



Corporate Tax Avoidance and Neutralization Techniques: A Case Study on the Panama Papers

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Abstract

This study examines the accounts provided by the CEOs of the corporations involved in the so-called Panama Papers scandal in order to advance the criminological understandings of *how corporations challenge the law* and *how they routinize crime*. To address these questions, I rely on media reports produced by investigative journalists and published in Latin American newspapers, where nearly half of the world's stories surrounding this scandal were published. The results show that most corporations involved in tax avoidance situations deny any criminal involvement and/or injury to society. The results also suggest that CEOs challenge the law by adopting *legal pragmatism*, using innovative corporate tax practices, and creating (secret) business structures in selected locations (tax paradises). Corporate tax avoiders routinize their crime by responding to international legislation that promotes economic incentives to international investors. As a whole, they ignore any social responsibility in the countries from which their capital originates, as wealth accumulation, at a minimum cost, is their main interest.

Introduction

With the legal assistance of the Panamanian firm Mossack & Fonseca, 214,488 corporations were created in low-tax jurisdictions around the world between 1977 and 2017. On April 3, 2016, the International Consortium of Investigative Journalists (ICIJ) revealed the identity of these firms after receiving information from a whistleblower (Obermayer and Obermaier 2016). The so-called Panama Papers scandal became a public embarrassment of global proportions because the owners of these corporations used offshore territories (known as “low-tax jurisdictions”) to reduce their tax burden when buying luxury goods and making international investments or laundering the proceeds of their crimes. Shortly after the Panama Papers scandal emerged, the consequences for those whose identities were revealed started to manifest. For example, Icelandic Prime Minister Sigmundur David Gunnlaugsson resigned from office, and Pakistan's prime minister Nawaz Sharif was banned from politics for life by the Supreme Court of Pakistan. The ICIJ reported that at

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least 150 other investigations in 79 countries have resulted in the recovery of nearly \$500 million dollars as of December 2017 (Gallego 2017).

On February 11, 2017, the Panamanian National Attorney ordered the detention of Jürgen Mossack and Ramon Fonseca, founders of the firm Mossack & Fonseca, for charges related to money laundering and corruption. Shortly thereafter, Mossack & Fonseca announced the closing of their operations in a written press release:

Since we created the company forty years ago, we have fulfilled the needs of our customers by providing a dynamic and innovative service governed by law... Mossack & Fonseca was the victim of a global cyber-attack. Based on stolen information, the ICIJ presented false information to the world on the services provided by the firm... It was evident that since the conception of the Panama Papers, an attack was made against the Panamanian financial system... We ask the authorities to *find the truth* and to stop pressure from international organizations, which do not want to *disclose the truth* and seek to diminish Panama to make it less competitive. (Fonseca 2018, my translation)

This public statement illustrates how Jürgen Mossack and Ramon Fonseca denied criminal involvement by giving different accounts of the events that surrounded the Panama Papers scandal. On the one hand, they claimed that they were victims of crime, while on the other hand, they blamed international organizations for the scandal on the grounds that these organizations sought to strengthen controls over the Panamanian financial system. These statements reveal that Mossack & Fonseca constructed their own *truth* to deny wrong doing.

Scholars who study the crimes of the powerful have observed the importance of whistleblowing and investigative journalism when disclosing the criminal involvement of powerful individuals and corporations, understanding that it is difficult to detect, disclose and punish this type of crime (Barak 2017; Friedrichs 2010). They have also noted how individuals and corporations construct “regimes of truth” that dictate what is to be made public and what should be done to protect their capitalistic interests (Rothe and Friedrichs 2015; Whyte 2016). According to Rothe and Friedrichs (2015: 70), corporate elites invoke the Gramscian concept of “common sense” to promote “regimes of truth” that exist only in their imagination rather than in the observable social order. (Indeed, the dominant or hegemonic culture promulgates its own norms and values so that they become “common sense” norms and values of/to all, thereby helping to maintain the status quo.) For Barak (2017: 10), corporations use of “hegemonic discourses and regimes of truth” to claim victimization, while simultaneously benefitting from the harm they create, as the public statement of Mossack & Fonseca illustrates. By doing so, the elites use the Gramscian concept of “common sense” to enforce their credibility, while proclaiming denial of the crime (Whyte 2016: 178).

Building on prior studies of the crimes of the powerful, this article seeks to advance a criminological understanding of *how corporations challenge the law* and *how they routinize crime*. Alvesalo-Kuusi and Whyte (2018: 137, 148) have discussed the “challenges facing researchers who focus on powerful institutions and elites” and have called for “research that seeks to uncover what corporations do and how they do it,” by aiming to protect “collective and universal interests.” This article responds to this call.

The literature on the crimes of the powerful reveals two salient approaches that provide a framework to examine the hegemonic discourses invoked by elites to deny and routinize crime. A conventional analysis relies on the study of neutralization techniques, as promulgated by Sykes and Matza (1957); the other approach presents a

sociopolitical analysis of justifications. The former and most widely used approach recognizes that offenders are aware of their acts and attempt to justify them while simultaneously rejecting the harm of their actions (Rothe and Friedrichs 2015; Whyte 2016). The latter, in turn, discusses the nuances behind legal interpretations, which reveals the uncertainty of legal rules and the existence of rules of exception that neutralize the illegal actions of powerful offenders (Ruggiero 2015a, b). Despite these differences, both approaches analyze the accounts that powerful offenders use to expand their opportunities for crime by means of justifications or neutralizations. Both approaches are used here, as they provide a holistic interpretation of the discourses used by the corporate tax avoiders involved in the Panama Papers scandal to frame the *truth*.

Before proceeding further, a word about terminology is in order. *Tax avoidance*, which is the topic of study in this article, is defined as the legal reduction in tax liabilities, whereas *tax evasion* is the reduction in tax liabilities through violation of tax regulations (Hanlon and Heitzman 2010: 137). One must keep in mind that *tax avoidance* results from the manipulative use of tax legislation in various international jurisdictions, whereas *tax evasion* is related to violations of national legislation. Powerful individuals and corporations claim that it is not illegal to create a foreign company in a “tax paradise” (like Panama) to own personal or productive assets (i.e., a private house/plane/yacht or an investment company/fund). The problem here is that private or productive assets should be registered and paying taxes in the country of residence of the owner of capital. Because tax paradises have special regulations that enable non-resident citizens/corporations to register their assets there, these jurisdictions facilitate tax avoidance elsewhere. In other words, the economic interests of the owners of capital reconfigure the relationship between residency and tax obligations in tax paradises in favor of powerful individuals and corporations, which spread a new truth reserved only for them: Tax avoidance is a legal practice.

The remaining parts of this article are structured as follows. In the first section, I describe Sykes and Matza’s techniques of neutralization and their contemporary development because this theoretical framework provides the core elements for the analysis of the accounts given by corporate tax avoiders. In this section, I also describe how this theory has been used to analyze the crimes of the powerful, and I conclude by presenting the sociopolitical arguments introduced by Ruggiero (2015a, b) to study justifications beyond the conventional analysis of neutralizations. In the second section, I offer a review of the literature on neutralization techniques in relation to corporate crime and tax crimes. This delimitation seeks to provide a specialized background to this study as research on neutralization techniques covers a wide range of topics (Maruna and Copes 2005). In the third section, I describe the methodology used in this study and how the data were collected and analyzed. I want to highlight that I followed Liddick’s (2013) analytical strategy for an accurate classification of the accounts given by corporate tax avoiders. The fourth section presents the results. Here, the analysis is performed in two stages. First, I describe the results of the aggregated sample; then, I create two subsamples that distinguish between those who condemn the media and those who do not condemn the media. By taking this approach, I address the potential influence that interviewers, in this case investigative journalists, could have had on respondents. In the final section, I discuss the use of neutralizations and justifications in relation to the routinization of crime. This final section presents the overall conclusions of my inquiry.

Techniques of Neutralization and Contemporary Developments

Gresham Sykes and David Matza based their techniques of neutralization on Sutherland's theory of differential association, which suggested that "delinquent behavior involves the learning of (a) techniques of committing crimes and (b) motives, drives, rationalizations, and attitudes favorable to the violation of law" (Sutherland 1955 quoted in Sykes and Matza 1957: 664). By emphasizing what "is learned and that it is learned in the process of social interaction," Sykes and Matza (1957: 664) argued that (juvenile) delinquents justify or rationalize deviance as valid or acceptable. Furthermore, they noted that these rationalizations "precede deviant behavior and make deviant behavior possible" (Sykes and Matza 1957: 666). In so doing, Sykes and Matza criticized Albert Cohen's (1955) argument that delinquents live in a deviant subculture (where actors with similar problems of adjustment interact with one another) because one cannot argue that delinquents "are thoroughly socialized into an alternative way of life" (Sykes and Matza 1957: 666). Indeed, they argued that delinquents are partially committed to the dominant social order but that offenders approach social norms with flexibility "having into account time, place, persons, and social circumstances" to avoid moral culpability for their criminal actions.

Sykes and Matza (1957) identified five types of neutralization techniques. *Denial of responsibility* occurs when the delinquent does not assume responsibility for his/her actions. Delinquents do not believe that their deviant acts are the result of an accident or are a frontal assault on social norms but the result of outside forces, such as unloving parents, bad companions, or an impoverished neighborhood. Individuals engage in *denial of injury* when they believe that their actions do not constitute wrongdoing despite being against the law because no one is directly hurt or harmed as a result. *Denial of the victim* emerges when delinquents believe that the injury is a form of just retaliation, revenge, or punishment against their target (victim). *Condemnation of the condemners* occurs when delinquents disapprove of those who censure them because they believe the condemners are hypocrites in that they denounce and convict delinquents, while engaging in illegal behavior themselves. Therefore, delinquents react with bitter cynicism against those who are responsible for maintaining the social order. *Appeal to higher loyalties* emerges when the delinquent is caught between groups with antagonist demands that are resolved in favor of those who violate the law. Therefore, the delinquent's decisions are endorsed in favor of the groups with whom the delinquent has higher loyalties.

Further research in the field has contributed to extending Sykes' and Matza's neutralization techniques. Klockars (1974) introduced a type of neutralization known as *the metaphor of the ledger* to illustrate that offenders believe they can afford bad behavior, while assuaging guilt about wrongdoing by reasoning that their overall good previous actions and legal deeds will overshadow inappropriate conduct. Minor (1981) suggested another neutralization technique called *the defense of necessity*, in which offenders perceive rule violation as necessary and therefore do not feel guilty. Henry (1990) defined *denial of negative intent* as a neutralization technique used to reduce the responsibility of the offender who asserts that damage was not intended. Coleman (2006 [1997]) identified other types of neutralization techniques. *Denial of necessity of law* emerges when delinquents consider that certain laws are "inappropriate" or "unjust" and therefore believe that it is not important to respect those laws. *The claim of normality* suggests that deviant behavior arises when offenders are involved in crime by claiming that all others also become involved or participate in criminal actions. Offenders rely on *the claim of entitlement* when they feel that special circumstances permit them to engage in deviant acts.

Scholars on the crimes of the powerful have incorporated, in different ways, Sykes and Matza's theoretical contribution on neutralization techniques and their contemporary developments. In their conception of *state-corporate crime*, Michalowski and Kramer (2006) explicitly include neutralization techniques as part of their integrated theory because they recognize that its overall relevance when analyzing the interactions between organizations and their environment. For them, rationalizations and neutralization techniques weaken social controls and facilitate corporate deviance. For Rothe and Friedrichs, the situation is similar. These scholars include neutralization theory as one of the individual dimensions that can contribute to explaining crimes of globalization. Rothe and Friedrichs (2015: 64) argue that neutralization techniques "can aid in our understanding of the discourse within the organizational setting, negating the impact of decision-making and subsequent policies." Like Michalowski and Kramer (2006), Rothe and Friedrichs (2015) rely on Sutherland's view of white-collar crime as a practice learned within the organization that can be exacerbated when the values of individuals break with those of society at large.

Ruggiero (2015a, b), who has also studied the crimes of the powerful, has adopted a different approach, as noted above. He begins by pointing out that Sykes' and Matza's approach was introduced to explain the involvement of *individual* street criminals rather than powerful leaders. Accordingly, he proposes to analyze the justifications provided by powerful offenders to understand how they challenge and disregard the law. While focusing on the use of justifications, Ruggiero (2015b: 71) demonstrates that powerful offenders present their actions "beyond good or evil, to allow them to escape any sort of judgement." This becomes possible because these powerful players introduce hegemonic discourses to frame their *truth*, which they then use to guide their operational practices and to even restructure legal frameworks (Ruggiero 2015a, b). In line with Ruggiero's approach, Tombs and Whyte (2015) claim that legal frameworks contribute to normalizing corporate offending because laws create special benefits for (certain) corporations. The most salient feature, they note, is the limited legal liability of the owners/managers because regulations make them unaccountable as individuals for the actions of their own organizations. This makes the corporation a perfect structure for facilitating impunity.

Techniques of Neutralization Applied to Corporate Crime

Because research on neutralization techniques includes a large variety of crimes, this section presents only the results of the main research related to corporate crimes (for extended reviews of the literature, see Klenowski 2012; Liddick 2013; Maruna and Copes 2005; Simpson 2013). Turning first to the use of neutralization techniques at the individual and corporate levels, scholars have reported that white-collar criminals learn "both the knowledge of how to and the language necessary to pacify the feelings of guilt prior the commission of their crimes" from coworkers or other peers in the industry (Klenowski 2012: 474) and from the perceived attitudes of the board of directors (Piquero et al. 2005). According to Piquero and colleagues (2005), these results were particularly strong in the case of older and experienced respondents who had been exposed to this type of working environment for longer periods of time. A further examination of the data collected by Piquero and colleagues (2005) highlighted gender differences among white-collar offenders. In this regard, Vieraitis and colleagues (2013: 487) reported that "some neutralization appears gender-neutral while others may be gender-specific." These scholars noted that denial of injury ("government exaggerates dangers to consumers") appears to be a significant explanation

for both males and females, while appeal to higher loyalties (“profit most important”) was significant for men, and denial of responsibility (“anything to make a profit”) was significant for females. These results resonate with an earlier examination of the gender accounts regarding the appeal to higher loyalties conducted by Klenowski and colleagues (2011). In their study, Klenowski and colleagues (2011) reported that convicted men appeal to their role as family providers, while convicted women cite their role as caregivers when giving explanations related to higher loyalties.

Studies on neutralization techniques in cases of corporate crime have explored how organizations and their employees use neutralization techniques when confronted with crime or when explaining their business approach. For example, Fooks and colleagues (2013: 292) reported that British America Tobacco uses neutralization techniques “to invert the nature of the relationship between the company and its customers.” This company reclassifies its customers as “victims of state intervention” and claims that corporate social investment produces larger benefits to local communities than the economic harm caused by tobacco products. Whyte (2016), who examined accusations of wrongdoing in the auto industry, reported similar findings. He studied how corporations respond to accusations of wrongdoing that resulted in vehicle recalls (the cases of Fiat Chrysler Group in 2013 and Toyota automobiles in 2007, 2009, 2010, and 2011) and auto emissions fraud (the case of Volkswagen in 2015). Whyte (2016: 176) found that denials “were always accompanied by clear policy statements about the social contribution of the corporation (job creation, investment in the local economy, and so on) and about the high quality of the products and the high consumer regard for the corporation’s automobiles.”

An examination of the retail banking industry in the United States (USA), conducted by Leasure (2017), reported that retail bank employees open business and private accounts, using the names of disadvantaged family members, friends, and customers (the disabled, the elderly, the young, as well as non-English speakers) without their authorization. These individuals use the denial of the victim justification to assert that the customers are at fault for not being informed about bank terms and conditions, and they appeal to higher loyalties (reach sale quotas) to explain their involvement in opening fake bank accounts. In another study on private fraud examiners, Gottschalk and Tcherni-Buzzeo (2017) found that they do not report nearly two-thirds of the corporate cases investigated because they consider that the responsibility of the company is to make a profit (denial of responsibility), not report crime to the police. They also argue that they have a higher loyalty to their customers than to the police (appeal to higher loyalties) and that they consider the police incompetent and slow when investigating this type of crime (condemnation of the condemners). Similar results were reported by Siponen and Vance (2010), who claimed that employees who violate Corporate Information System (IS) security policies do not perceive themselves as offenders because they use neutralization techniques to deny criminal involvement (appeal to higher loyalties, condemn the condemners, defense of necessity, denial of injury, denial of responsibility, and metaphor of the ledger).

Another strand of research has focused on the use of neutralization techniques when perpetrators are involved in tax crimes. In the pioneering study of Scott and Grasmick (1981), motivators and inhibitory factors of crime were tested to deter tax evasion among citizens. Motivators’ seven neutralization techniques were as follows: appeal to higher loyalties, condemnation of the condemners, defense of necessity, denial of injury, denial of responsibility, denial of the victim, and metaphor of the ledger. Factors that inhibited crime, which were derived from the “theory of criminal inhibition” (see Grasmick and Green 1980), included: guilt (self-imposed punishment), legal sanctions (state-imposed punishment), and social stigma (peer-imposed punishment). Based on survey data in a

large metropolitan community in the USA, Scott and Grasmick (1981: 406) reported that there is a relationship between motivators and factors that inhibit crime, as they found that “the effect of inhibition was greater when motivation was greater than when motivation was low, and the effect of motivation was greater when inhibition was low than when inhibition was high.” Regarding motivators, Thurman and colleagues (1984), using the same data collected earlier by Scott and Grasmick (1981), reported that there are variations on the individual coefficients of the neutralization techniques examined, which range from 1.22 (denial of responsibility) to 0.50 (appeal to higher loyalties). No interaction between the neutralization techniques was observed. This result suggests that some neutralization techniques are more prevalent than others; at the same time, these techniques are independent of each other.

In another study, Kroneberg and colleagues (2010) explored criminal involvement among tax evaders and shoplifters based on rational choice explanations (expected risk of detection and sanction versus the likelihood of obtaining economic benefits) and the not adhering to moral norms (neutralizations). The authors reported that, in the case of shoplifting, offenders weigh their chance of being detected with the economic benefits of success without discovery, while for tax evasion, perpetrators weigh the probability of being detected with the severity of the sanctions, if apprehended. Furthermore, Kroneberg and colleagues (2010) observed that neutralization techniques do not play a significant role in shoplifting but are prominent in tax evasion. In the former case (shoplifting), perpetrators can be arrested fairly easily, while in the latter case (tax evasion), criminal offenders believe that tax evasion is a widespread practice that is difficult to detect and sanction. The overall results suggest that not all instrumental incentives are equally important and that, in the presence of neutralization techniques, norm internalization affects criminal involvement. This result coincides with an exploratory examination conducted by Benson (1985). He interviewed 30 white-collar offenders convicted for antitrust violations, false statements, fraud, tax violations, and violations of financial trust. He reported that these perpetrators account for their criminal actions in different ways. For tax violators, “the widespread belief that cheating on taxes is endemic helps to lend credence to the offender’s claim to have been singled out and to be no more guilty than most people” (Benson 1985: 594). In the case of antitrust violations, offenders deny wrongdoing, as they argue that they only adhered to established industry practices. Embezzlers, involved in violations of financial trust, appeal to extraordinary circumstances related to financial problems, while offenders accused of fraud believe that they had been wrongfully convicted because they were victims of a scapegoating situation.

Methodology

Much of the research on neutralization techniques in the context of white-collar crime has relied on interviews with convicted offenders (Benson 1985; Klenowski 2012; Klenowski et al. 2011) and opinion surveys with offenders and non-offenders (Kroneberg et al. 2010; Leasure 2017; Piquero et al. 2005; Scott and Grasmick 1981; Siponen and Vance 2010; Thurman et al. 1984; Vieraitis et al. 2013). These studies, however, have ignored Sutherland’s theory of white-collar crime. Sutherland (1940) argued that the white-collar offender is rarely convicted in the criminal courts but fined by administrative authorities at best. Studies on white-collar crime that rely only on data on *convicted* offenders then suffer from serious sample biases.

In this study, I address the problem of sample selection by analyzing data on *corporate tax avoiders* because their names appear in the Panama Papers scandal. By relying on data on corporate tax avoiders, I seek to address the problem of validity of the sample by considering the CEOs of these corporations, who have been using “fictitious” companies, i.e., so-called paper companies registered in low-tax jurisdictions, to reduce tax liabilities in their countries of incorporation, although they (the CEOs) have not been convicted of this felony. Recent administrative decisions of the European Commission for the Competition illustrate the point of “nonconviction” (with the imposition of fines instead) of corporate tax avoiders (Evertsson 2017).

The material used in this study relies on reports by investigative journalists published in Latin American newspapers about the Panama Papers scandal. This region was selected for the case study because, after searching through the Factiva database (which contains information from more than 33,000 newspapers in their original languages), I found that most stories on the Panama Papers were published in Latin American newspapers (45%), followed by European (29%), Asian (18%), North American (6%), African (2%), and Middle Eastern (1%) newspapers. The reports contain information on the ownership structure of the corporations used to allocate investment in low-tax jurisdictions and the accounts given by the CEOs of these corporations. These reports were written by journalists, i.e., members of the ICIJ, who received training and guidance in the preparation of their stories. By the time the story broke, nearly 400 journalists had been working secretly for nearly 1 year to produce thousands of stories that appeared shortly afterward in newspapers in more than 200 countries (ICIJ 2016). The newspaper stories used in this study correspond to investigative pieces of journalism that reveal serious evidence of corporate tax avoidance of former and current clients of the firm Mossack & Fonseca.

To locate newspaper stories available in the Factiva database, I used two search criteria—“Panama Papers” and “Papeles de Panamá”—as well as two filters: setting language as “Spanish” and the period as “April 2016 to May 2017.” The first filter (language) was used in order to select only interviews in the original language of the countries included in the sample because Spanish is the official language in all Latin American countries (except Brazil). This is consistent with Benson’s (1985) suggestion that language nuances are important considerations when analyzing denial of crime. The second filter (time period) was used to collect stories released in the first year after the scandal was revealed in the media. An analysis of the data revealed that 73% of the stories appeared in the first 3 months after the scandal emerged (data not shown but available upon request). In relation to the countries studied, I decided to exclude data from Panamanian newspapers, because they consisted mostly of internal political discussions, as well as data from Brazilian newspapers, because the information appears in Portuguese.

My search identified 1307 newspaper articles published in twelve Latin American countries (see Table 1). In the initial phase, I started reading the material by country of origin (in alphabetical order) in order to identify country tendencies and prominent cases that had caught the attention of the media and/or political analysts. After reading all these articles, I observed that these newspaper articles contained verbatim statements given by corporate tax avoiders, analysis from journalists and/or political commentators, and a mix of both. I also noted that a large proportion of the material collected contained only analysis, which in certain countries (Argentina and Uruguay) reflected potential political positions because some of those involved in the Panama Papers scandal were the incumbent presidents of the country.

In this study, I decided to use only those newspaper articles that contained verbatim statements given by the CEOs because I wanted to focus only on the accounts given by

Table 1 Articles, cases, and narratives by country

Country	Articles available in Factiva	Articles used	Cases identified	Narratives used
Argentina	675	50	6	15
Mexico	247	17	10	27
Chile	74	23	4	12
Peru	56	6	4	12
Colombia	58	12	14	40
Bolivia	35	2	1	4
Uruguay	46	6	6	13
Venezuela	33	0		
Ecuador	26	2	3	6
Costa Rica	25	0		
Guatemala	17	2	1	5
El Salvador	8	0		
Paraguay	7	0		
Total	1307	120	49	134

corporate tax avoiders. After selecting the material containing only verbatim statements, the sample was reduced to 120 newspaper articles. At this stage, I faced a new challenge. I observed a certain redundancy in the data available because the same statements/narratives were published in more than one newspaper article. To address this issue, I gathered information on the same case and placed the data in chronological order creating a timeline of events. This process resulted in 49 individual cases (all of which involved men) that contained 134 separate statements/narratives by those corporate tax avoiders whose names appear in the Panama Papers scandal. Table 1 displays the number of articles, cases, and narratives by country.

To code the 134 verbatim statements identified, I used Liddick's (2013) analytical strategy. This is a prepositive methodological approach to reduce codification errors given that the use of neutralization techniques is crime-specific (Kroneberg et al. 2010). Liddick (2013) suggested that the researcher should present specific propositions to illustrate how the neutralization techniques can be used in a given case. In my study, I decided to adopt and extend this analytical strategy by running a pilot test with a sample of 20 verbatim statements to validate the relevance of the propositions prepared. After adjustments, the data are coded using the specifications given in Table 2 and then it was processed in SPSS.

Results

Table 3 reports the neutralization techniques used by Latin American CEOs involved in the Panama Papers scandal. Column one to column four present the results, and column five shows the aggregated totals. Starting with column five, it should be noted that denial of responsibility was the neutralization technique most often used by Latin American corporate tax avoiders (31%), followed by condemnation of the condemners (16%) and denial of injury (12%). The use of these three types of neutralization techniques has been reported previously in general studies on white-collar crime (Klenowski 2012; Klenowski et al.

Table 2 Statements used in the codification of neutralization techniques in cases of corporate tax avoidance

Neutralization techniques	Statements used in cases of corporate tax avoidance
Denial of responsibility	The company operated legally, but it does not exist now. I do not have any company/bank account in Panama or abroad
Denial of injury	We created a company in Panama, but we never used it. The company did not have capital/assets
Denial of the victim	Governments collect taxes according to their own rules. The company uses the tax exceptions allowed by the government
Condemnation of the condemners	Journalists conflate honest people with criminals. Journalists use this information against us
Appeal to higher loyalties	We optimized the investment structure of the entire holding group. This helps us reduce costs/taxes
Metaphor of the ledger	The company invests in tax paradises for the benefits offered, but we also pay national taxes and create thousands of jobs in the country
Defense of necessity	The company needs privacy and confidentiality to administer its assets and the investment portfolio. Panama guarantees secrecy
Denial of negative intent	All taxes have been paid in due time according to national tax regulations in each country of operation
Denial of necessity of law	The government prohibits investment in foreign currencies, so if we want to invest, we have to do so abroad
Claim of normality	Offshoring is an extended practice in international business. It reduces costs/taxes for corporations/individuals
Claim of entitlement	The company administers foreign income abroad. The entire operation is done abroad, including the payment of taxes

Table 3 Neutralization techniques used in the case of corporate tax avoidance

Neutralization techniques	First mention (n = 49)		Second mention (n = 39)		Third mention (n = 26)		Other mentions (n = 20)		Total (n = 134)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Denial of responsibility	24	49%	9	23%	6	23%	3	15%	42	31%
Denial of injury	2	4%	10	26%	4	15%			16	12%
Denial of the victim					1	4%			1	1%
Condemnation of the condemners	6	12%	4	10%	4	15%	7	35%	21	16%
Appeal to higher loyalties	5	11%	3	8%			2	10%	10	7%
Metaphor of the ledger			2	5%					2	2%
Defense of necessity	3	6%	1	2%					4	3%
Denial of negative intent	1	2%	5	13%	3	12%	3	15%	12	9%
Denial of necessity of law	1	2%			1	4%	1	5%	3	2%
Claim of normality	3	6%	2	5%	3	12%	2	10%	10	7%
Claim of entitlement	4	8%	3	8%	4	15%	2	10%	13	10%

2011; Piquero et al. 2005) and in studies on tax crime (Kroneberg et al. 2010; Thurman et al. 1984). In this study, however, denial of responsibility appeared far more often than the other neutralization techniques. In particular, corporate tax avoiders denied responsibility by claiming that they are or were not involved in crime or illegal behavior because the reported companies (created by Mossack & Fonseca) no longer existed. This rationale,

however, fails to explain why these firms existed in the past and how they were used as instruments for reducing tax liabilities then. Furthermore, tax avoiders claimed that the companies did not have operations or assets (denial of injury), implying that they were shell companies (often used for reducing tax burdens). To illustrate, consider the statements of an Argentinian football star, who had been convicted previously of tax crimes in Spain, regarding the Panamanian firm Mega Star Enterprises Inc.:

It is false and insulting that the media accuses me of creating a tax evasion schema [condemnation of condemners]. Mega Star Enterprises Inc. is completely inactive [denial of responsibility]. The company did not have assets or bank accounts [denial of injury]. This company was part of an old family holding created by legal advisors of the family [claim of normality]. (Ruiz et al. 2016, my translation)

Another high-ranking state politician from Colombia said:

Today, I do not have a relationship with any Panamanian company nor with any other active foreign company [denial of responsibility]. In 2009, we created a company called Davinia for security and confidentiality reasons [defense of necessity]. The company did not have bank accounts or produce any income, loans or other type of lucrative operations [denial of injury]. I do support the work of journalists, but I really regret that they are conflating criminals with honest people [condemnation of condemners]. (Connectas 2016, my translation)

A well-known Peruvian journalist that used Chester Investments Assets Ltd., incorporated in the British Virgin Island, to produce his popular TV show in Peru, expressed discontent with his journalists' colleagues:

I do not have anything to hide. I have not done anything illegal [denial of responsibility]. The funny part is that the media has not found anything illegal. They have written headlines that are really bad intentioned [condemnation of condemners]. (La República 2016, my translation)

In Ecuador, a high-ranking politician affirmed:

I strongly reject the false publications from the media that question my honor and integrity. I will demand that the newspapers disseminated the stories retract the slander [condemnation of condemners]. (JITO/AFP 2016, my translation)

Because corporate tax avoiders may be "forced into a position where they must defend themselves and others like them" (Maruna and Copes 2005: 260), I conducted a separate analysis on the neutralization techniques used by those who condemn (or do not condemn) the media (condemnation of the condemners). Table 4 presents a descriptive analysis of the neutralization techniques used by those who condemned the condemners/the media (column 1) and those who did not do so (column 2). The results reported in Table 4, Column 1, suggest that those who condemn the media (39%) did not give additional explanations or accounts of their offenses beyond the two neutralization techniques previously mentioned (denial of responsibility (29%) and denial of injury (10%)).

In contrast, those who did not condemn the media (Table 4, Column 2) tended to use a range of neutralization techniques and used them more extensively. Here, appeal to higher loyalties (11%), denial of negative intent (11%), claim of entitlement (11%), and claim of normality (10%) received higher responses. This revealed that those who did not condemn the media employed different neutralization techniques that put forward how innovative structures are used when conducting international business/investments

Table 4 Neutralization techniques used by tax avoiders that condemn the condemners/the media

Neutralization techniques	Condemnation of the condemners/the media			
	Yes (<i>n</i> = 52)		No (<i>n</i> = 82)	
	(1)	(2)	(3)	(4)
Denial of responsibility	15	29%	27	33%
Denial of injury	5	10%	11	13%
Denial of the victim			1	1%
Condemnation of the condemners/the media	21	39%		
Appeal to higher loyalties	1	2%	9	11%
Metaphor of the ledger	1	2%	1	1%
Defense of necessity			4	6%
Denial of negative intent	3	6%	9	11%
Denial of necessity of law			3	3%
Claim of normality	2	4%	8	10%
Claim of entitlement	4	8%	9	11%

and how they rely on legal pragmatism when operating in tax paradises. These two dimensions have been identified by Ruggiero (2015b) as part of the “experimental logic” that the powerful uses to justify their criminal activities. For instance, a former high-ranking public official from Colombia explained the existence of the Panamanian company Navemby Investments Group Inc. as follows:

Navemby was created in 2007 and was the majoritarian investor of the Colombian firm Konfigura Capital S.A. Navemby was created to operate as holding to develop investment projects in various Latin American countries [appeal to higher loyalties]. Navemby was registered in Panama because most of the investments were in dollars and the Colombian regulations does not permit bank accounts in dollars [denial of necessity of law]. I want to clarify that Konfigura never send money to Navemby [denial of injury]. We only received resources from Navemby, the investment capital entered to the country fulfilling all norms, including tax regulations, and doing the respective registers in the tax office and the central bank [denial of negative intent]. (El Espectador 2016, my translation)

A former politician and pastor of a Christian church in Guatemala said:

We created an offshore entity to buy the land where we built the church [appeal to higher loyalties]. We bought the land very cheap because the owner was having problems and the land was about to be reclaimed by the bank. The bank advised us to put the land under the name of an offshore company because there could be legal problems [claim of normality]. Additionally, there were problems. It was very good to have an offshore entity so the church was not involved in legal problems [denial of responsibility]. In 2015, I created a foundation for inheritance purposes [appeal to higher loyalties]. None of this is against the law [denial of negative intent]. (Redacción Crítica 2016a, my translation)

A Mexican businessman claimed that:

We used the offshore company in the British Virgin Islands to buy a yacht [appeal to higher loyalties]. All my financial transactions have strictly adhered to the law [denial of negative intent]. (Martínez 2016, my translation)

Another Mexican executive stated:

I have fulfilled all my tax obligations according to Mexican law [claim of normality]. I have not evaded any taxes [denial of negative intent]. I created Ucetel, incorporated in the Bahamas, because I wanted to buy an apartment and membership in a diving club located in the Bahamas [appeal to higher loyalties]. (Gaceta Mexicana 2016, my translation)

Behind the so-called experimental logic suggested by Ruggiero (2015b) rests the idea that powerful individuals create their own “truth” as they use different neutralization techniques to justify crime—in this case corporate tax avoidance—as a routinized and legal practice when conducting international business/investment. Below, I discuss how the different neutralization techniques used by corporate tax avoiders contribute to create “a truth” reserved only for the powerful.

Corporate tax avoiders *appeal to higher loyalties* when claiming that their innovative investment practices seek to protect the economic expansion of owners of capital by adopting necessary international (legal/illegal) structures to operate their business (here, the higher bidder is capital accumulation/creation of more wealth). This view coincides with Ruggiero’s observation that innovation “allows individuals to pursue legitimate ends (money and success) while using illegitimate means” (2015b: 68). While Ruggiero borrows the idea of innovation as an *intelligent deviation* from economists (Mill 1982), he also recalls that *innovation* is one of the adaptations of Merton’s sociology of deviance, whereby people experiencing certain strains seek to accumulate wealth (as a symbol of success) by using illegal means (Merton 1938).

Corporate tax avoiders also use the *claim of negative intent* when arguing that their business activities do not intend to produce injury, but if and when they do, such injuries arise from negligence rather than from intentional injury. Here, Ruggiero notes that because the crimes of the powerful “are hard to detect and responsibilities are difficult to apportion” (Ruggiero 2015b: 67), such crimes are essentially condoned because they leave the issue of social harm unattended. Corporate tax avoiders invoke the *claim of entitlement* to demonstrate that their corporations have the authority to conduct international business in tax paradises without others reacting to it as they simply operate in international jurisdictions where rules are different. For Ruggiero (2015b: 70), the crimes of the powerful “invoke legal pragmatism.... inspired by an experimental logic” because they are aware of their illicit behavior.

Finally, corporate tax avoiders appeal to the *claim of normality* to argue that they always respect laws and that they even fulfill national tax obligations promptly as other citizens do. Ruggiero (2015a: 126) notes that normalization emerges when powerful offenders inform the community of their practices and their views because they wish to create custom and habit by influencing societal norms. By doing so, they seek acceptance and sympathy because their ultimate purpose is to regularize (or normalize) their criminal practices.

Discussion

In Mossack & Fonseca's press release presented in the introduction, the firm acknowledged that it provided an "innovative service governed by law." As noted above, *innovation* is a Mertonian adaptation that is often used by powerful offenders to challenge the law. In the same statement, Mossack & Fonseca undermined the role of international organizations that have demanded more controls for tax havens such as Panama. Here, Mossack & Fonseca attempted to challenge the critique launched on the *secrecy* offered/guaranteed by the Panamanian financial system, which creates opportunities for capital accumulation by allowing choices of *locations* that redeem the maximal potential income. According to Ruggiero (2015a), innovative market modalities based on secrecy counters the possibilities to make these practices transparent and acceptable. In fact, he argues the following:

Offshoring must be followed by in-shoring; that is to say, a process whereby the illegal practices previously hidden are displayed and justified, while consensus is sought in relation to the broad philosophy guiding them. (Ruggiero 2015a: 107)

As illustrated in the previous section, the companies involved in tax avoidance rely on the same type of accounts given by Mossack & Fonseca. For them, legal pragmatism, innovation, and secret locations are the justifications used to explain how they shield their own tax practices (or tax avoidance) from the eyes of the rest of society. The unattended question, however, is still how these corporations routinize this form of crime. Tombs and Whyte (2015) have advanced this scholarly discussion by pointing out that corporations routinize their crimes by manipulating legal frameworks and displaying a limited legal liability that facilitates the introduction of hegemonic discourses and regimes of truth, as earlier described.

Turning first to the use of legal frameworks, I found that corporate tax avoiders suggest that external regulations created legal opportunities for tax avoidance. The point at issue here is that powerful and wealthy individuals create legal (shell) corporations to exploit tax benefits introduced to attract international investors to certain jurisdictions without having to be concerned about the legal consequences. This implies that shell companies are not conceived to produce goods or services, as conventional wisdom would dictate, but to avoid taxes on an international scale. This conveys the cynical attitude of corporate leaders that claim to follow the tax law in a strict sense, although they enjoy the benefits of exceptional tax regulations granted by low-tax jurisdictions. The problem that emerges here, however, is that shell companies facilitate the illegal accumulation of wealth based on the accumulation of nontaxed capital because shell companies are registered in zero/low-tax jurisdictions. Therefore, the accounts studied here (i.e., the company operated legally but it does not exist now or does not have assets) do not indicate that corporate liability ceased because the company was inactive. This does support the fact that crime (tax avoidance) was perpetrated when the corporations were active and in full operation, and it does demonstrate the argument introduced and earlier—and discussed by Rothe and Friedrichs (2015), Barak (2017) and Whyte (2016)—that corporate leaders enlarge their coffers and provide a diligent vision that does not correspond to the standards of society.

Regarding the issue of legal liability, I found that the firms involved in the Panama Papers scandal sought only capital accumulation, which justified and normalized the actions adopted to compensate the owners of these firms. Thus, corporate tax avoiders ignore any social responsibility obligations toward the countries from which their capital originates, as investment in international jurisdictions is their main motive. This means

that those implicated in the Panama Papers scandal justified their capitalistic role, seeking to expand international investment and domestic luxury goods in low-tax jurisdictions. The appeal to the economic role of the corporation has also been revealed in other studies (Gottschalk and Tcherni-Buzzeo 2017; Klenowski 2012; Klenowski et al. 2011; Leasure 2017; Piquero et al. 2005; Scott and Grasmick 1981; Thurman et al. 1984). The normalization of corporate tax avoidance emerges from a corporate view that taxes are considered unnecessary when engaging in (international) business and, therefore, can be avoided without any constraint because other multinational corporations (MNC) share the same approach. Thus, corporate tax avoiders use shell companies as many large economic groups and MNC do it in their international operation.

Elsewhere, I analyzed the responsibilities of the top leadership of the organizations in the adoption of tax avoidance schemas (Evertsson 2016). Based on cross-national quantitative data from OECD countries, I reported that the board of directors is the actor that contributed most to the adoption of tax avoidance schemas (even more than CEOs) because they make the final decision regarding how to expand their corporations internationally. This relates to the second issue highlighted by Tombs and Whyte (2015) in relation to the responsibility of the owners of the corporations. While corporations often claim to be interested in promoting corporate social responsibility among local communities and their employees, they also seek to reduce tax liabilities, creating social harm. This incongruence appears to be supported in advertising campaigns and marketing slogans directed at capturing segments of society that believe in the social role of these companies, as previous research has shown (Fooks et al. 2013; Leasure 2017; Whyte 2016). It is time to create a new international tax order that benefits the entire society, not only its wealthier segments. Actions such as taxing international investment capital from low-tax jurisdictions and even blocking financial transactions between national banks and banks located in tax paradises may weaken the legal framework that creates/promotes tax avoidance.

Beyond calling for a transformation of the legal framework, I want to point out the important role of whistleblowers in reporting corporate wrongdoing, as noted by Barak (2017) and Friedrichs (2010). Research in this area has been conducted mainly in the field of organizational behavior, which has focused on examining the retaliations and consequences faced by those that have blown the whistle in their organizations (Heumann et al. 2016). We have learned that whistleblowers are often depicted as the enemies of the organization (Haglund 2009) and are usually met with silence from superiors and coworkers. Stigmatization and retaliation force whistleblowers to leave their positions, either on sick leave or by changing jobs (Hedin and Månsson 2012), thereby discouraging individuals elsewhere from reporting corporate wrongdoing. We need new research that helps us to understand what motives whistleblowers to breach the culture of silence despite the risks and challenges noted.

Conclusions

This article has examined the accounts given by corporate tax avoiders involved in the Panama Papers scandal. In particular, the study analyzed 134 narratives published in newspapers in nine Latin American countries. The results show that those involved in corporate tax avoidance often use three types of denial (denial of responsibility, denial of injury, and condemnation of the condemners) when justifying their behaviors. Taking into account the possibility that the fear of stigmatization may affect the type of accounts given by

perpetrators when their identity was revealed in the media, I disaggregated the data collected to explore closely the accounts not related to the condemnation of the condemners (in this case, the media). Here, I found that corporate tax avoiders build a “truth” that they use to justify their felonies. For these corporations, *innovation* is an intelligent deviation that companies use to create international structures and operations in *secret locations* that facilitate tax avoidance globally (appeal to higher loyalties, whereby the loyalty is to the principle and goal of capital accumulation/creation of more wealth). In fact, corporate tax avoiders use *legal pragmatism* to operate in international jurisdictions, where rules are different from those of their country of residency (claim of entitlement), while claiming that they operate as other international investors do (claim of normality). On these grounds, corporate tax avoiders leave the issue of social harm unattended as their actions are not motivated by injurious intent (claim of negative intent). The overall results of this study suggest that individuals and corporate entities engage in corporate tax avoidance because they use national and international regulations that create opportunities for crime. Therefore, corporate tax avoiders not only believe that they are not responsible for this type of offense, but maintain that they are entitled to leverage international regulations that result in their own economic benefit. This result poses challenges for those responsible for preventing corporate tax avoidance because a new global tax order is needed to contend with this phenomenon.

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Compliance with ethical standards

Conflict of interest The author declares that they have no conflict of interest.

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