehensive analyses on tax evasion from a philosophical perspective was a doctoral thesis written by Martin Crowe in 1944. 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). Since the publication of that book, a few other articles have addressed the issue of tax evasion from an ethical perspective. Those articles are discussed in the next section.

The ethics of tax evasion can be examined from a number of perspectives. Some of these are of a religious nature while others are more secular and philosophical. One approach is to examine the relationship of the individual to the state. Another is the relationship between the individual and the taxpaying community or some subset thereof. A third is the relationship of the individual to God. In other words, if there is a duty to pay taxes, the duty is owed either to God, to the state or to some subgroup of the populations (taxpayers or some other group). Martin Crowe (1944) examined the literature on these approaches, which are the three main approaches that have been taken in the literature over the past five centuries.

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Another possibility is that there is no duty to pay. That possibility has been mentioned in the literature but the treatment has been sparse compared to the various duty arguments. This chapter expands on this “no duty” possibility and explores the various subbranches of this argument.

One empirical study on the ethics of tax evasion was 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. A number of other empirical studies have also been made soliciting the views of various groups on their attitude toward tax evasion. Those studies are discussed in other parts of this book.

## Review of the Literature

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. The most comprehensive twentieth century work on the ethics of tax evasion was a doctoral thesis written by Martin Crowe (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. A more recent doctoral dissertation on the topic was written by Torgler (2003), who discussed tax evasion from the perspective of public finance but also touched on some psychological and philosophical aspects of the issue. 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.

There have been a few studies that focus 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. 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.

A number of articles have been written from various religious perspectives. Cohn (1998) and Tamari (1998) discuss the Jewish literature on tax evasion and on ethics in general. McGee (1998d, 1999a) comments 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. McGee (1998c, 1999a) comments 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 (1994a, 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 government or whether that obligation has limits.

There are passages in the Bible that seemingly take an absolutist position. Romans 13, 1–2 supports the Divine Right of Kings, which basically holds that whoever is in charge of government is there with God's approval and anyone who disputes that fact or who fails to obey is subject to damnation. It is a sin against God to break any law. Thus, according to this viewpoint, Mao, Stalin, and Hitler must all be obeyed, even though they were the three biggest monsters of the twentieth century, because they are there with God's approval. This viewpoint is not widely held in modern liberal societies but it is probably fair to say that some religious fundamentalists still adhere to this view, since it is in the Bible, which they believe to be the literal word of God, a belief that is disputed by McKinsey (1995; 2000), Templeton (1996) and others (Burr, 1987; Lewis, 1926; Barker, 1992).

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 also discusses the ethics of tax evasion under Islam citing Islamic business ethics literature (McGee, 1997). DeMerville (1998) discusses the Baha'i perspective and cites the relevant literature to buttress his arguments. McGee (1999a) commented on the DeMerville article. McGee (2004) discusses these articles in a book from a philosophical perspective.

Over the centuries, four basic views have emerged on the ethics of tax evasion. One view takes the position that tax evasion is always, or almost always unethical. There are basically three underlying rationales for this belief. One reason is the belief that individuals have a duty to the state to pay whatever taxes the state demands. This view is especially prevalent in democracies, where there is a strong belief that individuals should conform to majority rule.

The second rationale for an ethical duty to pay taxes is because the individual has a duty to other members of the community. This view holds that individuals should not be freeloaders by taking advantage of the services the state provides while not contributing to the payment of those services. A corollary of this belief is the view that if tax dodgers do not pay their fair share, then law-abiding taxpayers must pay more than their fair share.

The third rationale is that we owe a duty to God to pay taxes, or, stated differently, God has commanded us to pay our taxes. This view holds no water among atheists, of course, but the view is strongly held in some religious circles.

View Two might be labeled the anarchist view. This view holds that there is never any duty to pay taxes because the state is illegitimate, a mere thief that has no moral authority to take anything from anyone. The state is no more than a mafia that, under democracy, has its leaders chosen by the people.

The anarchist literature does not address the ethics of tax evasion directly but rather discusses the relationship of the individual to the state. The issue of tax evasion is merely one aspect of that relationship.

There is no such thing as a social contract according to this position. Where there is no explicit agreement to pay taxes there also is no duty. All taxation necessarily involves the taking of property by force or the threat of force, without the owner's permission. Thus, it meets the definition of theft. Stated as an equation,  $TAXATION = THEFT$ . A corollary equation is that  $FAIR SHARE = 0$ .

View Three holds that tax evasion may be ethical under some circumstances and unethical under other circumstances. This view is the prevalent view, based on the existing literature. The empirical literature on attitudes toward tax evasion, which is discussed later in this book, also finds that the prevailing view among taxpayers is that there is some duty to pay, but the duty is less than absolute.

The fourth view, which was not discussed in any depth in the *Journal of Business Ethics* article (McGee, 2006), is that there can be an affirmative duty not to pay. At least three arguments can be put forth to justify this position – the state is evil or corrupt, and thus is not entitled to receive the fruits of our labor; evading taxes is a positive-sum game, because the private sector is more efficient than the government sector; and tax evasion results in a more just society because there are fewer property rights violations if taxes are evaded.

## **An Examination of the Four Views**

### ***View One: Tax Evasion Is Never Ethical***

One strand of this view is that individuals owe a duty to the state to pay whatever taxes the state demands. There is no such thing as taxes that are too high because the people determine the level of taxes. In a democracy, this view is justified under the consent theory. The peoples' representatives are designated to work out the details of democracy because the people are too busy earning a living and dealing with their own problems to actively participate in government. It is an application of the division of labor theory. The legislators, chief government executives, and the government bureaucracy are the specialists. They know best how to run things because they devote their whole working life to the task, and are thus more knowledgeable than the private citizenry can be because private citizens have neither the time nor

the inclination to devote to acquiring the expertise and apply their knowledge to the running of government.

There are several criticisms that could be made of this viewpoint. One obvious weakness in this argument is that just because someone lives in a democracy does not mean that the government represents the interests of all the people, or that the government works for the general welfare. Many instances could be cited where the government works for special interests and against the interests of the general public. Trade policy is only one of many examples that may be cited (McGee 1994b, 2003).

The Public Choice School of Economics has examined hundreds of cases where government officials work either for themselves or for some special interest to the detriment of the general public (Tullock 1970, 1983, 1989; Rowley, Tollison & Tullock, 1988; van den Broeck, 1988; Gwartney & Wagner, 1988). All corporate welfare policies fit within this category, as do many other government programs. So it cannot be said categorically that the government represents the will of the people, or even that it usually represents the will of the people. All that can be said is that the government represents the will of some of the people some of the time. Does that justify the moral duty to always pay whatever taxes the government demands?

The argument could be made that, in a democracy, if you don't like the government you have, you have the power to throw out the rascals at the ballot box and replace them with people who better represent your viewpoints and interests. This view is prevalent in democracies, but a close analysis reveals that this possibility is often not realistic. The reason why America has red (Republican) states and blue (Democratic) states is because "the people" cannot agree on the kind of individuals they want running their government. Even in states that usually vote Republican, there is a large minority of democrats who do not agree with the outcome, and vice versa.

One might also point out the rather inconvenient fact that one vote really does not count. The probability that a US Senate or House race will be determined by just one vote is statistically improbable, and even if some member of Congress were to win by a single vote, there really is not much difference between the Democrats and Republicans anymore. It used to be said that, as a general rule, Democrats want to increase federal spending by 8% a year, whereas Republicans want to increase it by a mere 3%, which means there was a 5% difference between the two parties. But even that can no longer be said. President George W. Bush, a supposedly conservative Republican, managed to increase federal spending during his first term more than twice as fast as President Clinton did in his first term. The bottom line is that if you don't like the government you have, you really cannot throw them out and replace them with someone you like better. You are thus left with the option of either putting up with the government you have or move, if you can.

Another argument that has been used to justify the ethical obligation of paying all taxes is what may be called the "vote with your feet" argument. If you don't like the government you live under, move. Go somewhere else. This argument has a certain amount of plausibility. But there are some problems with it. For example, what if you live in a country that does not allow exit? The former Soviet Union is

only one of several examples that could be cited. North Korea and Cuba are current examples.

Even if it is theoretically possible to move to another country, it may not be practically possible or feasible. Many people prefer to live close to family and friends, which acts as a barrier to free movement. In some countries it may be difficult to move because other countries don't want to take you or "your kind." If you are young, single, and living in Eastern Europe, the possibility of immigrating to the USA is much lower than if you are Mexican or Canadian and already have 10 or 20 relatives living in the USA. US immigration policy favors some groups over others. So do the immigration policies of many other countries.

If the articles by Cohn (1998) and Tamari (1998) are representative of the Jewish view, one may say that the Jewish view is near absolutist. Since Cohn is an Orthodox rabbi and Tamari is a well-known and highly respected Jewish scholar, one must at least concede that the viewpoints expressed in their articles at least represent some segment of Jewish thought on the issue. Some of the literature Cohn bases his position on goes back 3,300 years. The literature Tamari cites also goes back hundreds of years.

According to Cohn (1998), the Jewish legal perspective on paying taxes has four components:

- There is a duty to follow the country's statutes.
- Laws prohibit lying.
- A Jewish person must not do anything that could discredit the religion.
- Since it is essential for a Jewish person to perform as many commandments and good deeds as possible, it is essential to stay out of jail, since the Jewish religion cannot be practiced properly in prison.

While these reasons for paying taxes may be used as general guidelines, Cohn seems to indicate that they are absolutes or near absolutes according to Jewish law. If they are indeed absolutes, all four rules are subject to criticism. For example, the case can be made that there may not always be a duty to follow all the laws of one's country. Martin Luther King, Gandhi, and numerous other civil rights activists and war protesters would argue that there may at times be a moral obligation to break certain laws if they are evil laws and if the legislature is unlikely to change them any time soon.

One could counter argue that if you don't like the laws of the country where you are living you can move, but, as previously mentioned, that option may not always be attractive, or even possible. Also, what if you are already living in the greatest country on earth? To move to another country would be to move to a place that is not as acceptable as the place you now live.

If one were to play devil's advocate, one might ask whether Jews have an obligation to obey all the laws of the country, and to pay all the taxes they legally owe, if Hitler were the tax collector. I asked Cohn this question via e-mail but he did not reply immediately, perhaps because he felt uncomfortable with the implications of the most logical answer. However, we later coauthored an article that solicited the views of Orthodox Jewish students on tax evasion (McGee & Cohn, 2008).

One of the questions in that survey was whether it would be ethical for a Jew living in Nazi Germany to evade taxes. Of the 18 arguments to justify tax evasion that were included in that survey, the Jews in Nazi Germany argument was the strongest argument to support the view that tax evasion would be ethical in that situation. However, even this situation did not draw absolute support for evasion. Some of the Orthodox Jews who participated in the survey felt that there was some duty to pay taxes even to Hitler, since failure to do so would constitute a breach of the law; a lie; the possibility that other Jews could be viewed in a negative light because if one Jew evades taxes it makes all Jews look bad; and because evasion might lead to jail, which would make it difficult or impossible to do good works (*mitzvos*).

Thus, while one may state that there is a general obligation to obey the laws of the government of the country where you live, philosophical problems arise when one attempts to make this general guideline an absolute.

The second reason Cohn offers for paying taxes – that laws prohibit lying – may also be an acceptable general rule, subject to exceptions. But there may be situations where lying is the only moral thing to do. For example, what if your neighbor comes running into your house, brandishing a gun or ax, and asks “Where is my wife? I’m going to kill her. Do you know where she is?” If his wife were like the average wife, who is probably less than perfect but probably not bad enough to consider killing, it would be safe to say that you can honestly lie and tell him you do not know where she is, even if you are actually hiding her in the basement... or your bedroom.

One might use a similar example to justifiably lie to the government. What if, instead of a husband looking for a wife to kill, it were the Gestapo looking for Jews? Certainly, there would be no moral duty to tell the Gestapo you are hiding a few Jews in your basement, even if lying would tend to tarnish respect for the rule of law.

Cohn’s third reason, that one must not do anything that would discredit the religion, may be labeled as self-serving. This argument falls under the category of paying taxes because there is a duty to some segment of the community, the segment in this case being the Jewish community. Also, it is not always clear that the whole religion is seen in a bad light just because one member of the religion engages in activity that is considered dishonest. This argument would be stronger in an Orthodox or Hasidic community than it would be in a Reform Jewish community, where religion plays a lesser role in the life of the average participant.

Cohn’s fourth reason, that one should not evade taxes because it would limit the ability to practice one’s religion, is basically another way of saying that one must not disobey the laws because you might be punished. As such, it is a strong argument, but one that does not necessarily have anything to do with ethics.

There is another weakness with this argument. The general argument is that if you evade taxes, you might go to jail. There is a duty to perform good works. You will not be able to perform good works if you are in jail. Therefore, you should not evade taxes. The problem with this view is that you might actually be able to perform *more* good works to more deserving individuals if you are *in* jail rather than on the outside. If one were to take this argument to its logical conclusion, and if one believes that the main reason for existence is to perform good works for others, the logical conclusion is that you should evade taxes and also report the



evasion to the tax authorities to increase the probability that you will be sent to jail, where you would be able to better fulfill your purpose in life, which is to perform good works.

Tamari (1998) cites some of the same reasons as Cohn for a duty to pay taxes. Tamari points out that the Jewish law states you must follow the laws of the country where you live. But he also points out that the *Mishnah Torah* states that there is no moral obligation to pay taxes where the king usurps power or where the king is arbitrary or capricious or discriminatory or where taxes are confiscatory.

But he also points out that the Jewish literature regards tax evasion as theft. The theft may be from other citizens, who have to pay more taxes if the tax evader pays less. Clark (n.d.), on the contrary, states that the *Mishnah Torah* regards tax evasion as theft from the king. Either way, tax evasion is considered to be theft according to the Jewish literature, at least most of the time.

Christian views are mixed on the issue, although there is a strand within Christianity that is closely akin to the Jewish view. The Mormon view basically agrees with the Jewish view that tax evasion is always unethical, although for different reasons than those advanced by Jewish scholars. In fact, the Mormon view may even be considered more absolutist than the Jewish view because the Mormon view seemingly does not allow for exceptions.

Smith and Kimball (1998) cite several passages from the Mormon literature that support the view that there is a duty to pay taxes. One such argument is that one must obey the laws of whatever government you live under. One passage cited from *The Pearl of Great Price* states that Mormons believe in being subject to kings, presidents, rulers, etc., in obeying, honoring, and sustaining the law. The thirteenth *Article of Faith* states that Mormons believe in being honest which, according to Smith and Kimball, includes honesty in the payment of taxes. The *Encyclopedia of Mormonism* (1992) is also cited as standing for the position that church members are required to obey tax laws. It goes on to say that if a church member disagrees with a particular tax law, he may attempt to change the law or challenge the law in court.

Any member who refuses to file a tax return or to pay whatever income tax is required is in conflict with the teachings of the Church. Smith and Kimball cite secondary Mormon literature that takes the position that tax evasion is a form of theft, although their mention of this position does not state whether it is theft from the government or theft from the taxpaying community. They cite several other sources and conclude that tax evasion is against the teachings of the Church. Nowhere in their article do they mention any exceptions to this rule, leading one to reasonably conclude that there are no exceptions.

One may criticize their absolutist position on several grounds. For example, did the Mormons in nineteenth century New York State have an absolute ethical obligation to pay taxes to the very government that was running them out of the state, sometimes at gunpoint? What about the various governments that prohibit them from practicing their religion? A number of modern governments fall into this category. Ayn Rand might refer to this mentality – the belief that the individual is morally obliged to obey the government even as it is placing its jackboot on your



throat – as an example of the “sanction of the victim,” which she discusses in several of her works (Rand, 1968; Binswanger, 1986).

DeMerville (1998) presents the Baha’i view on the ethics of tax evasion. Although he mentions the civil disobedience of Henry David Thoreau, Martin Luther King, and Gandhi, their views are not the views of the Baha’i faith. He cites several passages from the Baha’i literature to show that the Baha’i view is absolutist, much like the Mormon view. The reasoning is also similar to that of the Mormons. Individuals must be loyal, faithful, and honest toward the government under which they live.

DeMerville quotes from a letter written by the grandson of the Baha’i faith’s founder to the Baha’i community in Germany in 1934, which stated that members are under a sacred obligation to wholeheartedly obey the Nazi regime, at least as long as the regime does not trample on religious freedom. The letter goes on to say that, although individuals should be prepared to sacrifice their own interests to those of the government under which they live, they do not have to endure violations of their religious freedom. But the letter goes on to say that if some government such as that of Germany or Soviet Russia prevents the holding of meetings or the publication of religious literature, Baha’is have a duty to obey. Baha’is are morally obligated to obey their government in all administrative matters. The only time there is no duty to obey is regarding the area of belief. Compromise in this area is not permitted even under threat of death or expulsion.

The Baha’i position may seem abhorrent to liberal democrats in the West, who believe there are limits to what any government may legitimately do. Anyone who believes in freedom of speech, the press and religion certainly would not agree with the Baha’i position. But that does not automatically mean that it is an incorrect position, only that there is room for disagreement. Certainly, no one is forced to be or remain a member of the Baha’i faith, at least not after reaching the age of adulthood, although there may be a lot of peer group pressure not to cast off the religion or even to take a cafeteria approach to the religion’s doctrine.

### ***View Two: Tax Evasion Is Always Ethical***

The second view, which I label the anarchist view for lack of a better term, begins with the premise that all government is illegitimate. Government is a mere thief, which confiscates assets, percentages of paychecks, etc., without the consent of the owners of the property. The definition of theft is the taking of property without the owner’s consent. The fact that it is sometimes some government that does the taking does not alter this basic definition.

The counterargument is that governments that derive their authority from the consent of the governed are legitimate and are thus entitled to some kind of support, although the exact specifics of the amount and type of support may not be easy to agree upon. Some supporters of government would restrict the scope of government to defense functions such as the support of an army, a police force, and some sort of

court system. Others would go beyond this night watchman state to include welfare state functions and redistribution of income.

Archists (those who believe in some government legitimacy and are thus not anarchists) often put forth the argument that any kind of workable democracy is legitimate and that individuals who live under the protection of a democratic regime have some duty to obey the laws of the country in which they live. Democracy may not be perfect and may even at times trample on minority rights, but some duty is owed in any event just because some segment of the community supports the regime.

Not all governments are democratically elected, of course, including the government of China, which has the largest population in the world. Thus, not all supporters of government can use the democratic argument. However, even a certain percentage of the Chinese population believes that there is some duty to obey government and its laws. Legitimacy of government is deeply ingrained in Chinese culture. The mere fact that the Chinese government is not a democracy does not alter this pervasive belief.

In the West, the social contract theory is often used to legitimize government. According to this theory, whether it is the version put forth by Locke (1689), Hobbes (1651) or Rousseau (1762; also see Leiker, 1998), some segment of the population, at some point in history decided to give up some portion of their liberty in exchange for government protection. Governments were formed to protect basic rights like the right to life and property. For those who do not believe that such rights exist, there is another argument that governments were formed for protection purposes and that subjects owe some duty to pay for the protection offered by their government.

Anarchists would be quick to dispute this position. They would assert that there never was such a social contract, and even if some group of individuals did, at some point in history, gather around a fire to discuss the formation of government to protect them from external and internal aggression, it does not follow that the current generation is bound by such agreement. It is a well-established principle of law that one person may not be bound by a contractual agreement entered into by another, unless there is some sort of principal agent relationship.

Lysander Spooner (1870), the nineteenth century American lawyer and anarchist, provided one of the best arguments for this position. According to his view, the US Constitution, which was signed by a few people in the last quarter of the eighteenth century, had little legitimacy even on the dates of signing because the individuals who signed it represented only themselves. Even in the cases where the signers were elected by some constituency, they were only elected by some minority of eligible voters. Anyone who did not vote for them cannot be bound by any agreement they enter into. So at most, only a few individuals who were living and who were of the age of majority could be bound by the US Constitution. Anyone not living at the time of the signing certainly cannot be bound. By the time Spooner wrote his pamphlet on this topic (1870), most, if not all of the signers of the US Constitution were dead. Thus, even if one concedes that some laws that are passed by some individuals who represent some part of the eligible electorate are legitimate as of the date of

signing, any such laws become null and void at some point, and are not binding on a major part of the populace even while the ink is still wet.

Thomas Jefferson, the third president of the USA and the author of the US Declaration of Independence, was certainly no anarchist. Anarchists do not run for president, as a general rule. However, Jefferson, who died several decades before Spooner's 1870 pamphlet came into existence, agreed with a watered down form of Spooner's argument. In a letter to John Wayles Eppes in 1813, Jefferson states:

We may consider each generation as a distinct nation, with a right, by the will of its majority, to bind themselves, but none to bind the succeeding generation, more than the inhabitants of another country.

Nearly a quarter of a century earlier (1789), writing to James Madison from Paris, Jefferson said:

The question Whether one generation of men has a right to bind another, seems never to have been started either on this or our side of the water. Yet it is a question of such consequences as not only to merit decision, but place also, among the fundamental principles of every government ... no such obligation can be transmitted ... the earth belongs ... to the living ...

Jefferson believed that laws have a natural expiration date as members of the generation who were of the age of majority when the law was passed start to die. For example, if half of the people who were 21 at the time a particular law was passed are dead 19 years later, the law becomes null and void after 19 years. If half of the adult population dies 22 years after a particular law was passed, then the law dies after 22 years. One generation cannot bind another generation.

The view that one generation cannot bind another was a common view before the American Revolution. English libertarian writers John Trenchard and Thomas Gordon, who were influential in forming intellectual opinion in pre-Revolutionary America, said the following in the early 1720s:

All men are born free; liberty is a gift which they receive from God himself; nor can they alienate the same by consent, though possibly they may forfeit it by crimes. No man ... can ... give away the lives and liberties, religion or acquired property of his posterity, who will be born as free as he himself was born, and can never be bound by his wicked and ridiculous bargain (Trenchard & Gordon, 1965).

Archists would be quick to challenge this view of the legitimacy of laws. They would argue that laws, once passed, remain binding on all who live within the jurisdiction for as long as the law exists. Laws disappear only when repealed, unless there is a clause within the law that states that the law is good for only a certain period of time.

Another argument that archists might put forth would be to assert that governments are like corporations. They continue to exist independently of their owners. Just like corporations do not die when a shareholder dies, governments do not go out of existence when a citizen dies.

Governments are not quite like corporations, however. Governments are of necessity a monopoly within any particular jurisdiction. Governments must have a monopoly on force to be effective, or so it has been argued. Corporations, on the

contrary, are voluntary associations. One can become a member by buying shares and one can exit by selling the shares. If one wants to cease being part of a particular government, one must move to another jurisdiction where some other government has a monopoly position.

Which argument carries the day? There is a certain amount of disagreement on this point. Although the vast majority of the population subscribes to some form of archism, majorities are not always right. But the interesting point from the perspective of determining when tax evasion is ethical and when it is not is the fact that some people who consider themselves to be archists – believers in the legitimacy of government – sometimes take an anarchist position when it comes to the ethics of tax evasion.

### ***View Three: Tax Evasion Is Sometimes Ethical***

View three is the prevalent view, based on the existing literature. This view holds that tax evasion is ethical in some cases and unethical in others. Crowe (1944) spends 177 pages discussing when tax evasion is ethical and when it is not. He summarizes 500 years of theological and philosophical debate on the issue.

Angelus of Clavasio (1494) took the position that there is no ethical obligation to pay taxes if the government does not use the revenues collected to provide for the common good, at least as long as neither lying nor perjury are involved. Berardi (1898) took the position that there is probably no moral duty to pay a tax even if lying or perjury are involved, since the Prince merely dictates what is owed. Taxpayers never enter into a contract with the Prince, and thus are not bound to pay anything.

Genicot (1927) states that partial evasion is justified on the grounds that the government does not have the right to the full amount and that it would be unfair to impose heavier taxes on conscientious men while wicked men usually pay less. Crollly (1877) takes the position that there is no duty to pay taxes unless evasion would result in violence.

Lehmkuhl (1902) takes the position that it is unethical to evade taxes when the result is that nonevaders have to pay more. In other words, there is some moral duty to other taxpayers even if there is no moral duty to the government. But Davis (1938) takes the position that it would be unfair to require honest taxpayers to take up the slack and pay higher taxes to make up for the evasions of others.

The Muslim view toward tax evasion seemingly falls under category three, that evasion is sometimes ethical (McGee, 1997, 1998b, 1999a). Ahmad (1995), citing Yusuf's *Economic Justice in Islam* (1971), lists the following practices that would be considered unethical in an Islamic state:

- It is immoral on the part of the state to use its power and privilege to make monopolistic gains or to tax the common people indirectly for replenishing the exchequer thereby.

- There is no room in Islam for custom barriers, restrictive tariffs, or exchange control. The Islamic state, therefore, must not resort to them.
- It is illegitimate and unlawful for the state to tax directly or indirectly the general body of consumers and to give “protection” to the interests of a class of producers in the name of industrialization.
- Since it is the duty of the state to dispense justice free of charge, therefore, there must not be any court-fees, revenue stamps, or fees of any kind for the transaction of any official business.
- There must not be any “income” tax as such. Besides curbing the initiative it assumes illegitimacy of the income of the rich. The state should levy, if need be, a proportional tax on the pattern of zakat on the accumulated wealth of the capable taxpayers.
- The state should not resort to indirect taxation. If the state has to tax, then it should do so directly so that the taxes represent a conscious contribution of the people to the cause of public interest.
- That there is no justification for imposing death duty. Islamic laws of inheritance take care of the wealth left by the deceased.

If the view of this Islamic scholar (Yusuf, 1971) accurately reflect the Muslim position on the moral obligation to pay taxes, then it would seemingly not be unethical for a Muslim to evade indirect taxes, which include excise taxes, customs duties, and perhaps corporate income taxes. Muslims could also morally avoid paying tariffs and could engage in smuggling, provided the goods being smuggled are not against Islam, such as alcohol or cocaine. Evading income taxes also would not be immoral, although evading a property tax might be. Ahmad (1995) states that there is no moral obligation to pay any tax that has the effect of increasing consumer prices. Sales taxes, excise taxes, and tariffs fall into this category.

Both Yusuf and Ahmad take basically the same position on tax evasion. They believe that evasion is justified in the cases mentioned above. However, not all Muslim scholars agree with their view. Jalili (2012), for example, takes the position that cheating on taxes is absolutely forbidden if the government is a pure Islamic state and follows Sharia Law. The prohibition on any kind of evasion is less than absolute only in cases where the government is not purely Islamic or where it is secular.

An argument can be made that there is nothing unethical about not paying all the taxes that are legally owed if you are a Jew living in Nazi Germany. There is no moral obligation to help pay for the canisters of poison gas that the government plans to use to kill you and your family. Likewise, there is no moral obligation to pay taxes if you are a Mormon living in New York State during the period of the nineteenth century when Mormons were being run out of New York at gunpoint. There is no ethical obligation for a member of the Baha’i faith to pay taxes to the Iranian government when the government is expending funds to kill Baha’is. There is no moral obligation to pay for the rope used in your own lynching or the poison gas or bullets used to kill you, or even for the train ticket to transport you to the gas chambers.

People who agree with any of these above-mentioned positions are not absolutists, since they believe that tax evasion is ethical in some cases. But taking such a position only begins to answer the question. The next question that needs to be answered is, if tax evasion is ethically justified in certain circumstances, what are the limits? At what point does tax evasion become ethically justified? Schansberg (1998) raises this point, as do other scholars (Pennock, 1998; Gronbacher, 1998; McGee, 1994a, 2004).

What if your country is fighting a war that you consider to be unjust? Or what if you are a pacifist and consider all wars to be unjust? Pennock (1998) discusses some of these issues. If 22% of the federal budget is spent on national defense, are you morally justified in evading 22% of the tax you legally owe, or are you ethically justified in evading more than 22%, since all tax collections go into a common pot anyway and whatever taxes you pay might be used to further the war effort?

What if you live under a corrupt government, where a large portion of tax revenue goes to corrupt politicians and their friends and family? Are you any less justified in evading taxes if those corrupt friends and relatives use part of the proceeds to build roads and hospitals than if they send the funds to secret offshore accounts?

What if you are in a high tax bracket and the government takes more than 90% of your marginal income, while taking a much lower percentage from people who have lower incomes? In such cases, you are being treated as a resource, as a means rather than an end, which violates Kantian ethics (1952a, b, c; 1983).

That is not to say that Kant was philosophically opposed to taxes. He was not. He believed that the sovereign has a right to tax and that the people have a duty to pay taxes to support certain government activities. But Kant questioned whether childless people should be forced to pay for the maintenance and support of other people's children and he opposed raising money through lotteries, since he believed that lotteries increased poverty (Kant, 1952d). It is questionable whether Kant would have supported the graduated income tax, since the purpose of this tax is to exploit those who have more. Under this tax regime, people are treated as means rather than ends.

If the government uses the tax system as a means of redistributing income rather than as a means of financing legitimate government functions, are you justified in evading taxes? If not, why not? What if the government's tax system has both the goal of raising revenue for legitimate government functions and also redistribution? Are you justified in evading only the portion that goes for redistribution? What if 80% of your neighbors view redistribution as a legitimate goal of government? Does that change your answer? Even though a strong case has been made that redistribution is inherently unethical (Bastiat, 1968; deJouvenel, 1952), many people, perhaps a clear majority, disagree with this view.

Is there a duty to pay taxes if the government supports the Anglican Church, as is the case in England, if you are a Catholic? Or an atheist? What if the government subsidizes abortions and you think that abortion is murder? What if the government supports affirmative action programs (reverse discrimination programs) and you are a white male?

What if evading a tax actually benefits society? Is there an ethical duty to evade in such a case? If a tax actually does more harm than good, an argument based on utilitarian ethics could be made that evading the tax is a moral obligation since evasion would result in the greatest good for the greatest number. Evading tariffs is

one such case where evasion might actually increase societal well-being, since tariffs are negative-sum games. They produce more losers than winners. Evading a tariff would thus prevent a negative-sum game from taking place.

The point is that, once it is conceded that tax evasion is sometimes ethical, there is no clear dividing line that people can agree on regarding when evasion is ethical and when it is not. That does not mean that there is no answer to this question, only that people cannot agree on what the answer is.

### ***View Four: There Is an Affirmative Duty to Evade Taxes***

At least three arguments can be put forth to support the view that there is an affirmative duty to evade taxes – the government is evil and funding to evil governments must be cut off to reduce further perpetrations of evil; society benefits by evasion because the result is a positive-sum game; and evading taxes reduces injustice in society because taxes violate property rights and the fewer times property rights are violated, the more justice there is.

*The government is evil argument.* We have all heard phrases like:

Silence in the face of evil is itself evil, God will not hold us guiltless. Not to speak is to speak. Not to act is to act (Dietrich Bonhoeffer).

All that is necessary for evil to triumph is for good men to do nothing (Attributed to Edmund Burke).

If you're not part of the solution, you're part of the problem (Unknown origin).

The point is that there is an affirmative duty to resist evil. If a government is evil, there is a duty to resist. One form of resistance is tax evasion, which helps to cut off funding to an evil regime. Perhaps fewer people would have been killed in War X if more people would have evaded taxes in Country Y.

Tax resistance has been a part of the strategy of various antiwar groups over the centuries as a means of slamming the brakes on some unjust war. During the Vietnam War, there was a semiorganized effort by a faction of the antiwar movement to evade taxes by claiming a billion dependents on their tax returns. The effort was not very effective. People who took such deductions got audited and had to pay the taxes that were legally owed. They made a statement but their inept attempts at evasion were unsuccessful and they had little or no direct effect on the war effort other than to draw publicity to their antiwar cause.

Eric Metaxas (2010), Bonhoeffer's biographer, paraphrasing Bonhoeffer, states:

It is sometimes not enough to help those crushed by the evil actions of a state; at some point the church must directly take action against the state to stop it from perpetrating evil.

I don't know if Bonhoeffer evaded taxes as part of his effort to resist Hitler, but I do know that he paid a much higher price than interest and penalties. He was executed in a concentration camp, at Hitler's personal command, for his part in the attempt to assassinate Hitler (Metaxas, 2010). Thus, mere tax evasion might not be enough if one believes there is a moral duty to stop evil. One might be required to do more, on moral grounds.



Those who believe their country is engaged in an unjust war face a moral dilemma if they believe their government also does good things with the tax funds it collects. For example, if 20% of the taxes collected go toward pursuing an unjust war but the other 80% goes toward worthy projects, one must decide how much to evade. Since tax funds go into a common pot, evading a mere 20% of taxes owed will not result in defunding the war effort. In order to accomplish that goal, one must evade 100%.

The same might be said for other cases where the government is evil or is engaging in activities the taxpayer considers immoral. Those who believe that abortion is murder have no moral obligation to fund government-provided abortion facilities. The same could be said for a plethora of other government programs. Forcing fundamentalist Christians to pay for schools that teach evolution is just as abhorrent as forcing atheists to fund schools that teach creationism.

To compel a man to subsidize with his taxes the propagation of ideas which he disbelieves and abhors is sinful and tyrannical (Thomas Jefferson).

If the activities the government is engaging in are considered to be evil, the argument could be made that there is an affirmative duty to resist. One form of resistance is tax evasion. Whether that resistance should include killing abortion doctors – or killing those who kill abortion doctors – is a question we will leave for another day.

The question of how much one may morally evade defunding an evil government remains unanswered in cases where the government is not totally evil. Anything less than total evasion defeats the purpose, since all tax collections are put into a common fund, but total evasion results in not paying a tax one has a moral duty to pay to support other projects, assuming there is a moral duty to pay something.

*The utilitarian ethics argument.* I have not seen any arguments to justify tax evasion on the basis of utilitarian ethics. Perhaps others have applied utilitarian ethical principles to the issue of tax evasion, but I have not seen any writings using this approach. I hesitate to say that the approach I am about to take is unique. Nothing is new under the sun, as they say. Someone else has probably made this argument before, and my apologies to whoever has made a utilitarian argument to justify tax evasion, since I am not citing you.

Actually, there are at least two utilitarian-based arguments that could be used to justify tax evasion on ethical grounds.

Argument 1: The first argument goes something like this. The ethical choice is the choice that increases efficiency or societal wealth. The private sector is more efficient than the government sector. Therefore, money should be kept in the private sector rather than transferred to the government sector. Tax evasion is a means of keeping money in the private sector. Therefore, tax evasion is ethical and there is an ethical duty to evade, since failure to evade does not result in maximization of societal wealth.

The efficiency argument has its roots in classical utilitarianism and has thrived in the law and economics literature (Barnes & Stout, 1992; Cooter & Ulen, 1988;

**Table 1.1** Comparison of high-cost municipal to low-cost contract refuse collection

Productivity measure	Rochester (municipal)	Utica (contract)
Loads per crew/day	1.75	2.12
Time available for collection (based on 8-h day)	3.04	6.77
Stops per crew/h	93.5	190.8
Stops per crewman/h	23.4	79.5
Average crew size	4	.24
Annual cubic yards per crew	6,898	16,859
Annual tons per crew	1,725	5,619
Annual cubic yards per crewman	1,725	7,024
Annual tons per crewman	431	2,341
Productivity index	1.00	5.43

Source: Stevens (1980: 75)

Goetz, 1984; Harrison, 1995; Katz, 1998; Malloy, 1990; Mercurio & Medema, 1997; Posner, 1983, 1998). The basic utilitarian argument is that an act is ethical if it produces the greatest good for the greatest number (Bentham, 1988; Mill, 1962). Sidgwick, in his *The Methods of Ethics*, expands on that view by taking the position that an action is justified only if it results in at least as much net happiness as any other action the individual could have taken. Otherwise, it is wrong. Thus, merely increasing overall happiness is not sufficient to make an act ethical. One must maximize net happiness. If two acts can increase happiness and a decision is made to perform the act that produces less happiness than the other alternative, one is acting unethically according to Sidgwick.

It should come as no surprise that the private sector is more efficient than the government sector. The private sector can do just about anything more efficiently, cheaper and better than government. There should be no need to provide examples, since they are all around us. However, some blind referees in the past have criticized my prior work for merely making such a statement without references or examples to support this position, so I will provide a few examples and references for those who insist on documenting every obvious statement of truth (Donahue, 1991; Finley, 1989; Fitzgerald, 1988; Goodman, 1985; Greene, 2001; Kemp, 2007; Lauder, 1992; Letwin, 1988; Ohashi & Roth, 1980; Pirie, 1988; Pitcher, 2003; Poole, 1980; Savas, 1982, 2005; Veljanovski, 1989; Walker, 1988).

Table 1.1 shows the much greater efficiency of private refuse collection. The productivity index is 5.43. The private sector collectors were much more efficient by any measure.

Here are some additional statistics:

- Refuse collection – Nationwide surveys of the USA, Canada, and Switzerland found that municipal collections are 29–37% more costly than contract collections, if one compares the cost of municipal collection to the price of private collection. If one compares just the relative costs (by adjusting for profits and taxes), the cost of municipal refuse collection would be between 61 and 71% higher than the cost of private collection (Savas, 1982: 93).

- Fire protection – is 89% more costly if done by government (Savas, 1982: 96).
- Airlines – private airlines are 204% more efficient in terms of tons of freight and mail carried per employee, 122% more efficient in terms of passengers carried per employee, and 113% more efficient in terms of revenue earned per employee (Savas, 1982: 97).
- Buses – Government buses in Germany cost 160%/km more to run than do privately owned buses (Savas, 1982: 97).
- Package delivery – UPS delivers packages faster than the US Postal Service and has a damage rate that is one-fifth of the government rate (Savas, 1982: 98).
- Nursing care – A comparative study of nursing homes operated by the Veterans Administration with privately operated nursing homes found that the cost per patient day was 82% higher in the government facilities (Savas, 1982: 99).
- Health insurance administration – It costs 35% more to process health insurance claims when the processing is done by government workers (Savas, 1982: 101).
- Cleaning government offices – In Germany, it costs between 42 and 66% more to clean government offices when the cleaning is done by government workers. The cost of cleaning government offices in Hamburg is 30–80% cheaper when done by private firms (Savas, 1982: 106).
- Tree trimming – Private firms can trim trees for one-third the cost of government employees in Detroit (Savas, 1982: 107).
- Towing cars – A car that is illegally parked in New York City can be towed by a private firm for 46% of what it would cost for government employees to do it (Savas, 1982: 107).

Hundreds of additional examples of government inefficiency could be given, but enough is enough. Much evidence of government inefficiency can be found in any study of privatization. The reason governments all over the world have privatized or are in the process of privatizing various functions is because of the substantial cost savings that result when tasks formerly performed by governments are turned over to the private sector. The <http://www.privatization.org> website provides numerous studies to document the savings that can be had through privatization.

A government study of waste in the federal government of the USA has documented hundreds of billions of dollars of waste that is difficult or impossible to eliminate because of the way governments are structured (GAO, 2011). Governments are not run on the profit motive. They are run on the principle that if we do not spend all of this year's budget by year-end, next year's budget will be reduced. There is no way to eliminate this mentality by hiring efficiency experts because the incentive system does not change.

Also, government programs that do not work are not eliminated. If some government agency fails to do a good job, it is likely to receive increased funding so that it can do a better job in the future. The public (government) school system is a perfect example. Whenever it is pointed out that American students perform relatively poorly, someone inevitably suggests we need to spend more on education. We spend more on education in the USA, per capita, than any other nation on earth, so money is not the problem.

The problems are monopoly and government control. Parents do not have choices. They must send their children to the school that is closest to their home. As is the case with any monopoly, the cost is higher and the quality is lower than would be the case in a competitive system. It is a structural problem that is caused by the way government is structured and the perverse incentive system that is inherent in government. The solution is not to throw more money into the failed system but to prevent money from being taken out of the more efficient private sector to be thrown into the black hole that is government.

The law and economics literature applies utilitarian ethical principles to arrive at the conclusion that what is efficient is ethical. Stated in Christian terms, it is a sin to waste. Ronald Coase takes the position that policy should focus on maximizing the wealth of society (Coase, 1960:43; 1964: 195; 1988: 28). Richard Posner, one of the founders of the law and economics movement, states that:

... the criterion for judging whether acts and institutions are just or good is whether they maximize the wealth of society (Posner, 1983: 115).

In another place he states that morality and efficiency are consistent (Posner, 1998: 284–285).

Since the private sector is much more efficient than the government sector, the moral thing to do would be to prevent as much money as possible from being transferred from the private sector to the government sector. One way to do that is by evading taxes. One cannot maximize societal wealth by transferring assets from the more efficient sector to the less efficient sector.

Argument 2: There is another utilitarian argument to support tax evasion. The underlying premise of utilitarian ethics is that an act is ethical if it increases happiness or decreases pain. People who can keep the fruits of their labor are happier than people who have the fruits of their labor confiscated and they experience less pain than people who have the fruits of their labor confiscated. People who evade taxes are able to keep more of the fruits of their labor. Therefore, tax evasion is ethical and there is a duty to evade taxes because doing so increases total happiness in society.

Of course, this latter argument assumes there is no penalty for evasion. If one has to worry about being penalized for getting caught, that factor must be included in the utilitarian calculus. If the pleasure to be gained by evasion exceeds the pain to be incurred by getting caught and having to pay penalties, evasion is the ethical choice, according to utilitarian ethical theory. One might include probability theory into the equation if one is able to predict the probability of getting caught and the penalties that must be paid upon being caught.

The point may be raised that tax evasion results in both winners and losers and that the above argument is incomplete because it ignores the effects that tax evasion will have on people whose happiness will decrease as a result of the evasion. Let's examine that argument.

First of all, we must determine who all the winners and losers are. The obvious winners are those who get to keep more of the fruits of their labor. The losers are the government employees who will not be paid or the beneficiaries of the government's largesse, which would include welfare cheats, people on Medicaid, Medicare,

and Social Security, among others. Wealth is shifted from those who produce it to those who consume it.

If we were to stop the analysis at this point, it would appear that the winners and losers cancel each other out. The money transferred from the private sector to the government sector increases the happiness of those who receive it and decrease the happiness of those who are forced to pay. But that is not the end of the analysis. There are really two losers for every winner.

Frédéric Bastiat (1801–1850) addressed this wealth transfer issue in the 1840s in his classic essay, *What Is Seen and What Is Not Seen* (Bastiat, 1964: 1–50). Bastiat would point out that there are two losers for each winner. Let's say that Peter is taxed and his tax payments are transferred to Paul. Peter is the loser and Paul is the winner. But that is not the end of the story. Sam also loses because Peter would have used those funds to pay for a vacation at Sam's restaurant and motel if he had not had to pay Paul. Thus, there are two losers – Peter and Sam – and only one winner.

Taxing Peter to pay Paul makes one person happier and two people less happy. If Peter evades the tax, two people are happy – Peter and Sam – and only one person is unhappy – Paul. Thus, the utilitarian ethics solution would be to evade taxes.

*The rights argument.* A just society is a society where injustice is absent (Bastiat, 1968). A society is just if individuals are free to live their lives as they see fit without interference, provided they do not violate the rights of others.

Plunder – the taking of property without the owner's consent – is an injustice. Plunder is of two types – illegal and legal. An example of illegal plunder would be where a thief takes the property of another by force or fraud. Legal plunder occurs when the government does the taking. Bastiat (1968: 21) identifies legal plunder as follows:

See if the law takes from some persons what belongs to them, and gives it to other persons to whom it does not belong. See if the law benefits one citizen at the expense of another by doing what the citizen himself cannot do without committing a crime.

Then abolish this law without delay, for it is not only an evil itself, but also it is a fertile source for further evils because it invites reprisals. If such a law – which may be an isolated case – is not abolished immediately, it will spread, multiply, and develop into a system.

For Bastiat, tax funds that are used to support government functions that protect the life, liberty and property of all the people are raised legitimately. Tax funds that are taken with the intent of redistribution are examples of plunder and increase the injustice that exists in society.

Taking that argument one step further than Bastiat, a logical extension would be to assert that there is no duty to participate in the act of injustice that results from redistributive taxation, and one is performing a beneficial act to society by resisting this redistributive injustice. Tax evasion in such cases decreases the amount of injustice in society, and thus increases justice. Refusing to have one's property confiscated for redistributive purposes leads to a more just society. One might even go a step further and assert that we all have a duty to eliminate injustice, and that one way to achieve that goal would be to evade redistributive taxes.

Nozick (1974) looks at things somewhat differently. For him, taxation is a form of slavery. Let's say that the government takes 40% of a person's income in taxes.

In substance, that is the same as forcing that person to work for free 2 days a week. That person is a slave to the extent that he is not able to keep the fruits of his labor.

Nozick's view is based on entitlement. The individual who earns the income is more entitled to it than anyone else. If a portion of that income is taken in the form of taxes, it is little more than theft. That person's property rights have been violated.

Societies that have strong property rights regimes tend to be more peaceful, more just, and wealthier than societies that disparage property rights. If one lives in a society where property rights are being disparaged, one can commit a positive act by doing things to reduce the amount of property rights violations that take place. One of those things is to evade taxes. Not only does it benefit the individual who is protecting his own property but it also benefits society because it reduces the amount of property rights violations that take place.

I would like to end this section with a quote from Walter Williams, who does an excellent job of summarizing the entitlement position in a way that can be understood by most readers.

But you might say, if government didn't do all that it's doing we wouldn't have a *just* society. What's *just* has been debated for centuries but let me offer my definition of social justice: I keep what I earn and you keep what you earn. Do you disagree? Well then tell me how much of what I earn *belongs* to you – and why? (Williams, 1987: 62).

## Concluding Comments

The argument that tax evasion is never justified is the weakest of the options. To argue that a taxpayer is never justified in evading a tax, no matter how unfair the tax or corrupt the government, is simply untenable (McGee, 1999a). To hold otherwise would be to assert that Jews have a moral obligation to pay taxes to Hitler so that the Nazi government will be able to afford the poison gas that will be used to exterminate a segment of the population. If this is true, then it could also be argued that Jews have a moral obligation to reimburse the Nazi government for the cost of the train ride to the death camps. The absolutist view is simply untenable.

The other views are not so easy to dismiss. Taxpayers who live under a government that does more *to* them than it does *for* them have a strong moral argument to evade at least a portion of the tax (Crowe, 1944; McGee, 1999a). If one begins with the premise that the government is the servant and the people are the masters, then an argument could be made that there is some obligation to pay at least some taxes to reimburse the government for the services it provides, just as a master is obligated to pay the salary of his servant. But it does not follow that one must pay whatever the government demands, even in a democracy, just like there is no absolute moral duty for a master to pay whatever the servant demands.

Some scholars have asserted that democracy has become the new God (Hoppe 2001). If this is the case, then to criticize democracy is to blaspheme. Any decisions arrived at by the democratic process are necessarily the correct decisions, which must be obeyed no matter what.

Hamilton, Madison, and Jay (1961) and others (Acton, 1985) have warned against the dangers of untrammelled majoritarianism. It could also be pointed out that both Hitler and Mussolini gained power through the democratic process. If two wolves and a sheep voted to determine what to have for lunch, the sheep would not be bound by any adverse decision, even though it was arrived at democratically. Indeed, the sheep would be morally justified in resisting the democratic decision with deadly force. In other words, just because some democratically elected government imposes a tax, it does not automatically follow that there is a duty to pay. Whether there is a duty to pay depends on the facts and circumstances. Or perhaps there is never any duty to pay, if one takes the Spooner (1870) position that all government is illegitimate. If government is really no more than a mafia where the victims get to choose their godfathers and capos, then it seems that there is no ethical duty to pay anything. However, space does not permit a full discussion of the issue of government legitimacy, so we save it for another day.

What if the government provides services that certain taxpayers do not want, need or use? Do they still have an ethical obligation to pay? If so, *why* do they have a duty to pay? If the government is the servant and the people are the masters, it seems like the masters should not have to pay the servants for services they do not want, need, or use.

Do evangelical Christians, Orthodox Jews and Muslims have a moral duty to fund abortion clinics? I think not. Politicians who force these people to fund abortion clinics are acting immorally. If funding for abortion clinics is considered a legitimate function of government, it should be funded on a user fee basis, or by the segment of the taxpaying public that thinks that funding abortion clinics is a legitimate function of government. This way, taxpayers who do not approve of abortion will not be forced to pay for them.

Under present law, it is not possible for taxpayers to pick and choose which functions of government they will support. However, this need not be the case. Podolsky (2002) has suggested that tax forms include a list of government functions and that taxpayers be allowed to check off the functions of government they want their taxes to be spent on. Implementation of this proposal would do much to alleviate the problem of forcing taxpayers to fund activities that they deem abhorrent or unwanted.

The abortion clinic argument is a strong one. But it is not the only example that could be given. Should childless couples be forced to pay for the education of other people's children? Should parents who send their children to private schools be forced to pay for public education? It seems inherently unfair to make some individuals pay for the education of other people's children. Yet it is done on a universal basis. If there is no moral duty to pay, then there is nothing immoral about not paying.

One could argue that since the older generation paid for your education, you have a moral duty to pay for the education of the younger generation. But this argument does not hold up under analysis. For one, it is a non sequitur. One might just as easily say that since your father beat your mother, you have an obligation to beat your wife. If there is a moral obligation to pay for the education of other people's children, some other argument must be found.



The argument has been made that there is some moral obligation to society, and that paying for the education of other people's children is an example of that obligation. However, this argument suffers from several weaknesses. Perhaps the strongest counterargument is that "society" does not exist. *Society* does not eat, sleep, breathe, or flatulate. Only individuals do these things. Society is merely a collective term that is used to describe a group of individuals who live within a certain geographic area and who perhaps share some common values or experiences.

Hayek (1967, 1976) has pointed out this misuse of language in several of his writings (Nishiyama and Leube, 1984). It is a convenient term to use at times but merely using it does not result in bringing society to life. When someone makes the argument that there is a duty to society, what they are really saying is that some individuals have a moral obligation toward other individuals. But it does not follow that this duty is absolute, or even that such a duty exists in certain cases.

There is no moral obligation to force Muslims to pay for the education of Christian or Jewish children who attend religious schools. Indeed, it is immoral to force them to do so. Is it any less immoral to force Shiite Muslims to pay for the education of Sunni Muslim children? Or atheists to pay for the education of theist children? Or childless individuals to pay for the education of anyone's children?

The point is that it cannot be stated categorically that the moral obligation to pay for the education of other people's children is absolute. If such an obligation exists, it is conditional and subject to limitation.

If there is such an obligation, where does it come from? The argument that we owe it to society does not hold up under analysis. So if forcing some people to pay for the education of other people's children is ethical, another justification must be found. The existing literature does not discuss this point much. An obligation is merely assumed to exist. This point needs to be examined in greater depth.

The whole redistribution argument is constructed on a shaky foundation, as Bertrand de Jouvenel pointed out a few generations ago (1952). Taxing some people more than others just because they have more than others fails the Kantian ethics test (Kant 1952a, b, c, 1983). Such individuals are being used as means rather than ends in themselves, which Kant concludes is unethical.

The graduated income tax, which is one example of this approach to taxation, fails the test of utilitarian ethics because the primary and secondary effects of the graduated income tax result in what economists call a negative sum game (Blum and Kalven, 1953; McGee, 2004, pp. 111–119). There are more losers than winners. The small amount that is gained by soaking the rich is more than offset by reduced economic growth rates and inefficient allocation of resources.

The argument that taxpayers in a democracy have consented to be taxed is a weak one. As has been pointed out in the literature, only some people have consented to be taxed. It is difficult to justify the argument that politicians actually represent the best interests of the people who have elected them. Many politicians do not even know what the best interests of their constituents are. If they did, the Democrats and Republicans would never disagree on anything.

Special interest politics is alive and well. Politicians tend to represent special interests rather than the general public, as the Public Choice School of Economics

and others have been pointing out for decades (Tullock 1970, 1983, 1989, 2004a, b; Rowley et al., 1988). This phenomenon is not new. America's Founding Fathers were aware of this tendency when they were constructing America's constitution (Hamilton, Madison and Jay, 1961; Peters, 1987).

That being the case, what obligation do taxpayers have to their government? Are they obligated to pay taxes just because they receive something in return? Does it depend on what they receive in return? Is there an ethical obligation to pay taxes if the government takes your car and gives you a bicycle in return? Or two cars? What is the relationship between what you receive from government and what you are obligated to pay? These are all questions that have not been adequately addressed in the literature. More research is needed. Presumably, there should be some relationship between the amount received from government and the amount paid, but the details of this relationship have yet to be worked out in the literature.

Another strand in the existing literature mentions a relationship between taxpayers. One argument that has been made for the ethical duty to pay taxes is that if one person evades paying taxes, other taxpayers must pay more. The evader becomes a free rider, but only in cases where the evader receives benefits from government. One cannot be a free rider if one receives no benefits.

Is there an ethical obligation to others when it comes to paying taxes? Such an obligation has been asserted but not really discussed or analyzed. The argument that an evader owes a duty to taxpayers even in cases where the evader does not receive benefits from government is a weak one. The free rider arguments to justify forced payment cannot be used in such instances. If an obligation exists, some other arguments must be found.

The argument that taxpayers who *do* receive benefits from government have an ethical obligation to other taxpayers is a stronger one. But it does not follow that this obligation is unlimited or absolute.

Many people receive less in benefits than what they have to pay in taxes. Leona Helmsley, who has paid many millions of dollars in taxes over her long life, received free room and board for a few years at government expense (prison) because she paid a few million less than what the government said she owed. H. Ross Perot, who during one of the US presidential campaigns boasted about paying one billion dollars in taxes over the years, undoubtedly received much less than a billion dollars in benefits from the government.

While the argument has been made that people who receive benefits from the government somehow have an ethical duty to pay taxes, the statement has merely been asserted, not sufficiently analyzed. The fact that others might have to pay more if evaders pay nothing is a separate question.

Let's assume for the sake of argument that if some people evade taxes, others will have to shoulder a larger portion of the total tax burden. This assumption may not be accurate, since government may cut back on spending or resort to financing its expenditures if it does not collect enough from taxpayers. But let's assume that if some pay less because of evasion, others will have to pay more. What duty do the evaders owe to the taxpaying community?

In the case of Jews paying taxes to Hitler, it would seem that there is no obligation to other taxpayers. If non-Jews must have their taxes increased to pay for the poison gas, it seems that it is the German government that is treating the taxpayers unfairly, not the Jews. Thus, it cannot be said that evaders always owe a duty to taxpayers. If evaders owe a duty to those who must shoulder the tax burden, it is a duty that exists only under certain conditions. What are those conditions? The literature has been silent on this point. Although a duty has been asserted, it has not been adequately discussed or analyzed in the literature. Thus, there is a need for further research on this point. It is not intellectually adequate to merely assume that such a duty exists. The specifics need to be spelled out.

Let's say that an armed mugger walks into a café and orders the patrons to collectively give him \$100. The patrons discuss among themselves how this burden should be allocated and they decide that each patron should pay an equal percentage of the cash that is in their wallets and purses. Does Jack, one of the patrons, have an ethical duty to reveal that he has \$20 in his hat? Is he ethically obligated to include this \$20 in the calculation? If he does not, his share will be less than would otherwise be the case and the shares of the other patrons would be more. If Jack keeps silent, is he violating an ethical duty to the other patrons? Surely the patrons as a group are being treated unfairly because they are having their property rights violated. But it appears to be the mugger who is treating them unfairly, not Jack. If Jack keeps silent he is merely being treated less unfairly than the other patrons, but it is the mugger who is acting unethically, not Jack.

Let's take another example. Let's say that someone who works in the property tax office of some local community manages to manipulate the agency's software program that computes the amount of tax liability so that the perpetrator owes \$1,000 in property tax rather than \$10,000. In effect, manipulating the software has resulted in a \$9,000 tax evasion. Since the municipality incurs the same exact expenses regardless of whether the software has been manipulated or not, the other taxpayers in the community must have their taxes increased as a result of the software manipulation. What duty does the software manipulator, let's call him Tom, have to the other taxpayers in the community?

Let's say that the budget for this particular community goes mostly to fund elementary and secondary education. Does Tom's duty to the other taxpayers in the community depend on whether he sends his children to the public school? What if Tom sends his children to private schools? Or what if he does not have any children? Is Tom's duty to the other taxpayers in the community dependent on whether he receives benefits from the local government? If not, why not? This point has not been addressed in the literature.

If it can be argued that Tom has a duty to the other taxpayers in the community even if he derives no benefit from the local government, can it also be argued that Jews have an obligation to other German taxpayers even though they receive no benefits from the Nazi government? Merely asserting that Tom has an obligation to other taxpayers is not sufficient. If Tom has a duty to other taxpayers but Jews living in Nazi Germany do not, some justification must be found for treating the two cases differently.

The argument has been made that there is a duty to resist a government that is involved in an unjust war (Pennock 1998; Crowe 1944). One form of resistance is tax evasion. Although breaking laws has a tendency to chip away at respect for the law and for government, sometimes that is a good thing. The mere fact that the governments of Hitler and Mussolini were duly elected does not mean that they are worthy of citizen respect. Tax evasion in such cases might actually be good from the perspective of utilitarian ethics, since reducing respect for an evil government tends to delegitimize it. An argument could be made that there is a duty to evade taxes in a corrupt or oppressive state, at least in cases where potential punishment is remote. There may be a duty even where punishment is swift and guaranteed. The extent of such a duty needs to be explored.

The argument that tax evaders always have a duty to government or to other taxpayers does not hold up under analysis. If such an obligation exists, it is less than absolute. Or perhaps no duty ever exists. Some framework has to be constructed to determine under what conditions an evader has an obligation to others. That framework has not yet been constructed in the literature.

More work needs to be done on the question of when there is an affirmative duty to evade taxes, or when evasion benefits society. If taxation is theft, then reducing the amount of theft in society is a good thing. If evasion results in a positive-sum game, then perhaps we should have more of it.

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