

## **Abstract**

Why an institution's rules and regulations are obeyed or disobeyed is an extremely important question for regulatory agencies. This paper discusses the findings of an empirical study that shows that the use of threat and coercion as a regulatory tool—in addition to being more expensive to implement—can actually produce the opposite behaviour from that sought. Using survey data collected from 2301 taxpayers accused of tax avoidance, it will be demonstrated that variables such as trust are just as important for determining compliance. If people trust the motives of authorities, they are more likely to view those authorities as acting fairly, to consider them legitimate, and to defer to their decisions voluntarily. It is therefore argued that to effectively shape desired behaviour, regulators will need to move beyond motivation linked purely to deterrence. Strategies directed at reducing levels of distrust between the two sides may prove particularly effective in gaining voluntary compliance with an organisation's rules and regulations.