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## **Maximisation against the state: tax avoidance and deviance in Greece**

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'Every day I see their ships passing the bay, freight, ferries, whatever. I know who owns them. They don't pay taxes for their profits, not any.' (Penelope, 50, Volos 10.7.2015)

### **Introduction**

During fieldwork in Volos, a port town on the eastern shore of Greece, the passing ships were a frequent topic for discussing social wrongdoing with my interlocutors. For them, the ferries, cargo ships and yachts were not only symbols for the unequal access to resources. They were taken as a *tertium* to discuss social wrongs and rights, and of the relation of institutionalised norms and social standards. In the paper, I will start from these discussions with my informants and lead them to the analytical question if tax avoidance in Greece should be addressed as economic deviance and in which ways this should be done.

In the opening quote, Penelope and I were talking about the introduction of a new VAT rate that was part of a negotiation between Greece and the Troika of lenders (ECB, EC, IMF) in spring 2015. The outcome of these negotiations were deciding on a renewed loan agreement between the negotiating parties, which was decisive for the Greek state who was unable to refinance its debt on its own. During six years of such loan agreements (memoranda) and

accompanying austerity measures, the Greek economy was in recession. The Troika was employing ever more harsh measures to make the Greek government accept its terms of austerity. In early 2015, the newly elected Syriza-ANEL coalition government did attempt to make a case against the politics of cutting down public spending during the recession. In late spring 2015, the negotiations became ever more heated and both stances hardened to an extent that no solution seemed possible.

In this late spring, Penelope and me were sitting together with some friends in a tavern and talked about the negotiations. The debate that unfolded among the group of friends was heated, discussing the proposals of the lenders, which many on the table understood as a war of Greek and foreign elites against „normal“ people. Giorgos, an employed car mechanic, brought up the raise in the VAT (ΦΠΑ) tax that the lenders demanded. The Troika proposed that a new rate of 23% VAT should be applied to a wide range of goods, from food, restaurants, transportation, to medical and dental services, which were at that time subject to a 13% VAT rate. Also, educational services such as the ubiquitous tuition schools that Greek pupils frequented en masse and which was not subject to VAT, should be included in the category of 23% VAT rate. This was the proposal of the lenders, and so it came into effect in July 2015. The Troika legitimised their demand by a calculation that said that 2 billion Euro would be raised by the Greek state by this spike in rates, money that the state desperately needed to pay back loans to banks. „We are already poor now, why should we pay the banks?“, said Giorgos and added: „There are scores of lawyers and doctors who built their second second home on the Pilion (a mountain range neighbouring Volos) and pay zero taxes and we should help the state out?“. The round was upset about what they saw as an unfair burden that was placed onto their shoulders. They were teachers, manual workers, pensioners, and unemployed. Penelope used to be rather quiet on such occasions, as she was exhausted from these debates. She was unemployed since years, received no social transfers, and had to get by on very little. Today, again, she would be invited by her friends to pay for her meal. But this time, Penelope got upset. She shared stories about her former boss, who operated a photo printing studio that was going pretty well in the 1990ies:

„I had to pay my taxes, I was employed. But he did not have to, obviously. He was playing games with the state. My boss had a spacious house, a sailing yacht, and owned the store where he gave me my meager salary. The accountant and him were good friends and it turned out that they did not pay any taxes on the profits. The tax police came and so they said that the accountant stole the money. I don't know what was right or wrong about this. But 23 Mio. Drachmes were missing. My boss was negotiating hard and the tax police in the end settled with claiming 7 Mill. He still has his store! He had to do nothing, not even go to the courts or anything, nothing.“

Penelope was enraged and went on to talk about the ships that were passing the bay all night long, mostly ferries. She commented on the conglomerates of companies that owned ships, TV channels, construction companies, and the families that owned them, well known for their lush lifestyles and tax breaks from the state. Then someone said: “I don't know if I would not do the same if I could. I mean look at Greece. State services are ridiculous, politicians corrupt and state employees sit around all day doing nothing. How much money should we pour on them, they eat it all!“ Then, Penelope was asked whether she would pay all her taxes. She was furious „I have to. I own nothing, I have no work since years, if I had, I would probably be employed. How could I avoid paying taxes?“

This discussion was at the core of what this paper is about. The puzzle that I have set out is about tax avoidance and social norms. I will argue that tax avoidance needs to be related to a set of social norms that seem contradictory when addressed as features of a whole society. They become clearer when the opinions voiced by Penelope and her friends are contrasted with other social strata. Then, it becomes possible to understand tax avoidance as interest politics of social groups with unequal access to regulatory resources and to the opportunity of bending clear legal rules in their favour (Carrier 2014).

With the spread of neoliberal thought and practice as the social blueprint for restructuring Greek society, the social norms undergo a transformation as well. The abstract models by which society is restructured in a rash virtualism (Carrier and Miller 1998) of adapting society to the economic

model that are usually summarised as neoliberalism, bringing forward an idealised conceptualisation of how social persons should act. For my purpose here, the most striking of how social persons are conceptualized in neoliberal thought is that the social world consists of individuals maximising their gains. Effectively competing against each other, their strive for more is seen as the motor that drives a betterment for all. This includes an appraisal of what I propose to call „maximisation against the state“. A core feature of neoliberal thought is that the state is understood as necessary evil that needs to be cut down as much as possible. Its role is supposed to be a small and efficient guarantee for free markets, and provide necessary infrastructures in order to supply market actors with education, infrastructure and the like. Part of my observations here will include the conceptual question whether such a moral and political framework legitimises self-interested behaviour in a way that masks the group politics behind tax avoidance.

In the groups that were brought up in Penelope's group of friends - shipowners and self-employed occupations - tax avoidance is widespread and an analysis of its scale makes it clear that what we are seeing in the structure of their economic relations with the state, they are not single „rotten apples“ that fiddled with tax statements, but part of a widespread effort to carve out symbolic and material space for personal gain.

### **Anomie, deviance and tax avoidance in Greece**

In order to answer the puzzle that is the reason for this paper, I will outline an analytic framework for understanding socially accepted behaviour and its opposite, deviant behaviour. A useful start for such a conceptualisation lies in the work of Robert K. Merton, who adapted Durkheim's theories for studying economic practice. Such is his 1938 analysis of deviance and anomie (Merton 1938). Merton asked how sociology could account for the different ways in which persons seemed to not conform to the norms that society prescribed for them. In order to do so, Merton distinguished between cultural ideals, what could be also called normative frameworks, and the means available to a social group or person to access these ideals. Conformity is reached when a member

of a group shares the socially accepted goals (e.g. monetary success) and uses acceptable means to achieve them (e.g. found a company). Merton identified a range of other possibilities to combine the goal/ means match. He argues that anomie is a condition in which the ideals and means do not match. For Merton, this anomie exhibits clear characteristics in "modern" societies where monetary success is a stated goal yet in which many do not have access to the culturally adequate means for achieving it. The liberal narrative (and the neoliberal in the present) that promises economic success for everyone willing to engage in hard work, masks the actual inequalities of access to the means of achieving such success. Yet, the goal of monetary success is nevertheless shared by many and so they, according to Merton, innovate in terms of the means to achieve it.

There are examples in which Merton's theory is intuitive and easily applicable. Such is the example of a bankrobber. He (it is a rather male crime) uses means that depart from those socially acceptable to achieve the cultural ideal of monetary gain. The example that I want to deal with in the paper seems to work in similar ways but it does not. I chose the issue of tax avoidance, evasion or tax fraud to ask a big question about contemporary society and the ideals that people are confronted with in neoliberal times. The terms of avoidance, evasion or fraud point to the moral and legal implications of the practices. These three ways to call a process by which an individual or an enterprise seeks to pay less taxes are significant in their moral and legal implications. By means of my education, I am not able to myself judge whether a case of tax avoidance was also tax fraud. As an anthropologist to be, I am however educated to understand how cultural understandings of the difference between legal and moral norms are shifting in Greek society. Therefore, I started out with Merton to ask a simple question that left me puzzled at many times during my doctoral fieldwork from February 2014 - March 2016: how deviant is tax avoidance in the context of the Greek recession?

This question is slightly more complex than the example of the bank robber. It raises question about economic geographies (in how far does a tax haven matter for taxation in Greece?), about the ways in which governments

and industries understand themselves as competing in business friendliness, and about the powerful negotiations on tax regulation that take place between the Greek government and the Troika of lenders. Lastly, it raises questions about the diverging ideals of behaviour in models of economic thought and their translation into regulation. Here, Merton's simple and elegant framework can help us to make sense of what is happening. Because deviance and its concomitant, conformity, forces us to think about the kind of normative frameworks in which people are acting nowadays and which spheres of influence exist in them.

But first, Merton's formulation of his theory of deviance needs a conceptual update to account for the development of anthropological and social theory and the political circumstances in Europe in 2016. Merton, in 1938, treats society as a structure where we do not get to know much about how norms and institutions come into being. He grants agency to these structures rather than to social groups that attempt to secure access to the mechanisms that institutionalise norms as if these ideals would benefit everyone. Therefore, Merton's framework runs the risk of culturalising deviance, i.e. of ascribing its mechanism to bounded social entities basically sharing ideals, but in which the means to achieve them are inequally distributed. I argue that to make Merton's point stronger, his frameworks needs to incorporate the struggles of groups to institutionalise their ideals in order to understand how the ideals and the means are related. This means for my argument that an analysis of the groups of actors who managed to institutionalise their means for evading taxes must ask in which ways evading taxes is socially accepted by those who do not share these means for furthering their monetary interests.

### **Tax avoidance in Greece - a cultural ideal?**

To understand tax avoidance in Greece, it is necessary to complicate the idea that shared ideals exist in a given society. This argument is at odds with parts of the literature on Greece, especially in the Mediterraneanist branch, where there is a tendency to culturalise frictions in the relation between citizens, state authorities, and elites. Certain kinds of resistance against impersonal institutions and especially the state are ascribed to cultural

features of the society that were described in terms of cultural complexes - „amoral familism“ (Banfield 1967), or „patronage“ (Giordano 2012: 23) which were introduced to account for the stated lack of orientation of Mediterraneans towards a collective. Others, more recently, and often working within Herzfeldian frameworks, have used cultural history explanations to explain Greeks' relation to the state. For example, Daniel Knight, who works in the region of Thessaly as I do. He connects present-day resistance to the economic decisions of the central government to Ottoman rule. From this time, Knight and his informants argue, taxes were associated with a predatory structure that sucked money out of the pockets of Greeks to finance the Ottomans. From this time, so the argument goes, there is a general suspicion towards the central state in Greece (Knight 2012).

And indeed, also in my fieldwork, similar arguments were often raised by my interlocutors: that it is in their history to fight against oppression and for freedom and that resisting the state's efforts to raise taxes is part of that. But I have also seen an investment in the ideas of the state and a longing for its proper functioning. I have overheard many conversations where Greeks accused each other of not paying taxes, effectively making the system more expensive or dysfunctional for all of them. Also, as I will show, a differentiated account of who the Greeks are and in which groups the tax avoidance seemed more likely than in others, complicates the cultural history explanation.

This reading also comes from my experience of being an Austrian doing fieldwork in Greece during these years. Most often, I was treated as a sympathetic Northerner who would not come to Greece for research if he did not have large sympathies for "the Greek standpoint". At several occasions, I was confronted with stereotypes about Austria and the Austrians as an ordered, industrious people living in social conformity and are not questioning the state's authority through e.g. tax avoidance. This othering was interesting in terms of the explanations my interlocutors employed to discuss the culturalised arguments that were part and parcel of media coverage on the debt crisis and the Eurozone negotiations. Yet, this contrasted largely with my knowledge of Austria as a country in which bribes were officially tax-deductible until 1998 and where the „Pfusch“ (moonlighting) is notorious.

Tax avoidance is called a national sport in the speeches of politicians and popular culture, and the industries related to helping individuals and corporations to do it are buzzing. Austrian companies are involved in some of the largest corruption cases in Eastern Europe. Nonetheless, it has not been subject to an anthropological treatment like the Mediterranean has been.

My fieldwork material shows the considerable investments of Greeks into cultural ideals that are not specifically Greek but rather specific symbols signifying modernity, growth, conspicuous consumption, lush lifestyles, urban consumers and other props of 21<sup>st</sup> century consumer capitalism. This is to say that many Greek cultural ideals might not be so Greek after all, but a version of symbolic investments into the idea of Western modernity and its neoliberal recycling (for Greece since the 1990ies under the Mitsotakis government). Having said this, I will now turn to an analysis of two social groups with which I will contrast my interlocutors' ambivalence about tax avoidance.

### **Two social groups and their access to means of avoiding taxes**

The cases of large shipping families and the self-employed is relevant in three ways: first, the combined taxes that these two groups of actors would have to pay if they lacked the structural opportunities to avoid them, goes into billions and makes up a large share of what the Greek state is missing in tax income. Second, the self-employed professions are bending their opportunities for underreporting income at a scale amounting to 30% of the budget deficit of the Greek state (Artavanis et al. 2015). Third, the case of the shipowners is a illustrative example of how an industry so large and concentrated as the Greek shipping industries did enjoy tax benefits from the early 1950ies on. The ways in which they did so are instructive in terms of the elite possibilities for making sure that one could maximise one's wealth in ways that are inaccessible to many others. Also, their example points to the difficulties of states to collect taxes from highly mobile owners in a neoliberalising world.

To make Merton applicable to the situation of the Greek recession as a context for the question of concern here, it is important to add that the



institutionalized means by which somebody could achieve monetary gain through maximising against the state are not bound to the Greek territory. In the case of the shipowners, the power they could exert over Greek regulations involved the threat to move their operations to other territories where they enjoyed more favourable conditions in terms of paying less taxes. The fleet that the largest shipping companies command is registered in tax havens and was so since the Greek government attempted to raise a levy from the owners after WWII. Back then, a large number of ships were immediately registered in Panama, which allowed such tax saving branches of companies to be registered since 1927. Later on, the Greek government inscribed tax privileges for shipowners into the constitution (the first time in 1953, today's law applicable is Law 27/1975) in an attempt to bring the shipowning companies back to Greece. From then on, only a tonnage tax per shipped ton was applicable (which today ranges from 0,6 - 3.000 Euro per „taxable ton“, a category allowing for a wide range of exceptions). Shipping companies and shipowners are exempt from all kinds of income or property taxes for wealth created through shipping. Yet, most of the shipowning families from Greece still do not reside in Greece, as more than half of shareholders are based elsewhere. Some of the magnates are famous for their lifestyles: George Economou, a Monaco resident, John Angelikoussis, who resides in London, Spiros Latsis, and Philip Niarchos in Switzerland. Their fleets are registered in Liberia, the Marshall Islands and Panama.

Now, to be clear, the question of whether tax avoidance is deviant behaviour in Greece is only a corollary of the analytical problem that this question poses: how come that certain norms are set for a group of people at a given time and in a given territory or space. This is far from a Weberian theory of the state that conceptualises a country's state apparatus as a rational bureaucracy that is in constant tension of conforming to the idealised conceptualisations on how a state should work. My approach lies more with Nicos Poulantzas (1975) who formulated a relational theory of the state, where group compete for the access to resources, some of them regulatory (power to institutionalise interests) and some representational (power to set normative frameworks). Thinking relationally (also Thelen et al. 2014) about regulation

opens a way to think about the ship-owning companies as exerting their influence on the government, putting pressure on the state to maximise their incomes.

Part of this power relation is the structure of where opportunities for avoiding taxes occur. The case through which I want to illustrate this are self-employed professions that a recent paper (Artavanis et al. 2015) has identified as one of the major groups that do not contribute to the state's budget what their share should be in terms of tax regulations. The methodology of the paper was interesting: the researchers worked with several bank's internal ratios by which clerks estimate whether a person would be able to pay back a loan. In Greece, as is the practice in several countries, banks do not routinely trust the tax statements that their clients hand over as proof of their incomes. Instead, they multiply the reported income with a certain ratio to arrive at a closer estimate of the financial power of a household or company. It turned out that the monthly debt payments of many professions with bank credit at the banks that took part in the research exceeded the monthly reported income of the respective households. This ratio was highest among the group of „accounting and financial services“ where debt payments exceeded reported income by a factor of 1,15. Retail, transport, medicine, law, and restaurants did also have less reported income than monthly debt repayments. The researchers estimate that this implies (for 2009) an unreported income of 28,2 billion Euro which translates in tax income the amount of 30% of the overall government deficit missing because of underreporting incomes. Clearly, such a practice can be done only by professions that self-report their income and not by employees or workers. Also, the data shows that those with the most knowledge about tax law and how to deal with it, accountants, use the system to their own advantage the most.

So where are we now in the argument? First, social structures need to be thought of as more relational than it is the case in Merton's theory. Tax regulation is not an outcome of cultural history nor of an idealized process by which social norms are cast into laws. Rather, it is the outcome of powerful struggles between social groups seeking to institutionalize regulations

beneficial to them. Second, Merton's (and others') way of thinking about social structure can be enhanced by thinking through the complex interconnections of cultural symbols and neoliberal capitalism as an additional feature of how certain cultural ideals become dominant. Third, the means available to evade taxes do not stop at the Greek border but involve a global geography of countries competing for capital to be invested or stored on their territory.

### **Ethnographic Material from Volos**

I have unpacked some of the conceptual clarifications that I think need to be done to understand cultural ideals of maximisation in their 2016 context of neoliberal capitalism. I will now come to a discussion of ethnographic material from my doctoral fieldwork February 2014 - March 2016 to illustrate the argument laid out above and to contrast the way two social groups are managing to avoid paying too much taxes. The sample of households I worked with ranged from agricultural workers, to unemployed construction and care workers, housewives and -men, small entrepreneurs, state employees such as teachers, and similar professions. Although I did come across people who would present themselves as well off, they were dependent on having an income from labour, even if some of them had property to capitalise on, such as real estate that they rented out.

While some of them did fairly well in the periods up to the crisis, most of them suffered a drastic fall in their available income (in most cases more than 40% less in 2015/16 than in 2007/8). The fall in household income came from various directions. Many have lost jobs or businesses in the recession. Others had had their wages cut, as state employees or in the private sector. Others have lost social transfers that the state saved. All were affected by rising taxes. The VAT rate was increased as discussed above, taxes on income were raised and the ENFIA, a property tax was introduced. As homeownership is prevalent in Greece, paying this tax was a major difficulty to most of the households I worked with and that owned property.

While many told me that they welcomed the reforms of the first debt

memorandum in 2010 because of the promises it came with - to get rid of the clientelistic structures in the state, to become a more meritocratic society, to become an orderly country as the Northern European ones, they sobered fast when the austerity measures and the recession unfolded in the following months and years. What followed was an exacerbation of the inequalities of which they were a part of but which they did not feel in the same way than after the transformations that rendered them poor. In all my informants' households, there used to be at least one regular earner in the years up to 2005, when the crisis began for those who found employment in the construction sector. In 2014, there was a considerable number of households without an earner, who made ends meet by pooling resources in the wider family, by saving drastically on expenses and by taking whatever small jobs they could find to earn.

I introduced Penelope in the opening section and she was especially commenting on the self-employed. After working for the boss that ended up paying a fracture of what he owed to the state, she felt like she was the only one adhering to the rules. She said:

"That is great. You get your tax deducted before you even see any money as an employee. No fiddling around possible! And there is your boss who sails his yacht when you are sweating in his office. And - surprise - there was something wrong with his tax statement. The real surprise is that they caught him."

Penelope was searching for a job for four years when I met her in 2015, and managed to get into a program where unemployed could work for the municipality for five months on a reduced salary for one summer. A similar argument was often raised by public employees or pensioners who were especially dependent on the rulings of the Greek state that slashed their incomes and left them little space to engage themselves in a maximisation against the state, regardless of whether they found such a venture acceptable according to their social standards.

While some were thinking about the lack of access to the means of actually avoiding tax, others were morally upset that those who could, did avoid to give

the Greek state their share. Others added that a large share of the tax income of the Greek state would not go towards social services but towards the debt payments that the Greek state had to send to the lenders, and effectively to foreign banks.

### **Conclusions**

In the paper, I have discussed aspects of what an answer to the question whether tax avoidance in Greece can be regarded as economic deviance and if so, in which ways, might look like. I discussed Robert K Merton's analytical framework to understand deviance as a way of achieving monetary success (as a cultural goal) through means that could be called a maximisation against the state. To Merton's framework, I have added a relational understanding of group politics to account for the fact that cultural goals and the means to achieve it are unequally distributed across several groups that make up the society under question. Therefore, I have juxtaposed two groups with privileged access to the means of avoiding to pay taxes with the accounts of my interlocutors during doctoral fieldwork. It turned out that the access to the means of avoiding taxes are unequally distributed amongst shipowners, groups of self-employed occupations and most of my interlocutors who are working as employees or are unemployed. While the shipowners have managed to inscribe their means of avoiding to pay taxes on income/ profit as early as the 1950ies into the Greek constitution, the group of self-employed have been able to use their opportunities for underreporting their income in order to be subject to a lower overall amount of taxes. Among my interlocutors, this has raised considerable ambivalence about whether or not the opportunities that one might enjoy to achieve monetary success through tax avoidance are socially accepted or not.

In the context of the recent neoliberal restructuring of Greek society under the austerity regime, a preliminary answer to the puzzle laid out in the paper can be given by the following summary: the opportunity structures (i.e. the access to the means) of avoiding taxes) are distributed unequally. The low image of the Greek state and the widespread knowledge about the possibilities

of powerful groups to move their wealth to other countries to avoid taxation in Greece and the underreporting of self-employed income has led many to the conclusion that whoever is in the position to avoid taxes is doing so. Those who interpret these practices of maximising against the state as socially wrong, feel like they are held accountable for the wrongdoing of others. Many amongst my interlocutors feel as if the social norms for those enjoying privileged access and those who do not are drifting apart. Observing that those enjoying the access to the means of maximising are rewarded by monetary gain and those who do not are suffering from an increase in taxes that they themselves do not have ways to avoid paying them (taxes on income through employed work; VAT) are not. This coincides with cultural ideals of neoliberalism where the declared aim of a rational individual is the maximisation of gain, and where tax avoidance is one among other means of achieving it.

This has serious implications for our societies. When powerful actors manage to institutionalise their privileges of paying little taxes, and others manage to violate regulation but without facing social sanctions that would render their practices more risky, maximising against the state seems to become more acceptable, as my ethnographic material suggests.

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