

Are Italians or Swedes more likely to cheat on their taxes?

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Credit: George Hodan/public domain

Wide variations can be seen in how far citizens from different countries evade tax. While this can be attributed to how well institutions deter tax avoidance through audits and fines, cultural differences may also play a part.

New research, reported in the open-access journal *Frontiers in Psychology*, suggests that two countries, with contrasting reputations for trustworthiness, can show subtle differences in their compliance for paying taxes. "Our experiments demonstrate that Italians on average are just as honest as Swedes. Interestingly, however, Italians are more likely to 'fudge' (cheat a little), whereas if a Swede decides to cheat, he is more likely to go all the way," says Sven Steinmo, Professor at the Robert Schuman Center for Advanced Study in Florence, Italy, co-author of this study.

Participants for this research were recruited from Italy and Sweden. Swedes think that honesty is a typical national trait, whereas the trustworthiness of Italians is ranked as low, not only by other EU countries, but by Italians themselves.

The subjects were asked to perform an experimental task that mirrored features of tax systems used by many countries. Currency units earned at the start of the test were reported voluntarily, with the knowledge that unreported income may be detected and fined, and that the total taxes received were to be used for public good. The participants were not restricted to being either completely honest or dishonest, but instead had the opportunity to declare any amount of their income.

The results challenged national stereotypes but revealed subtle differences.

"There is a widespread perception that the large budget deficits in Southern Europe are the product of a culture of dishonesty," says Professor Steinmo. "We find, on the contrary, that when Italians are given the same choices as Swedes, they may fudge slightly more, but in the end they contribute just as much to the public good as the Swedes do. Clearly in the real world, Swedes are more willing to pay taxes than are the Italians, but this is mostly because Swedes believe they get more value for their money."

This project is just a small part of a larger EU funded study entitled 'Willing to Pay? Testing Institutional Theories with Experiments', which examines tax compliance and financial systems in Europe and America. Across this wider study, led by Professor Steinmo, a number of significant findings have been made so far. Women are substantially more honest than men in every country they surveyed and economists are more dishonest and willing to cheat than any other profession. In addition, those that received a high income in the experiment were more likely to cheat than the lower earners.

One of the main findings, however, provided cause for optimism.

"In the study, most participants were willing contribute to the [public good](#) - even if their chances of being caught for evasion were very low," Steinmo says. "While many people believe that cutting taxes is the best way to build trust and bring European economies back to health. Our research suggests that governments are better advised to improve public services."

More information: Giulia Andrighetto et al, Are Some Countries More Honest than Others? Evidence from a Tax Compliance Experiment in Sweden and Italy, *Frontiers in Psychology* (2016).
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