

# Managing taxation compliance:

## The evolution of the ATO Compliance Model <sup>1</sup>

by

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Two decades of empirical work on tax compliance has produced awareness of the complexity of tax compliant and non-compliant behaviour. Tax compliance itself is now recognized as a multi-faceted construct (Webley, Robben, Elffers, and Hessing, 1991). More than a dozen constructs have been implicated with some regularity as explanatory variables in analyses of tax compliant behaviour (Jackson and Milliron, 1986). Furthermore, theoretical perspectives from a range of academic disciplines have been brought to bear on understanding the phenomenon and integrating the smorgasbord of findings (Cullis and Lewis, 1997; Webley, Robben, Elffers, and Hessing, 1991).

In the midst of enormous diversity, a notably consistent theme over the past two decades of tax research has been deterrence. A vast body of research has focused on identifying the costs, be they material, social or psychological, which would deter would-be tax evaders, and counter the lure of the benefits of evasion. A preoccupation with identifying costs and benefits with the goal of developing a risk profile for tax collection agencies has meant that less attention has been directed toward managing non-compliance once it has occurred. This paper questions the

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often made assumption that the most effective management strategy is consistent punishment, that is, increasing costs to the non-complier and reducing benefits, in the hope that the offence will not be repeated. In this paper we describe a different approach that has been borrowed from the regulatory literature. This approach encourages non-compliers to cooperate with tax officers in paying the taxes they owe, with prospects of punishment and loss placed in the background, only to enter into the compliance game when cooperation fails.

### **The regulation problem**

The regulation literature can be read as a battleground between those who believe in deterrence versus other compliance approaches (Reiss, 1984; Hawkins, 1984; Pearce and Tombs, 1990), between punishment and persuasion. In some areas the evidence is that deterrence works, at least to some degree (for example, occupational health and safety (Scholz, 1991; Braithwaite, 1985). In other domains, such as nuclear safety (Rees, 1994), there is evidence that a shift away from a rule enforcement approach toward a more communitarian style of self-regulation has improved compliance. In other domains still, it is not even clear whether the effect of increased deterrence is positive or negative (Makkai and Braithwaite, 1994).

Tax enforcement is one of these latter areas of irresolution about whether deterrent effects are positive or negative (Andreotti, Erard and Feinstein, 1998). Among the problems with tax is that even when a taxpayer is audited and a penalty imposed, we don't know whether the taxpayer learns that he got away with a lot of things that the audit did not detect. The deterrence sign will be positive if this is the

bigger lesson than the lesson that cheating will be punished. Sometimes an audit will succeed in deterring cheating in the long run, but in the year or two after the audit the taxpayer believes they will get a free hit: the audit has a dramatic negative effect on compliance in those two years.

Over the past decade, this kind of complexity has moved the compliance literature away from a crude contest between punishment and persuasion. Rather the debate has been about how to get the right mix of the two. In the case studies discussed in this paper, the Australian Taxation Office (ATO) became persuaded to an enforcement pyramid approach to regulation (see Ayres and Braithwaite, 1992; Gunningham and Grabosky, 1998). This means prefer the low-cost option of persuasion first and escalate to more deterrence-oriented options (and ultimately to incapacitation) as less interventionist strategies successively fail.

### **The tax compliance problem**

In this paper, we first consider the history of the development of an ATO (Australian Taxation Office) compliance model out of the work of the Cash Economy Task Force. Ultimately, the responsive regulatory model developed by this group was adopted as policy for all ATO operations. We consider how the model has begun to be applied in three domains - the cash economy, with large corporations and high wealth individuals. These three are all domains where, around the world, compliance problems are becoming more challenging.

With the cash or shadow economy, the best estimates suggest that Australia has less of a problem than developing economies. In nations like Nigeria, Thailand,

Egypt, the Phillipines, and Mexico, the shadow economy is the majority of the economy, and is estimated to be near that in certain transition economies such as Russia (Schneider and Enste, 1999). Moreover, in common with other Anglo-Saxon countries, Australia's shadow economy seems to be somewhat below the average of all developed countries, around 14 per cent of the economy according to the estimate of Schneider and Enste (1999).

OECD figures are also suggestive that Australia's problems of large corporate compliance may be somewhat below the OECD average (Slemrod, 1996: 290). Nevertheless, the problem is enormous. Like all nations, Australia has many large corporations that pay no company tax or very little. There are global threats to the corporate tax base from technological change. One is e-commerce. Another is the enhanced capabilities of big players in the world system to engage in financial engineering. Sophisticated accounting firms can engineer new derivative products for their biggest clients that are not countenanced by existing tax law. If the Australian subsidiary of a transnational corporation wishes to buy components from another subsidiary of the same corporation in Mexico, computer software is available to show exactly how to route the purchase through a chain of subsidiaries to minimize tax liability. At the large corporate end, the problem is therefore not primarily tax evasion, but sophisticated strategies for getting around tax laws. The problem is exacerbated by a cultural shift in the global elite of the accounting profession. In the US, the Big Five accounting firms seem to have been able to increase their profits substantially through shifts towards more aggressive tactics. Individual staffers can secure bonuses up to \$US400,000 for landing deals such as

those pursued by Deloitte & Touche in the following letter to two middle-sized U.S. firms in 1998:

Dear\_\_\_

As we discussed, set forth below are the details of our proposal to recommend and implement our tax strategy to eliminate the Federal and state Income taxes associated with [the company's] income for up to five (5) years ("the Strategy").

Ernst & Young and Deloitte & Touche reported a 29% jump in revenues from tax services in the US in 1997 (Novack and Saunders, 1998). Since 1993 tax revenues for the Big Five have grown at twice the pace of audit revenues. The worry is that when elite firms play the game in this way, lesser players will increasingly assume that promotion of aggressive avoidance is the only way to stay competitive. In turn, management and directors of firms who receive letters such as the above, begin to worry that they will come under fire from shareholders if they pay some tax in circumstances where a Big Five accounting firm is telling them that they do not have to. The culture change is well grasped by the fact that tax departments today are viewed as profit centres in some large corporations.

What is true for the largest corporations is also mostly true for the wealthiest individuals. Throughout the world, paying tax for them is increasingly optional. Again the reason is not primarily tax evasion but the fact that the most sophisticated advisers can engineer a way around the need to pay any tax. The financial

engineering works until the time of discovery by the taxation authority. If the authority responds competently, the government will change the law to ban the new path around the spirit of the law. At this point, the adviser forges a new financial product that will successfully put the wealthy client back in a grey area until *it* is made black by adjustment to the law.

The whole game is much more destructive of the integrity of the law than outright evasion. The law becomes a ship that is constantly being repaired at sea until ultimately it has so many patches that it sinks under its own weight. The ships of many nations' tax laws are about to sink.

### **Theoretical Background for the ATO Compliance Model**

Regulatory pyramids have appeal from a number of theoretical perspectives. From a rational-actor point of view, the expectation of increased regulatory sanctions with repeated failure to cooperate provides an incentive for all players to economize on time and effort and settle differences sooner rather than later. For the tax officer working from a rational actor perspective, implementing the strategy involves three objectives: (a) to ensure that the full range of credible sanctions are known to the taxpayer, (b) to clearly signal a willingness to cooperate initially with the taxpayer, and (c) to make clear the intention to escalate in the event that cooperation is not forthcoming.

Social theories that understand compliance from the perspective of institutional legitimacy and procedural fairness are also given effect in the formulation of a regulatory pyramid. The argument is that taxpayers will regard

tough enforcement action as more procedurally fair when persuasion has been tried first. Citizen perceptions of procedural fairness are more than just a political asset to an embattled tax authority, they are likely to actually increase voluntary compliance (Tyler, 1990; Makkai and Braithwaite, 1996). Moreover, when regulated actors believe they are treated as someone who is trusted, compliance increases (Braithwaite and Makkai, 1994).

According to the responsive regulatory strategy, trust works even better when verification-distrust-enforcement lurks in the background. One way of framing the responsive regulatory aspiration is to have most taxpayers believe that tax officers trust *them* at a personal level, but to want tax officers to keep distrustful enforcement strategies at the ready because *others* cannot always be trusted. Knowing that the institutional mechanisms are in place to deal with those who cheat builds community confidence and the legitimacy of the tax system.

Regulatory pyramids offer the advantage of handing tax officers a set of tools that can be applied without having to have a detailed understanding of why non-compliance has occurred. One starts with the expectation of cooperation; escalation on the pyramid occurs only when one sees the other defaulting and becoming non-cooperative.

This analysis, however, denies something that is at the core of every regulatory encounter, whether it is personal or impersonal, tax focused or not tax focused, and that is the human quality of making attributions about why others behave as they do. Attributions about other's behavior is at the heart of communication and social relationships (Heider,1958), and in the area of regulation,

the type of attribution that looms large is the underlying motive (Kagan and Scholz, 1984). The advantage of the regulatory pyramid is that its use is not dependent on a correct diagnosis of the motives of the taxpayer. All one needs to do is to look for cooperation in correcting the problem at hand. Yet, the reality is that tax officers, like other regulators, are human and “think” motives.

Understanding the motives of another is difficult at the best of times. In the case of regulation, problems are created not only by the inaccessibility of motives, but also by the demands of the social situation, specifically, the imperative to present oneself as a model citizen of compliance. Motives, however, while hidden, are not without influence on more observable phenomena. Motives shape the values and attitudes we publicly espouse to defend our position to ourselves and others (Schwartz, 1992). We all approach regulators with our own world view of how we want to and ought to engage with the regulatory system. These orientations are generally knowable because they are freely expressed. They have been termed motivational postures (V. Braithwaite, Braithwaite, Makkai, and Gibson, 1994; V. Braithwaite, 1995).

The individual is capable of adopting any of the four motivational postures described below, they can be held simultaneously, and can be brought into play in a relatively short space of time, depending on the nature of the social interaction. Motivational postures are not fixed characteristics of a person, but are the result of the dynamic interplay between persons or groups and those who want to influence their behaviors.



In the taxation context, the motivational posture of resistance would describe a confrontational approach to tax officers and the tax system. From this perspective, the tax system is likely to be seen as oppressive and burdensome, inflexible and unforgiving, and punishing rather than helping taxpayers. Tax officers are likely to be construed as unhelpful, incompetent, mistrustful, and unwilling to consult with taxpayers.

The posture of disengagement incorporates a spirit of hopelessness on top of resistance. The state of disengagement is accompanied by non-responsiveness. The system is viewed as one to be avoided at all cost and any demands for compliance should be dealt with in a minimalist fashion. Cynicism about the tax system is likely to be matched by cynicism about the power of government. From the disengaged perspective, tax officers can't do much to harm the non-complier. According to this world view, there is nothing that anyone can do to make a non-complier comply.

Both postures have been linked with non-compliant behaviors, but with one important difference. Whereas the posture of resistance is associated with a desire to be respected by the authorities, disengagement is not. Research on nursing home compliance has shown that those who adopt a resistance posture are more likely to comply at a future stage. Those who have disengaged, however, remain non-compliant (V. Braithwaite et al., 1994).

The non-compliant motivational postures are balanced by two compliant postures, accommodation and capture. Accommodation describes an explicit commitment to doing the right thing, supporting the system, accepting responsibility for compliance, and managing compliance demands conscientiously and effectively.

From the perspective of this motivational posture, the tax system would be seen to have power that is legitimate, and that will be used against those who do the wrong thing. At the same time, tax officers would be seen as respectful of taxpayers, treating them as trustworthy, and consulting them when appropriate.

While the posture of accommodation involves deliberate and conscious commitment to satisfying the demands that are being made, the posture of capture is more laissez faire. The tax system is likely to be seen as something of which one is part, and tax officers are not to be feared, nor their approval cultivated. The posture of capture would be associated with the expectation that trust and cooperation will prevail, and that nothing too terrible would happen if one owns up to mistakes and remedies them.

Common to these postures is social distancing or the manufacturing of social rift, a phenomenon that, as it increases, makes voluntary compliance less achievable. Capture and accommodation are postures of minimal social distance in that they signal belonging to the regulatory community. Resistance is the posture of those who want to be respected by the community, but feel apart. The social distance is greater, but can be reversed. Disengagement, on the other hand, represents psychological separation without feelings of loss: A wall has been constructed between the regulated and the regulator.

The significance of social rift is best understood through theories of shame and identity (Braithwaite, 1989; Lewis, 1971; Tajfel, 1978). As regulators expose behaviour that is non-compliant, those being regulated protect themselves from disapproval by placing more social distance between themselves and their accusers. Through

construing the situation in terms of “us” and “them”, the non-compliers are able to hide in the safety of an identity that is at odds with the “demonic” other. To sustain this protective mechanism, the social rift must be allowed to continue and grow. When non-compliers pursue this path, cooperative resolution of the problem is difficult. The challenge for the regulator then becomes one of changing the motivational posture.

According to the responsive regulatory strategy, trying cooperation remains the best first choice for achieving this goal. To the extent that social rift is manufactured through feelings of shame, offering cooperation displays the elements of social reintegration that are a necessary part of eliciting compliance in the future. Offering cooperation to resistant and disengaged non-compliers, however, may not always be the response that regulators feel like making. If regulators respond to resistance and disengagement in a like manner, they may exacerbate the social rift already in existence. In such circumstances, the risk is that regulatory activity will spiral up the pyramid, driven more by emotional volatility than reasoned action. The responsive regulatory strategy cautions against emotional reactivity. The reasoned response is to try cooperation first, regardless of the posturing of the non-compliers.

### **The ATO Compliance Model**

The model of the regulatory pyramid recommends strategies for the regulator. The social rift model describes the posturing of those being regulated. The ATO Compliance Model brings these different sides of the regulatory relationship together to summarize the process of conflict escalation, not with the intention of avoiding

conflict, so much as managing conflict. As one goes up the regulatory pyramid, sanctioning mechanisms increase in severity. When sanctioning strategies communicate increasing disapproval to the taxpayer, the social rift of non-compliers from the regulatory culture is likely to increase, and the entrenchment of non-compliant regulatory postures is more likely to follow. The ATO Compliance Model thereby reflects the ways in which the costs associated with enforcing sanctions are magnified by the antagonisms unleashed by resistant and disengaged taxpayers.

According to the responsive regulatory model, ever increasing sanctions may have to be used to gain compliance. At the same time, dialogue and persuasion must be pursued to draw out a more cooperative regulatory posture so that negotiations can be resumed as soon as possible at the bottom of the pyramid. For a taxpayer showing disengagement, a strategy that results in a move to resistance would improve the tax officer's prospects for gaining compliance. A further move in the right direction would be achieved through a strategy that harnessed the motivational postures of capture or accommodation. Accommodation implies a deeper level of commitment than capture, and would be regarded as the motivational posture that is most conducive to processes of thoughtful persuasion and rich dialogue, both of which are desirable at the bottom level of the regulatory pyramid.

The effectiveness of strategies of dialogue and persuasion rest heavily on a strong and cohesive regulatory culture. The ATO Compliance Model captures the importance of investing heavily in building a broad base to the pyramid, a base where there is considerable consensus on what compliance means, strong

commitment to doing the right thing, and communication networks that reinforce the importance of law abiding behavior. Such bases cannot be taken for granted.

Nowhere is this more apparent than in relation to the cash economy (Cash Economy Task Force, 1998).

### **The Cash Economy**

Valerie Braithwaite was appointed as a member of the Cash Economy Task Force by the Commissioner for Taxation in 1997. Research presented to the Task Force showed that there was widespread acceptance in the community that not paying tax on cash income was OK and that there was no certainty in the community that the ATO could detect tax evasion through the cash economy (Cash Economy Task Force, 1998). The Task Force began by re-affirming earlier recommendations that the ATO needed to (a) better understand the dynamics of the cash economy, (b) build partnerships with the community, (c) introduce incentives to improve compliance, and (d) enforce compliance through a greater variety of, and more flexible, sanctions tailored to particular industries and cash practices, and to individual circumstances. The Task Force recommended that these objectives be achieved through the development of a model of compliance behavior that would complement the existing Taxpayers' Charter. The Charter assures citizens of their right to being treated fairly and reasonably, having their privacy respected, and receiving timely and helpful advice and information.

The Compliance Model that developed out of the work of the Cash Economy Task Force has three key features, each feature represented on a side of the pyramid.

A two-dimensional fold-out of the model is pictured in Figure 1. The front side contains the “menu of options” for dealing with non-compliance. They range from learning, educating and persuading at the base through to prosecuting and incapacitating at the top. In-between is a range of sanctioning options that are tailored to the particular industry or type of tax.

The pyramid face to the right represents the type of regulatory encounter in which tax officers might be engaged. At the base of the pyramid, the activities are self-regulatory. As sanctions increase, the self-regulation may be enforced, and eventually, the style of engagement has more of a command and control quality. Setting out styles of regulatory interaction was important for ATO staff. Different groups dealt with problems at different levels, and each group had its own culture

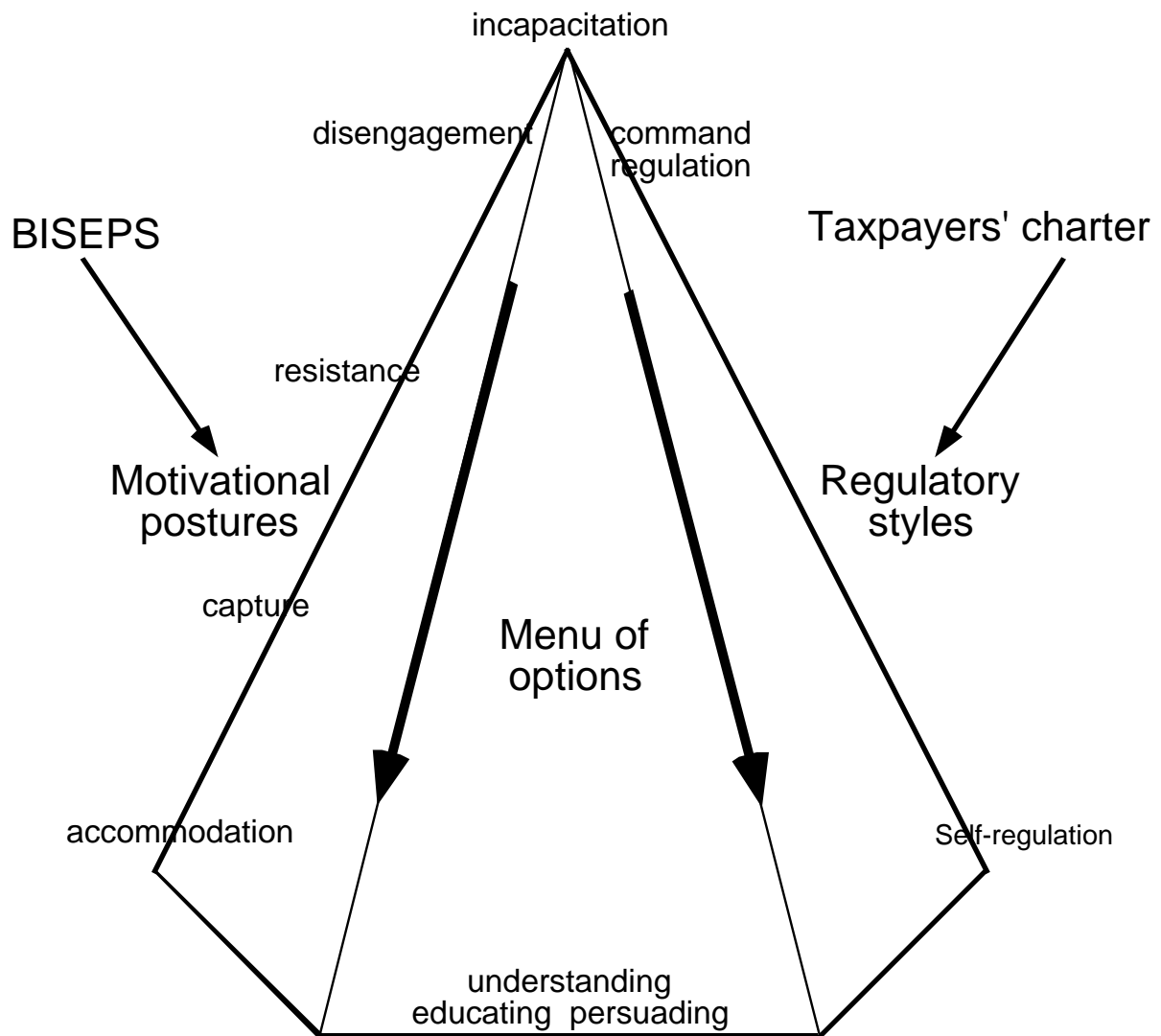


Figure 1: A representation of the ATO compliance model and set of beliefs as to the “correct” regulatory style. Recognizing a range of regulatory styles, while reinforcing the importance of taxpayers having an opportunity to cooperate initially, communicated an important message to ATO staff: Each sub-culture within the organization was contributing to the overall compliance story of the ATO, with the “soft approach” of persuasion and dialogue being as important as “the tough talk” of the court room. Overarching all of these regulatory styles was the Taxpayers’ Charter ensuring protection of the rights of citizens.

On the left face of the pyramid are the motivational postures of taxpayers and/or their agents from accommodation at the bottom through capture, resistance,

and at the top, disengagement. Overarching all these postures are the business, industry, sociological, economic, and psychological systems (BISEPS) that might explain why taxpayers present themselves to tax officers as they do. The ATO Compliance Model requires staff to investigate these factors to gain insight into how they might engineer a more cooperative regulatory encounter. Furthermore, systematic attention to the BISEPS over an extended period of time is believed to enhance ATO understanding of the structural underpinnings of non-compliance and provide the necessary intelligence for its early prevention.

To date, the impact of the Compliance Model in dealing with the cash economy has been in building a stronger community base. Partnerships have been built with industry associations to improve the flow of information and to find ways of making compliance easier. A theme common to many of the industry-based projects is better record keeping. The ATO, for instance, has designed and published a restaurant record keeping booklet, freely available and successfully marketed not only as a tax aid but also as an aid to best business practice. Industry benchmarking has also been important for educating tax agents and the public as to ATO expectations of taxable income from different industry groups. Real Time Reviews have been introduced as well in certain industry segments to improve knowledge of and practices in keeping track of cash transactions. The activity at this level is providing the ATO with valuable feedback concerning appropriate incentives for recording cash transactions, intelligence regarding tax evasion schemes, and strategies that may discourage certain kinds of evasion in the future.



## Large Corporate Compliance

John Braithwaite has been working with the ATO in adapting the cash economy compliance model to large corporate compliance. In April, 2000, the ATO published "Codesigning a New Approach to Compliance Assurance Under the New Tax System". The Compliance Model objective of understanding taxpayer behavior has involved the ATO's Large Business and International business line in a variety of sophisticated exercises in risk assessment. As mentioned earlier, this has led them to understand the main risks to compliance with the intent of the tax laws to come not from tax evasion but from tax avoidance. It has instituted a Business Systems Development Project (Bruce-Smith and Pegler, 1998) to build the hard and soft networks for knowledge coaches to mobilize the mentoring needed to advance contextual understanding of taxpayer behavior.

A Strategic Intelligence Network has been put in place. An example of how it has transformed the understanding of taxpayer behaviour is through the insight that there are a finite number of tax advisers who have the capability and aggressiveness to promote the tax shelters which are most damaging to the revenue. It follows that it may be more strategic to target this subset of advisers than to target taxpayers with a high risk profile.

Risk leveraging is a creative activity. It requires creative staff. It is a bad idea to provide a formula for how to do it because advisers will soon learn that formula. Continuous re-invention of risk leveraging is what will keep would-be avoiders guessing and therefore, complying. A culture of continuous re-invention of risk leveraging requires taking storytelling seriously. The ATO has decisively moved

away from being a business run according a Procedures Manual. At the level of informal staff interaction, ATO culture is no longer a rulebook, it is a storybook (Shearing and Erickson, 1991). A storybook orientation helps with another objective of the Compliance Model: increased flexibility in operations to support compliance. Best Practice Workshops to share success stories is an important part of the staff morale game in revenue authorities who feel embattled in their dealings with powerful corporate taxpayers. So too is recognition in performance reviews for the heroes of risk leveraging success stories.

Strategic Intelligence Analysis (SIA) seeks to build community partnerships, among other initiatives, through a 250 Financial Planners Project to create an informal soft network to open communication channels between SIA and 250 of the largest financial planning institutions. Another SIA initiative is for a soft network with a group of 15 large corporate tax managers who represent a slice of corporate Australia.

A growing source of flexibility in the ATO's approach to compliance is to take problems to international forums. The Advance Pricing Arrangement (APA) is one approach to locking in higher tax receipts from transnational corporations that has been enabled by cooperation through the OECD (Killaly, 1996). APAs are negotiated agreements between the ATO and corporations on a transfer pricing methodology which will result in an appropriate allocation of income and expenses between related parties that are selling goods or services between different countries. Negotiating APAs is painstaking work. Because they lock in higher returns much more than audits do and because they shift the rules of the game to more cooperative

ones with business, the investment may be well justified. On the other hand, the ATO needs to monitor the cost of keeping APAs up to date in the face of company-, product- and time-specific changes that make the parameters of the APA obsolete. In addition, there is a worry that only “squeaky clean” companies will ask for APAs, hence skewing ATO activity to areas of low risk. Often companies are reluctant to enter into APA negotiations because they fear this may reveal tax liabilities going back over many years. The kind of flexibility of ATO response required here is for the ATO to be willing to grant an amnesty on tax liabilities going back more than two years as part of the incentive for entering into negotiations. International tax competition can cause compliance problems that can only be addressed through international cooperation. The practice of enlisting cooperative strategies to solve competitive problems is not only relevant to APAs. The approach extends to tax havens and E-commerce as just two examples.

In effect, amnesties on back taxes use reward as a compliance strategy at the base of an enforcement pyramid. The Canadian Audit Protocols (Revenue Canada, 1996) that the ATO is piloting also reward cooperative relationships between the ATO and its clients with negotiated audit protocols that reduce compliance costs for business and increase compliance effectiveness for the ATO. This may include scheduling visits by different areas of the ATO so that disruption to business is minimized, doing concurrent audits, discussing in advance the form that efficient record keeping might take, and the like. The key idea is that Revenue Canada and participating corporations jointly produce a written framework that establishes guidelines for the relationship and the audit process. The ATO is also increasing the

number of escalation options in its enforcement pyramid by innovating with a variety of audit products short of full-scale audits (e.g. Special Issue Audits, Record Retention Reviews, Tax Strategy Reviews, Real Time Enquiries, Corporate Managed Reviews). Above audit, it has the capacity to submit cases to the superior investigative powers and criminal punishment orientation of the National Crime Authority.

### **High Wealth Individual Compliance**

The High Wealth Individuals (HWI) Taskforce commenced work in 1996 simultaneously with the work to develop the ATO compliance model. The objective was to enhance compliance management strategy for HWIs. In the first year of operation, 180 HWIs received a questionnaire about the groups of entities they control or from which they receive income. These were formalized in subsequent years into expanded tax returns. This was an important innovation to enhance flexibility of response. The inflexibility problem being responded to was that previously either a single individual or a single corporation was a case. The HWI Taskforce made a single case of one of the highest wealth individuals in the country and all the entities (trusts, corporations) they control. To stay on the program HWIs also had to be paying very little tax. The Task Force therefore enabled a more holistic view of tax planning by the rich. One HWI adviser explained why this strategy might be effective with this kind of taxpayer: "The more information he's [the Commissioner's] got, the less aggressive they will be in their tax planning." This adviser explained that notifying X in 1999 reduces the taxpayer's degrees of freedom

to re-configure his 2000 affairs in such a way that not-X appears to be the case in 1999. “Changes each year will be noticed.” So HWIs must keep their affairs consistent with the underlying truths of earlier declarations. Moreover the holistic surveillance of the HWI’s diaspora of entities means that it is harder to pretend X in the return of one trust and not-X in the return of another. The Task Force may have had modest success in this kind of way. Private companies controlled by individuals in the HWI program paid 17% less tax than non-HWI companies in 1994, 12% less in 1995, 23% more in 1996 and 20% more in 1997. Average tax paid by the 179 HWIs subjected to the most intensive surveillance increased by 62% over the first two years of the program. In other words, companies controlled by High Wealth Individuals in the project changed from being below-average to above-average taxpayers.

## **Conclusion**

A holistic understanding of taxpaying behavior is necessary to improve compliance. It will not be accomplished by considering individual or corporate taxpayers one at a time as value-maximizing unitary actors. We can learn from investment in evidence-based tax administration that industry associations, families, advisers, tax managers, tax agents, and international organizations like the OECD, among others, are loci of influence over tax compliance. The drivers of compliance at these different loci are plural. By arranging compliance appeals dynamically in a pyramid, where reward and trust are favored strategies at the base and tough enforcement at the peak, we might move responsively to harvest tax by touching the right drivers at the right moments.

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