ECONSTOR
Make Your Publications Visible.

A Service of
ZBW
Leibniz-Informationszentrum Wirtschaft
Leibniz Information Centre for Economics

Herlin-Giret, Camille

Article

Avoiding and protesting taxes: Wealthy people and tax consent

economic sociology_the european electronic newsletter

Provided in Cooperation with:
Max Planck Institute for the Study of Societies (MPIfG), Cologne

Suggested Citation: Herlin-Giret, Camille (2017) : Avoiding and protesting taxes: Wealthy people and tax consent, economic sociology_the european electronic newsletter, ISSN 1871-3351, Max Planck Institute for the Study of Societies (MPIfG), Cologne, Vol. 19, Iss. 1, pp. 29-37

This Version is available at:
http://hdl.handle.net/10419/175569

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

WWW.ECONSTOR.EU

Mitglied der Leibniz-Gemeinschaft

Avoiding and Protesting Taxes: Wealthy People and Tax Consent

by Camille Herlin-Giret

Class conflict is, first and foremost, a struggle over the appropriation of work, production, property, and taxes.

James C. Scott (1987, 450)

Many authors have pointed out the significant role of tax systems in containing wealth inequalities. According to Thomas Piketty (2013), the two world wars partially undermined old fortunes. But he argues that the decrease in inequalities he observed after the Second World War was also a result of setting up highly progressive tax systems in several countries. Indeed, it is during and after the two world wars that many governments adopted the highest income tax rates of the twentieth century (Scheve and Stasavage 2016). Progressive wealth taxation can thus be considered "the greatest threat to the fortune" of wealthy families (Beckert et al. 2015, 22). To explain the endurance of family wealth, these authors argue, three dimensions need to be considered: wealth managers' activities, tax avoidance, and long-term control over family companies (ibid.). Here, I will examine a small part of this broad research program by focusing on the issue of consent to the wealth tax in France.

Since 1981, the French tax system has included a progressive wealth tax, although it was eliminated in 1986 and reintroduced in 1988. Today, assets worth more than 1.3 million euros that are not considered professional or artistic assets are subject to the wealth tax. Even though tax dissent is a hotly debated topic that is often brought up in connection with wealthy people, little is known about it except for what we find in a few book-length studies. For example, Isaac Martin (2013) recounts the history of five mobilizations against taxation of the top one percent in the United States. Interestingly, the wealthy were not the only ones who became involved in these movements, and one of Martin's aims is to understand exactly why the middle class also protests against taxes on high incomes or wealth. Kenneth Scheve and David Stasavage (2016) explain changes in top income and inheritance tax rates as resulting from changes in political support for taxing the rich. Brooke Harrington (2016) focuses on wealth-management activities and examines tax dodging through the work of specialists on behalf of their clients. As can be seen from this brief review, the few books dealing with wealthy people and tax consent are not directly focused on the latter. Instead, they are focused on support for tax dissent among the rich, tax avoidance, or tax evasion. More broadly, the significant literature on tax consent often seems to focus indirectly on "citizens' " tax consent. Trust in the state, fear of a tax reassessment (Levi and Braitwhaite 1998), the government's ability to raise taxes (Lieberman 2009), and tax rates (Daunton 2007) are treated as codes for discussing tax consent among "citizens" or tax-avoidance strategies.

A starting point of this paper, then, is to put wealthy people at the heart of the issue in order to examine their attitudes towards taxation more directly. To get a better idea of what is meant by "trust" or "distrust" of the state, I focus on wealthy people's ordinary tax-dodging practices rather than questioning their claims about tax fairness. This approach makes it possible to investigate other forms of resistance to taxation than those studied when looking at technical setups constructed by wealth managers. It also enables me to discuss Hirschman's well-known trilogy – exit, voice, and loyalty (1970) – regarding tax consent. In regard to France's wealth tax, what forms do tax dissent and consent take? After discussing the significance of tax exile,

Sociologist **Camille Herlin-Giret** is a postdoctoral researcher at the Interdisciplinary Institute of Social Issues at the School for Advanced Studies in the Social Sciences (IRIS at EHESS) in Paris. She received her PhD in 2016 from the recently founded university Paris Sciences & Lettres (PSL) with her thesis on "Worlds of Wealth: Working and Making Capital Work" in which she explores the themes addressed in her article: capital management, compliance and non-compliance with the wealth tax, and everyday forms of resistance to taxation among the wealthy. Herlin-Giret is currently collaborating on a project financed by the French National Agency for Research (ANR) that studies how citizens deal with the state on an everyday basis. *camille.herlin@wanadoo.fr*

I go on to show that wealthy people are actually more likely to use invisible and petty forms of resistance to taxation than conspicuous ones: it is less stigmatizing to undervalue assets a little bit when filling a wealth tax form than to leave a country for good, and it is also less of a commitment to place money offshore than to leave oneself. By exploring these phenomena, the article presents an in-depth study of how wealthy people and wealth managers handle the boundary between compliance and noncompliance. To the extent that wealth managers are included in the analysis, it is to point out how they legitimate tax dodging among their clients. I will show that tax dodging may be accompanied by calls for, and even claims of, tax civism.

This paper is based on interviews I conducted with wealth tax payers (29) and wealth managers (37) and on an analysis of the archives of the French monthly magazine *Gestion de fortune* (which could be translated as "Wealth Management"), published between 1991 (the first issue) and 2014. First, I will argue that tax exile, which has been constructed as a major way to avoid taxation in France, can be considered a political construction that prevents tax increases for the rich. Second, I will highlight a more ordinary form of resistance to taxation – the undervaluation of assets – showing that "some protests occur without the use of voice" (Agrikoliansky and Collovald 2014, 10) (all translations from the French are by the author). Finally, I will analyze how wealth managers contribute to the legitimation of tax evasion, thus blurring the boundary between legal and illegal tax dodging.

The persuasive fiction of tax exile

Tax exile among the wealthy is one of the most media-friendly forms of resistance to taxation. The expression "tax exile" is not neutral. It suggests that people have left the country under strong political pressure, and that this pressure is mostly a result of the tax burden. Many newspaper articles and parliamentary reports about tax exile point to the high number of executives, managers, top earners, and wealthy people leaving France for countries with lower tax rates. However, we never know the motive behind these departures. Journalists and politicians usually assume that fiscal rules have pushed the wealthy out, but nothing indicates that this is true. For example, even though the income tax rate is not lower in the United Kingdom or Belgium than in France, executives' departures are often explained as resulting from the fiscal burden of remaining in France.

Economic theories have contributed significantly to the idea that top earners' departures result from the tax rate. According to the well-known Laffer curve, when tax rates reach a certain – mysterious – level, government revenue decreases because taxpayers change their behavior, "voting with their feet" (Tiebout 1956) in their attempt to avoid taxes. Arthur Laffer used the social movement to limit property taxation in California in 1978 ("Proposition 13") to argue that his curve was not merely an abstraction. Even though the Laffer curve is not empirically based and has been contested, it has a strong influence on economists, politicians, and journalists. In particular, it has popularized the idea that taxing the rich is economically dangerous or counterproductive because it increases the risk of tax exile (Trannoy 2010; Sterdyniack 2015). Even the small amount of empirically based economic research on the matter, which is quite critical of abstract models, does not question the implicit hypothesis of fiscally motivated departures.[1] Let us turn now to the often-made connection between wealthy people's departures and the tax rate.

First of all, executives, managers, and top earners are increasingly used to having international careers and moving from one country to another. While the expression "tax exile" suggests that the departure is fiscally forced, sociological research focusing on the circulation of elites reveals that departures instead result first and foremost from social pressure. Indeed, mobility has become a social norm among the upper classes. Anne-Catherine Wagner (1998) has demonstrated that stays abroad are seen as nearly obligatory stages on the road to social success: "Living abroad decreases the number of work competitors, increases the range of choices, and makes it possible to obtain a higher status than in one's native country" (145). In other words, wealthy people who leave France are surely also motivated by reasons other than taxation, and it seems hard to believe that they are simply reacting to an increase in tax rates. In the French monthly magazine *Gestion de fortune*, aimed at a professional readership, a tax lawyer explains that "most relocations have to do with executives' professional mobility." And he adds: "While the wealth tax may appear to be a crucial factor in many clients' decision about whether to leave the country, relocations motivated purely by fiscal considerations in fact represent a negligible share of all departures" (Issue no. 202, 2010). In many cases, other factors – friends, family, job, and so on – are such important anchors that the tax burden can hardly ever be a sufficient reason to leave the country. A wealth manager working in a private bank told us a story about one of his clients. After selling his pharmaceutical laboratory

for forty million euros, this man decided to leave France for Marrakech for tax reasons, despite the doubts of his financial advisor.

Gil – Six months later, his wife calls me and says, "Gil, Hughes would like to see you." I asked, "What's wrong with him?" She says, "Well, he's in a psychiatric hospital right now." After three months, he had a huge nervous breakdown. And then [laughing], he came back to France. He didn't know how to deal with it all. And he told me, "Gil, it's awful! You're always with the same people, who play the same golf, who repeat the same stories. They all miss Parisian cafés, and they all want to come back. And they're going crazy, with nothing but the palm grove and the staff, thirty people walking around in circles in their luxury residence.[2]

Moreover, some of the wealthiest individuals already have an international lifestyle, owning properties in several countries in which they stay a few months a year. An interviewee told me about some of his "very rich" friends who "have large businesses in real estate and banking":

Charles – One day, I asked a couple of friends living in Switzerland, who are very rich, "Don't you mind living there?" And they said, "Well, you know …" – they're living between New York, Paris, Switzerland, and Saint Barths. They have a very pleasant life. He answered right away, he said, "Skiing four months a year makes me save five million euros a year."

Indeed, for some wealthy people who already live in several countries, mobility has become a way of life. What is commonly called exile, which makes the departure seem like a forced and irreversible decision, can actually result from a value-neutral decision about how much time is actually spent in the French apartment. For example, taxation may be a relevant factor in the specific case of the migration of highly mobile professional football (soccer) players (Jacobsen Kleven, Landais, and Saez 2013). But referring to this mobility as "tax exile" seems rather inappropriate.

Tax exile has all the features of what Joseph Gusfield (1980) calls a persuasive fiction, a belief that seems to be true, to which some scientific qualities are attributed, and that fosters an emotional interpretation of the facts. It is important to understand how tax exile has become a public problem, a persuasive fiction often used in the political arena.

Many political speeches and parliamentary reports in France present tax relocations as a crucial political issue. The expression "tax exile" makes politicians responsible for wealthy people's departures and consequently erases the latter's responsibility and their opportunistic depiction of their departure. Insofar as tax rates have already become a permanent and salient political issue (Martin 2008), tax exile has been constructed as a political threat, one that is raised during elections in particular to justify decreases in higher marginal tax rates. With the support of several graphs and charts, Philippe Marini (a right-wing French senator), in a report for the Senate, pointed out the rise of relocations among wealth tax payers and attributed it to the tax rate without any discussion: "These numbers, coming from official statistics released by the French Ministry for the Economy and Finance, provide a new perspective on tax relocations. The evidence is so striking that it doesn't require much comment" (p. 60). Because the motives for relocation among those who are required to pay the wealth tax can hardly be differentiated, there is no real data about tax exile. This fuels the idea that tax exile is a widespread phenomenon that the government is not willing to measure.

I am not arguing that tax exile does not exist. However, this persuasive fiction, presented as fact and constructed as a major political issue, relies on questionable assumptions. It creates a political framework through which to understand emigration among the wealthy, which in reality is largely motivated by factors other than taxation. As Thomas Piketty and Emmanuel Saez argue (2011, 163), "the likelihood of top earners emigrating is often overestimated." Relocations, commonly interpreted as tax exile, inform us less about resistance to taxation than about the political construction of the wealth taxation, a construction that protects the wealthy from tax increases. Not all the departures of wealthy people from France are political. At the same time, we should not assume that the wealthy consent to taxation simply because they fill out their tax returns and pay their taxes.

Ordinary tax resistance

In the past, mobilizations against taxes regularly erupted into riots. Charles Tilly (1986) even considers tax rebellions to have been characteristic of the peasants' repertoire of contention in the seventeenth century. The decrease in tax riots does not mean that mobilizations against taxes have disappeared: "Their form and purpose have changed: they now result from new social classes' dissatisfaction with the state" (Hmed 2011, 236). The mobilization to limit property taxation in California in 1978, studied by Martin (2008), is typical of these tax revolts, mostly involving members of the upper middle class who are concerned with potential tax increases. There have been no such movements

against the wealth tax in France. However, the striking aspect of tax mobilizations over time should not cause us to overlook other forms of resistance to taxation. Indeed, James C. Scott (1987) has highlighted everyday "petty stratagems" of resistance to taxation, comparing peasants' opposition to the Islamic *Zakat* in Malaysia in the 1980s and eighteenth-century Christian tithe in France. Scott points out that, instead of open resistance, peasants engage(d) in the "patient labor of nibbling" (447) to reduce tax amounts. Despite the geographical, social, and historical gap between his subject and ours, there are similarities in the modes of contention. While there is no public movement against the French wealth tax, resistance to taxation, as will be demonstrated, is partly defined by petty practices, especially when taxpayers fill out their tax returns and calculate the tax amount they have to pay.

During the interviews with wealth tax payers, I always encouraged them to talk about their ordinary tax practices (which spouse fills out the form, how long it takes to do so, whether they seek advice or assistance from a tax specialist, how they evaluate their assets, and so on). What was noticeable was that most interviewees have an inclination to undervalue their assets when they fill out the form, sometimes significantly. Valuing an asset accurately is not that simple, especially when the asset is priceless or has belonged to the family for a long time. The measure of potential value "involves more than mercantile calculations" (Zelizer 2005, 53). The interviewees related their difficulties in estimating their wealth. But they also mentioned that they deliberately undervalued their assets in their tax returns. For example, one of the interviewees, a 76-year-old man who partly inherited his wealth and also got money from the sale of a prosperous firm he created, explained: "Today, the amount I fill on my wealth tax return is about 5 million euros. But inevitably the amount I report is always. … Well, I never inflate it. So, if I redid the calculations in some other way or a bit differently, I would maybe have 6 or 6.5 million euros." Another interviewee, an inheritor who manages the family company, tried to give me an overview of his wealth by telling me that the amounts he writes on his tax return are "almost true." Another, a retired civil servant who has worked in public education and owns more than one million euros, mostly in real estate, explained to me: "We know very exactly what the price per square meter is, because we pay attention to real estate transactions in the building and nearby. But I declare less."

In the literature, authors offer two main explanations for people undervaluing assets or making "mistakes" when filing out their tax returns. One of the most common arguments is the "deterrence theory."[4] According to this utilitarian theory, when taxpayers undervalue assets, they weigh the advantages and disadvantages of noncompliance in terms of the probability of detection and the severity of punishment. Kent Smith and Karyl Kinsey (1987) offer another, less common, explanation: Asset undervaluation, and taxpaying more generally, do not involve a deliberate decision; noncompliance is unconscious and mostly shaped by habit and inertia. I would propose a third explanation: Asset undervaluation relies on a relativistic relationship to rules and compliance among wealthy people – undervaluing assets is indeed collectively endorsed and legitimated by wealth tax payers.

First of all, undervaluation is fully accepted, even sometimes openly admitted. As a result, it cannot be considered a simple mistake. Undervaluation seems to involve a deliberate decision. The people interviewed usually alluded to two different asset values to describe their assets, comparing for instance a market value, based on a possible resale, and a historic one, based on the purchase price. In other words, they are willing to recognize that the value they declare is not the one they could get if they decided to sell their assets. One of the interviewees, a shareholder in a flourishing family company whose wealth is about 20 million euros, said that he owns a second home in the South of France "that is worth three times more than the value I declare in my wealth tax return" (three million euros versus one million euros in the tax return). He explained that he undervalues all of his properties. He said that his apartment, 240 square meters in one of the wealthiest neighborhoods in Paris, is "maybe worth 2 million euros, maybe more, I'm not sure," but he declares it at 1.4 million euros. While undervaluation is partly based on the vagueness surrounding wealth and its valuation, it can also be seen as a petty stratagem to avoid taxes. Wealth tax payers play with the different values they have in mind – historic, market, affective – while justifying why they have chosen the lowest. They deliberately undervalue their wealth, even though they probably do not know by exactly how much. And yet, on the whole, the amount of assets that elude the wealth tax can be significant.

Interviewees were usually unwilling to mention tax-evasion practices. For example, even though I knew that some of them had undeclared money stashed offshore, none of them ever told me about it. But interviewees mentioned undervaluation without embarrassment. We can therefore conclude that wealth tax payers do not consider undervaluation to be a fraudulent or deviant practice. No stigma seems to be associated with it because undervaluation is collectively en-

dorsed and admitted. Far from being based on individual taxpayers' weighing of the advantages and disadvantages of noncompliance, this practice is embedded in collective attitudes.

First, assets are often shared within the family and collectively owned. Many interviewees mentioned trying to coordinate with other members of their family in order to declare the same value for assets in their returns. Asset valuation is not a solitary decision and usually involves family talks. One of the interviewees said he organizes family reunions to "agree on something consistent for the tax authorities" and mentioned some conflicts with his cousins about the valuation of a property.

Second, wealth tax payers may also coordinate with their neighbors living in the same building or neighborhood to report similar values on their tax returns. Indeed, the more wealth tax payers there are in a given, concentrated area, the more they can undervalue their properties without the risk of being stigmatized. Wealth concentration is especially significant in Paris and its surrounding areas.

Third, undervaluation relies on a relativistic relationship to rules and compliance among the wealthy. A 70-year-old interviewee, the son of a "great banker" who has worked in publishing and whose net worth is about 15 million euros, explains: "I cheat, like everybody else. I undervalue. Well, people are always surprised by tax evasion, but … Do I feel like I'm cheating? No. Because I know I will be caught by the cops." This wealth tax payer is not avoiding taxes because he thinks it will spare him an audit, but rather because he anticipates one. Wealth tax payers do not consider undervaluation a deviant practice, but instead a reasonable one. An interviewee, condemning "people who try by any means to avoid the wealth tax," said: "Well, I'm not saying I value my assets at the highest. We fill out our tax return… cleverly, as people say, meaning we declare rock-bottom values, like everybody else." Undervaluation is not seen as a fraudulent way to pay lower taxes, but as an insignificant, ordinary practice, without any stigma attached to it. According to Luc Boltanski (2009), this kind of attitude toward rules is specific to the dominant class, and it is characterized by cynicism: dominants will talk about the importance of compliance and rules, on one hand, but they often manipulate and get around rules to their own advantage, on the other. This hypothesis helps to explain why undervaluation is not thought of as resistance to wealth taxation and may even go hand in hand with calls for tax civism.

In their work on white-collar crime and deviance, respectively, Edwin Sutherland (1983) and Howard Becker (1963) found that the government and many workers contribute to the labeling of certain behaviors as "deviant" or as "nondeviant". Indeed, tax lawyers, wealth managers, and financial advisors play a key role in turning resistance to taxation into an ordinary practice not associated with stigma.

Vagueness in the service of clients: Wealth managers and the legitimation of tax evasion

These professionals contribute to legitimizing tax evasion in various ways. For example, we have found many documents in which wealth managers support asset undervaluation. In an article titled "Wealth tax: How to reduce the bill?" published in *Gestion de fortune* (No. 28, 1994), after a list of various tax setups, the following appears: "Of course, it can be reasonable to undervalue your wealth." Another article warns wealthy tax payers about assets' possible drop in value and advises them not to declare values that are too high, arguing that "tax-investigation procedures are so burdensome [for the authorities] that they aren't worth the trouble. Wealth tax investigation … isn't profitable for small sums of money" (*Gestion de fortune*, No. 55, 1996). As can be seen, financial advisors play an "active role in manipulating the boundary between legitimate and illegitimate practices" (Spire 2011, 60). I will demonstrate how financial advisors, in helping wealthy people to manage their money, tend to blur the boundary between compliance and noncompliance and sometimes turn their tax-evasion practices into reasonable legal practices.

This transformation is apparent in their interviews. Wealth managers did not tire of reiterating that their work does not focus on tax dodging. Although they described spending a great deal of time working on tax issues, they emphasized that taxes are not their primary concern. Their work on tax law and tax setups appears to be simply a matter of method, just one avenue toward maintaining wealth – not the main strategy, but a way to reach this goal with less effort. Indeed, wealth managers often lament and make fun of their clients' obsession with tax issues. Rupert, a financial advisor who works in both New York and France, told it this way: "Many people only pay attention to how to organize their wealth in light of tax rules … But money is much more frequently lost through a lack of understanding than through a lack of tax skills." Many of the wealth managers interviewed explained that they refuse to promote government-backed tax incentives because they view them as tools for short-term tax reduc-

tions that are often not profitable in the long run. Mike, a self-employed wealth manager, related the following:

Mike – Yes, taxes are a bit over-present, but I am against tax incentives because I consider taxes to be just one of the game constraints. They have to be taken into consideration. They need to be mastered perfectly, because they're everywhere. … But we will never think or make a decision according to the tax advantages our position offers. On the other hand, it is clear that if we have two solutions, both of which are acceptable and involve the same amount of risk, we'll definitely take the one that generates the lowest taxes.

Wealth managers' depiction of their activities minimizes the role of tax advice, which nonetheless takes up a significant amount of their time, especially during debates regarding, votes on, and the enactment of public-finance legislation. The wealth managers I met never broached the subject of illegal practices that may lead to a tax audit. Austin, one of the first so-called family officers[5] in France who manages a well-known family office in Paris, alludes to "what isn't official": "There is the issue of noncompliant practices, and we don't want to know about that. This is their own business, what they don't declare etc. If they have some undeclared assets abroad, that's not our problem." During a more informal meeting, a corporate lawyer who had previously worked in Switzerland as a tax advisor told me that his previous work activities mainly involve creating offshore companies (in places such as the Seychelles, Panama, Singapore, and the British Virgin Islands), arguing that his activities are completely legal. When I argued that this kind of setup makes it possible to hide great amounts of money from the authorities, he replied in the same way as Austin: "Yes, but we don't need to know about that." Wealth managers deny their responsibility in helping their clients hide money offshore and get away with it.

Even with their clients, wealth managers are ambiguous about who is responsible for fraudulent decisions. Peter, whose net worth is about 15 million euros, hired a tax advisor to fill out his tax return. He explained that he "took a chance" in not declaring some capital gains:

Peter – We [he and his tax advisor] took a chance, and we were wrong, by the way. I had a large tax reassessment. But I had anticipated it. I thought that it was quite risky and, well, yes, I agreed to do it. After that, he sort of forgot that he was the one who'd suggested taking the chance.

This fraud story shows how the advisor was indeed involved in a tax-dodging decision and how he denied having been involved in it.

It is difficult to assess the extent of tax evasion, especially because there is a serious lack of official data on the subject (Zucman 2013). Based on a unique Swiss data set, Gabriel Zucman found that around 8% of households' global financial wealth is held in tax havens. Combining micro-data leaked from financial institutions in tax havens with randomized audits and population-wide registry data, Alstadsæter, Johannesen, and Zucman (2017) estimated more recently that "the top 0.01% of the wealth distribution – a group that includes households with more than $45 million in net wealth – evades about 30% of its taxes" (36). One thing that was striking in the remarks of wealth managers and the articles in *Gestion de fortune* was the double talk on tax evasion: Wealth managers emphasized that they do not encourage illegal practices, but they often simultaneously claimed that offshore practices are either legal or widespread in the profession. In the *Gestion de fortune*, tax evasion is often condemned. In an article describing the creation of a new section of the magazine dedicated to the "professionalization of assets," introduced as a way to minimize taxes legally, the journalist mentions a "commitment that has grown out of the wish to rule out tax setups that escape the scrutiny of tax authorities and are close to the limits of the law. Goodbye 'offshore' companies in the Bahamas or the Cayman Islands" (*Gestion de fortune*, No. 35, 1995). But the condemnation of tax-evasion practices implicitly reveals that such practices are commonly known and endorsed. A *Gestion de fortune* journalist ironically recounts that on airplanes bound for European countries "well known for their financial expertise and their taste for secrets," we are likely to meet "a lot of politicians … but also many wealth-management specialists, who have always sworn they have never worked with foreign banks in their comfortable Parisian office" (*Gestion de fortune*, No. 137, 2004). These few sentences from another article also drip with irony: "After a few months' respite, 'specialists' in international tax optimization are back. Of course, they are working through firms located in global megalopolises (Luxembourg, Gibraltar, Jersey …). Naturally, the offshore services they offer are absolutely legal. And surely, the grass is greener there than in France" (*Gestion de fortune*, No. 126, 2003). Another article relates the secrets of an executive manager involved in a "well-known private bank located in one of the nicest neighborhoods in Paris." This executive revealed that "his clients have sent more than 250 million euros abroad this week" (*Gestion de fortune*, No. 228, 2012).

Yet, the magazine does not manage to avoid the ambiguities it itself points out. Some advertisements clearly support offshore setups. An advertisement for a

conference in Switzerland is even titled "International Tax Fraud" and lists the following as one of the issues it will cover: "… how to enable your clients to send assets offshore legally?" (*Gestion de fortune*, No. 97, 2000). An article on Luxembourg's tax system (*Gestion de fortune*, No. 59, 1997) alternates in tone between chastising and offering advice. The author begins by citing some Luxembourgish wealth managers' remarks on the legality of their clients' practices. He then changes to a chastising mode, expressing regret that some clients do not report their assets to tax authorities and instead take advantage of bank secrecy. But right after that, he discusses ways to send assets abroad without reporting them, explaining: "From entrance to exit, here are the main traps." We then learn that the suitcase method "is definitely not recommended by Luxembourgish insurers," but that it is very easy to make a money transfer through a bank: "No one will be any the wiser, since the bank doesn't have to specify a name on the transfer document." This detailed presentation of several illegal practices comes with the usual caveats. At the end of the article, we find out that "it is very difficult to recover hidden assets once they have been invested; this is by far the most disappointing feature of these kinds of deals."

Wealth managers' admission of their involvement in tax evasion is much more obvious when they meet each other. At a French Family Office Association meeting, for example, a tax specialist mentioned that anti-laundering policies pose an indirect risk for family officers' clients:

> *Tax specialist* – Officially, of course, anti-laundering policies focus on drugs, terrorism, etc. But sometimes when they look at drug traffickers or bin Laden's followers too closely, they pick up others who have discrete accounts. Because the spotlights are not well focused, they bring individuals to light who would rather stay hidden. This is an issue that concerns us all because it shapes the way we're going to organize family fortunes or individual wealth. So we have to keep that in mind.[6]

This excerpt shows how tax evasion is indeed a concern among wealth managers. The possible implications of tax-fraud scandals alluded to by this tax specialist are reminiscent of similar scandals in the early twentieth century. Indeed, it was because of the naming of well-known rich people evading taxes that Roosevelt was able to fight tax evasion and introduce a wealth tax in the 1930s (Thorndike 2009). In 1932, a tax-fraud scandal involving wealth managers and advisors from the Commercial Bank of Basel erupted when French tax authorities found a list containing the names of wealthy clients who entrusted money to the bank's headquarters in order to evade capital gains tax (Guex 2007). In the excerpt cited above, the tax specialist is also worried about a scandal that would reveal clients' names and potentially put a stop to bank secrecy.

Wealth managers' attitudes and practices regarding taxes – denying the importance of tax dodging in their daily practice, claiming not to be involved in their clients' illegal practices, and participating in the legitimation and organization of tax dodging – make them key actors in the wealthy's ability to get away with a number of illegal practices, from undervaluation to the use of offshore tax havens.

Conclusion

Tax exile, one of the most debated topics in France regarding wealth tax payers' consent, can be considered a political construction to protect the wealthy from tax increases rather than a major tax-dodging strategy. Indeed, taxation is usually not a sufficient reason for people to leave the country, unless they already have a transnational way of life. While people are not necessarily easily transplanted, money is, as the technical offshore setups created by wealth managers show. These setups, which are targeted solely at the "one percent," are a powerful way to escape taxation.

Appearances can be deceptive: leaving the country does not necessarily imply a protest against taxation, and paying taxes does not necessarily imply consent.

But I have pointed out another, much more common – but yet significant – tax-dodging practice: the undervaluation of assets in tax returns. Appearances can be deceptive: leaving the country does not necessarily imply a protest against taxation, and paying taxes does not necessarily imply consent. Loyalty does not signal apathy (Blondiaux 2001). I have argued that resistance to taxation does not necessarily involve open protest or the committed decision to leave a country. It is much easier to move, hide, or undervalue assets. In this regard, wealth managers do not only supply technical support by putting together complex tax-avoidance setups, they also participate in blurring the boundary between legal and illegal practices, thus legitimating some questionable tax-dodging practices.

Endnotes

1 For example, Gabriel Zucman (2008) measures tax evasion very carefully. Nonetheless, he uses the problematic expression "tax exile" to describe wealthy taxpayers' departures from France, without investigating the role actually played by taxation.

2 All the interviews cited here were conducted in French; translations by the author.

3 Information report prepared by the Senate Committee of Finance (No. 351, July 2004), entitled "L'impôt de solidarité sur la fortune: éléments d'analyse économique pour une réforme de la fiscalité patrimoniale" (Wealth tax: Economic analysis in favor of wealth tax reform). The first part discusses "A large effect on fiscal relocations among those subject to the wealth tax" and focuses on "tax exile." Online: https://www.senat.fr/rap/r03-351/r03-351.html.

4 Drawing on G.S. Becker's approach to crime, a great deal of economic research has been published on this theory (Allingham and Sandmo 1972; Frey and Feld 2002; Slemrod 2007; Thomas 2015).

5 Family offices are a distinct part of financial and wealth management. Family officers claim to provide high-end, tailor-made consulting services to clients worth at least 20 million euros.

6 Minutes of an FFOA meeting held in November 2002 (private archives).

References

Agrikoliansky, Eric, and Annie Collovald. 2014. "Mobilisations conservatrices: comment les dominants contestent?" *Politix* 106 (2): 7–29.

Allingham, Michael, and Agnar Sandmo. 1972. "Income Tax Evasion: A Theoretical Analysis." *Journal of Public Economics* 1 (3–4): 323–38.

Alstadsæter, Annette, Niels Johannesen, and Gabriel Zucman. 2017. "Tax evasion and inequality." *NBER Working Paper* 23772, National Bureau of Economic Research, Cambridge, MA.

Becker, Howard. 1963. *Outsiders: Studies in the Sociology of Deviance.* New York: Free Press.

Beckert, Jens, Philipp Korom, and Mark Lutter. 2015. "The Enduring Importance of Family Wealth: Evidence from the Forbes 400, 1982 to 2013." *MPIfG Discussion Paper* 15/8, Max Planck Institute for the Study of Societies, Cologne.

Blondiaux, Loïc. 2001. "La loyalty, parent pauvre de la trilogie conceptuelle d'A. O. Hirschman." In *La loyauté dans les relations internationales*, edited by Josepha Laroche, 77–100. Paris: L'Harmattan.

Boltanski, Luc. 2009. *De la critique: Précis de sociologie de l'émancipation.* Paris: Gallimard.

Daunton, Martin. 2007. *Trusting Leviathan: The Politics of Taxation in Britain, 1799–1914.* Cambridge: Cambridge University Press.

Frey, Bruno, and Lars Feld. 2002. "Deterrence and Morale in Taxation: An Empirical Analysis." *CESifo Working Paper* 760, CESifo Group, Munich.

Guex, Sébastien. 2007. "1932: l'affaire des fraudes fiscales et le gouvernement Herriot." *L'Économie politique* 33 (1): 89–104.

Gusfield, Joseph. 1980. *The Culture of Public Problems: Drinking-Driving and the Symbolic Order.* Chicago: University of Chicago Press.

Harrington, Brooke. 2016. *Capital without Borders: Wealth Managers and the One Percent.* Cambridge, MA: Harvard University Press.

Hirschman, Albert O. 1970. *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States.* Cambridge, MA: Harvard University Press.

Hmed, Choukri. 2011. "Les mouvements sociaux et la politisation de l'argent public." In *Gouverner (par) les finances publiques*, edited by Philippe Bezes and Alexandre Siné, 225–62. Paris: Presses de Sciences Po.

Kleven, Henrik Jacobsen, Camille Landais, and Emmanuel Saez. 2013. "Taxation and International Migration of Superstars: Evidence from the European Football Market." *American Economic Review* 103 (5): 1892–924.

Levi, Margaret, and Valerie Braithwaite, eds. 1998. *Trust and Governance.* New York: Russell Sage Foundation.

Lieberman, Evan S. 2009. "The Politics of Demanding Sacrifice: Applying Insights from Fiscal Sociology to the Study of AIDS Policy and State Capacity." In *The New Fiscal Sociology: Taxation in Comparative and Historical Perspective*, edited by Isaac Martin, Ajay Mehrotra, and Monica Prasad, 101–19. New York: Cambridge University Press.

Martin, Isaac. 2008. *The Permanent Tax Revolt: How the Property Tax Transformed American Politics.* Stanford, Stanford University Press.

Martin, Isaac. 2013. *Rich People's Movements: Grassroots Campaigns to Untax the One Percent.* Oxford: Oxford University Press.

Piketty, Thomas. 2013. *Le capital au XXIe siècle.* Paris: Seuil.

Piketty, Thomas, and Emmanuel Saez. 2011. "12. Penser la fiscalité du XXIe siècle." *Regards croisés sur l'économie*, 10 (2): 159–170 (Special issue: Repenser l'économie).

Scheve, Kenneth, and David Stasavage. 2016. *Taxing the Rich: A History of Fiscal Fairness in the United States and Europe.* Princeton: Princeton University Press.

Scott, James C. 1987. "Resistance without Protest and without Organization: Peasant Opposition to the Islamic Zakat and the Christian Tithe." *Comparative Studies in Society and History* 29 (3): 417–52.

Slemrod, Joel. 2007. "Cheating Ourselves: The Economics of Tax Evasion." *Journal of Economic Perspectives* 21 (1): 25–48.

Smith, Kent, and Karyl Kinsey. 1987. "Understanding Taxpaying Behavior: A Conceptual Framework with Implications for Research." *Law & Society Review* 21 (4): 639–63.

Spire, Alexis. 2011. "La domestication de l'impôt par les classes dominantes." *Actes de la recherche en sciences sociales* 190 (5): 58–71.

Sterdyniack, Henri. 2015. "La grande réforme fiscale, un mythe français." *Revue de l'OFCE* 139 (3): 327–97 (OFCE = Observatoire français des conjonctures économiques – French Economic Observatory).

Sutherland, Edwin. 1983. *White Collar Crime: The Uncut Version.* New Haven: Yale University Press.

Tiebout, Charles. 1956. "A Pure Theory of Local Expenditures." *The Journal of Political Economy* 64 (5): 416–24.

Thomas, Kathleen DeLaney. 2015. "The Psychic Cost of Tax Evasion." *Boston College Law Review* 56 (2): 617–70.

Thorndike, Joseph J. 2009. "The Unfair Advantage of the Few: The New Deal Origins of 'Soak the Rich' Taxation." In *The New Fiscal Sociology: Taxation in Comparative and Historical Perspective*, edited by Isaac Martin, Ajay Mehrotra, and Monica Prasad, 29–49. New York: Cambridge University Press.

Tilly, Charles. 1986. *The Contentious French: Four Centuries of Popular Struggle.* Cambridge, MA: Belknap Press of Harvard University Press.

Trannoy, Alain. 2010. "Peut-on encore taxer les hauts-revenus?" *Regards croisés sur l'économie* 8 (2): 158–65.

Wagner, Anne-Catherine. 1998. *Les nouvelles élites de la mondialisation.* Paris: Presses Universitaires de France.

Zelizer, Viviana. 1994. *The Social Meaning of Money: Pin Money, Paychecks, Poor Relief and Other Currencies.* New York : Basic Books.

Zucman, Gabriel. 2008. "Les hauts patrimoines fuient-ils l'ISF? Une estimation sur la période 1995–2006." *Mémoire de Master*, École d'Économie de Paris.

Zucman, Gabriel. 2013. "The Missing Wealth of Nations: Are Europe and the US Net Debtors or Net Creditors?" *The Quarterly Journal of Economics* 128 (3): 1321–64.

Tax Planning and Checklists /. Top Five Ways to Avoid a Tax Audit. Top Five Ways to Avoid a Tax Audit. Updated for Tax Year 2018. OVERVIEW.Â The percentage of people who actually are audited is extremely small, according to the Internal Revenue Service, but the number has risen slowly since 2008. If the IRS does decide to audit you, there is little you may do to stop it.Â â€œThe wealthy take more deductions, contribute to more charities and other things so they have a higher risk of getting audited,â€ Jensen said. â€œAlso, any filer who files a Schedule C is about four times more likely to receive questions.â€Â Get tips from Turbo based on your tax and credit data to help get you to where you want to be: Tax and credit data accessed upon your consent. TURBOTAX GUARANTEES. 1. Qualify for Tax Credits. Many people donâ€™t realize that a tax credit is the equivalent of free money. Tax deductions reduce the amount of taxable income you can claim, and tax credits reduce the tax you owe â€" and, in many cases, result in a nice refund. The IRS offers a large number of tax credits that encompass everything from buying energy-efficient products for your home to being in a low- to a moderate-income household.Â Most people take the standard deduction available to them when filing taxes to avoid providing proof of all of the purchases theyâ€™ve made throughout the year. In addition, itemized deductions often donâ€™t add up to more than the standard deduction.