

Abstract WP 49

Why an institution's rules and regulations are obeyed or disobeyed is an important question for regulatory agencies. This paper discusses the findings of an empirical study that shows that the use of threat and legal coercion as a regulatory tool—in addition to being more expensive to implement—can sometimes be ineffective in gaining compliance. Using survey data collected from 2292 taxpayers accused of tax avoidance, it will be demonstrated that variables such as trust need to be considered when managing non-compliance. If regulators are seen to be acting fairly, people will trust the motives of that authority, and will defer to their decisions voluntarily. This paper therefore argues that to 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 organization's rules and regulations.