Tax and Trust

Valerie Braithwaite

Looking Forward at 100 years: Where Next for the Income Tax
TTPI, Crawford School of Public Policy, ANU

April 28 2015
Regulatory Half-Truths

- Law and sanctions will bring about compliant actions
- The government is at the centre of regulatory change
- People respect authority and the law
- The actions of people are predictable and stable
- Decision-making is rational with regard to costs and benefits
Wheel of Social Alignments

Design of System
With multiple demands and processes

Response to the System
With multiple understandings

Response to Authority
With multiple perceptions of purpose and procedures

The Regulatory Space
With multiple sources of influence and authority
Regulatory Nightmare: FREEZE
Regulatory Dream: UNSETTLE & REDIRECT
Responsive Regulatory Dream: EMPOWER & ELICIT RESPONSIBILITY
Motivational Postures …

• are sets of beliefs and attitudes that sum up how individuals feel about and wish to position themselves in relation to authority.

• Motivational postures send social signals or messages to the authority about how that authority is regarded.
Five motivational postures

Commitment → Accommodation
Capitulation
Resistance
Disengagement → Defiance
Game playing
Defiance: Two Types, Two Purposes

**Resistance** – The purpose is to change the course of action that the authority is taking but not destroy the authority.

“I don’t like the way you are doing this and I want you to change, but I don’t dispute that we need an authority to regulate us in this area”

**Dismissiveness** – The purpose is to disable the authority, to prevent the authority from intervening in this aspect of life.

“You have no business telling me what to do – no-one should have the authority that you have over me”
Shaping Postures

Disillusionment with Democracy

Values

Perceived Deterrence

Perceived Institutional Integrity
The Central Ideas of Threat …

Agency and Social Distance

Authority threatens everyone, by virtue of being an authority.

As an authority’s threat increases, people use their motivational postures to adjust their social distance and establish a comfort zone for themselves in relation to the authority.

Different contexts bring to the fore different postures, and different postures direct individuals to make different responses, some obliging and deferential, others adversarial and dismissive.
Authority threatens ...

moral self
(honest, law abiding)
undervalued

democratic collective self
(expecting good government)
aggrieved

status seeking self
(aspiring, strategic)
thwarted

moral self

aggrieved self

thwarted self

resistant defiance
(need respect)

dismissive defiance
(need to win)

tax evasion & avoidance

Motivational posturing theory, Braithwaite 2009
ATO Compliance Model
Tear Drop Model of Opportunity and Willingness for Tax Advisers, Wurth 2013

- Outlier: 0.9%
- Aggressive: 14.4%
- Contingent: 62.8%
- Duteous: 22.0%
Regulatory pyramid of sanctions:
- Inspect
- Increase standards
- Publish reports
- Shorter accreditation
- Warning letter
- Investigate
- Supervise
- Impose penalty
- Revoke license

Regulatory pyramid of supports:
- Education
- Positive feedback
- Relax regime
- Longer accreditation
- Industry recognition
- Public recognition