

Study finds that money, revenge, morals motivate whistleblowers to expose tax fraud

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Revenge-seeking ex-lovers, jilted business partners and vindictive former employees are among the nearly 12,000 whistleblowers who reported tax fraud to the IRS in 2017. An estimated \$3 trillion dollars is lost worldwide in tax evasion every year.

A study by Portland State University School of Business accounting professor Cass Hausserman finds that people who expose others of tax [fraud](#) often do so as [revenge](#) that's disguised as their moral obligation. Blowing the whistle is also motivated by a [financial gain](#) for the whistleblower. Revenge is commonly considered a primary reason why whistleblowers report tax fraud—so much so, that it's often referred to as "the revenge tax."

Hausserman's study, "The influence of revenge and financial rewards on tax fraud reporting intentions," revealed that whistleblowers often justify or disguise their revenge through a re-framing of the motivation into a moral obligation. The study published in the March edition of the *Journal of Economic Psychology*.

"People with a revenge motive justify their decision as moral obligation when they plan to blow the whistle on a colleague for tax fraud. They most likely feel better about reporting someone because it's their 'moral duty' rather than for a more negative reason, such as revenge," said Hausserman.

What does this tell us? When revenge is disguised as moral obligation,

it's sweeter than money.

Research on the impact that financial incentive can have on a revenge motivation is limited. Money, as a single factor, has been extensively shown through research to increase the reporting of wrongdoing, according to a 2012 study by Bowles & Polania-Reyes.

According to previous research, financial incentives may weaken intrinsic motivation. This effect is called "hijacking" — when an individual shifts their decision-making based on an economic choice (cash reward) rather than a [moral obligation](#).

Participants with a financial incentive motive were 28 percent more likely to blow the whistle than those without a revenge or financial motivation. Participants with a revenge motive were roughly 25 percent more likely to blow the whistle than those without financial or revenge [motivation](#).

Moral obligation alone (without revenge) was the most important factor in tax fraud reporting and increased whistleblowing 1.5 to 2 times more than just a financial incentive. Moral [obligation](#) and financial incentives both independently and together encourage whistleblowing. Adding a revenge motive encouraged it even more.

In an effort to recoup some of the loss through [tax evasion](#), many companies have created numerous whistleblowing programs where individuals can confidently report either known or suspected fraud.

Hausserman suggests that research can expand on this phenomenon into other disciplines, such as whistleblowing related to discrimination or sexual harassment, where there is likely a negative motivating emotion.

More information: Jonathan Farrar et al, The influence of revenge

and financial rewards on tax fraud reporting intentions, *Journal of Economic Psychology* (2018). [DOI: 10.1016/j.joep.2018.10.005](https://doi.org/10.1016/j.joep.2018.10.005)

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