

# THE FISCAL CITIZENSHIP PROJECT

## WORKING PAPER

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### Conceptualizing Fiscal Citizenship

# Conceptualizing Fiscal Citizenship

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## Abstract

Although the concepts of willingness to pay taxes and citizenship are interconnected through the social contract and are crucial for maintaining social cohesion in any civil state, researchers have primarily studied these topics independently of each other. This paper aims to synthesize both research fields. Relying on social contract theory, we develop a concept tree that captures the resulting multidimensional concept of *fiscal citizenship*. Fiscal citizenship comprises behaviors, attitudes, and identifications of citizens towards the state and fellow citizens that arise through the payment of taxes and are based on the idea of reciprocity. At the microlevel fiscal citizenship is to be considered a gradual individual trait, aggregated at the country-level it represents the overall fiscal and civic climate within a state and may serve as an indicator for social cohesion. The concept encourages new research questions and new perspectives on existing ones. It may serve as a tool to map and connect previous ideas and findings, derive innovative hypotheses and gain new insights. Furthermore, the concept enables the operationalization and empirical measurement of fiscal citizenship with microanalytical data. This allows for the first comprehensive analysis of the interconnection between taxes and citizenship and its meaning for social cohesion in future research.

## I Introduction

In the face of globalization, digitization, and transnational mobility, societies become increasingly heterogeneous, and maintaining social cohesion becomes an important challenge. Despite extensive research on tax compliance, little attention has been paid to the connection between taxation and social cohesion. Therefore, in this paper, we examine individual perspectives on taxation as one potential source or consequence of social cohesion based on social contract theory. According to social contract theory, the relationship between citizens and state, and between fellow citizens can be described by an imaginary social contract that builds the foundation of any modern state and society. This contract is an exchange in which taxes are a fundamental requirement. Citizens fulfill the social contract by giving away part of their liberties and by paying taxes. In return, the state assures security, protects citizens' rights, and provides public goods such as infrastructure

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and welfare state benefits. Social contract theory demonstrates the interdependence of taxation and citizenship. The concept of taxation is useless without citizens who serve not only as taxpayers but likewise as recipients of the goods financed by tax payments. Looking at taxes in this way points out that they are not only a financial obligation of citizens towards the state but fundamentally contribute to the formation of the relationships between citizens and state, and between fellow citizens. They are creating a system of rights, obligations, expectations, and interdependencies that is based on the principle of reciprocity. With this perspective in mind, this paper aims to develop a concept that depicts the relationships between citizens, state, and fellow citizens under the light of taxes and serves as a point of reference to represent and strengthen social cohesion in economically, demographically, culturally, ethnically, and ideologically heterogenous societies.

We take a deductive approach in deriving the elements of fiscal citizenship from existing theory. Despite the interdependence of taxes and citizenship, prior research discusses the willingness to pay taxes on the one hand and citizenship on the other mainly separately from each other. To the best of our knowledge, there are no contributions so far that combine both approaches within one overarching concept. While tax compliance is predominantly investigated by (behavioral) economists and accountants, citizenship tends to be explored by political scientists and sociologists. Apart from a few exceptions (e.g., Lind 2020), also from a legal perspective, citizenship and tax liability are solely discussed within separate areas of research. Taking an interdisciplinary approach, we aim to build a bridge between these discussions by developing a joint concept of *'fiscal citizenship'*. The term *'fiscal citizenship'* has rarely been used within previous literature and if so (Freund 2019; Guano 2010; Likhovski 2017; Martin et al. 2009; Morgen and Erickson 2017; Mehrotra 2013; Musgrave 1997; Sparrow 2008) without precisely defining it. None of these contributions focuses on the analysis of fiscal citizenship, while each rather mentions the term incidentally in various contexts. However, from the usage contexts of the term, it may be derived that all authors have a similar understanding of fiscal citizenship, namely something that brings taxes together with citizenship. This understanding is too imprecise to make use of its idea and urgently needs further exploration. Moving beyond a simple combination of existing tax compliance models and citizenship concepts, we identify those aspects whose relevance is shared by both prior conceptualizations or only arises due to their synthesis.

Our synthesis results in the definition of fiscal citizenship as a multidimensional trait composed of behaviors, attitudes, and identifications of citizens toward the state and towards their fellow citizens, that emerge through taxation. At the individual level, the concept represents a gradual trait, aggregated to the country-level it describes the overall fiscal and civic climate within a society. Our theoretical framework may serve as a tool to map and connect previous findings and encourage novel hypotheses. Moreover, it provides the starting point for future research to collect microanalytical data to measure individual and societal levels of fiscal citizenship and enable the first comprehensive analysis of the interconnection of taxes and citizenship.

While we integrate the willingness to pay taxes in our concept of fiscal citizenship and the presented framework may help to analyze tax compliance, it is important to note that the purpose of our concept is not primarily to explain tax compliance. In terms of our concept, the act of complying with tax law is to be interpreted as one component among others which jointly shape an individual's level of the multidimensional trait of fiscal citizenship.

Moreover, in contrast to previous tax compliance research, we consider all financial contributions towards the (welfare) state and the common good regardless of whether these are legally defined as “taxes” or not.<sup>4</sup> In other words, we are interested in payments that are made to serve society as a whole or certain subgroups of it to which the individual herself<sup>5</sup> does not necessarily belong to.

Based on a discussion of previous tax compliance models and concepts of citizenship (chapter 2) we synthesize both theoretical approaches relying on social contract theory and the principle of reciprocity (chapter 3) to the overarching concept of fiscal citizenship by developing a concept tree (chapter 4). We demarcate it from related factors and prior concepts (chapter 5) and show its contribution and perspectives (6).

## 2 Review of Previous Concepts

Since the concept of fiscal citizenship has barely been studied so far, we base our conceptualization on a review of previous research on the two concepts that fiscal citizenship seeks to synthesize: ‘fiscal’ and ‘citizenship’. While one can imagine what a citizenship concept might be, it requires an explanation of what is meant by a fiscal concept. Given that we build our synthesis on social contract theory, we focus on tax compliance models as fiscal concepts. As a central element of the social contract, taxation lies at the heart of any civil state because tax payments provide the state with funds to finance public goods and guarantee the rights that accompany citizenship. Tax compliance is therefore essential to fully enable the concept of citizenship. In addition, tax compliance research integrates a variety of factors that are of relevance for citizenship as well (e.g., state legitimacy). Within the following sections, we therefore review existing tax compliance models and citizenship concepts that build the background of our concept of fiscal citizenship.

### 2.1 Models of Tax Compliance

Over the past decades, researchers developed numerous models to explain individual tax compliance (basically, the decision to evade or not to evade income tax). While early models purely rely on economic factors, current models predominantly tend to include social, psychological, attitudinal, and institutional factors. We provide a compact overview of the history and development of research on tax compliance to highlight the central factors included in these models.

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<sup>4</sup> For example, we also integrate social security contributions that in many countries such as, e.g., Germany, do not represent tax payments in terms of the law.

<sup>5</sup> When we talk about “she”/ “her” we always address all genders.

### ***The History of the Branch of Research***

Building on the economics of crime approach developed by Becker (1968), early models of tax compliance focused on the individual taxpayer as a rational actor that tries to maximize her expected utility, i.e., her expected income based on the income reporting decision for tax purposes (Allingham and Sandmo 1972; Srinivasan 1973). According to these models (the so-called **standard economic model**), the true income of the taxpayer, the probability that her reported income will be audited by the tax authorities (audit rate or detection rate), and the penalty rate that is applied in case any unreported income is detected during the audit (penalty rate) determine the underlying risky decision.

Lewis (1982) was the first to apply a **social psychological approach** to tax compliance. Lewis (1982) regards tax compliance as an exchange relationship between citizens and state that is determined by the interaction between taxpayers' behavior in response to fiscal policy and fiscal policy creation in reaction to (assumptions about) taxpayers' behavior. Thereby, taxpayer behavior further depends on personal demographics, taxpayers' perception of state enforcement, and their attitudes toward the fiscal structure created by the government. Taking a similar approach, Groenland and van Veldhoven (1983, p. 131) differentiate between individual (personality) and situational characteristics (opportunity, socio-economic factors, and the tax system) that interact and affect the individual's attitudes towards the tax system and the tendency to evade taxes. In line with their model, Kaplan et al. (1986) distinguish between dispositional causes, i.e., the person's character or intention, and situational causes, i.e., external circumstances such as the social role of the person, for behavior based on the social psychological attribution theory.

By differentiating conscious from habitual decisions, Smith and Kinsey (1987) further distinguish between four clusters of factors that people weigh against each other when forming the decision to comply or not to comply with tax law: (1) material consequences (i.e., factors of the standard economic model), (2) normative expectations due to assumptions about other taxpayers and personally internalized norms, (3) socio-legal attitudes and opinions about government ends and the tax system and (4) expressive factors (i.e., the psychic and emotional costs and benefits related to a certain behavior, e.g., frustration due to the struggle with filling out tax forms) (see also Webley et al.). They further emphasize the importance of interactions between taxpayers in forming attitudes and opinions as well as normative expectations (Smith and Kinsey 1987).

While the approaches by, e.g., Kaplan et al. (1986) and Smith and Kinsey (1987) already acknowledge the importance of interactions between taxpayers in forming attitudes, Myles and Naylor (1996) extend prior models by introducing elements of a *homo sociologicus* (Dahrendorf 2010 [1958]), the social-norm orientated human, into the discussion of tax evasion. This **sociological perspective** explicitly includes individual utility components based on group conformity and social customs. The authors argue that besides the pursuit to maximize economic utility, there are psychic costs of tax evasion because the act of evasion deviates from social customs (Gordon 1989). Likewise, there are conformity payoffs from compliant behavior.



Following a literature review on legitimacy by Tyler (2006), research on tax compliance began to include the **political science perspective** by considering attitudes towards political institutions such as trust and legitimacy. According to Tyler (2006, p. 375), legitimacy is a feature of institutions that leads people to view them as “appropriate, proper, and just” and makes them “feel that they ought to defer to decisions and rules, following them voluntarily out of obligation rather than out of fear of punishment or anticipation of reward”.

This idea has been taken up by Kirchler et al. (2008) in their influential “**slippery slope framework**”. According to the framework, governments may either keep audit rates and penalties high enough to *enforce* compliance or strengthen *voluntary* compliance through the adaption of a “service and client” approach in which citizens and state cooperate. In the latter case, authorities are transparent and treat taxpayers respectfully while citizens trust them and tend to pay taxes voluntarily out of a sense of duty rather than calculating the costs, benefits, and risks of evasion (Kirchler et al. 2008, p. 211). The framework depicts tax compliance along two dimensions, (1) the power of and (2) the trust in authorities. Under the power of authorities, they understand “taxpayers’ perception of the potential of tax officers to detect illegal tax evasion” and under trust in authorities “the general opinion of individuals and social groups that the tax authorities are benevolent and work beneficially for the common good” (Kirchler et al. 2008, p. 212). It is assumed that both dimensions influence the level of tax compliance and interact with each other. In principle this interaction means that changes in trust are less relevant when power is high and vice versa. However, trust and power can also mutually reinforce each other (Kirchler et al. 2008, p. 213).

It followed a series of models, which take up the ideas of previous models and, above all, the idea of **voluntary compliance** brought forth by the Slippery Slope Framework. For example, Alm (2012) concludes that there are three paradigms for tax authorities to control tax evasion. The *enforcement paradigm* (1) is based on the assumptions of the standard-economic-model. The *service paradigm* (2) additionally emphasizes the task of tax authorities to facilitate the tax-paying process and provide services to taxpayers. Finally, the *trust paradigm* (3) highlights individual notions such as morality, guilt, or shame, as well as group notions like social norms and customs, fairness, trust, and reciprocity in the fiscal exchange. Gangl et al. (2015) further develop the slippery slope framework by distinguishing between two forms of power and trust. *Coercive power* is based on deterrence, while *legitimate power*, is based on Tyler’s (2006) approach and relies on information, legitimization, and expertise (Gangl et al. 2015, p. 15). Regarding trust, Gangl et al. (2015, p. 16) differentiate between *reason-based* and *implicit trust*. While reason-based trust relies on a conscious cognitive-rational decision to trust, implicit trust emerges unintentionally based on conditional learning processes, habitus, or social identification.

Luttmer and Singhal (2014) summarize that the previously elaborated factors affect tax compliance through **tax morale**. Tax morale is commonly understood as the *intrinsic motivation* to pay taxes out of a feeling of obligation to the community or civic duty, altruism, pride or to avoid a feeling of guilt or shame. Luttmer and Singhal (2014, p. 150) define tax morale as *all* “nonpecuniary motivations for tax compliance” that deviate from those factors considered in the standard economic model. They distinguish four additional forms of tax morale other than intrinsic motivation. First, tax morale as *reciprocal motivation*, i.e., “the

willingness to pay taxes in exchange for benefits that the state provides to them” (Luttmer and Singhal 2014, p. 150) considers factors such as the legitimacy of and trust in the state, perceived tax fairness and the perceived appropriateness of governmental spending. Tax morale can also arise through *social conformity*, i.e., adapting to peer behavior, acting according to social desirability, seeking social recognition, and avoiding sanctions from peers. Moreover, tax morale can operate through *culture*, understood as long-term cross-generational social norms. Finally, Luttmer and Singhal (2014) also include *deviations from expected utility* due to bounded rationality within the concept of tax morale.

Robbins and Kiser (2020) extend prior models through the inclusion of two forms of moral attitudes. *Moral imperatives* are equal to tax morale and describe the viewing of taxpaying as a moral obligation or civic duty. *Moral alignment* describes an alignment between the taxpayer’s values and morals and those of political actors in power.

Most recently, Blaufus et al. (2022) introduce a **behavioral taxpayer response model** on the relation between provided information, tax misperception (e.g., under- or overestimation of the tax burden), and the ensuing economic decisions (e.g., investments, consumption, savings, and also tax compliance). In line with Luttmer and Singhal (2014), their model builds on the bounded rationality of individuals (Blaufus et al. 2022).

Several of the mentioned researchers highlight the importance of perceived **tax justice** for tax compliance (e.g., Kirchler 2008; Alm 2012; or Luttmer and Singhal (2014)). However, tax justice lacks a common definition in prior research (Wenzel 2003, p. 44–45; Farrar et al. 2020, p. 488). Based on a literature overview, Wenzel (2003) develops a comprehensive framework of tax justice that differentiates between *distributive justice*, i.e., the perceived fairness of the allocation of the tax burden, tax-based benefits and tax avoidance/evasion opportunities, *procedural justice*, i.e., the perceived fairness of the interactional treatment, the extent of process and decision control, the information and explanation available to the taxpayer, and the compliance costs, and *retributive justice*, i.e., the perceived fairness of penalties and tax audits. Each of these justice dimensions can be analyzed at the individual, group, or societal level (Wenzel, 2003).

## Summary

Today, it is widely recognized that tax compliance relies on both enforced and voluntary components. Tax research has shown that tax compliance is not solely to be explained economically but also by factors that are traditionally the focus of other disciplines. Perspectives from political science (e.g., regarding the legitimacy of state institutions), sociology (e.g., concerning social conformity), and psychology (e.g., concerning the cognitive process of the compliance decision, as well as personality traits) are as important as the economic emphasis on utility maximization in the presence of a threat of punishment. The explanation of tax compliance and tax morale thus is a research area that is best explored interdisciplinary. However, besides significant improvements in the diversity and comprehensiveness of contemporary tax compliance models, they are lacking multidimensionality with regard to the underlying relations. Existing tax compliance models are unidimensional in the sense that they predominantly focus on the vertical relationship

between citizens and state, neglecting horizontal relations between fellow citizens. The need to incorporate horizontal relations had also been noted by Gangl et al. (2015) who argue that “[...] future research should not only consider trust in the authorities but also trust in fellow citizens and beliefs about their motivation to cooperate” (ibid, 21). Therefore, our concept of fiscal citizenship extends prior models by including this second dimension.

## 2.2 Concepts of Citizenship

Unlike models on tax compliance which aim to identify factors that *explain* individual taxpaying behavior, citizenship concepts focus on *defining* and *describing* citizenship in various ways. Most basically, citizenship can be defined as membership in a socio-political and geographic community (Bellamy 2008; Bloemraad 2000, p. 10; Bloemraad et al. 2008, p. 154; Faist 2000, pp. 202–203; Glenn 2000, 3; Glenn 2011, p. 3; Marshall 1950; Weinstock 2017, pp. 270–271). This definition goes back to the understanding of *citizenship-as-legal-status* which in ancient Rome first denoted a subject society and in the Age of Enlightenment was linked to individual rights, which are a fundamental part of the contemporary understanding of citizenship as legal status (Bloemraad et al. 2008, p. 155). An alternative understanding that comes from the Athenian city-state sees *citizenship-as-desirable-activity*, “where the extent and quality of one's citizenship is a function of one's [political] participation in that community” (Kymlicka and Norman 1994, 353).

These two notions of citizenship mirror the classic debate between *liberals* and *communitarians*: individual entitlement (liberalism) and the “attachment to a particular community” (communitarianism) are essential parts of citizenship (Kymlicka and Norman 1994, 352). Based on a discourse analysis of citizenship, Knight Abowitz and Harnish (2006) conclude that the liberal perspective associates citizenship primarily with *individual* liberty, autonomy, and equality and appreciates a pluralism of values and ways of life. The communitarian notion of citizenship focuses on commitment to and identification with the political *community* and its goals, civic virtues such as self-sacrifice, patriotism, loyalty, and respect as well as the contribution to the common good (Knight Abowitz and Harnish 2006, 657–659; 661–662). The authors summarize that “[c]itizenship, at least theoretically, confers membership, identity, values, and rights of participation and assumes a body of common political knowledge” (ibid, p. 653). Based on a similar review, Heater (1990, p. 163) concludes that the term citizenship is used with the meaning of “[...] a defined legal or social status, a means of political identity, a focus of loyalty, a requirement of duties, an expectation of rights and a yardstick of good behavior”. While Joppke (2007, p. 37) simply puts it “[C]itizenship is many things to many people”, many authors (e.g. Beaman 2016; Bloemraad 2000; Bloemraad 2017; Bloemraad et al. 2008; Bosniak 2000; Bosniak 2006) differentiate between status, rights, identity, and participation as the four basic forms of citizenship. We argue that these forms of citizenship can be summed up to a legal (status and rights), a behavioral (participation), and an identificatory (identity) form of citizenship.



### **Legal Citizenship - Membership, Rights, and Duties**

Legal citizenship defines citizenship as legal membership in a political community. This community has a particular territory and history and is typically a nation-state (Turner 1997, p. 9). Although citizenship goes beyond nationality, the meaning of both terms is often confused (Tsalapatani 2020, pp. 523–524). Membership in a political community goes along with certain rights granted by the state (like permanent residency or the right to vote), as well as obligations towards the community (as tax payments, or law obedience in general) (Bloemraad 2000, p. 13; Glenn 2011, p. 3)<sup>6</sup>. Studying the evolution of the British welfare state, Marshall (1950) describes the development of citizenship rights in three steps: First, in the 18<sup>th</sup> century “civil citizenship” granted civil liberties and equality before the law; second, in the 19<sup>th</sup> century “political citizenship” expanded citizenship rights to include the right to political participation. Finally, in the 20<sup>th</sup> century “social citizenship” added those rights that come with the welfare state: the right to a minimum level of economic welfare and security to assure an adequate participation in social life (Marshall 1950).

Other than human rights, that apply to all humans irrespective of their status, the rights and duties that go along with citizenship are limited to “[...] members of formally recognized nation-states [...]” (Turner 1997, p. 9). Modern citizenship, therefore, comes with an inherent duality: “[...] a status at once universal and particularistic, internally inclusive and externally exclusive” (Brubaker 1992, p. 72). However, as Bloemraad (2000, p. 17) points out, there are cases where citizenship rights and duties are extended to mere residents. For instance, nowadays in most western states Marshall’s latter set of social rights is granted not only to formal citizens but all residents, and tax payments are not limited to legal citizens. The unsharp distinction between the rights and duties of formal citizens and non-citizens can cause disagreements within society and challenge social cohesion (see Lind 2022).

### **Behavioral Citizenship - Practice, Participation, and Civic Virtues**

Undeniably, the formal rights and duties that come with the legal status of citizenship “[...] are only paper claims unless they can be enacted through actual practice” (Glenn 2000, 3). On the one hand, like legal citizenship, behavioral citizenship reinforces the link between the individual and the state since participatory rights (e.g. the right to vote) are legally often limited to formal citizens (Bloemraad 2000, p. 31). On the other hand, other than legal citizenship, behavioral citizenship can be described from both a liberal and a communitarian perspective and some facets of behavioral citizenship are therefore independent from legal citizenship.

Valuing individual entitlement, rights, and equality, the *liberal* perspective limits behavioral citizenship to (self-interested) political participation which is not necessarily restricted to formal citizens. Instead of only exercising existing rights and duties, it is about claiming and actively transforming them. Isin (2017, p. 517) refers to this as performative citizenship and emphasizes that such an act of citizenship can also be performed by formal non-citizens.

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<sup>6</sup> Sometimes rights (and obligations) are even taken as the core definition of citizenship (e.g., Marshall 1950; Turner 1997)

From this point of view, non-naturalized migrants claiming rights would be seen as citizens in a behavioral sense but not in a legal sense. However, some stances argue in favor of an expansion of legally granted participatory rights based on behavioral citizenship. For instance, Steward's (1995) participatory concept of "democratic citizenship" supports the equality of all members within a political community in terms of political rights irrespective of their nationality, hence advocating voting rights for non-naturalized immigrants (Steward 1995, p. 66).

In contrast to the liberal perspective, the *communitarian* perspective defines behavioral citizenship as "[...]involvement in certain kinds of public-spirited practices, practices that are geared toward the achievement of a common good" (Weinstock 2017, p. 271). It considers all forms of political participation and civic engagement that serve society as a whole (ibid., Bosniak 2006, p. 19; van Bochove and Rusinovic 2008, pp. 1338–1339). Moreover, communitarian normative political philosophy regards civic virtues such as courage, law-obedience, and loyalty as well as social, economic, and political virtues (Galston 1991, pp. 221–224) as essential for the functioning of democracy (Turner 1997, p. 8). It is argued that "some level of civic virtue and public-spiritedness is required" since, contrary to what liberalists stated, checks and balances such as the separation of powers have not proven sufficient to prevent private interests from interfering with the achievement of the public good (Kymlicka and Norman 1994, 359-360).

### ***Identificatory Citizenship – Sense of Belonging and Solidarity***

The third form of citizenship stresses the intrinsic "felt aspects" of citizenship that are represented by a feeling of belonging or emotional attachment to the state, as well as solidarity with other members of the community (Bosniak 2006, p. 20). It is about conceiving oneself as a "member of a collectivity" (Joppke 2007, p. 38) and "viewing this belonging to a polity as an important part of who one is" (Weinstock 2017, p. 270). This emphasis on community, can, on the one hand, be seen as a *communitarian* notion of citizenship. Addressing "the unity and integration of society" (Joppke 2007, p. 38), identificatory citizenship, like both other forms is associated with nationhood (Bloemraad 2000, p. 20) and therefore exclusionary. To establish a common identity and increase social cohesion it is necessary to define who is part of the community, part of the "we", and who is not (Bloemraad et al. 2008, p. 156). Since states are not only institutional bodies but also come with cultural aspects such as a distinct history, a shared language, traditions, and customs, as well as certain norms and values (Bloemraad et al. 2008, p. 156), this demarcation is not that straight forward as in the legal form of citizenship. The question arises of how much identification with, and acquisition of, a state's culture is required for being a citizen (Beaman 2016, p. 852), or rather for *feeling* as a citizen and being *recognized* as such by other members of the community (Glenn 2011, p. 3). It is the community that draws a significant part of the boundaries of identificatory citizenship (ibid.). Especially for marginalized groups such as immigrants and their descendants, the cultural aspects of citizenship can be a hurdle for full inclusion in the community. They may even possess legal citizenship but remain an outsider in the sense of felt and recognized belonging to the national community (Beaman 2016, pp. 852–853). Tsalapatani (2020, p. 532) refers to this as the distinction between "de-

jure citizenship” (accepted as a citizen by the state) and “de facto citizenship” (accepted as a citizen by the society).

From a *liberal* point of view (e.g. Rawls 1993), the challenges of social cohesion in pluralistic and multicultural societies could be met by confining to a shared *political* culture that solely agrees on a cross-cultural “overlapping consensus” (Rawls 1993) and avoids a dominance of certain particularistic notions of the good life. It is argued that constitutional patriotism supporting the core constitutional values such as freedom, equality, and tolerance (Joppke 2007, p. 45) as well as the main institutional principles of a democratic political system, like the rule of law is sufficient to unite a society (see Müller 2006, p. 23). As Turner (1997, p. 9) optimistically points out, in providing us with a common value system, citizenship “[...] provides a form of solidarity, if you like a kind of social glue, that holds societies together which are divided by social class, by gender, by ethnicity, and by age groups. The solidarity of the political community of modern societies is provided by citizenship which works as a form of civic religion.”

### Summary

In principle, the three notions of citizenship reflect *being* a citizen, *acting* as a citizen, and *feeling* as a citizen. On the empirical level, these three forms of citizenship not only coexist but overlap and interact with each other. For example, legal citizenship positively affects behavioral and identificatory citizenship since granting rights enhances the possibility for action which in turn strengthens the feeling of belonging to the community (Bloemraad et al. 2008, p. 157; for a review of empirical results see Bloemraad 2017). Moreover, through globalization and digitalization citizenship becomes more independent from national borders (Bloemraad 2000, p. 25). People can have multiple passports, participate politically abroad via social media platforms, and identify with another country than their country of residence. This allows people to be legal, behavioral, and identificatory citizens in different ways in different countries at the same time. To summarize, the overview of citizenship concepts has shown that citizenship is a multifaceted concept, with different facets complementing and reinforcing each other rather than competing. Depending on the research interest, one can focus on distinct aspects without neglecting the relevance of other forms of citizenship.

### 3 Synthesis

The previous chapter has shown that tax research tends to neglect the political science perspective with its view on citizenship issues when developing tax compliance models. While some aspects of citizenship are addressed implicitly (e.g., taxpayers considering the legitimacy and trustworthiness of institutions or seeking norm conformity; seeing tax payment as a civic duty, i.e., tax morale), the taxpayer is not explicitly considered in her role as a citizen coming with certain (participatory) rights, acting in a certain way as a citizen and identifying as such. Neither do citizenship concepts incorporate tax payment as a part of citizenship. Interactions between legal citizenship status and tax liability are just as little discussed as taxes as a source of citizen identification. If at all, tax compliance is mentioned

as one civic duty among many, but tax payment is not considered an important facet of behavioral citizenship. The relevance of the interconnection between taxes and citizenship becomes evident when considering the role of taxes within the *fiscal contract*.

### 3.1 The Fiscal Contract

Since the Era of Enlightenment, state theorists have recognized that taxes are not simply an obligatory financial contribution of citizens to fund state expenditures but essentially constitute the civil state through a social contract. In being concerned with the formation and ideal of civil states, political philosophers like Thomas Hobbes, John Locke, Jean-Jacques Rousseau, Montesquieu, David Hume, Thomas Paine, Adam Smith, Samuel Johnson, Edmund Burke, Jeremy Bentham, and the “Federalists” developed so-called **Social Contract Theories** that aim to regulate the relation between citizens and state in a contractual way (Makovicky and Smith 2020, pp. 4–5). They are to be understood hypothetically and structured threefold:

- (1) The disadvantageous *pre-contractual* situation (the state of nature),
- (2) the *social contract*, and
- (3) the advantageous *post-contractual* situation (the civil state)

In most social contract theories (e.g., Hobbes, Locke), the **state of nature** is an *anarchical* pre-civilized state which is characterized by a struggle for power and resources. For example, Hobbes (1642–1651, p. 12) speaks of a “war of all men against all men”. While individual rights and liberties are theoretically unlimited in this state, they are practically non-existent due to their lack of protection. This disadvantageous situation is overcome by joint consent to a **social contract**. Though stressing different rationales (*security*, *property rights*, or “true” *liberty*), Hobbes, Locke, and Rousseau all argue for a “unanimous agreement of each with all” (Bobbio 1989, p. 39) to comply with the law in exchange for the benefits resulting from membership in a community (Gribnau and Frecknall-Hughes 2021; Frecknall Hughes 2007). The social contract’s basic principle is an *exchange*: The abandonment of citizens’ limitless but endangered liberties and rights in the state of nature is exchanged for the protection of limited but guaranteed rights and liberties. The underlying idea is that “true liberty is to be found in rules that we impose on ourselves” (Gribnau and Frecknall-Hughes 2021, p. 28)

With the approval of the social contract, the founding of the **civil state** is completed. Within the last part of each social contract theory, the ideal features of this advantageous post-contractual situation are elaborated. While most of these details can be neglected here, one aspect is of crucial relevance. Since the provision of the promised benefits needs to be financed, Hobbes, Locke, as well as Rousseau, similarly argue that taxation – as the price for security, property rights, or freedom – is a justified part of the social contract (Gribnau and Frecknall-Hughes 2021).

Although the social contract is imaginary, every functioning state is based on some form of agreement between citizens and state that resembles such a contract (Castañeda et al. 2020, p. 1176). Taxes play a crucial role within the social contract and are therefore a fundamental

requirement of any modern state. Without tax revenue, the government would not be able to provide the essence of a civil state and citizens would not benefit from surrendering their total freedom. Martin (2009, p. 1) even states that “in the modern world, taxation is the social contract” (italics in original). For the purpose of our concept of fiscal citizenship, we distinguish the *fiscal contract* from the social contract. With the fiscal contract, we refer to the fiscal part of the contract, i.e., the exchange of taxes for public goods, whereas the social contract also covers the non-monetary aspects such as the renunciation of natural freedom. The fiscal contract and its indispensability within the social contract lead to the formation of two relationships: between *citizens and state*, and between *fellow citizens* (Martin et al. 2009, p. 1).

### 3.2 The Relationship between Citizens and State

The exchange of taxes for public goods and other benefits which is regulated within the fiscal contract leads to a relationship between **citizens and state** that is based on a self-reinforcing *interdependency*: While the state’s ability to act depends on the citizens’ willingness to contribute to tax revenue, tax compliance, in turn, depends on the state’s actions (Castañeda et al. 2020, p. 1176), or, more precisely, on citizens’ “perception of the state as useful and legitimate” (Gatt and Owen 2018, p. 1197). Thus, to maintain the fiscal contract, obligations have to be fulfilled mutually (ibid.), or put differently, the fiscal exchange must be based on *reciprocity*.

Following this argumentation, reciprocity also represents a fundamental principle of our concept of fiscal citizenship. Reciprocity arises from retributive moral feelings that lead people to reward and punish behavior resulting in a “system of rights and obligations that all parties concerned regard as fair” (Kujala and Danielsbacka 2019, pp. 209–210). According to Mauss’ (2002 [1950]) influential social anthropological theory on the so-called gift form of exchange, reciprocity consists of three elements: the obligation to give, to receive, and to reciprocate (Mauss 2002, pp. 16–17). Similarly, Simmel (1950, p. 387) states that “all contacts among men rest on the schema of giving and returning the equivalence”. The importance of *equivalence* had also been emphasized by Malinowski (1932, p. 39) in pointing out that “most if not all economic acts are found to belong to some chain of reciprocal gifts and counter-gifts, which in the long run balance, benefiting both sides equally”. We can thus define reciprocity as mutuality that is founded on an exchange that is to be perceived as gratifying and (in the long run) equivalent by both parties involved.

Thereby two main forms of reciprocity can be distinguished. *Direct reciprocity* (also called “balanced reciprocity” by Sahlins (2004)) describes the classical gift exchange according to Mauss (2002), consisting of a gift (e.g. money) and a roughly equivalent counter gift (e.g. some good or service) without a major time delay (Kujala and Danielsbacka 2019, p. 11). In *generalized reciprocity*, on the other hand, gifts are made without defining the return in advance (Sahlins 2004, pp. 193–195) and the exchange does not necessarily proceed directly between the two parties involved but may be generalized over time and traits (Stegbauer 2011, p. 67). It resembles the principle of solidarity, however, unlike solidarity, generalized reciprocity still contains the element of mutuality or the expectation that at least in the long run the exchange “will balance out” (Gouldner 1960, p. 170).



In our concept of fiscal citizenship, we regard tax payment as an act of generalized reciprocity. While citizens do not receive immediate and personal compensation for their tax payments, returns are offered by the state over time to the population as a whole. Nevertheless, since “men are not regarded as blindly involving themselves in reciprocal transactions [but] [...] as having some presentiment of the consequences of reciprocity and of its breakdown” (Gouldner 1960, p. 170) it can be assumed that citizens expect the provision of public goods, security, rights, and some kind of welfare in return for their tax payments. If the state fails to provide satisfactory political outcomes, the fiscal contract is violated, and citizens will be more likely to evade taxes. On the other hand, if citizens anticipate reciprocal state behavior, i.e., citizens trust the state, tax compliance is likely to occur voluntarily (see Kirchler et al. 2008). A reciprocal relationship between citizens and state is therefore beneficial for maintaining the fiscal contract.

### 3.3 The Relationship between Fellow Citizens

By consenting to the fiscal contract, citizens not only enter into an agreement with the state but also with their **fellow citizens**. An essential condition for the functioning of the contract is that everybody participates and that the rules are respected by everyone. This creates an additional *interdependency* between fellow citizens. Similarly, fellow citizens enter a conditional relationship with each other when paying taxes “as their outcomes in terms of the public goods they share are a function of their combined behavioral choices” (Wenzel 2003, p. 42). Because the state budget and the public goods financed with it are hardly influenced by the decision of the individual taxpayer to evade taxes or not but rather by the overall level of tax compliance within society, paying taxes represents the classical social dilemma of the *tragedy of the commons*<sup>7</sup> (Dawes 1980). Robbins and Kiser (2018) refer to this interdependency of tax decisions as “ethical reciprocity”, emphasizing that the social contract in general and the fiscal contract in particular also require reciprocity among citizens. Tax payments create a community of interest that requires some communal spirit and, in addition, a sense of solidarity, especially when the amount of the individual contribution varies between contributors (e.g., because of progressive tax rates).

Depending on how the relationships between citizens and state and between fellow citizens are characterized, the “fiscal climate” within a society and the likelihood for mutual voluntary compliance with the fiscal contract vary. Roughly speaking, citizens’ willingness to “comply with their end of the social contract” depends on their perception of “an honest, responsible state and an engaged, conscientious citizenry” (Castañeda et al. 2020, p. 1176). This can be assured through the prevalence of reciprocity within the fiscal contract.

### 3.4 Deriving the Concept of Fiscal Citizenship

To derive the concept of fiscal citizenship, the task is to identify factors that indicate whether the fiscal contract is honored willingly by all parties involved to contribute to society, which in the long run, should strengthen social cohesion in diverse societies. Put

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<sup>7</sup> That is, when we exclude sanctions for tax evasion from the utility function.

differently, we are looking for a way to capture whether the fiscal contract is based on reciprocity. The reciprocity of the fiscal contract depends on the actions of three parties: the individual citizen, the state, and fellow citizens. However, since fiscal citizenship is a microlevel concept, actions of third parties can only be integrated via the perspective of the individual. Following our understanding of fiscal citizenship as an individual trait, our intent is to develop a concept that covers only cognitive, affective, behavioral, and emotional factors that lie within the scope of an individual's free will, mind, and agency, and allow us to „dig[...] down deeply into the motivational and emotional layers of the mind of taxpayers” (Schmölders 1959, p. 340). To develop the concept of fiscal citizenship, the question, therefore, is: What can we learn from previous concepts about the perspective of the individual citizen that informs us whether the implementation of the fiscal contract is based on reciprocity?

Based on this understanding, we only include those factors as internal elements in our concept that lie within the individual's scope of action. Therefore, situational characteristics and “hard facts” such as demographics do not find place within our concept. This excludes all factors typically associated with state deterrence to enforce tax compliance (Kirchler et al. 2008) and economic utility maximization based on income, tax rate, audit rates, and penalties (Allingham and Sandmo 1972). With respect to aspects discussed in concepts of citizenship, this restriction concerns legal citizenship, since it is externally attributed to the individual and may also be considered a hard fact. The exclusion of these factors from our concept does not deny their relevance in the study. Rather, they are considered important impact factors (see below).

Regarding the *internal elements* of fiscal citizenship, individual tax compliance is first and foremost imperative for reciprocity within the fiscal contract. If the individual is not willing to make a monetary contribution to the common good, reciprocity cannot be established regardless of the actions of all other parties. Therefore, the willingness to pay taxes unequivocally characterizes fiscal citizenship. Including the act of paying taxes as an element of fiscal citizenship is similar to the concept of behavioral citizenship. Advocates of this understanding of citizenship (e.g., Glenn 2000; Isin 2017; Steward 1995; Weinstock 2017) argue that practices such as active political participation or charitable activities are civic duties that make people a citizen. One could argue that, since analogously, paying taxes makes people a taxpayer, the combination of both requirements should make people a fiscal citizen. In any case, it appears that both paying taxes and acting as a citizen, are **behaviors** that, though distinctly, contribute to the common good and enhance the reciprocity of the fiscal contract.

Since reciprocity within the fiscal contract depends on the action of three parties, it is not sufficient to account solely for individual behaviors. To capture whether the state and fellow citizens comply with the fiscal contract as well, we need to incorporate the perspective of the individual on their actions, i.e., individual **attitudes** towards the state and towards fellow citizens. Our overview of tax compliance models shows that attitudes, in addition to economic factors, affect the decision to pay or to evade taxes. Attitudes may contain assessments of tax justice (e.g., Wenzel 2003) and trust in the government, tax authorities, or the state and society in general (Kirchler et al. 2008; Gangl et al. 2015). These factors have been summarized under terms such as “synergetic climate” (Kirchler et al. 2008) or “trust paradigm” (Alm 2012) and have been considered early on in tax compliance models

(e.g., Lewis 1982; Groenland and van Veldhoven 1983; Smith and Kinsey 1987). These factors not only encourage tax compliance but more fundamentally characterize the fiscal and civic climate within society.

Therefore, in contrast to tax compliance models, we do not concern attitudes as independent variables influencing individual (tax compliance) behavior but as part of the concept of fiscal citizenship itself. This also enables us to consider attitudes as a feature of citizenship, which has not been done within prior concepts. Nevertheless, attitudes constantly affect facets of citizenship (most saliently behavioral citizenship via voting decisions). Incorporating them into the concept of fiscal citizenship is therefore valuable from the perspective of citizenship research. Following early definitions of attitudes as “the affect *for or against* a psychological object” (italics our) (Thurstone 1931, p. 261) or as “the degree of *positive or negative* affect associated with some psychological object” (italics our) (Edwards 1957, p. 2), an attitude in our concept represents an affective relation towards an object that contains an *evaluation* (the object or a feature of it is rated as positive, neutral or negative).

We distinguish attitudes, which are rather fluid and variable (Albarracín and Shavitt 2018), from more intrinsic, deeply internalized, and stable factors that are known to affect tax compliance. For example, tax morale, which is commonly understood as the intrinsic motivation to pay taxes out of a feeling of moral obligation to the community, civic duty, or pride (Luttmer and Singhal 2014), is rather to be considered a personality trait than an attitude. (Socio-)psychological tax research has long ago recognized that “dispositional causes” (Kaplan et al. 1986) which lie within the person, such as her personality, are relevant to tax compliance in addition to situational characteristics. Habitual in contrast to conscious tax decisions (Smith and Kinsey 1987) and those that are based on social norms, customs, and group conformity (e.g., Myles and Naylor 1996) fall into a similar category of influencing factors.

Including intrinsic factors in our concept of fiscal citizenship is not only in line with tax compliance research but also has a theoretical rationale concerning the reciprocity of the fiscal contract. Even if mutual compliance with the fiscal contract, captured by individual behaviors and attitudes, might already satisfy the principle of reciprocity, to improve the fiscal and civic climate of society and increase social cohesion, it is advantageous if the contracting parties identify with the fiscal contract in a way that they *want* to comply with it (see also the discussions about voluntary tax compliance, e.g., Kirchler et al. 2008). Looking at intrinsic factors in this way also shows that there is a parallel to the concept of identificatory citizenship. Identifying as a citizen and feeling as part of a community is a factor that enriches, or sometimes even replaces mere legal citizenship. To capture intrinsic factors such as tax morale as well as the important dimension of identificatory citizenship, we therefore also include **identifications** within our concept of fiscal citizenship. Under this term we subsume all sorts of relatively stable intrinsic factors that are to a large part internalized through socialization and consolidated over the course of life. Unlike the term “identity” which most basically describes “who you are” (Blommaert 2005; Joseph 2004) in capturing various elements “such as race, ethnicity, nationality, gender, religion [...] that shape any human being” (Hallajow 2018, p. 43), when we speak of identification, we rather refer to “who you are” in terms of “what do you stand for”, i.e., personal morals and values and “where do you belong”, i.e., sense of belonging to a community. That is, a person’s

*identity* may be a source of her *identification* with certain values and a certain collective. In our concept of fiscal citizenship, we refer to the latter.

### **Defining Fiscal Citizenship**

In developing the concept of fiscal citizenship, we aim to find a way to capture whether the fiscal contract between citizen, state, and fellow citizens is based on reciprocity from an individual perspective. That is, we see fiscal citizenship as a multidimensional, individual, and gradual trait, while, at the same time, its national overall level indicates the society's fiscal and civic climate and may be considered as an indicator of social cohesion. Relying on social contract theory and a synthesis of previous tax compliance models and citizenship concepts, we concluded that two central relationships arise from the fiscal contract: the relationship between citizens and state, and that between fellow citizens. The citizens' behaviors, attitudes, and identifications show whether the fiscal contract is honored reciprocally within each of these relationships. Accordingly, we deduct the following definition: *Fiscal citizenship comprises the behaviors, attitudes, and identifications of citizens towards the state, and towards their fellow citizens which arise through the payment of taxes and are based on the idea of reciprocity.* Based on this definition, the concept will now be developed systematically.

## **4 The Concept Tree of Fiscal Citizenship**

### **4.1 Method**

We use a concept tree to visualize the various factors captured by the concept of fiscal citizenship. Concept trees are a technique for developing, structuring, and operationalizing theoretical concepts that stems from comparative political science. In particular, the method has been applied to the development of democracy concepts (for an overview see, e.g., Munck and Verkuilen 2002; for an example see, e.g., the democracy matrix: Lauth and Schlenkrich 2019). In contrast to psychometrics, which uses statistical inference based on *quantitative* data to measure latent concepts such as personality (for a brief overview of the psychometric procedure see El-Den et al. 2020), and unlike *qualitative* inductive methods, which transfer newly gained knowledge from a lower empirical level to the higher abstract level to develop a concept, concept trees are a *theory-based* and deductive method, i.e., the empirical elements of the concept are *derived* from theoretical knowledge. The basic principle of a concept tree is to disaggregate a latent concept into its elements by decomposing it into dimensions and subdimensions until the most concrete level to make the concept measurable. The terms at the lowest level of the tree are called 'leaves' and denote the empirical indicators that intend to measure the construct (Munck and Verkuilen 2002, p. 13). The branches of the concept tree hence serve as a connection from the theoretical latent and unobservable concept to observable empirical measurements (see Bollen 1989). Figure 1 visualizes this principle.

The resulting concept should meet the rules of relevance and demarcation, i.e., it should entail all attributes that are essential parts of it, while demarking from related attributes. The task is to clearly distinguish between defining elements and related factors (independent or dependent variables). Within one concept tree, elements at higher levels must always be more abstract than those at lower levels while, at the same time, elements on the same layer must equal in their degree of abstraction (Lauth 2004, p. 24). Redundance must be avoided in assuring that all elements are mutually exclusive (Munck and Verkuilen 2002, pp. 12–13). Nevertheless, concept trees offer the possibility to develop differing versions of the same concept that vary in scope, namely a narrow, or thin version, that solely entails the core aspects of the concept and broader, or thick versions that contain additional noncompulsory elements.

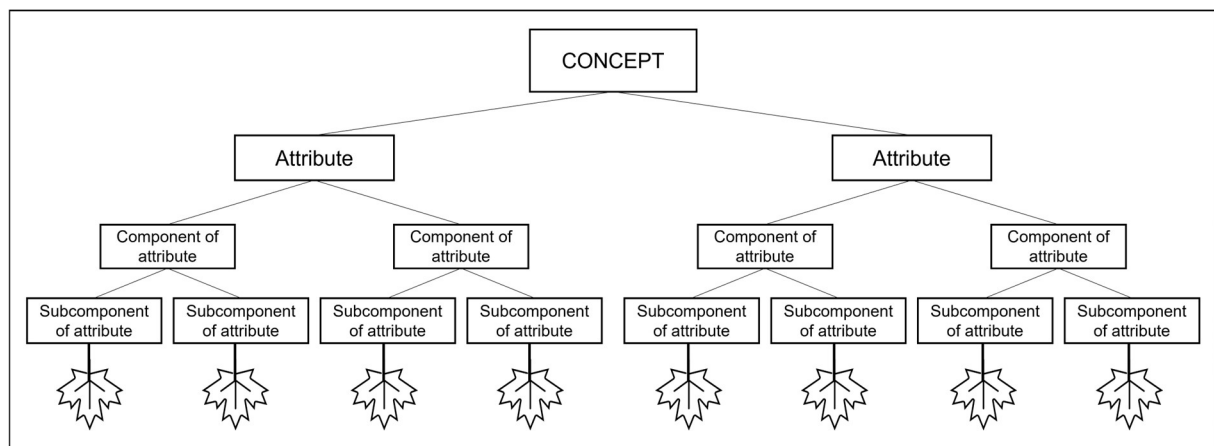


Figure 1: Structure of a concept tree (compare Munck and Verkuilen 2002, p. 13)

A correctly specified concept tree principally serves two main objectives: (1) Defining, explaining, and illustrating a theoretical concept and providing a way to measure it empirically (top-down perspective/disaggregation), and (2) summarizing empirical measures to an overarching concept in form of a scale or index (bottom-up perspective/aggregation). Regarding the former point, the validity and reliability of the measurements must be taken into account (for a discussion see Adcock and Collier 2001; Bollen 1989; Carmines and Zeller 1979). Concerning the latter, various aggregation options are available, e.g., a sum or mean index as the simplest form. The discussion of these complex tasks lies beyond the scope of this theoretical paper.

## 4.2 Structure

Figure 2 visualizes the concept of fiscal citizenship. We will describe its structure from the top down. First, the latent concept of *fiscal citizenship* is decomposed into its two underlying **dimensions**: The *vertical relationship* between the individual citizen and the state and the *horizontal relationship* between the individual citizen and her fellow citizens. Both dimensions are essential elements of the concept and lie at the same level of abstraction. At the subordinate level, both dimensions are decomposed into three **subdimensions**: *behavior, attitude, and identification*.



The next layer of the tree fills the subdimensions with content. These henceforth called “**elements**” capture all behavioral, attitudinal, and identificatory factors that characterize the citizen-state and the citizen-citizen relationship. All elements have been selected and placed in the dimensions and subdimensions according to a symmetric pattern. We distinguish between a narrow core concept and a wider version of the concept (see figure 2). The core concept strictly relates to taxes and covers many aspects often found in tax compliance models. It captures the *execution* (behavior) and *evaluation* (attitude) of and the *identification* (identification) with the *fiscal* contract. We consider the elements of the core concept as *necessary and sufficient* to describe fiscal citizenship. The wide concept adds facultative elements which are *neither necessary nor sufficient* for defining fiscal citizenship. It complements the fiscal core with civic aspects that are classically not discussed in tax compliance models but are frequently found in concepts of citizenship. These elements do not refer exclusively to the fiscal contract but primarily to the contractual partners of the social contract as a whole, i.e., the state and fellow citizens. In concrete terms, the wide version adds the *participation* in, *evaluation* of, and *identification* with the state and society to the concept.

In both the narrow as well as the wide concept of fiscal citizenship, the elements of the citizen-state and the citizen-citizen dimensions mirror each other. An example may clarify the structure. Within the narrow concept, the attitude subdimension captures the evaluation of the fiscal contract as just. In the citizen-state dimension, this refers to the justice between the individual citizen and the state while in the citizen-citizen dimension it refers to justice between social groups and regarding the society as a whole. In the wide concept, the attitude subdimension additionally includes an evaluation of the state and fellow citizens as trustworthy, which is captured by institutional trust in the citizen-state dimension and generalized trust in the citizen-citizen dimension. In the following, all elements of the concept will be explicated in more detail. We start with the narrow concept, describing the three subdimensions successively. For each subdimension, we describe the elements of the citizen-state and citizen-citizen dimension jointly to show the symmetry. Subsequently, we proceed analogously with additional aspects of the wide concept.

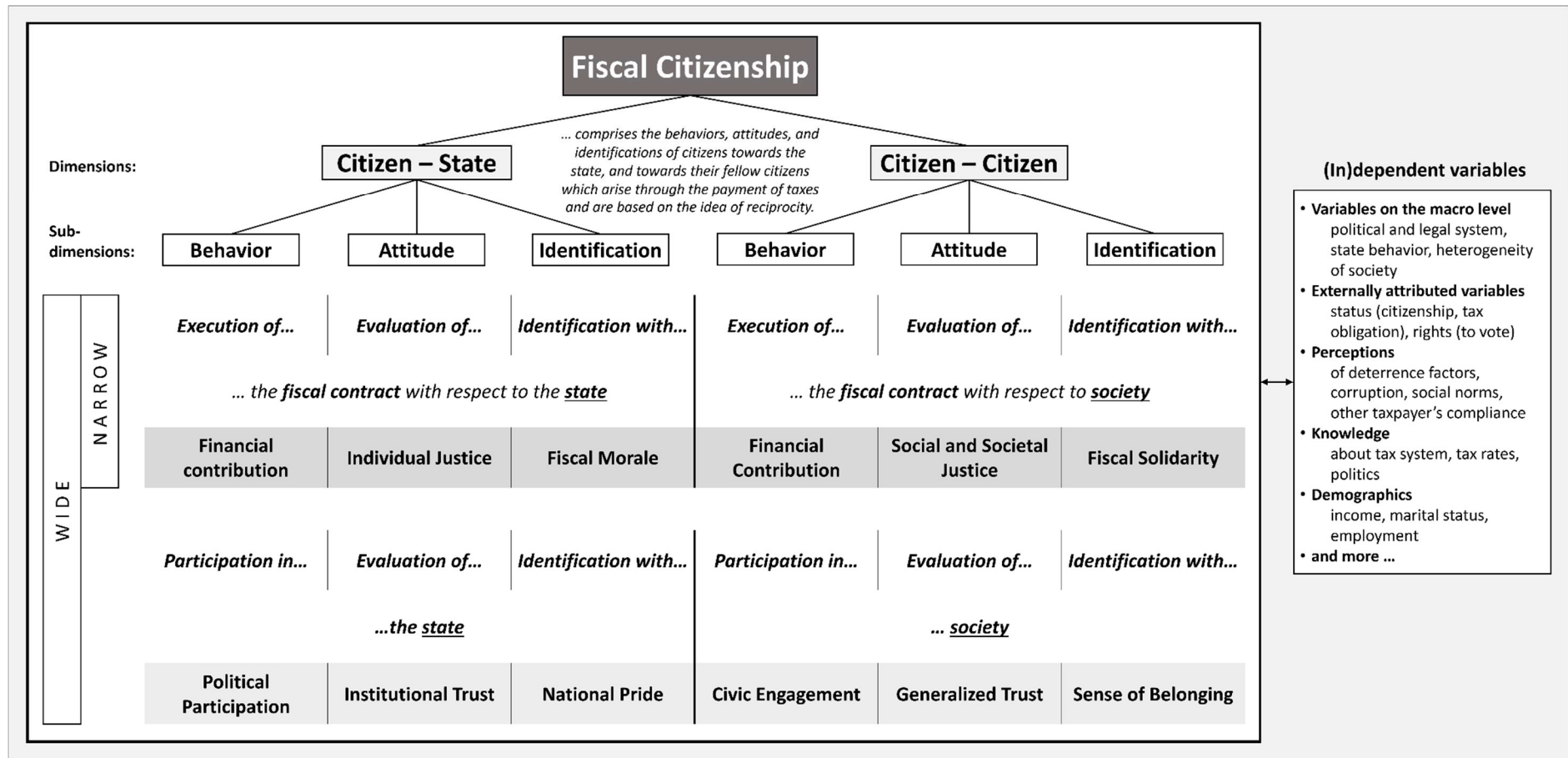


Figure 2: The Concept tree of Fiscal Citizenship

### 4.3 Narrow Concept – The Fiscal Contract

#### ***Behavior – Executing the Fiscal Contract***

Complying with the fiscal obligation is fundamental for the functioning of the fiscal and the social contract and therefore the first and most basic part of fiscal citizenship. We distinguish between citizens' **financial contributions** to the state (citizen-state dimension) and to fellow citizens (citizen-citizen dimension). In both dimensions, financial contributions refer not only to the decision between tax compliance and tax evasion but also to discretions within the legal boundaries such as tax avoidance or the payment of taxes on time. Financial contributions to the **state** contain all kinds of taxes, fees, and monetary contributions which governments use to finance general purposes that, in principle, serve all members of society equally, such as the financing of security, infrastructure, environmental protection, digitalization, or education. In the **citizen-citizen** dimension, financial contributions refer to all payments that accommodate any kind of welfare purpose. This includes contributions to social security systems, which may be collected via taxes (as in the UK or Scandinavian countries) or as a separate contribution (as in Germany) but also more generally, financial contributions that are used to serve exclusively certain (disadvantaged) social groups such as the economically weak, immigrants, disabled persons, or the elderly. Hence, the main distinguishing criterion is the inherent solidaristic aspect of financial contributions. Of course, it must be conceded that in practice, in very few cases taxes can be assigned to a specific purpose at the time of their collection and the differentiation in our concept does not aim to do so. Instead, it concerns citizens' principal *willingness* to contribute monetarily to either (or both) of the two purposes.

#### ***Attitude – Evaluating the Fiscal Contract***

The second part of the narrow concept is an evaluation of the fiscal contract as just. Fiscal justice is not only of high relevance for compliance with the fiscal contract but also an indication of the prevailing societal climate, i.e., the quality of citizens' relationship to the state and to each other. We distinguish the evaluation of the fiscal contract in the citizen-state dimension from that in the citizen-citizen dimension based on Wenzel's (2003) classification of tax justice at the individual, group- and societal level.

Fiscal justice in the **citizen-state** dimension corresponds to **individual justice** (Wenzel 2003, p. 47). Based on their individual treatment, citizens evaluate the fiscal exchange with respect to distributive, procedural, and retributive justice. For instance, one can ask whether the individual tax burden and benefits are just in comparison to those of other individuals or those 10 years ago (distributive), whether the individual is treated by tax authorities in a fair manner (procedural), and whether individual penalties for tax evasion are just (retributive) (Wenzel 2003, pp. 49–58).

The evaluation of the fiscal contract in the **citizen-citizen** domain corresponds to Wenzel's (2003, pp. 47–48) categories of **social (group) and societal justice**. Both categories do not

account for whether the individual citizen is treated fairly but whether this is the case for certain social groups or the society as a whole. Social justice asks if the fiscal rules that apply to a certain group (such as the working class, retirees, and immigrants) are just in comparison to those that apply to other groups. The group of reference is mostly, but not necessarily, the in-group of the individual taxpayer, that is, the group she feels belonging to. Analogously to individual justice, social justice may be evaluated in distributive, procedural, and retributive terms, that is, one may ask whether a group is taxed, treated, and sanctioned fairly by the tax authorities (Wenzel 2003, p. 47). Societal justice is settled on a superior level and rather concerned with questions regarding the tax system as a whole such as the level of progressivity and the distribution of tax money to policy fields (distributive justice), the transparency and complexity of the tax system, the process of tax decisions in politics and the rights of taxpayers (procedural justice), and the adequacy of penalties in relation to the severity of offenses (retributive justice) (Wenzel 2003, p. 48).

Social and societal justice are of high relevance for social cohesion because differences in the notions of what is just can cause resentment within society. For instance, with respect to distributive justice, on a social level, the social categorization into the in-group and out-groups (see Tajfel and Turner 2004) may go along with prejudices that are generalized over whole groups (such as “Immigrants want to take advantage of the welfare state” or “The unemployed are lazy”). Such prejudices may collide with certain tax regulations that appear to favor the out-groups and in turn fuel resentment. On the societal level, disagreements may exist with respect to the more general question of whether progressive taxes and social benefits that redistribute income and wealth are unjust, since they treat individuals and groups unequally or, on the contrary, the essence of justice because they compensate for unfair social inequalities.

### ***Identification – Identifying with the Fiscal Contract***

The final part of the narrow concept is citizens’ identification with the fiscal contract. If citizens generally endorse the fiscal contract as an institution, they also endorse the general idea of taxation and consider fiscal contributions not only as a coerced obligation but as a kind of moral obligation to the state and the community. In the **citizen-state** relationship, this is expressed through **fiscal morale**. It captures the established concept of “tax morale” and extends it to all financial contributions to the common good in correspondence with the behavioral subdimension. The presence of fiscal morale increases the likelihood that citizens honor the fiscal contract. If fiscal morale is high, taxes are paid with less resentment because they are seen as a valuable contribution to the state, enabling it to provide public goods, which in turn benefit all citizens. The equivalent in the **citizen-citizen** dimension is a feeling of a fiscal moral obligation towards fellow citizens which we call **fiscal solidarity**. When serving as a means for the redistribution of income and wealth, taxes are a genuine expression of solidarity. Moreover, according to Martin (2009, p. 3), as a joint contribution to the common good, taxes can unite citizens. Their generality – everyone must pay them, regardless of his or her belonging to distinct subcultures, status groups, or roles – would foster the development of an “imagined community”, as Anderson (1983) calls it. However, it requires solidarity to accept that both contributions to the common good and the needs

for social benefits vary between citizens and between social groups. Higher fiscal solidarity should therefore correspond to a higher approval of the fiscal contract and the welfare state and encourage a cohesive climate within society.

#### 4.4 Wide Concept – The Contractual Partners

##### *Behavior – Participation in State and Society*

In the wide concept, the behavioral subdimension includes the active practice of citizenship through participation in the state and in society in addition to mere compliance with the fiscal obligation. Participation in the **state** takes place via **political participation**. Actively practicing citizenship through political participation is not only an important aspect of citizenship but also relevant for the fiscal exchange since it enables citizens to influence the collection and the use of their (tax) payments. In a referendum, for instance about the construction of a new train station, political participation is directly linked to the use of tax money. However, also voting for representatives in national elections has a fiscal reference, since the arising composition of the parliament influences for which political goals taxes are spent. Besides tax expenses, also the tax system itself (such as tax rates) can be influenced indirectly through voting. Political participation in tax decisions thus increases the reciprocity of the fiscal exchange. The famous parole of the American War of Independence “*No taxation without representation*” demonstrates that for the exchange of taxes for public goods to be reciprocal, political representation, or, strictly speaking, the principal opportunity for everyone that her interests end up at the government’s agenda, implying universal suffrage, is required. Similarly, Locke (1698) claimed that only those should be taxed who had the right to vote. Nowadays, Locke’s claim acquires new meaning in migration countries, where a distinction between citizens and non-citizens with respect to voting rights but not tax obligations is made (Lind 2020, 2022). For the reciprocity of the fiscal exchange, it matters if the right to vote is exercised. In contrast to political passivity, vividly exercising political rights should strengthen a citizens’ feeling of shaping the fiscal exchange. Political participation can even be seen as a non-monetary functional complement to financial contributions in the sense that both are essential to the common good. While tax payments are needed to implement improvements, political participation proceeds in driving the corresponding political decision to do so.

In the **citizen-citizen** domain **civic engagement**, that is the individual’s participation in society, complements the behavioral subdimension. Civic engagement usually serves welfare purposes and compensation for social inequalities. While monetary contributions such as taxes, social security contributions, and donations indirectly contribute to welfare in *financing* state benefits and the implementation of projects to reduce social inequality, civic engagement does so in a direct way by just implementing projects. Moreover, civic engagement may strengthen the communal spirit and intragroup solidarity and through this consolidate the consent to the social contract. In promoting encounters with people from the out-group, citizenship practices such as voluntary work or the involvement in social clubs and associations, encourage people to look beyond the box which strengthens their



empathy, allows people to see things from another's perspective and thus better understand their situation, needs and motivations and helps to break down prejudices (Allport 1954). An engaged community of citizens should therefore be beneficial for joint approval of the social contract and its principle of solidarity.

### ***Attitude – Evaluating State and Society***

For the reciprocal fulfillment of the social contract, it is crucial that citizens evaluate both contractual partners – the state and fellow citizens – as trustworthy or, as Levi (1988, pp. 52–53) puts it, that “taxpayers have confidence that (1) rulers will keep their bargains and (2) the other constituents will keep theirs”. With respect to the **state**, two forms of **institutional trust** (also called vertical trust) can be distinguished (see Easton 1965 for a similar distinction between diffuse and specific support). *Diffuse trust* in the country’s democratic system describes citizens’ general trust in the prevalence of the rule of law. It is not directed towards politicians in office, who switch regularly, but towards the functioning of the system as a whole. Although generally rather stable, diffuse trust can gradually erode if state officials repeatedly act dubiously. For instance, violations of the social contract such as electoral fraud can cause citizens to lose their trust in and loyalty to the state resulting in questioning their obligations within the contract as well. The lack of diffuse trust severely jeopardizes citizens’ consent to the social contract.

Diffuse trust is to be distinguished from *specific trust* in the competence, ability, and credibility of the government in office as well as its capability to control corruption and solve problems (Levi et al. 2009). Since, as a generalized form of reciprocity, taxes are not paid in direct exchange for a service but merely in the expectation that they will be spent on public goods (Martin et al. 2009, p. 3), tax compliance requires trust in the incumbent government to provide public goods successfully and efficiently (Castañeda et al. 2020, p. 1180). A failure to meet these expectations (e.g., through a waste of tax money) may lead to a loss of specific trust among citizens and ultimately to the withdrawal of their consent to the fiscal contract, resulting for instance in tax evasion (Martin et al. 2009, p. 20; see also empirical results, e.g., Daude et al. 2013; Rothstein 2011; Seligson 2002).

Also, **generalized trust in fellow citizens** is pivotal for the individual’s approval of the contract’s rules. In contrast to specific trust in institutions or persons, generalized trust is not based on a specific rationale but defines the overall attitude that human beings are inherently good and not trying to take advantage of others (see, e.g., Uslaner 2017). Lacking trust in society can erode social cohesion and the reciprocity of the fiscal contract. As explicated above, the taxpaying decision resembles the social dilemma of the tragedy of the commons and is based on “*conditional cooperation*” (e.g., Frey and Torgler 2007), meaning that citizens’ cooperation (tax compliance) is conditional on other citizens’ simultaneous cooperation. Citizens must trust that their fellow citizens will obey the law and pay their taxes to be willing to pay taxes themselves.

## ***Identification – Identifying with State and Society***

In the wide concept, the identificatory subdimension includes the degree to which citizens feel attached to the state and the community of fellow citizens in addition to the identification with the fiscal obligation (fiscal morale and solidarity). This corresponds to identificatory citizenship, that is, feeling as a citizen in the sense of being a part of the state and of the community. In the **citizen-state dimension**, we refer to this attachment as **national pride**. National pride captures the citizen's identification with the state, its institutions, its principles and values, and most notably its constitution. Since the constitution basically is the implementation of the social contract within a specific country, not identifying with it is equivalent to the disapproval of the social contract. On the other hand, *constitutional patriotism* in principle corresponds to an endorsement of the social contract and is therefore crucial for the obedience to the contract's laws, as the tax obligation.

The equivalent in the **citizen-citizen** dimension is a feeling of attachment to the community of citizens, or, in other words, a **sense of belonging**. Since the fiscal contract is an expression of solidarity with a community, a sense of belonging is important to evoke a communal spirit. Collectively consenting to the social contract as a community and contributing to the common good of that community requires feeling part of it. On the other hand, if someone does not feel to belong to a certain community, there is no reason for her to follow its rules and contribute to its welfare. Depending on how far the circle of community one feels a part of is drawn – locally, nationally, or transnationally – the group with which an individual is willing to show solidarity can vary in scope.

## **5 Discussion and Demarcation**

### **5.1 Distinction from External Factors**

It is crucial to draw a clear line between aspects that constitute the concept and related factors. The concept has clear borders resulting from its definition. Any variable to be included within fiscal citizenship must be a behavior, attitude, or identification of individuals towards that state or fellow citizens. This quickly excludes all variables that do not refer to individuals but to other units, such as states (e.g., the legal, political, and fiscal system). The definition of fiscal citizenship as a personal trait further excludes variables that are ascribed externally to the individual such as the legal status (e.g., formal citizenship), rights (e.g., right to vote), and duties (e.g., tax liability) as well as demographic characteristics (e.g., gender or income).

Concerning the subdimensions of fiscal citizenship, while it is quite clear what constitutes a behavior, the borders of attitudes and identities are not evident. For example, one may ask if a *perception* is an attitude or not. We argue that it is not, because an attitude is a directed evaluation of an object whereas a perception is initially only a subjective observation of the status quo without conscious judgment. Perceptions are shaped by existing attitudes and contribute to the formation of new attitudes but are nevertheless analytically distinct from

them. For a similar reason as with perceptions, we do not consider *knowledge* as an attitude. Unlike attitudes, we do not consider knowledge as an individual trait. However, in evaluating its content, knowledge may be transferred into attitudes. Similarly, existing attitudes shape the reception of new information. The transference of perceptions or knowledge into attitudes can be described as external influences on (parts of) the concept.

It can be assumed that there are a variety of such external factors having a pivotal influence on the concept without being part of the concept itself. Moreover, the concept itself can serve as an independent variable influencing external factors. For example, it can be expected that the legal system constantly interacts with fiscal citizenship. Laws shape behaviors, attitudes, and identifications of citizens while a society's overall level of fiscal citizenship in the long run also shapes the law. Some of the most important independent and/or dependent variables are depicted in the box on the right-hand side of figure 2.

By regarding these factors as external, we are not denying their relevance. On the contrary: They are crucial impact factors or outcomes and should be connected to the concept through research questions and corresponding *external hypotheses*. Additionally, the concept enables the connection of different elements *within* the concept with each other via *internal hypotheses*. For example, it is plausible that the fulfillment of the elements of the wide concept, as more general and foundational aspects of the social contract, encourages the corresponding more specific elements of the narrow concept which refer explicitly to the fiscal contract. For the same reason, it is conceivable that the identification domain, which contains the most stable and internalized aspects, shapes attitudes (see, e.g., Hallajow 2018) which in turn influence behavior (see, e.g., theory of reasoned action by Fishbein and Ajzen 1975). However, all other kinds of internal hypotheses are possible. This also includes the possibility of trade-offs (Landman and Lauth 2019). For example, a high level of trust in state regulations could lead to a tendency to abstain from voluntary solidarity-based benefits.

## 5.2 Relation to Prior Concepts

In our concept of fiscal citizenship, we incorporate many of the aspects that have been highlighted by prior tax compliance models and concepts of citizenship. In the following section, we discuss the parallels and differences between fiscal citizenship and prior research. Thereby, we also outline some of the most important external factors that influence fiscal citizenship.

### ***Relation to Tax Compliance Models***

First and foremost, our concept does not aim to map the tax payment process (i.e., identifying factors that explain tax compliance), but to define fiscal citizenship as a multidimensional trait. This changes the interpretation of the elements that are included in our concept. While prior tax compliance models are centered around the dependent variable of paying or evading taxes that is to be explained by, for instance, attitudinal and identificatory factors, we integrate tax compliance as one relevant action within the behavioral domain of our concept, that is supplemented, rather than explained, by attitudes

and identifications. Our concept of fiscal citizenship treats the three subdimensions of behavior, attitude, and identification as three complementary elements that are in principle of equal standing. Nevertheless, particularly elements in the attitude and identification subdimension of fiscal citizenship show several commonalities with prior tax compliance research. We incorporate trust in authorities and the experienced tax justice that have been highlighted by, e.g., Kirchler et al. (2008), Alm (2012), and Gangl et al. (2015), or internalized norms and moral obligations (such as tax morale) in a comparable fashion to Lewis (1982), Groenland and van Veldhoven (1983), or Smith and Kinsey (1987).

However, while prior research primarily models the tax compliance decision and discusses all factors that influence this decision, integrating behavior, attitudes, and identification into a multidimensional concept creates the need to separate between internal and external elements of our concept. Most notably, prior researchers (e.g., Allingham and Sandmo 1972; Srinivasan 1973; Lewis 1982; Kirchler et al. 2008; Gangl et al. 2015) incorporate state deterrence or the *perceived power of the state* in their tax compliance models. We exclude mere perceptions of reality, in this case, e.g., the personal belief that the tax audit rate is equal to 20%. These factors are considered external influential factors of our concept, while the attitudes and the behavior that arise due to these perceptions, e.g., the evaluation of whether or not an audit rate of 20% is considered fair, are included as internal elements of fiscal citizenship in the corresponding subdimensions. Along the same lines of argumentation, we distinguish between the *perceived legitimacy of authorities* or the *perceived level of state corruption* in a country as external factors that determine the internal element of institutional trust. Similarly, the *perceived level of tax compliance* within society and the belief about the extent to which other taxpayers perceive tax evasion as justifiable (the social norms of taxation), integrated into the model by Myles and Naylor (1996) and further emphasized by, e.g., Alm (2012) and Luttmer and Singhal (2014), are considered as external factors in our concept of fiscal citizenship. Only the personal norm of tax compliance, i.e., the internalized tax morale, is an element of fiscal citizenship.

In addition, our concept differs from, e.g., Lewis (1982) or Blaufus et al. (2022) insofar as we do not consider the decision process of the *other parties* involved in the social contract, e.g., the government or tax intermediaries, as internal elements of our concept which is because actions of other parties are not traits of the individual taxpayer. Again, they represent important external factors that shape the individual's level of fiscal citizenship.

Overall, our concept of fiscal citizenship changes how tax compliance is discussed and studied in an important way. The separation between internal concept components and external influencing factors on the one hand and the integration of vertical and horizontal relationships and the domains of behavior, attitude, and identification into one overarching concept extends the view on the willingness to pay taxes by including novel aspects derived from citizenship concepts (political participation, national pride, civic engagement, generalized trust, sense of belonging, and solidarity), that have previously not been considered. This allows us to evaluate fiscal citizenship on a superordinate level and discuss it in greater detail.

### ***Relation to Citizenship Concepts***

Within our concept of fiscal citizenship, we also integrate a lot of the aspects and notions that stem from the presented prior concepts of citizenship (see section 2.2). Behavioral citizenship is included within the behavioral subdimension via political participation in the citizen-state relation and civic engagement in the citizen-citizen dimension. The liberal notion of the practice of citizenship in actively exercising participatory rights or even claiming and transforming them is reflected by political participation while the communitarian notion of citizenship-as-desirable activity, i.e., a civic behavior that is directed towards the public good and the practice of civic virtues, is included within our concept in form of civic engagement. Moreover, various aspects of identificatory citizenship are reflected in the identification domain of our concept. For example, a citizen's loyalty and emotional attachment to the state and the national community is represented by national pride on the one hand and a sense of belonging on the other.

Legal citizenship status is usually regarded as a central element of citizenship (e.g., Beaman 2016; Bloemraad 2000, 2017; Bosniak 2000, 2006) and is perhaps even the epitome of citizenship in everyday understanding. In contrast, our concept of fiscal citizenship does not include the formal citizenship status and the rights and duties that come with it. As externally attributed characteristic, legal citizenship is not considered as part of the behavior, attitude, and identification of individuals. As an external factor, legal citizenship is expected to be highly influential on both other forms of citizenship which are indeed part of fiscal citizenship. Further aspects that have been addressed regarding identificatory citizenship such as nationality, migration background, the degree of cultural assimilation, and the recognition as a citizen by other citizens (de-facto citizenship) are settled outside of the concept and considered as influencing variables.

## **6 Contribution and Perspectives**

As shown by social contract theory, "taxation in democratic states is not primarily predation; it is the embodiment of a social contract" (Martin et al. 2009, p. 22) which is the foundation of any modern civil state. Considering the role of taxes within the social contract and the resulting relationships between citizens and state and between fellow citizens has the potential to encourage new perspectives on the challenge of social cohesion in heterogeneous societies. This paper intends to deepen this view on taxes by synthesizing the ideas of the separate discussions of the willingness to pay taxes and citizenship. This led to the derivation of the novel concept of fiscal citizenship which we define as the behaviors, attitudes, and identifications of citizens towards the state, and towards their fellow citizens which arise through the payment of taxes and are based on the idea of reciprocity. We developed a concept tree that structures and visualizes the various elements of the concept of fiscal citizenship by categorizing them horizontally and vertically in two dimensions (citizen-state and citizen-citizen) and three subdimensions (behavior, attitude, and identification).

By including the dimension of relationships between fellow citizens, the concept innovates existing tax compliance models, which commonly focus on the relationship between citizens



and state. Citizenship concepts traditionally are also state-centered and predominantly overlook the importance of relations between fellow citizens. The inclusion of the relationship between citizens makes the concept of fiscal citizenship particularly suitable for the investigation of social cohesion in heterogeneous societies such as migrant societies since questions of fairness, trust, belonging, and solidarity between citizens are more salient there. The concept could be a starting point to investigate how social cohesion could be strengthened in multicultural societies. Moreover, the three subdimensions extend the scope of both previous concepts of citizenship and of the willingness to pay taxes. While both kinds of concepts tend to include a behavioral dimension (tax compliance and the practice of citizenship), tax compliance models predominantly lack an identificatory dimension with respect to fellow citizens whereas most citizenship concepts do not account for attitudes. Furthermore, as a flexible concept, fiscal citizenship is open to adaptations to the aims of the individual researcher. Neither are all elements necessary elements of fiscal citizenship, nor does our selection of elements claim to be comprehensive. We developed a narrow tax-centered core concept, which we consider essential for fiscal citizenship, and propose a wide concept that contains facultative extensions inspired by citizenship research.

In linking tax compliance and citizenship, the concept of fiscal citizenship serves the *theoretical* purpose to derive innovative hypotheses, gaining new insights, and opening up new perspectives on existing research questions. The framework serves as a tool to map previous literature and findings from the two research fields involved and to connect their findings to come to new conclusions. Furthermore, our theoretical specification of the concept of fiscal citizenship delivers the starting point for future empirical research to connect it to the empirical world. For example, follow-up projects within *The Fiscal Citizenship Project* will address the micro-analytical measurement of the concept tree and aggregation of its components to an overall scale of fiscal citizenship through a large-scale cross-country survey. Since previous large population surveys either only touched on questions about taxes and citizenship<sup>8</sup> or focus in more depth on only *one* of both topics<sup>9</sup>, this will enable the first comprehensive analysis of the interconnection between taxes and citizenship and an empirical validation of the theory-based concept of fiscal citizenship.

It remains to be said that the applied deductive method of developing a concept is just one possibility among others. Inductive approaches that use, for instance, data gained from qualitative interviews to develop an abstract concept, as well as quantitative approaches that develop concepts based on statistical inference, are likewise valuable. All approaches complement each other and are, in the best case, applied in combination. However, we hope that with our proposal we have made a valuable contribution to this discussion, which will certainly continue to unfold productively.

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<sup>8</sup> for example, wave 7 of the World Values Survey (see Haerpfer et al. 2022) contains the classical tax morale question of the justifiability of tax evasion, a query of citizenship status, and an item about the sense of belonging with geographical entities

<sup>9</sup> e.g., the ISSP 2014 on Citizenship (see ISSP Research Group 2016)

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## 8 Appendix

Table 1: Exemplary empirical indicators (questionnaire items) for elements of the concept tree

			Exemplary Indicator
<b>Citizen – State</b>	<b>Behavior</b>	Financial Contribution	“I am willing to pay taxes that are used for ...” – general purposes such as infrastructure, education, security
		Political Participation	“When elections take place, how often do you vote?” – in local elections, – in national elections
	<b>Attitude</b>	Individual Justice	“My share of taxes is fair.”
		Institutional trust	“How much confidence do you have in the following institutions?” – Canadian justice system/courts, – The Government of Canada ...
	<b>Identification</b>	Fiscal Morale	“Please tell us for the following action whether you think it can always be justified, never be justified, ...” – Cheating on taxes
		National pride	“How proud are you of being a resident of Canada?”
<b>Citizen – Citizen</b>	<b>Behavior</b>	Financial Contribution	“I am willing to pay taxes that are used for ...” – welfare purposes and social security
		Civic Engagement	“How often do you volunteer in clubs, associations or social services?”
	<b>Attitude</b>	Social & Societal Justice	“In Canada, the distribution of taxes within society is fair.”
		Generalized Trust	“Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?”
	<b>Identification</b>	Fiscal Solidarity	“Citizens should show solidarity with fellow citizens.”
		Sense of Belonging	“How attached do you feel to:” – Your current city/ town/ village of residence, ..., – Canada, ...

## The Fiscal Citizenship Project

Taxation is necessary to the proper functioning of the modern welfare state and payment of taxes can be thought of as a unifying act that brings us together to further our collective goals. Taxes touch our lives in many ways and our willingness to contribute through paying taxes, understood in our project as “fiscal citizenship”, is complicated. Our comparative project addresses this important issue in a study that seeks to deepen our understanding of fiscal citizenship drawing on a variety of research methods and disciplinary traditions.

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