

2005

Social networks and tax (non-) compliance in a multicultural nation: emerging themes from a focus-group study among ethnic minorities in Australia

Maarten Richard Rothengatter
Southern Cross University

Publication details

Post-print of: Rothengatter, MR 2005, 'Social networks and tax (non-) compliance in a multicultural nation: emerging themes from a focus-group study among ethnic minorities in Australia', *International Journal of Entrepreneurial Behaviour & Research*, vol. 11, no. 4, pp. 280-314.

Published version available from:

<http://dx.doi.org/10.1108/13552550510603306>

SOCIAL NETWORKS AND TAX (NON-) COMPLIANCE IN A MULTI-CULTURAL NATION: EMERGING THEMES FROM A FOCUS-GROUP STUDY AMONG ETHNIC MINORITIES IN AUSTRALIA.

Maarten R. Rothengatter – School of Social Science (Sociology/Criminology) – University of Queensland, Australia.

Introduction

Secure sources of revenue are like lifelines to civilised societies (Justice Wendell Holmes 1927) and paying some form of tax is one of life's certainties as much as it is a "social dilemma" (Wenzel 2001: 4) for many citizens in nation-states. The existence of a *black-, cash-, or underground-economy*¹ affect governments worldwide and its extensive operations, if unchecked, are of major concern to both tax regulators and professional administrators of public policies of all kinds. The ultimate implications of all forms of tax evasion² (including non-compliance, artificial tax-minimisation and "creative compliance") can be linked intrinsically to the erosion of a government's national revenue-base (Evatt Foundation Group 1999:13) and to its efforts to accomplish public, distributive and procedural justice. Failing to achieve the latter, in particular, may undermine a government's capacity to respond adequately and equitably to the collective needs and aspirations of *all* members of society (Wenzel 2001: 1-9).

Australian Governments, like in many other countries, have displayed fluctuating interest in tackling issues of tax evasion (and welfare fraud), differing from time to time on ideological grounds and their prioritisation in targeting the non-compliance of specific groups. The cash-intensive small-business sectors, in which both immigrant and non-immigrant entrepreneurs are heavily represented, have recently gained the renewed attention of Australia's tax regulators—the Australian Taxation Office (ATO). A 1998 report by the government appointed *Cash Economy Task Force* (ATO 1998) recommended new enforcement approaches and regulatory reforms to Australia's tax system, in order to combat problems associated with widespread tax non-compliance. The report includes the ATO's revised and a more *responsive* style of regulatory enforcement and the introduction of its national *Compliance Model* (ATO 1998; Ayres & Braithwaite 1992).

The main objectives for national tax reforms are to establish a more efficient tax-mix (i.e., the shift from direct to indirect taxes) and introduce regulatory initiatives that generate adequate collective revenue in both an equitable *and* efficient fashion. Furthermore, these tax reforms attempt to mitigate "the permanent fiscal crisis" that arises through tax evasion and minimisation in various key-sectors of the nation's changing economy (Stillwell 2000: 213-215; cf. Martin & Schumann 1997: 198-202). The most recent and significant Australian initiatives have been the introduction (1st of July 2000) of a Goods & Services Tax (G&ST), the actual implementation the new *Compliance Model* and ongoing refinements to the ATO's regulatory strategies.

Of greater concern, however, are stereotypical perceptions of an alleged, embedded non-conformity with national tax laws and regulations within a multicultural³ society. These can easily turn into sources for renewed divisiveness, extensive racism and political exclusion⁴, which inhibit the successful social integration of migrant entrepreneurs⁴ into the destination

society. The resultant tax compliance discourses do not enhance a nation's efforts to instigate genuine personal and cultural tolerance, nor maintain a unifying (multicultural) national identity, which is underpinned by social inclusion and equity. This has serious consequences for a nation's overall tax morale.

Immigrant (Small-Business) Entrepreneurs

In Australia, there is a high prevalence of small-business proprietors who are from a Non-English-Speaking-Background (NESB). First generation immigrants own some 30% of all Australian small-businesses (ABS 1998a: 86) which are, in varying degrees, substantial contributors to the formal, national economy of Australia's multicultural society. Furthermore, some 85% of all small-businesses⁵ in Australia employ fewer than five people (i.e., are micro-level); and 94% of these businesses have both a proprietor and employees from the same family (ABS 1998b: 100-101). This implies that there is a strong reliance on reciprocal trust within those tightly networked entities.

As Collins *et al.* (1995:34) note aptly, ethnic entrepreneurs are able to utilise "comparative advantages" (see Hämäläinen & Schienstock 2001) in the marketplace when entering into forms of self-employment in various (small-) business sectors:

(T)he family and ethnic community...provide critical business resources such as information, finance, labour, training, customers and suppliers, and niche markets... Group characteristics allow some ethnic groups...to make a success of business activities that might be very marginal for non-immigrant businesses which cannot utilize corresponding family or community resources.

In addition to financial (business) capital, members of ethnic networks are also able to draw upon a range of culturally specific factors in the form of their shared social capital (see Nahapiet, J. & S. Ghosphal (1998). These various forms of resource mobilisation (both formal *and* informal) indicate the blending of social- and economic spheres of interaction (Wiegand & Rothengatter 2000). The latter notion is paramount in explaining a range of the allegedly informal activities from members who operate in different types of (social) trading-networks. However, one of the main implications for achieving improved levels of "voluntary tax-compliance" (ATO 1998) is that there often are contesting business attitudes, personal values and norms operating within a nominally national tax system.

According to Wenzel (2001: 4-5), a strong sense of belonging to "the collective to which taxes are contributed...that is, national identification" and non-coöperative taxpaying behaviours are inversely related. Furthermore, taxpayers' perceptions about a government's lack of performance and honesty are significant excuses for non-compliance with tax laws and other regulations (Nadler 2002; Uslaner 2003). It could thus be argued that the lived experience of "blocked mobility" (Waldinger *et al.* 1990; Collins *et al.* 1995) of people from a NESB becomes one of the main mechanisms in "neutralising" feelings of guilt (Thurman *et al.* 1984; ATO 1998: 30; cf. Landsheer *et al.* 1994). It may easily become one of the many excuses for *not* contributing financially to a civil society by which one has not been fully accepted as a 'worthwhile' citizen. Furthermore, the risky small-business environments provide greater "reactive" (Light 1984) *opportunities* for tax evasion and

minimisation, than the limited margins within which workers on wages and Pay-As-You-Go (PAYG) taxpayers can arrange their overall tax affairs.

In summary, business opportunities and greater possibilities for tax-evasive practices converge with a culturally approved drive for greater wealth and economic independence, for many people who may experience a sense of political alienation as civilians with mixed national identities and divided loyalties. These dichotomous forces that operate throughout Australia's multicultural society may require a more flexible enforcement approach, which embraces differences and exhibits regulatory tolerance in upholding *both* the rule of law *and* its application of tax enforcement measures.

Aims

The principal aims of this paper are twofold. It explores the role that the different structures of socially embedded networks themselves play in tax non-compliance or evasion; and the contribution that an application of network analysis can make to the study of tax compliance regulation. Moreover, I will argue that the enforcement of tax regulations and practices in multicultural societies will benefit from an approach that analyses tax compliance within its entire, complex socio-economic and political contexts. That is, an approach that *not only* recognises the position of immigrant entrepreneurs within their own social networks, but *also* considers “their more abstract *embeddedness* [original emphasis] in the socio-economic and politico-institutional environment of the country of settlement” (Kloosterman, van der Leun and Rath 1999).

Failing to do so (and with regards to tax compliance, in particular), is likely to result in regulatory policy-making processes and actual enforcement measures, which do not account adequately for migrants' potentially conflicting allegiances between the newly acquired civic culture and older, deep-seated ties. Likewise, maintaining formal, one-dimensional and 'one-size-fits-all' (external) enforcement measures will not solve inherently complex regulatory dilemmas. They underplay the significant roles that 'indigenous' (i.e., ESB) entrepreneurs, tax agents and business advisors⁶—as well as the State's regulators themselves—play in tax compliance processes. More importantly, they fail to recognise the recursive relationship and full significance that the structure of trading-networks plays in shaping the (non-compliant) norms and activities of social agents.

Structure of the article

In the next sections, I will firstly provide a summary of dominant approaches to tax compliance in Australia. This will be followed by a brief critique of the enforcement styles that tax regulators tend to support in respect of informal activities of small-business entrepreneurs. The next item will be the introduction of a social network approach that is heavily girded by the notion of “*mixed embeddedness*” (Kloosterman, *et al.* 1999; cf. Rath & Kloosterman 2000).

Next, I will describe the particular research method that has been used for this exploratory study and discuss the main data, which provide possible explanations for a number of tax evasive behaviours that are deeply embedded in structurally different trading-networks. The discussion will show that popular perceptions about the alleged evasive and non-compliant attributes of ethnic entrepreneurs are highly contested. The data confirm convincingly that tax evasive behaviours are *not solely peculiar* to immigrant

(NESB) business networks, but are mirroring many beliefs, norms and certain informal practices that also exist strongly in non-immigrant networks. Particular attention will be given to the role that tax consultants/business advisors (both ESB and NESB) have as agents of (re-) socialisation and become the regulator's "essential third party assistance" in promoting "community responsive" compliance norms (ATO 1998: 31).

In the final section of the paper, I proffer that policy makers and regulators may have to carefully weigh-up the advantages of a stricter enforcement of formal rules for breaches of formal laws, against changing the regulatory framework, or even condone some informal activities. Furthermore, tax regulators may need to find better ways to insert themselves strategically (and perhaps more informally) within networks operating in particular cash-intensive sectors, if they are to establish significant improvements to the existing (low) levels of voluntary tax compliance.

This alternative approach will enhance the regulators' efforts to improve taxpayers' perceptions about "distributive and procedural justice" (Wenzel 2001) that foster genuine reciprocal trust and an increased sense of mutual obligation. A *mixed-embedded* network approach that grasps the rich contexts and complexities involved in the informal behaviours of 'networked' small-business entrepreneurs of a multicultural nation more comprehensively, is to be regarded as a powerful (and additional) tool in the governance of modern taxation systems.

Compliance Research: Main Theoretical Approaches

Much of the relevant compliance literature attempts to explain people's non-compliant tax behaviours—and certain cash-economy practices of business entrepreneurs, in particular—within an agency *versus* structure debate; take a mainly macro, structural approach to compliance; or deal with the related phenomena through an integrative theoretical framework. These bodies of work, however, continue to designate chiefly the *individual offender/defaulters* as the appropriate unit of analysis. Consequently, many compliance theories and their ensuing enforcement strategies tend to operate on the implicit assumption that the individual is *entirely* responsible (and culpable) for his or her own compliance behaviours. But at the same time, they underestimate rather naively the very strong influences that are generated by the structurally and culturally embedded dynamics of social networks, which shape an individual's perceptions and their 'situated' non-compliant "motivational postures" (Taylor 2001: 9-10; cf. Mills 1963).

In essence, existing regulatory enforcement approaches tend to ignore the symbolic, non-economic and social aspects that influence tax-compliance behaviours significantly (Andreoni, Erard & Feinstein 1998; Alm, Sanchez & de Juan 1995; Kloosterman & Rath 2001; Peters 1999; Rath & Kloosterman 2000; Roth, Scholz & Witte 1989; Wenzel 2001). What these (supposedly) administratively expedient and chiefly neo-liberal policy enforcement initiatives fail to address, however, are the broader economic, social, political and the definitive, localised contexts that are at the heart of some of the *more fundamental inequalities* in Australia's multicultural society. More seriously, they tend to direct the main focus of tax enforcement initiatives selectively and arbitrarily away from the many forms of existing evasion and avoidance, which are deeply embedded within the dominant Anglo-Celtic culture itself (see Bajada 2001).

The dangers in following and pursuing these partial explanations in respect of multicultural nations, in particular, are eminent. They could very easily result in the labeling of certain groups simply as comprising inherent *tax-cheats* and classify their actions as untoward, disrespectful, ungrateful or as acting against the 'national interest'. The resultant forms of stereotyping and stigmatisation of "unpredictable strangers" (Lupton 1999; cf. Stratton 1998) can be utilised to deny legitimacy of the actions of whole groups. Furthermore, they regard non-compliant behaviours as a quality of their specific ethnic, social networks, or portray all business-migrants as the nation's (externalised) enemy and criminal others⁷. These divisive factors may promote renewed structures of sanctioned (institutionalised) racism and increases the scope for introducing further—albeit often unintended—discriminatory enforcement practices by regulators.

Some Empirical Weaknesses

A great deal of recent and influential tax compliance/non-compliance research is quantitative in nature and can be tied to a positivist epistemological position (see ATO 1998). There also tends to be a strong emphasis on individual, behavioural analysis. The resultant "attribute data collected through surveys and interviews are regarded as the properties, qualities or characteristics specific to individuals or groups", which can be quantified and analysed (i.e., variable analysis) through statistical procedures (Scott 1991). As Taylor (2001:1) observes, however,

(W)hile each of these variables appear to have some causal or correlational connection with compliance, there is often difficulty replicating the findings, and links between the variables have not been established.

More to the point, quantitative research will, typically, establish that some non-compliance *actually* takes place and may even be able to estimate (albeit rather broadly) the amounts of lost revenue from particular sectors and industries within the formal, national economy⁸. In many cases, however, it remains "rather descriptive and conceptually underdeveloped, often failing to account for and explain *why* [original emphasis] people" do not comply with a nation's formal laws and regulations (Lupton 1999).

The most decisive interactions pertaining to voluntary compliance processes, however, take place in a socially constructed environment that is the product of structural forces, individual choices, and culturally specific dynamics among *all* social actors in question. Attempts to change a nation's broadly embedded culture of non-compliance into one of improved *voluntary compliance* warrants more qualitatively oriented and interactive research from its tax administrators (see ATO 1998: 19). Consequently, a profitable approach towards the (small-) business sector, in particular, is to focus on the recursive complexities at an individual or agency (i.e., micro-) level that incorporates the context of the broader structural (macro-) level. That is, a level of analysis that is quite suitable to understand comprehensively taxpayers' "situated actions and vocabularies of motive" (Mills 1963) that are both produced by social actors *and* maintained within their respective trading-networks.

This can be achieved by exploring the "aligning" tax compliance dynamics on a meso-level (Granovetter 1985; 1995; Stokes & Hewitt 1976). By analysing the socio-economic ties, personal connections and reciprocal levels of trust that bind a network of buyers, sellers and their respective

business advisors, the tax-regulator's ability to access a taxpayer's "network capital" (Tindall and Wellman 2001; Wellman 1983) is enhanced. These influential, structural attributes not only better explain, but may also contribute practically towards changing individual behaviours and collective outcomes.

Dominant Regulatory Responses

Based on an extensive deterrence literature, it is often assumed that means of *external* social control, such as attempts to deter tax cheating through increased enforcement alone (e.g., by intensive auditing, penalties and fines), will generate sustainable forms of voluntary tax-compliance (Grasmick & Bursik 1990; Sherman 1993; Tyler 2001:5). However, "it has become clear that techniques to improve compliance based on surveillance and sanctions are inadequate or counter-productive" (Taylor 2001:1; cf. Wenzel 2001: 3-9; Wiegand 1987).

One of the essential weaknesses of deterrence as a means for controlling non-compliant practices rests, of course, on the major difficulty that tax administrators will always have in detecting (non-recorded) cash-transactions *per se*. Expressed in criminological terms, the basis of effective deterrence is "proximate control" through the enforcement agency's "permanent presence" and on real or imagined perceptions of the "certainty and severity of punishment" (Gibbs 1998: 52-56). However, this *permanent* presence is precisely what tax administrators lack inherently when it comes to policing transactions in the cash-economy. Moreover, perceptions of punishment by people on the ground remain chiefly clouded by highly externalised, expensive and complex legal procedures, whilst the risks for getting caught for tax evasion are, typically, regarded as minimal.

Conversely, *internal* social control (through socialisation and re-socialisation) promises to be a more effective and efficient avenue for both formulating and internalising tax-compliance norms, values and obligations, *provided* that they are underpinned by a broad-based sense of national identity and concomitant civic loyalties. Indeed, perceptions of the system's fairness, reciprocal social trust and a sense of acceptance or belonging among citizens who share a unified, national identity (Wenzel 2001; Nadler 2002; Uslaner 2003) may bear very significant "consequential situations and alternative acts of social conduct" (Mills 1963: 441) that mitigate non-compliance. In operational terms, a major implication is that the more expensive forms of *external* regulatory enforcement initiatives can be diminished. It also gives regulators additional responsive flexibility by having access to a broader range of suitable, more meaningful and appropriately contextualised enforcement responses.

Responsive Regulation: Applying a *Mixed-Embedded Network Approach*

Following Tindall & Wellman (2001), social network analysis (cf. Law 1991; 1999 Wellman 1983) starts from the premise that social exchange structures build upon and expand from social networks. That is, "...a set of actors (nodes) and a set of relationships connecting pairs of these actors" (e.g., groups, trading partners, business organizations and even Nation-States). This current study implies that meaningful and goal-oriented human behaviour is shaped through social interactions (Weber 1978) and regards the act of paying taxes as culturally specific, symbolic and socially meaningful behaviour. It rejects strongly any implicit notion of the "born tax-cheat" (Wiegand & Rothengatter 2000). Moreover, shared meanings allow actors to

produce various realities that are chiefly based on perceptions and interpretations of definitional options—perceptions that are “real in consequences” (Thomas & Swaine 1928).

Breaches of tax laws, non-compliant activities and the “processes that sustain them are embedded in the transactions between individuals” (Canter & Alison 2000: 3). Both compliance *and* defiance of tax laws are thus as much an internalised product of the inherent tensions between social agents among themselves, as it is *between* social agents and the structural constraints within which they operate (Law 1999: 5-9). A network approach can be used to “investigate the constraining and enabling dimensions of patterned relationships among social actors within a system” (Emirbayer & Goodwin 1994: 1418).

Mixed-Embeddedness

Following Kloosterman & Rath (2001), the full range of business activities that take place within immigrant small-business networks is to be viewed in the context of their *mixed-embeddedness* into the country of settlement. That is, using an approach that acknowledges the significance of immigrants’ concrete embeddedness in their own social networks, and conceives that their relations and transactions are also embedded, in a more abstract way, in the wider economic and politico-institutional structures of the host-country. Complex configurations of *mixed-embeddedness* “enable immigrant businesses to survive partly by facilitating informal economic activities in segments where indigenous firms, as a rule, cannot” (Kloosterman *et al.* 1999).

Laws and the actual enforcement of regulations influence business opportunities and structures fluctuate (in principle) between two inversely related directions—the expansion and decline of particular entrepreneurs in specific industries or business sectors. Tax laws and regulations, in particular, carry a considerable weight in deciding whether or not to enter (self-employed) small-business sectors. Many immigrant small-business owners enter the self-employed business market at the lower end, in order to overcome their lack of starting-capital and formal (professional) qualifications, thus utilising “low barriers of entry” into certain types of businesses. Often, these low entry-barriers emerge through a lack of strict, protective government regulations (e.g., licences, by-laws, permits, and the like) that exist in certain sectors of the economy, as well as the application of a ‘soft’ approach with regards to the actual enforcement of formal regulations (Kloosterman & Rath 2001).

Among highly competitive, small-scale and (typically) labor-intensive businesses, proprietors will often resort to strict cost-controls and be prepared to operate at low profit margins. However, this can be achieved in *both* formal *and* informal ways. Many

“(especially recent start-ups) may revert to informal practices by cutting corners with respect to taxes, labour regulations, minimum wages, employing workers who are not allowed to work (e.g., children, undocumented immigrants) and also, possibly, by engaging in other, illicit, transactions. Following this, it is likely that immigrant entrepreneurs are over-represented in specific economic markets and specific kinds of informal economic activities” (Kloosterman & Rath 2001: 28).

The main critique posited by these authors is that the existing research literature on immigrant entrepreneurs by focusing predominantly on the supply-side of the immigrant business-market, neglects two significant factors: “the *demand side* and the *matching process* between entrepreneurs and potential openings for new businesses” (Kloosterman & Rath 2001: 30- 31). This underplays the possible effects that a much broader range of government regulations has on the opportunity structures for self-employment in business ventures. More importantly, these one-sided approaches tend to ignore the fact that a wide range of informal practices is available to *both* immigrant (NESB) *and* indigenous (ESB) entrepreneurs. Lastly, and with particular reference to Australia, current regulatory approaches do not adequately account for the fact that the original networks of ethnic entrepreneurs may “de-ethnicise” (Collins *et al.* 1995) rapidly over time. Business activities and trading-networks are in constant flux; increasingly involve exchanges with Australian entrepreneurs (including second-generation immigrants who have received their education and training in the country of settlement); and extend to cross-border transactions with trading-partners from overseas.

Based on its strengths of incorporating both formal *and* informal activities—as well as structural *and* agency factors—Kloosterman & Rath’s (2001) innovative approach can be *applied* to research that investigates the changing roles that ethnicity plays in the tax-compliance behaviours of immigrant small-businesses proprietors. To be sure, a *mixed-embedded* network approach will look at the full spectrum of dynamic, socio-economic and political changes that influence the opportunities for *all* (i.e., regardless of their ethnicity) *entrepreneurs* to evade taxes. It does *not* view tax regulation within a too narrow a frame of Australia’s tax laws *per se*. Rather, it acknowledges the more significant recursive relationship between a much wider range of legislation and its effects upon taxpayers’ perceptions of government performance, procedural fairness and notions of equity (Wenzel 2001) that influence their non-compliant “postures” (Taylor 2001) most strongly.

In summary, a *mixed-embedded* network analysis is able to bridge the “micro-macro gap” (Stokes & Hewitt 1976: 838). The data are likely to show that empirical action is not driven *exclusively* by idiosyncratic “human agency, but rather is deeply structured as well by other ‘environments’ of action, such as the societal (network) and cultural environments” (Emirbayer & Goodwin 1994: 443). Finally, it fully utilises the notion that the patterned *structures* of social relations among actors in their business- and trading network(s) have “important behavioural, perceptual, and attitudinal consequences both for the individual units and for the system as a whole” (Emirbayer & Goodwin 1994: 1418; cf. Wiegand 1994).

Tapping into a meso-level (Granovetter 1995) of entrepreneurial behaviours, in particular, can be achieved through conducting focus-group interviews (Hamel 2001; Morgan 1988; Krueger 1994; Ridgeway 1983) and a lexical analysis of a network’s operative features that are both generated *and* expressed by social actors who are situated within *functioning* trading-networks. Following Blumer (1969), human

“action arises out the distinctively human capacity to engage in self-interaction, i.e., to note things, define objects and situations, and determine

the significance of these interpretations for carrying forth a line of action” (Lyman & Vidich 2000: 56).

An analysis of the “self-created narratives” (Canter & Alison 2000: 8) that give shape, coherence and significance to taxpayers’ non-compliant actions, will lead to a better understanding of their main motives or ‘drivers’, their meanings, and the social contexts for particular non-compliant behaviours. More significantly, focus-groups that are established through existing contacts within certain networks (i.e., through snow-ball sampling) are likely to also reveal the importance that the structural characteristics of the *network itself* play in non-compliant processes (Hiebert 2003).

Focus-Group Interviews as a Research Method

The main objective for choosing focus-group interviews as a research method for this particular study is to tap into participants’ “practical consciousness of their actions that stem from their immediate experiences” (Harmel 2001:346-7) and explore both the extent and depth of their ‘networked’ social capital. The concept of “aligning actions” (Stokes & Hewitt 1976: 838) can be used profitably, here, and show how structural features and cultural aspects of trading-networks are maintained in sequence with the patterned conduct of individual members within those networks. Furthermore, it illustrates how social actors do produce “reflexive responses to a social environment”, which express *their* “needs” and that the latter are located “in a set of determinants within contemporaneous fields of societal values” (Mills 1963: 431). The pertinent underlying premise, here, is that an understanding of the ways by which members of a (social) network define themselves

“...in relation to tax authorities and other groups of taxpayers, affect attitudes to paying tax, the strength of objection to or acceptance of paying tax, the perceived fairness of tax, and the degree to which self-interest versus ‘civic duty’ is likely to be a motivating factor” (Taylor 2001:2).

Some main advantages for using focus-group interviewing are that it is a socially oriented method (Berg 1995; Devine 1995; Turner 1983); it captures the actual dynamics and interactions between social agents in similar situations; and the research is conducted in a “permissive, non-threatening environment” (Krueger 1994). Attitudes and opinions held by people “embrace both the definition of situations and the feelings about them” (Lyman & Vidich 2000:35). Moreover, participants stimulate one another in disclosing embedded practices and lived-experiences, which the moderator can probe in greater detail and depth, as opposed to a rather tight format for questioning general attitudes and compliance behaviours through individual surveys. Finally, focus-group data have “high face validity”; are relatively cheap to run; and can “produce quick results” for policy-makers (Krueger 1994: 28-38).

However, there are also some disadvantages in using focus-groups interviews—and for research on tax compliance behaviours, in particular. Because the researcher/moderator has less control than in individual (one-on-one) interview sessions (Krueger 1994), certain members of the group may attempt to dominate the discussion; can influence the direction of the discourse; or obstruct a free flow of information intentionally. Others may remain silent in fear of formal repercussions or the strength of informal social controls within their network (e.g., a code/conspiracy to silence, loss of trust, or public ridicule). Moreover, some participants within a group may exercise

certain forms of self-censoring or contradict themselves inadvertently at different stages of the interview-session.

Consequently, narratives may turn into merely expressing personal opinions or espousing (stereotypical) political convictions about the behaviours of *generalised others*, rather than give an honest account of *one's own* incriminating and deviant practices. Furthermore, the recruitment of suitable participants for group discussions—and on contentious topics, in particular—may be difficult and rather time-consuming (Krueger 1994). Lastly, data that are generated from focus-group interviews cannot as easily be generalised to the broader population of taxpayers, as may be the case with data from large-scale, quantitatively oriented surveys.

However, focus-group interviews are very well-suited to unveil *specific* dynamics, lived-experiences, insights and *subjective* explanations for non-compliant behaviours that take place within particular social contexts and help to structure the meaningful actions of certain taxpayers *from their perspective*. The narratives and discourse among the participants of focus-groups will, typically, generate perceptions or contain disclosures that can subsequently be turned into survey-questions or new hypotheses for future research, which can be tested quantitatively on a broader scale and by using a more representative sample.

The process of data collection for this exploratory research project involves a form of theoretical (non-probability) sampling and the careful selection of additional data that contribute effectively towards the emergent conceptual categories and their respective properties; their relationships; and the emerging theoretical framework in respect of tax-compliance approaches. The selection of the current study's sample is—in addition to methodological and theoretical considerations—also driven strongly by 'hunches' that the researcher has about certain types of trading-networks. One of the main premise, here, is that "off-the-books" (Wiegand 1992) transactions between trading partners involve *necessarily* particular forms of collusion, in order to prevent regulators from discovering non-compliance by checking third-party information, or through cross-referencing formal documents, other government agencies' data and administrative procedures (Wiegand 1994).

Operationalising Five Selected Trading-Networks

The units of analysis for this exploratory and semi-grounded research project are five carefully selected networks connected to ethnic- and non-ethnic small-businesses in the State of Victoria, Australia. Cash-intensive industries that are occupied by *both* NESB *and* ESB social actors are likely to produce more interesting comparisons with regards to the concept of *mixed-embeddedness* and its possible implications for regulatory responses. Ethnicity is important to the extent that cultural norms and values regarding business-conduct and one's payments of taxes may vary from one ethnic group to another. For second-generation migrants (e.g., those who have received an education in the country of destination of their parents) notions of ethnicity, gender relations and business practices may be different. Likewise, the overall structure and composition of a trading-network can have a differential impact on taxpayer compliance in the cash-economy (Wiegand 1994). Consequently, four significant, *structural* characteristics can be examined for analytical purposes:

(1) *Inter-generational vs. intra-generational networks*, which compare and contrast single-generation trading networks (i.e., intra-generational), with those made up of multiple generations (i.e., inter-generational). The main task here is to investigate whether or not the second generation's (Australian) education and greater exposure to the broader Anglo-Celtic culture, including their respective small-business environments, have significant implications for individual compliance postures.

(2) *Open vs. closed networks*, which compare and contrast trading networks that depend largely on imported inputs (e.g., capital, labour, wholesale goods) with those depending largely on domestic—or perhaps only local—productive inputs. Opportunities for tax non-compliance among these different types of networks may be influenced, e.g., by differences in access to cross-border financial transactions, commodity markets, or the high levels of reciprocal trust and ethnic loyalties that may run deeply throughout international/global networks.

(3) *Tight vs. loose networks*, which compare and contrast trading networks in terms of the degree to which business relations are bound by ties of friendship, kinship, or ethnicity. Tight structures, of course, produce more extensive “network capital” (Tindall & Wellman 2001) than loose structures. Strong levels of ethnic loyalties, kinship obligations and their resultant ‘conspiracies to silence’ may be expected to be operating within and among these tightly structured networks; and

(4) *Integrated vs. non-integrated networks*, which compare and contrast trading-networks made-up of vertically integrated businesses, with those that are non-integrated. Theoretically, an integrated network consists of small businesses that are interlocked through a common ownership structure. Opportunities to shift stock and profits informally between the different chains and their accompanying potential ‘skimming-from-the-till’ practices can be brought to bear.

Recruitment

Some four months of intensive fieldwork were required to assemble subjects for the focus-group interviews by means of “network-sampling”⁹ (Wiegand & Rothengatter 2000; cf. Neuman & Wiegand 2000). A number of specific industries and sectors were selected on the basis of their initial categorisation into businesses with a ‘high risk’ for tax non-compliance, by the *Cash Economy Task Force* (ATO 1998: 1-10; ATO 1997).

The initial contacts with potential participants were gained from discussions with representatives of Ethnic Community Organisations and various Trade Associations. Moreover, additional participants were recruited from personal referrals among trading-partners, business-advisors, accountants or suppliers associated with the respective networks. The group of Chinese/Taiwanese business people and their advisors was recruited with the help of a Chinese speaking research-assistant with strong personal connections in the Taiwanese business community.

The composition of the groups was further influenced by the researchers’ analysis of data and information provided by the Victorian Chamber of Commerce; employer groups; the Australian Taxation Office (ATO 1997; 1999a; 1999b); a Regional Migrant Resource Centre; and the Australian Bureau of Statistics (ABS 1998a; 1998b).

Networked Focus-Groups

The study's selected five focus-groups comprise:

1. A tightly structured trading-network comprising six (three males and three females), second-generation NESB, *Australian-Greek* entrepreneurs. The six participants vary between the ages of 22 and 30. Some participants in the group are active members of one of Australia's many *Australian-Greek Business Associations*;
2. An integrated network of wholesale-retail businesses (four participants in their early and late-forties—two NESB males and two ESB females) in the food production/wholesale and fast-food/retail sectors;
3. A *non-immigrant* network of eight (i.e., all Australian-born and/or ESB) male small-business owners in the hospitality and related service industries, varying in age from 35 to 55;
4. An open network of (ethnic) Chinese/Taiwanese small and medium-sized business owners involved in trade (Import/Export–Retail/Wholesale) and their trade- representatives, including three business advisors. This group can be subdivided into six young people who are (partly) educated in Australia and six older participants who have entered Australia, mainly as 'Business Migrants' at much later stages of their life. Two of the young participants (who all are bi-lingual) are females. The older participants (all male) have only limited English language skills and did enjoy minimal formal education in their country of birth; and
5. A network of Tax Agents/Certified Practising Accountants and Business Advisors/Small-Business Consultants (all eight participants are male; in their early-40s to mid-50s and working with a significant number of small-business owners from both an ESB and NESB). Three of them are second-generation immigrants from a NESB. The other five interviewees are fourth- and fifth-generation Australians.

Interviews took place in May 1999 and were conducted in different regions within the State of Victoria (Australia). All focus-group members received assurances for full anonymity and gave their (written) informed consent.

The study is guided by six (theoretically driven) research questions, which the moderator put to every focus group and teased-out further in various ways, depending on the relevance to each group (see Appendix). These six general questions, in turn, suggest related working-hypotheses¹⁰ that helped to focus the collection of data and their subsequent analysis more effectively. The interviews were all taped (audio) for *verbatim* transcription and analytical purposes, and varied between one-and-a-half to just over two hours in duration.

Key-Findings

A number of important "compliance and non-compliance themes" (Rothengatter & Wiegand 2000) can be discerned from the study's five focus-group interviews. They both reveal and illustrate the links and relationships between certain theoretical concepts, and participants' perceptions, attitudes and behaviours in the context of their (*mixed-*) *embeddedness* within different trading-networks.

From the general shape of answers that were given to the corresponding research questions and probes, the following salient aspects and narratives emerged.

Question One: Who Are the Real Cheats? - A Contest of Accusations

What most taxpayers in networks think about the compliance of others influences directly what they do in that regard¹¹. Believing that *almost everyone cheats* erodes the nation's voluntary compliance culture, whereas believing that *almost no one cheats* strengthens it (Taylor 2001; Wenzel 2001). However, in exploring the different perceptions of tax non-compliance that exist in the five networks, it was found that there is a definite *contest of accusations*.

The networks of non-immigrant business owners and tax-agents/advisors in this study tend to equate "*tax-cheating*" with specific ethnic groups, such as Asian- and Eastern European immigrants. They are all stereotyped and perceived as having little regard for *proper invoicing* and *record keeping*; do *not trust* Banks and Financial Institutions; and are accused of commonly *paying cash-wages* to (extended) family members. Asian small-business operators are cited as having an unfair advantage over non-immigrant businesses. Their successes are partly attributed to the *cheap labour* that is supplied by family members.

"The competition with the Chinese or Vietnamese, and so on, they have uncles, brother, auntie, nephew, whoever else - all involved in it. They're all doing plenty of hours - cheap labour. They can be a little cheaper with their products, which means they can pick up easier business."

Ironically, the networks of non-immigrant business owners often labeled ethnic business operators negatively, while excusing the non-compliant activities occurring within their own group.

"I've got a mate who has got a trophy shop. I'm sure - he's told me - that he skims a lot of money...because otherwise, he says, he gets nothing out of it... I think it seems to be, for a lot of years, the Australian way - the 'Battler'. And if they got an opportunity, skim—have a go; have a skim."

Immigrant business entrepreneurs try to resist the widely-held perceptions and negative stereotypes, by accusing non-ethnic operators of similar 'sins' and by espousing their perception that practically *all* small-business owners engage in tax non-compliance of one sort or another. Following a probe that questioned the activities of his colleagues, this ethnic small-business operator proffered:

"I'm talking about the supplier market. When I was in Australia, people criticise Asian people for this bad habit. Like, you buy *under the table*, something like that. Break the rules. But in this many years, I have found not only Asian people but Australian people do [the] same thing. They try [to] avoid sales-tax. Tax rates are high and [there is] too much incentive for the people to avoid paying proper tax."

Furthermore, a tendency to place diverse ethnic groups into a single conceptual category emerged. The perceptions, as expressed in non-immigrant trading networks, generally glossed over inter-ethnic, cultural differences. This non-immigrant proprietor, for example, categorised the non-compliant, personal attributes of his customers as:

"For us, it's Albanians, growing [flowers] and distribution. The people we deal with come from a farming background. Cash is, you know...They're *not* into paperwork and books and stuff. Buy it today - sell it tomorrow: what's left is *their* [tax-free] profit. [These are] wholesalers...just a lot of the people we deal with quite often don't have good English; don't have very good literacy; can't write a cheque - so it's got to be cash!"

A little later into the interview, however, the same participant made the following statement pertaining to his own compliance morality (and double standards!) when it involved *doing* his customers *a favour*.

“Because we export, a lot of our export customers tell us to send a ‘fudged’ invoice, as well as the *real* invoice... We do that, no problem...in about five or six countries... We’re not doing anything wrong, I believe... Just providing them with their documents... They pay tax on a dollar-fifty instead of three dollars... Why should they pay duty on freight? They should only pay duty on the goods. So, they are not doing too much wrong.”

The above quotations illustrate how some taxpayers invoke “pluralistic ignorance” and express the notion of “false consensus” in justifying their own non-compliance (Wenzel 2001). Furthermore, the narratives show something pertinent about the structural aspects of particular transactions. They also highlight the mixed-embedded nature of the overall regulatory framework. Networks that operate in both integrated and/or open trading-structures are able to defy various laws, because fully effective regulatory controls—e.g., by cross-referencing relevant formal (international) import/export documents or cross-border/international financial transactions—are virtually impossible. What also becomes clear, however, is that different forms of *reciprocal collusion* are necessarily embedded in these *types* of networks, in order to avoid detection of regulatory breaches.

Furthermore, ethnicity appears not to be as a significant predictor for these types of non-compliance, as popular perceptions tend to suggest. This NESB entrepreneur, for example, feels that tax non-compliance is endemic in, e.g., the (electronics) computer-goods industry and cuts across ethnic lines.

“[T]here is a lot of cash business...A company can say it is bankrupt, but still [have] certain amount of cash business. We buy in cash and sell in cash; no invoice - no paperwork... In my experience in the computer industry, cash business is more than fifty percent. But I don’t think it is only the computer industry. Australia is very *flexible* as well... Money is money! It speaks the language.”

Similar transactions (undocumented) are possible among integrated networks. As the following quote from a member of a second-generation NESB wholesale/retail network demonstrates, stock can easily be shifted informally between trading entities. The ultimate result is the practice of *skimming-from-the-till* [i.e., practices that distort the assessable profit figure that is to be declared to the Tax Office, which reduces the amount of tax payable on income/profit].

“Beforehand, we had to stick to exact orders. Just wholesaling - every customer gets sold so much. Now, it doesn’t matter. If we are a few short of some item, we can take it away from the [...] shop...and try to sell them there [off the books]. That’s the advantage of it. You don’t have to make sure that you have always the right amount.”

Or, as expressed by this ESB entrepreneur’s use of shoddy bookkeeping practices:

“We pay cash for everything really. All our onions, the rolls, fruits, are just cash stuff... Our takings-book [sales records] is different from the income-book that we give to our accountant. We record how much the business takes-in every night... That’s the record the taxation office is going to see. But really, it’s only about \$200 [a week] we don’t put in... Still, it works out to

be about \$10,000 a year. Businesses are getting away with it—putting down what they want.”

Even though the individual amounts of money involved may not be all that significant, when taken across the full range of small-business sectors the total (virtually untraceable) loss of tax-revenue becomes apparent.

Tax administrators, however, would make a serious mistake by giving too much credence to popular perceptions that ascribe tax-evasion by means of false invoicing, document fraud and forgery or *skimming-from-the-till* practices, *just* to ethnic entrepreneurs. To the contrary, what is clear is that rather than ethnicity, the *structure* of these businesses facilitates and contributes to both particular forms *and* the extent of certain types of tax non-compliance (see Wiegand 1994). More to the point, the findings confirm that non-compliance among small-businesses is widespread; is embedded among various sectors; and that *skimming* is a standard-practice for many self-employed entrepreneurs. Regulators should be more concerned about the fact that tax non-compliance “appears to be entrenched in the Australian work ethos” (Bajada 2001:12) and needs to be tackled across the board. Lastly, these findings reiterate the importance for tax regulators to recognise the recursive relationship between the various jurisdictions and areas of regulation that impact upon different types of networks.

Question Two: Why Comply? Allegiance for what? Themes at the heart of Immigrant Culture

The task here is to assess the salience of ethnicity in cultures of compliance. To best do that, a comparison between non-immigrant networks and those of NESB immigrants can be struck. Business relations in NESB networks are markedly ethnic in structure. They are also decidedly familial (Collins *et al.* 1995). The close bonds between buyer and seller contribute to a “favour-based business ethic” (Wiegand & Rothengatter 2000). The cultural practice of doing “*special favours*” for co-ethnics is perhaps the most defining ingredient of NESB trading-networks.

Networked Privileges: ‘In Co-Ethnics We Trust – Everyone Else Pays Cash!’

The Taiwanese/Chinese small-business owners in the study, in particular, are far more likely to participate in open trading networks (i.e., trans-national networks) than any of the other entrepreneurs that were interviewed. More so than the other four groups, this network capitalises on maintaining close socio-economic ties abroad. In structural terms, this openness has important implications for tax compliance. In addition, the Chinese/Taiwanese trading network is distinct from others in the difficulty outsiders—particularly non (ethnic)-Chinese ‘foreigners’—encounter in gaining access to it. Belonging to this network provides its members with many “comparative advantages” (Hämäläinen & Schienstock 2001).

Ethnic Chinese trading-networks are remarkably tightly-knit, and consequently provide members with rich reservoirs of networked social capital (e.g., business opportunities and finance, information, language, *et cetera*), including high levels of implied trust. The basis of these opportunities rests on the cultural practice of *quanxi*. What bearing, if any, *quanxi* might have on compliance is only poorly understood. However, the following quote begins to shed light on this unique concern.

Quanxi roughly translates as “*relationship*” or “*personal connections*” that are underpinned by high levels of social trust. What the term connotes is

the bedrock importance of enduring social, ethnic, linguistic ties and familial relations, in business dealings.

“The Chinese way of doing business is with lots of friends...and Western systems are different. In the West, it's just the price...If the price is higher than the others, no matter if we have a relationship to do business ten years or thirty years, go away...In my opinion, *quanxi* is a very influential factor. But not only *quanxi*...Chinese people [are] very diligent. And also we care very much about our family. We respect seniority sometimes. In Australia, non-Chinese can become my friend...Sometimes [it] is a little bit in favour of Chinese - after all we're Chinese...If I do something not good to my Chinese friend, people will talk about it.”

With regards to import- or export transactions, high levels of trust can be utilised to avoid paying Customs' duties and excise levies, execute money-laundering schemes, or transfer profits to entities in countries with lower tax rates.

“The Red Envelope”

Not unlike the study's second-generation Greek entrepreneurs, who are expected to provide their co-ethnics with specific favours for 'paying-cash', the extensive Chinese/Taiwanese network brings to the fore a rather culturally specific custom of their own. Sensitive to the accusation of paying their employees *cash-in-hand*, the Taiwanese/Chinese small-business owners defend themselves by downplaying their cultural practice of using the “*Red Envelope*”.

[i.e., the payment of a lump sum, in cash, as a form of bonus and/or expression of gratitude for the achievements and contributions that an individual has made to the overall success of the business. Depending on the type of business and level of achievement, payments may vary between “a few months” (extra) salary...or as much as a “full year's extra”.]

There can be no mistaking, however, on the non-compliance involved in this cultural practice. As one subject put it:

“It's not gift-giving; it's red envelope. Under the table. Facilitation fee. Special bonus. That's the absolute difference... In China, at the end of the year, if business is good and everyone works very hard, we pay extra money, a big bonus. For different people, it's a different amounts...You don't *need* to pay the tax.”

Australian tax authorities are expected to be more “*flexible*” towards embedded customs and the social contexts in which the Taiwanese participants use and organise their productive inputs.

“Yes, Taiwanese people are very flexible. [Here] it is easier to get information. In Taiwan or in China, sometimes it is not easy to have access to information or the rules. So the person in charge has very big power to decide whether you are qualified or not qualified for certain things. Then, therefore, businessmen have to find a way to *flatter* the person or to *give some nice things* to the person making decisions.”

In respect of their taxation matters and other financial advice, most subjects in this network prefer to deal with and rely heavily on the services of second-generation co-ethnics, who are educated (mainly on a tertiary level) in Australia and have adequate language-, finance- and accounting skills. One member of the group emphasises the necessity of being bi-lingual, which

becomes an issue especially for the young (ethnic) Chinese people who were born in Australia.

“Regarding the second-generation and the third-generation, they *must* keep learning Chinese. They will then keep their connections in Taiwan...but if the owner loses his language, then he probably doesn't have an advantage... Ethnic background still influences Chinese businessmen here, *unless* the business has nothing to do with import-export. More than 90% have connections with Taiwan or China.”

The *special favours'* ethic appears to weaken, however, once immigrant trading-networks involve non-immigrant business operators. Indeed, *mixed-embedded* trading-networks seem to “de-ethnicise” fairly quickly. The main reason has to do with the fact that “there are not, in Australia, ethnic enclaves...[rather] the key feature is the diversity of ethnic groups” (Collins *et al.* 1995: 155). The experience of a Taiwanese importer and wholesaler underscores the point:

“When I arrived, it was very difficult for me. I did not speak English. Where are my customers? But now, I would say that perhaps as many as 85 or 90% of my customers are Australians [meaning non-Chinese].”

Another Taiwanese businessman describes the ethnic composition of his computer-goods trading network in this way:

“Half of my customers are Chinese and half are Australian. My suppliers are mostly Australian, at least the local ones.”

It cannot be suggested, however, that the mere melding of immigrant and non-immigrant trading-networks will result in the full dismantling of a culture of *special favours*. More significantly, the interview evidence reveals, to the contrary, that cultural approval for *tax-cheating* also exists in the non-immigrant networks and that its sanctioning (e.g., through public shaming) does not really play a significant role. As non-English-speaking trading networks de-ethnicise, therefore, there is a real danger that their culture of non-compliance (i.e., the *special favour* culture) might blend into the non-ethnic cultures of non-compliance. This would only exacerbate the problem.

Here, a dedicated strategy of providing basic civics lessons—as well as taxpayers' assistance services—to NESB immigrants might go far in widening their sphere of responsibility. The following remarks of a Taiwanese businessman are instructive:

“As you talk, I have been trying to convince myself to accept taxes. I live in a very good environment. I have a very good social security... But for me, I think, it is a little bit different. I was educated here, so I took the benefit. But others come for just a short time... They are hard to convince that if they make a contribution now, they will get something back in return.”

Stressing the range and quality of public goods Australian citizens/residents receive may help taxpayers to *internalise* a renewed sense of civic responsibility that is rewarded by increased notions of inclusiveness.

With specific regards to improving voluntary tax compliance, the above quotations imply the importance for regulators to design communications strategies that serve to discourage and mitigate *informal* social pressures. Understanding the (*mixed-embedded*) social structure and ethnic culture of these small-business trading-networks will enhance the regulator's ability to exert influence over patterns of communication within specific groups. The

participants stress the importance for regulators to communicate their compliance messages in culturally appropriate and adequately contextualised ways. Especially important in this regard are native language; ethnic generation; gender; reciprocal social trust; and the regulator's acknowledgment of the significance of *quanxi* (i.e., personal connections) for Taiwanese and ethnic Chinese small-business owners.

Question Three: Evasion to Avoidance - On the "Professionalisation" of the Second-Generation

Having provided their children with an education and greater job opportunities, it could be argued that certain forms of "orthodox and reactive solidarity" (Light 1984) and the alleged law-defying practices from first-generation migrants would diminish among second-generation entrepreneurs. The following quotes seem to suggest that exposure to the dominant norms and values of the destination society may mitigate tax non-compliance.

"I am in an Australian company... I am more serious about tax than other Asian people... I have been trying to convince myself to accept taxes."

On a specific probe on inter-generational *attitudinal* differences, this second-generation NESB participant (tax-agent) proffered:

"Nine out of ten [second-generation immigrant business owners] have grown up with the notion of having to pay taxes - everyone pays taxes, so it's not 'a big drama'. When you talk about the first generation, if they spend a dollar on tax, that's an expense that *should be* avoided. It's just that *mentality* they've got, that the Government is an expense... There's a big difference... They [the first generation] say: 'Look we have these people in Parliament - they are not doing what we want them to do - and they're ripping us off'. They feel ripped-off. Whereas the second generation will say: 'Exactly' and keep-on going."

But do they? Has the second-generation been sufficiently exposed to and *internalised* the compliance norms and morality of the country of settlement adequately? Conversely, has their initial reliance on fellow migrants in their business dealings diminished and, therefore, are they more receptive to the compliance norms and values of non-migrant entrepreneurs in their networks? Do they trust and perceive the levels of fairness of the overall tax-system to be significantly greater than their first-generation counterparts? The evidence of the focus-group interviews contains a wide range of mixed feelings to the contrary, and also points clearly towards a shift in the *types and levels of sophistication* for particular forms of non-compliance.

Professionals in Tax-Minimisation or Evasion 'Revisited'?

A consensus seems to have emerged among second-generation NESB entrepreneurs as to the criminality of certain types of tax evasion that took place in first-generation businesses. Specifically, these young Greek entrepreneurs hold disdain for the "*backward*" cash-grabbing practice of *skimming-from-the-till*. They share similar, albeit contradictory feelings (i.e., they accept cash-in-hand payments themselves) about unreported cash transactions and having to offer *cash-discounts*.

"I think the Greeks of our age... we, apart from retaining our name, we expect respect as well, and appreciation for what we do. Rather than having to do with '*shifty*' dealings, why don't we [just] be straight... Sure, we're Greek but

just because we're Greek doesn't mean you get it for nothing... We've shoved across the 'shifty' and we are working in a professional manner. You go further. There is less heartache."

Although apparently "*an element*" of second-generation Greeks has internalised their parents' evasive practices—as the research evidence suggests—the majority does not endorse their ("*backward*") unlawful practices. One could conclude, therefore, that incidences of *specific types* of evasion from the past may have decreased inter-generationally.

As upwardly mobile, young professionals, they say that they have distanced themselves from the "*shoddy*" bookkeeping and cash-non-compliance, characteristic of some immigrant businesses. One should not assume, however, that by verbally rejecting certain tax-evasive practices equated with immigrant culture, second-generation immigrant entrepreneurs now *behave* necessarily as 'model' taxpayers. The evidence from this network indicates that some means for evasion have become more sophisticated and that the younger generation resorts to adapted forms or more "creative non-compliance" (McBarnet 2001).

In other words, this network of young, second-generation ethnic entrepreneurs seems to be somehow willing to approve of a "situational ethic" (Wiegand & Rothengatter 2000) towards both crude and more sophisticated forms of tax avoidance. Practices such as overstating business expenses, abusing tax-exemptions and tax-credits, or even *working cash-in-hand* and/or exchanges in the form of *barter arrangements*, are all part of their current evasive arsenal. The "motivational postures" (Braithwaite 2003; Taylor 2001; Braithwaite *et al.* 1994), which they employ to justify their own non-compliance center on their personal work-experiences, efforts to accumulate assets, and strong perceptions about the unfair outcomes of Australia's progressive income-tax rates.

Procedural and Distributive Tax-Fairness

Clearly, there is confusion and certain tensions between perceptions of individual deserves and notions of "macro-justice" vis-à-vis the common good, among these young taxpayers. To be sure, all subjects generally express an opinion that "*we should all pay tax and contribute to society*" – i.e., pay the right amount of tax, presumably on an equitable basis and people's capacity (i.e., level of income) to pay tax (Wenzel 2001: 8-9; Taylor 2001).

The moderator's further probes about tax-fairness, however, turned chiefly into a direct critique of the tax-system overall and, by implication, mistrusting the regulator's integrity vis-à-vis the enforcement of tax rules and regulations on an equitable basis. As one female participant in the group puts it:

"I think they are a little harsh on the low-income earners. They are paying more than they should and there are not that many benefits."

Followed by the words of a second female:

"Our Government needs to nurture small-business and young people in business... But once you start achieving, doing well, you get cut down for it. On the other hand, you hear of the casino getting tax breaks. I'm working *my guts out!* Yet, on top of my university fees, you get so much taken-out for tax. And then, you can't apply for certain things because you're earning too much

money. People of our generation will tell you: 'I work 9-to-5. Why should I work any more?' "

However, when the topic of the cash-payment of wages comes up, the same participant makes a point, which is generally approved of (and even expanded upon) by all others in her group:

"I was carrying two jobs and sometimes three jobs for nine and a half years...being chopped by 49%... But with tax reform, you have to take a good look at income tax... I mean, admittedly, I had to ask to be paid 'in cash' in one of the jobs. I couldn't be in one of the highest tax brackets for a job that was just giving me that little bit of extra money that I needed every week."

Likewise, the second-generation NESB tax-agent who said earlier "*for them it's no drama*", makes the following statement later into the interview:

"If you look at the system, the system in that regard was relaxed. It is very difficult to enforce. It is just the nature of the beast... Look, at the end of the day, my attitude towards it is [that] they [the ATO] do what they do; and we do whatever we have to do to comply, and keep-on going. If it takes a greater effort, we put in the greater effort. I look at it from that point of view—we do whatever we have to do."

These statements point toward an alleged supremacy of 'new ways' for *beating-the-system*. Indeed, as more *professional* operators there stands before them a vast, grey area of their own business practices for which the distinction between minimisation, evasion, or avoidance is not always so clear-cut. Moreover, their perception of a diminished reliance on co-ethnics for success implies that they find it not too difficult to deal with the *mixed-embedded* compliance norms and more sophisticated non-compliant practices from their non-immigrant business associates and advisors, who are now part of their generation's network. It gives them certain advantages (over their first-generation migrant parents) by being able to access

"...school- and peer group networks their parents relinquished when they emigrated. As a consequence they are better able...[to] exploit two cultural milieus for information, finance, labor and consumers" (Peters 2002: 42).

In summary, ethnicity and its inter-generational developments are, by themselves, not sufficiently warranted predictors for reducing non-compliant entrepreneurial behaviours. The *mixed-embedded* position of these particular taxpayers comes to the fore quite strongly in this network. Widespread and deeply embedded evasive practices involving cash-transactions are accepted as "the way things work" and good deals are done (Mars 1988; 2000) within many cash-intensive industries and business sectors. Moreover, these preliminary findings seem to suggest, again, that the structure of this trading-network and its concomitant opportunities for non-compliance seem to be the main causal factors for tax non-compliance—not ethnicity *per se*.

Question Four: Moving Cash — Money Laundering and the New Geography of Trade

Unlike the relatively small amounts of money involved in *skimming-from-the-till* in retail outlets, transactions on a wholesale/retail and import/export level may require a different structure to conceal their cash-economy components. One Taiwanese/Chinese subject expressed his

opinion that the open trading-networks seem to provide a more systematic means for “laundering cash”¹², in these words:

“From my working experience, most immigrants from Taiwan still have [business] connections in Taiwan... I find people from outside [Australia], immigrants, they are more *flexible*. Many of my clients do money laundering. It’s obvious. They don’t care... The ordinary Aussie guy, not many people do that. But if you see an Asian guy, most of the people do that.”

His sentiments illuminate what can generally be referred to as a part of the “new geography of trade” (Wiegand & Rothengatter 2000). The internationalisation of finance and trade are inter-related processes that hallmark globalisation¹³. These liberalising processes produce a proliferation of open trading-networks, that is, of networks whose business relations are characteristically trans-national in structure.

Small-business enterprises that operate as a combination of wholesaler/retailer/importer within a single captive entity, are also interesting illustrations of flexibility within the new geography of trade. The next statement reflects just how vast and complex this informant’s network is:

“I’m a supplier from Taiwan. My office is in Taiwan. I have offices in Shanghai and Hong Kong...buy from suppliers there too. They are all Chinese... After I arrived here, I never supplied from my [Australian] warehouse to them. I still offer my goods from Taiwan or ‘mainland’ China shipped direct to them - not from my office here. That’s the difference.”

It is typical that many business people who operate in open trading-networks travel abroad extensively. Maintaining close contacts with suppliers of goods, financiers and the providers of logistical services, requires regular personal attention, as espoused by this participant.

“I fly to Taiwan and Shanghai almost ten times each year. My family stays here. One month I go back, and then five weeks I come back... Australia is not a good market, too small people, too small. Taxes are very high, the labor are very expensive. Transportation fees are very high. We don’t 100% understand the law here. In Malaysia, we just produce for outside. That’s easy.”

The overt messages in this statement appear to highlight the various reasons (and motivational postures) for not operating his main business from the same country in which this subject has chosen to live. The implied messages, however, are again displaying postures and the required opportunities to exploit differently embedded regulatory regimes for maximum business efficiency and personal financial gains.

Although none of the subjects in this focus-group confesses openly to carrying large quantities of cash during those trips *per se*, there are stories about the ease with which financial transactions can be routed through their various business entities in different countries. It is also unclear from the interviews whether or not money laundering is consolidated within specialised, open (i.e., dependent on trans-national business inputs and outputs) trading-networks that handle the ‘*skimmings*’ from multiple retail shops.

One major aspect of the laundering process, however, can be ascertained from our network interview data with reasonable accuracy. On the one hand, the use of open trading-networks to launder cash informally, necessitates a setting of tightly structured, socio-economic relations. Ethnicity, kinship, reciprocal personal trust and friendship, are all paramount means in

constructing and maintaining such tightly-knit, open structures and concomitant evasive practices. As illustrated aptly by Rath (2001),

“(I)n the formal economy, actors can call upon law enforcement agencies to redress possible infringements of their rights, but in the informal economy they have to use other instruments... They have to rely on their own social arrangements and moral codes, which put a great deal of emphasis on trust. Particularly in cases where institutional trust is lacking, trust can be generated by personal relations, including relations with other members of the same community... This serves to emphasize, once again, how relevant issues of social embeddedness can be.”

On the other hand, socially constructed global forces that promote (formal) free-trade, the de-regulation of the financial sector, and increased freedom for people to move between countries, create their own mutations within trading-networks and may have a multitude of unintended consequences. Perhaps the only significant differences are the extent, the levels of sophistication in the convoluted legal structures, or the ‘innovative’ accounting procedures that are utilised to *quasi*-legitimise informal transactions (see Carroll 1995). Conversely, it may point to differentiated enforcement regimes, in which the strictness of formal rules of law and embedded regulatory enforcement practices have become blurred, or are applied in an arbitrarily fashion.

Lastly, the interview data illustrate and confirm some of the consequences for enterprises operating in a *mixed-embedded* regulatory environment. The liberalisation of, for instance, Customs’ inspections; the de-regulation of the financial sector; and the abolishment of tariffs on commodities (like on textiles or computer components, *et cetera*) all interact with the opportunity structures that are available to entrepreneurs *in general*. These reforms all carry the seeds and have a potential to contribute to adapted forms of non-compliant tax behaviours. Stricter enforcement of the Goods and Services Tax (G&ST) may significantly diminish certain types of evasive frauds. However, it highlights the significance for regulators to introduce changes to tax rules and regulations with a close view on their anticipated effects and the possible emergence of new opportunity structures for a nation’s business entrepreneurs to avoid their obligations.

Question Five: The Rise of a New Class — The Emerging Influence of Professional (Ethnic) Women

Of the total number of subjects that were interviewed, only five were women. On that basis, it is difficult to draw firm conclusions about gender and tax compliance. Suffice it to say, more empirical data are needed. Indeed, all that can really be offered in the way of an empirical generalisation is what seems to be a growing importance of professional ethnic women in small-business. Furthermore, one could suggest that professional women play increasingly a more independent role in advising and affecting key business decisions, including those having to do with tax-compliance.

Traditional gender roles confine ethnic women to the day-to-day tasks of operating the family business, while giving little support for their active involvement in managing that business. Three of the women in the sample are first-generation immigrants. For one of them—a Taiwanese woman in her mid-forties—the conventional pattern applies. After migrating to Australia, she helped her husband in their family business of importing and retailing sportswear. As she describes her experience:

“My family did business but it was not successful. *NIKE* opened a bigger store near our shop. It closed our store.”

Since then, the woman has tried to build a career as a “business advisor” to Taiwanese living in Melbourne, but reports having very little success. Her biggest problem, she believes, is that “we can’t understand the system - language is our problem.” With neither language fluency nor professional qualifications, her ability to move beyond traditional gender role limitations are severely reduced. Consequently, government-funded language courses and business education for (first-generation) ethnic women may prove to be a sound investment in embedding long-term improvements towards voluntary tax compliance.

In contrast to the Taiwanese women, consider the prospects of the two (second-generation) Greek businesswomen in the study. They perhaps epitomise the emergence of a ‘new class’ of professional ethnic women. What distinguishes them is their advanced level of education and marketable professional skills. Both these women are in their early- to mid-twenties and have graduated from the University of Melbourne. They are bi-lingual, with spoken and written fluency in English and Greek. Consequently, their formal education and expanded human capital permit them to rise above traditional gender-role expectations.

If one dares to extrapolate from their experiences, it could be argued that a new class of professional ethnic women may eventually enjoy a widened influence in their ethnic communities. Not only are traditional gender roles in business being recast in ways that locate women centrally in the decision-making process, but as business advisors and independent contractors who operate in a *mixed-embedded* environment, the new class of professional women will be in a stronger position to influence many business decisions. Possessing bi-lingual skills, moreover, should enhance their cross-border influence as well.

Conversely, one might also anticipate a backlash of sorts from some immigrant and second-generation males who resent the changing of gender-roles and the growing presence of professional ethnic women in the business community. However, and gender politics put aside, the rise of a new professional class of ethnic women could bring about positive changes to the compliance culture of ethnic small-business.

Question Six: Multicultural ‘Responsive’ Enforcement?

The ATO’s need to assign second-generation NESB officers who are bi-lingual to its enforcement teams appears to be self-evident. Alternatively, regulators could contract the services of second-generation, networked (bi-lingual) professional instructors and tax-agents who provide prospective NESB entrepreneurs with lessons on their newly acquired civic responsibilities vis-à-vis a regulatory measures and compliance matters. Our findings also suggest that regulators might consider making greater use of informal channels of communication. This entails increasing the regulator’s non-enforcement (public relations) and educational presence throughout ethnic communities. Organisations that come to mind are Migrant Resource Centres, Chambers of Commerce, and other business/professional associations.

As already indicated, however, one of the most significant categories of advisors, and directly involved with tax-compliance, are commercial taxpayer services and tax-agents who work closely with ethnic entrepreneurs in the

small-business sectors. Their vital role in the re-education of taxpayers cannot be ignored. Tax-agents, however, will hasten a *mixed-embedded* (ethnic) assimilation of norms and practices only to the extent that they subscribe fully to an improved culture of voluntary compliance themselves.

Divided Loyalties – Commercial Reality?

Even though these subjects do not constitute a trading network in the strict sense of being a group connected by ongoing socio-economic interactions, the significance of tax-agents and business advisors stems from their ability to shape the compliance attitudes and practices of their clients. In short, they function as secondary “agents of (re-) socialisation” (Wiegand & Rothengatter 2000). In particular during times of major tax reforms, the role of tax-agents is paramount in promoting the transition and providing guidance on measures aimed at increasing levels of voluntary compliance.

The network of tax-agents and business advisors in this study believe that the demand for their commercial taxpayer services will increase greatly in the future because of “*ongoing tax reforms*”, rapidly increasing “*complexities in procedures*” and customers’ increased levels of “*anxiety and fear*”. They express their reservations about the introduction of the Goods & Services Tax (G&ST) in these words:

“For people from a non-English speaking background [NESB], fear is going to multiply. They won’t understand the system that will eventually come in....It will take up to a year, or two, or three, for them to feel comfortable with the new system, just as it took them four or five years to feel comfortable with the current system.”

“When legislation like that is changed, the consumer always pays for it. All of a sudden the accounting bill goes up. All of a sudden the solicitor’s bill goes up. All of a sudden the printing and stationery bill goes up. And all of these things are not taken into consideration.”

“All this that we are talking about has been reactivated or activated on the basis of compliance, but it doesn’t happen. And people pay through the nose for it as well, and they have to. I say to clients: ‘Look, we’re a necessary evil, we being the accountants. We’re evil because we got to take your money, but we are necessary.’”

According to these tax-agents, the new regulatory forces will inevitably result in more market-driven competition for innovative approaches toward tax-minimisation and evasion. They also believe that the quality of their commercial taxpayer service is far superior to the ‘self-help’ materials provided by the ATO. Some of them even expressed the notion that taxpayers “*cannot trust*” the regulators and that they have grave doubts about the regulator’s presumed (political) “*neutrality*”. These sentiments are detrimental to establishing the kind of social trust that is so badly needed to enhance citizens’ voluntary compliance (see Uslaner 2003).

Clearly, the tax-agents’ tendency, as expressed during the focus-group session, is to strategically insert themselves as a buffer between the regulator and taxpayers. Their lackadaisical approach to compliance as representatives of taxpayers invariably generates another dimension of “*US vs. THEM*” attitudes and illustrates a minimalist position on voluntary compliance and a lack of respect for the existing laws.

Moreover, several interviewees mentioned that they could foresee no immediate benefits, but only steep increases in compliance costs to

taxpayers, as an instant result from tax reforms—a message that clearly distances the public from the tax system and, by implication, from the ATO. Their comments can also be treated as a manifestation of a general “...discourse of resistance in relation to both tax and accounting practices” (McBarnet 2001: 16).

What is required desperately, though, are some major changes in their attitudes toward *both* principles of equity throughout the tax system *and* the underlying spirit of tax laws themselves, if a more genuine culture of voluntary compliance is to be achieved. As arguably one of the most important ‘centres-of-influence’ in changing a general culture of non-compliance, a strong partnership between Australia’s tax-administrators and commercial tax-agents is a prerequisite. This, on the other hand, poses a major dilemma and has significant budgetary implications for public policy-makers and regulators. The main questions here center on issues such as how to overcome commercially inspired conflicts of interests, in comparison to citizens having free access to publicly funded advisory services that are provided by the regulators themselves (see Wiegand & Armstrong 1995).

A Critical Discussion

The preceding analysis of the focus-group interviews indicates that the *special favours* exchanged within NESB networks always entail tax non-compliance of some sort. Various cultural expectations and practices for providing ‘tax-free’ benefits or maximising their “comparative advantages” are perhaps the most defining ingredients of these structurally different (NESB) trading-networks. The main mechanisms that sustain a favour-based ethic are the strong allegiances that immigrants feel toward their ethnic trading-partners and—as discussed—for Chinese/Taiwanese operators their *flexible* and reciprocal obligations, which are driven by principles underpinning the notion of *Quanxi*.

Furthermore, in all NESB trading-networks that were interviewed, shared “network capital” (Tindall & Wellman 2001) shows elements of “orthodox and reactive solidarity” (Light 1984). Overall, perceptions of social exclusion and inequities (Wenzel 2001), in combination with the perceived lack of honesty or performance by governments (Nadler 2002; Uslaner 2003), also appear to be significant drivers for tax non-compliance among these interviewees.

The focus-group evidence reveals, however, that cultural approval for tax evasion also exists ubiquitously in non-immigrant networks where ethnic culture (supposedly) plays no key-role in sanctioning tax-cheating. This regulatory dilemma is exacerbated by highly commercialised taxpayers’ services, which are chiefly provided by Australia’s (multicultural) mix of tax-agents, financial planners and business advisors.

Enforced Assimilation facing Voluntary Multiculturalism?

The various ways certain things actually work within networks of small-businesses may be regarded as appropriate for—and justified by—the social actors who operate within *their* cultural norms, beliefs and practices (cf. Mars 1982; 2000). The fact that these norms may be at odds with the values and norms of the dominant culture often seems to have little or no relevance. Conversely, for the dominant culture to simply define ethnic trading-networks (and their practices) as deviant, bears little (if any) fruit in converting social actors to ‘doing-the-right-thing’ from *their* perspective.

More specifically, it is (at best) rather doubtful to suggest that the discourses supporting a nominally national *Compliance Model* (ATO 1998), presupposing the desirability of a monolithic consensus on tax-compliance norms, will contribute significantly towards establishing a truly “common civic culture”. Nor is it synonymous with a tax system that represents “the symbolic inclusion and exclusion of social groups from the national community” (Phillips 1998: 282; Russell 1998: 309).

The very real and perhaps key-factor, which often remains to go unnoticed in many tax compliance debates, is the fact that cash-economy activities have been entrenched in both the “psyche and working ethos of many ordinary Australians” for many years (Bajada 2001:5-8). Put differently, tax evasion has become embedded in the daily working attitudes and practices of most small-business owners, regardless of their ethnicity. It represents a pay-off for taking risks and “putting up with long hours and all sorts of shit”—not unlike the excuses many a taxi-driver will make for their non-compliance with tax laws and rules (Rothengatter 1996).

Administrators would make a serious mistake, however, by singling-out specific groups and end-up provoking additional “reactive solidarity” (Light 1984) when trying to implement a national *Compliance Model* (ATO 1998). As noted above, enforcement strategies that do not account adequately for migrants’ potentially conflicting allegiances between the newly acquired civic culture and older, deep-seated ties to family and co-ethnics are fraught with dangers to administrative practice and good governance. Selecting any groups purely on the basis of their ethnicity and with regards to the enforcement of tax laws, in particular, is like using

“...SCUD missiles; however sophisticated and accurate their makers proclaim them to be, they miss their target and cause immense ‘collateral damage’. The damage is not only to the lives of people caught in their paths but also to the fabric of our legal system [and]...inevitably encourage avoidance techniques on the part of participants in the criminal process” (Morgan 1999: 277).

Genuine multiculturalism does embrace differences and exhibits tolerance in upholding the rule of law. More significantly, it actually *practises* the principles of fairness, justice and equity, rather than merely resorting to hollow rhetoric in those spheres of social life that involve democratic rights *and* responsibilities for every citizen.

Stressing the wide range and quality of public goods that people have access to—in key areas such as environment, transport, social security, health and education—will help many taxpayers to internalise a greater sense of civic responsibility. A dedicated strategy of providing basic lessons in civic rights *and* responsibilities, as well as culturally sensitive taxpayer services from the government, may improve the common good for citizens who feel that they really *belong* to a multicultural nation. Indeed, as Giddens (2000) asserts, “the democratizing democracy” can only survive on principles that foster “a strong civic culture, which emphasises trust, mutual obligation, equal worth and responsibility” (Misztal 2001:372).

Revenue collections that are chiefly driven by market forces and aimed at national budget-surpluses, are unlikely to ever demonstrate the genuine social conscience that is necessary to eradicate “democratic deficits” (Campbell 2002). Conversely, it will require that the fruits of sharing the collective tax burden are both accessible and distributed in a more equitable

fashion. This will generate the necessary levels of social trust that foster a non-enforced, more voluntary co-operation of a nation's citizens.

Conclusion

Throughout this paper I have argued for Australia's tax administrators to use regulatory approaches and enforcement measures that acknowledge the structural characteristics and *mixed-embedded* positions of NESB entrepreneurs within their respective trading-networks. To understand how transgressions of tax regulations are possible, the implicit and formal group structures, and the social and cultural dimensions of trading-networks, which provide the full context within which tax non-compliance occurs, have to be fully understood (Canter & Alison 2000: 4). The applied network approach that is used in this study is capable of exploring complex social forces that interact in a dialectical fashion on this important meso-level of analysis.

An analysis of salient sociological forces that give shape, coherence and significance to people's non-compliant actions can be achieved by conducting focus-group interviews. By exploring their 'situated' narratives certain "constraining and enabling dimensions of patterned relationships among social actors within a system" (Emirbayer & Goodwin 1994) can be unveiled. More specifically, network analysis by means of focus-group interviews is capable of exploring what appears to be one of the most salient features of a multicultural society. That is, the diverse ways in which social norms in respect of tax-compliance and, correspondingly, acceptable compliance behaviours (Alm 1996:108) within various social networks are socially constructed and need to be framed within a range of dominant and subordinate regulatory discourses.

It is also clear from this study that by adopting a *mixed-embedded* approach, the actual enforcement of regulations (or governance) matters very much and can respond to rapid changes. However, "responsive regulation" (Ayres & Braithwaite 1993; Braithwaite & Braithwaite 2001) should not be confused with legislation *per se*, as there are two other forms of regulation. Indeed, as Rath (2001) notes aptly

"[T]here are 'sticks'...[referred to as 'legislation *per se*'] and 'carrots' (financial incentives and disincentives) or 'sermons' (persuasion), all different forms in complex packages that define what is 'possible' in a market. Nor should regulation be confused with state regulation. A multitude of agents play a role in regulation processes, such as local, national or international governmental agents, unions, quangos, non-profit organizations, voluntary associations, and individuals and their social networks...[They] also make it clear that regulation is not just a matter of repression and constraining, but also of enabling. Suppressing illicit practices such as dodging taxes and labor and immigration laws, by prosecuting the perpetrators, are important manifestations of regulation (repression), but so are decisions to tolerate these practices and not prosecute them."

With regards to "taming" the cash-economy, by maintaining a "cat-and-mouse approach" (Wiegand & Rothengatter 2000) to tax compliance, the collection of taxes remains but another form of administrative and legally imposed enforcement measures that may help to win elections. As such it will do little to encourage the civic sentiments and attitudes that underpin a more inclusive culture of voluntary compliance. Improvements in voluntary compliance with a nation's tax laws appears to be closest associated with a healthy democracy in which "both cultural dispositions and legal norms foster

tolerance, co-operation and a sense of personal and social responsibility for others” (Misztal 2001:374).

As much as formal *and* informal activities rely heavily on reciprocal trust between members of social networks, so does voluntary compliance rely on strong, reciprocal trust relations between a nation’s citizens and its democratic institutions that promote self-control and regulate individuals’ initiatives in a balanced style of governance (Misztal 2001). Tax-regulators may find that their presence and active participation in business-networks, which deserve social trust and respect, are able to reduce progressively their traditional reliance on an ever-increasing arsenal of formal rules and the strict (often very costly) application of one-dimensional deterrent enforcement strategies.

The tentative findings from this Australian study may have some implications for further research on tax compliance or the defiance of a broader range of laws and regulations in other multicultural nations. More particularly, the liberalisation of trade, finance and the increasingly freer movement of people between jurisdictions, require national regulators to co-operate increasingly on an international level in order to combat (socially) organised, criminal activities. Other than tax evasion, some areas that come to mind are: people-smuggling; illegal immigration; prostitution; racketeering; drug-trafficking; money-laundering; inter-corporate (international) fraud among multinationals; the (illegal) import/export of weapons; insider-trading schemes; and price-fixing among multinational oligopolies (see McAndrew 2000: 53-94).

The use of focus-group interviewing as a research method, may lead to unveil some new ways by which teams of national and international enforcement agencies can quickly implement suitable measures that incapacitate particular criminal networks or eliminate systematic frauds (Canter & Alison 2000: 4). Conversely, it may provide some pertinent insights that can lead to the implementation of a type of responsive regulation that recognises the significance of the entire, complex socio-economic and politico-institutional contexts in which compliance behaviours of ‘networked’ social actors take place.

Notes

* A special expression of recognition for the late (Robert) Bruce Wiegand † (Professor of Sociology/Criminology at the University of Wisconsin Whitewater) who—whilst on an Australian exchange programme in 1998—encouraged me to get involved in the *Sociology of Tax-Compliance*. Professor Wiegand’s intellectual contributions and scholarly omnipresence are duly acknowledged. I would like to dedicate this article in memory of Bruce’s loyal friendship and as a lasting expression of both my personal gratitude and professional respect for him.

** I also wish to thank the anonymous reviewers, editors, colleagues and friends, for their helpful suggestions and advice during the preparation and revision of earlier drafts of this article. Special thanks to Assoc. Prof. Jan Rath (University of Amsterdam), Assoc. Prof. Daniel Hiebert (University of British Columbia) and Zoran Slavnic (University of Norrköping) for their invaluable insights in the field of Immigrant Entrepreneurs/Business Research.

REFERENCES

- Alm, James (1996) "Explaining Tax Compliance" pp. 103-127 in *Exploring the Underground Economy* Susan Pozo (edt.) . Kalamazoo, Michigan: W.E. Upjohn Institute for Employment Research.
- Alm, J., Sanchez, I. & de Juan, A. (1995) "Economic and non-economic factors in tax compliance." *Kyklos*, 48, 3-18.
- Andreoni, J., Erard, B. & Feinstein, J. (1998) "Tax Compliance". *Journal of Economic Literature*, 36, 818-860.
- Australian Bureau of Statistics - ABS (1998a) *Small Business in Australia - 1997*. Canberra: GPO.
- _____. (1998b) *Australian Social Trends*. Canberra: GPO
- Australian Taxation Office - ATO (1997) *Commissioner of Taxation Annual Report: 1996/1997*. Canberra: GPO.
- _____. (1998). *Improving Tax Compliance in the Cash Economy*. Canberra: Commonwealth of Australia.
- _____. (1999a) *Cash Economy Research Backgrounder*. Website: <http://atoassist/general/business/cashecon/research.htm>.
- _____. (1999b) *Tax Reform Factsheets: G&ST Transitional Arrangements--An Overview*. Website: <http://atoassist/reform/factsheets/tG&ST001.htm>.
- _____. (2002). <http://www.ato.gov.au/glossary>.
- Ayres, Ian. & John Braithwaite. (1992) *Responsive Regulation: Transcending the Deregulation Debate*. Oxford: Oxford University Press.
- Bajada, Christopher (2001) *The Cash Economy and Tax Reform* Research Study No. 36. Sydney: Australian Tax Research Foundation.
- Blumer, Herbert. (1969). *Symbolic Interactionism – Perspective and Method*. Englewood Cliffs, New Jersey: Prentice-Hall Inc.
- Braithwaite, John. & Valerie Braithwaite (2001) "An Evolving Compliance Model for Tax Enforcement", in Shover, N. & J.P. Wright (eds.) *Crimes of Privilege: Readings in White Collar Crime*. New York: Oxford University Press.
- Braithwaite, Valerie (2003) *Taxing Democracy: Understanding Tax Avoidance and Evasion*. London: Ashgate.
- Braithwaite, Valerie, & John Braithwaite, & Diane Gibson, & Toni Makkai (1994) "Regulatory Styles, Motivational Postures and Nursing Home Compliance" in *Law & Policy*, Volume 16, No. 4, October 1994. Blackwell Publishers.
- Berg, Bruce L. 1995. *Qualitative Research Methods For The Social Sciences*. (Second Edition.) Needham Heights, Mass: Alwyn & Bacon.
- Campbell, Colin. (2002) "Budget Surplus: Democratic Deficit" *Canadian Tax Journal* Vol. 50 (6).
- Canter, David. & Laurence J. Alison (2000) *The Social Psychology of Crime: Groups, Teams and Networks - Offender Profiling Series; Vol. III*. Aldershot: Dartmouth Publishing Company Limited/Ashgate Publishing Limited.
- Capling, M. Ann, & Mark Considine, & Michael Crozier (1998) *Australian Politics in the Global Era*. Melbourne: Addison Wesley Longman.
- Carroll, Stephen (1995) "Anti-Money Laundering Laws and Quasi-Banker: A Report on Alternative Banking in Australia". Pp. 119-163 in *Money Laundering and Financial Industry Regulators* Canberra: Government Printing Service.

- Cash Economy Task Force - Chair: D. Butler (1997) *Improving Tax Compliance in the Cash Economy* Canberra: GPO.
- Collins, Jock., & Katherine Gibson, & Caroline Alcorso, & Stephen Castles, & David Tait (1995) *A Shop Full of Dreams: Ethnic Small Business in Australia*. Leichhardt, NSW: Pluto.
- Devine, Fiona (1995) *Qualitative Methods*. Pp. 137-53 in David Marsh and Gerry Stoker (eds.) *Theory and Methods in Political Science* New York: St. Martin's Press.
- Emirbayer, Mustafa. & Jeff Goodwin (1994) "Network Analysis, Culture and the Problem of Agency". *American Journal of Sociology* Volume 99, Nr. 6 (May 1994): 1411-1454.
- Evatt Foundation Group – Chair: Bernie Fraser (1999) *A Fair and Adequate Tax System: Some observations by the Evatt Foundation Group* Sydney: Evatt Foundation University of New South Wales.
- Gibbs, Jack P. (1998) *Control: Sociology's Central Notion*. Urbana: University of Illinois Press.
- Giddens, A. (2000) *Runaway World*. London: Routledge.
- Granovetter, M. (1985) "Economic action and social structures: the problem of embeddedness." *American Journal of Sociology*, 91 (3): 481-510.
- _____. (1995) "The economic sociology of firms and entrepreneurs" in A. Portes (ed.) *The Economic Sociology of Immigration: Essays on Networks, Ethnicity and Entrepreneurship*. New York: Aldin de Gruyter, pp. 89-112.
- Grasmick, H.G. & Bursik Jr, R.J. (1990) "Conscience, significant others, and rational choice: Extending the deterrence model." *Law and Society Review* 24, 837-861.
- Hagan, John (1994) *Crime and Disrepute*. Thousand Oaks, CA: Pine Forge.
- Hall, S. (1996) *Stuart Hall*, edited by D. Morley & K. Chen. London: Routledge.
- Hämäläinen, Timo J. & Gerd Schienstock (2001). "The Comperative Advantage of Networks in Economic Organisation: Efficiency and Innovation in Highly Specialised and Uncertain Environments". Chapter 2 in *Innovative Networks: Cooperation in National Innovation Systems (Science and Innovation)*. Paris: OECD. [www.oecd.org/comonline publications](http://www.oecd.org/comonline/publications).
- Hamel, Jacques. (2001) "The focus group method and contemporary French sociology". *Journal of Sociology - 'The Australian Sociological Association'* Vol. 37, No. 4, December 2001: 341-353. London: Sage Publications Ltd.
- Harvey, D. (1989) *The Conditions of Postmodernity: An Inquiry into the Origins of Cultural Change*. Oxford: Blackwell.
- Hiebert, Dan. (2003) Personal correspondence via e-mail.
- Jakubowicz, Andrew. (1984) "State and ethnicity: multi-culturalism as ideology" in Jupp, James (Edt.) *Ethnic Politics in Australia*. Sydney: George Allen & Unwin Australia Pty. Ltd.
- Jupp, James. (1984) *Ethnic Politics in Australia*. Sydney: George Allen & Unwin Australia Pty. Ltd.
- Kloosterman, R.C., J.P. van der Leun and J. Rath. (1999) "Mixed embeddedness, migrant entrepreneurship and informal economic activities". *International Journal of Urban and Regional Research*, 23 (2): 253-267.

- Kloosterman, R.C. & Rath, J. (eds.) 2001. *Venturing Abroad: A Comparative Study of Immigrant Entrepreneurs in Advanced Economies*. Oxford: Berg.
- Krueger, Richard A. (1994) *Focus Groups – A Practical Guide for Applied Research* (Second Edition.) Thousand Oaks, California: Sage Publications Inc.
- Landsheer, J.A., H. Hart. & W. Kox. (1994) “Delinquent Values and Victim Damage: Exploring the Limits of Neutralization Theory” *British Journal of Criminology*, **34**: 44-53.
- Law, John. (1991) *Social Network Analysis – A Handbook* London: Sage Publications Ltd.
- _____. (1999) “After ANT: complexity, naming and topology” in John Law & John Hassard (eds.) *Actor Network Theory and After* Oxford: Blackwell Publishers/The Sociological Review
- Light, Ivan (1984) “Asian Enterprise in America: Chinese, Japanese, and Koreans in Small Business” *Ethnic and Racial Studies* 7 (2): 195-216.
- Lupton, Debra. (1999) “Dangerous Places and the Unpredictable Stranger: Constructions of Fear of Crime.” *Australian and New Zealand Journal of Criminology*, 32 (1) : 1-15.
- Lyman, Stanford M. & Arthur J. Vidich (2000). *Selected Works of HERBERT BLUMER - A Public Philosophy for Mass Society*. Chicago: University of Illinois Press.
- McAndrew, Duncan (2000). “The Structural Analysis of Criminal Networks”, in Canter, David. & Laurence J. Alison (eds.) *The Social Psychology of Crime: Groups, Teams and Networks - Offender Profiling Series: Vol. III*. Aldershot: Dartmouth Publishing Company Limited/Ashgate Publishing Limited, pp. 53-94.
- McBarnet, Doreen. (2001) *When Compliance Is Not The Solution But The Problem: From Changes In Law To Changes In Attitude*. Centre for Tax System Integrity Working Paper No 18. Canberra: The Australian National University.
- Mars, Gerald (1982) *Cheats at Work*. London: Allen and Unwin.
- _____. (2000) “Culture and Crime”, in Canter, David. & Laurence J. Alison (eds.) *The Social Psychology of Crime: Groups, Teams and Networks – Offender Profiling Series - Vol. III*. Aldershot: Dartmouth Publishing Company Limited, pp.21-50.
- Martin, Hans-Peter. & Harold Schumann. (1997) *The Global Trap: Globalisation and the Assault on Democracy and Prosperity*. Sydney: Pluto Press.
- Maruna, Shadd. (2000) “Criminology, Desistance and the Psychology of the Stranger”, in Canter, David. & Laurence J. Alison (eds.) *The Social Psychology of Crime: Groups, Teams and Networks - Offender Profiling Series; Vol. III*: 289-320. Aldershot: Dartmouth Publishing Company Limited.
- Mills, C. Wright (1963). *Power, Politics And People: The Collected Essays of C. Wright Mills - Edited and with an Introduction by Irving Louis Horowitz*. New York: Oxford University Press.
- Misztal, Barbara A. (2001) “Trust and cooperation: the democratic public sphere”. *Journal of Sociology* 37, 4, December, pp. 371-386. The Australian Sociological Association London: SAGE Publications Ltd.

- Morgan, David L. (1988) *Focus groups as qualitative research*. Newbury Park, California: Sage Publications.
- Morgan, Neil. (1999) "Capturing Crims or Capturing Votes?: The aims and effects of mandatories". *University of New South Wales Law Journal*, 22(1): 267-279.
- Murphy, Kristina. & Yuka Sakurai (2001) *Aggressive Tax Planning: Differentiating Those Playing The Game From Those Who Don't*. Centre for Tax System Integrity Working Paper No 25. Canberra: The Australian National University.
- Nadler, Janice. (2002) *Flouting the Law: Does Perceived Injustice Provoke General Non-Compliance?* Social Science Research Network Electronic Paper Collection. http://ssrn.com/abstract_id=353745
- Nahapiet, J. & S. Ghosphal (1998) "Social Capital, Intellectual Capital, and the Organizational Advantage". *Academy of Management Review* Vol. 23, No.2. Pp.242-266.
- Neuman, W. Lawrence, & R. Bruce Wiegand (2000). *Criminal Justice Research Methods: Quantitative and Qualitative Approaches*. Boston: Allyn and Bacon.
- OECD (2000) Improving Access to Bank Information for Tax Purposes. Committee on Fiscal Affairs OECD Paris: OECD. www.oecd.org.com
- OECD (2001a) *Behind the Corporate Veil: Using Corporate Entities for Illicit Purposes* Paris: OECD. Website: www.oecd.org.com
- OECD (2001b) *Innovative Networks: Co-Operation in National Innovation Systems (Science and Innovation)*. Paris: OECD. Website: www.oecd.org.com
- Peters, Nonja (1999) *Trading Places: Greek, Italian, Dutch and Vietnamese Enterprise in Western Australia* Unpublished Ph.D. Thesis, University of Western Australia, Department of Anthropology.
- _____. (2002) "Mixed Embeddedness: Does It Really Explain Immigrant Enterprise in Western Australia (WA)?" *International Journal of Entrepreneurial Behaviour & Research*. Vol. 8, No. 1 / 2, 2002: 32-53. Emerald MCB UP Limited, 1355-2554.
- Phillips, Tim (1998) "Popular Views about Australian Identity: Research and Analysis". *Journal of Sociology - 'The Australian Sociological Association'* Vol. 34, No. 3, November 1998: 281-302. South-Melbourne, Victoria, Australia: Addison Wesley Longman
- Pietka, Frank (1999) *Tax Agents' Board of Victoria*. Information brochure prepared by the Secretary of the Victorian Board. Melbourne.
- Portes, A. & S. Sassen-Koob (1987). "Making it underground. Comparative material on the informal sector in Western economies". *American Journal of Sociology*, 93 (1), pp. 30-61.
- Potas, Ivan (1993) "Thinking about Tax Avoidance" *Trends and Issues in Crime and Criminal Justice* No. 43. Canberra: Australian Institute of Criminology.
- Ridgeway, Cecilia L. (1983) *The Dynamics of Small Groups*. New York: St. Martin's Press, Inc.
- Rath, J. (2000) "Introduction: immigrant businesses and their economic, politico-institutional and social environment" in J. Rath (ed.) *Immigrant Businesses: The Economic, Politico-Institutional and Social Environment*. Basingstoke: MacMillan, pp. 1-19.

- Rath, J. (2001) Chapter One in: *Unraveling the Rag Trade: Immigrant Entrepreneurship in Seven World Cities*. Oxford: Berg.
- Rath, J. and R.C. Kloosterman. (2000) "Outsiders' Business: a critical review of research on immigrant entrepreneurship". *International Migration Review*, 34 (3): 657-681.
- Roth, Jeffrey A. & John T. Scholz, & Ann Dryden Witte (1989) *Taxpayer Compliance: An Agenda for Research* Volume 1. Philadelphia: University of Pennsylvania Press.
- Rothengatter, Maarten R. (1996) *Taxi-Driving as an Occupation: A Case-Study of the Geelong Region*. Unpublished B.A. (Hons.) Thesis. Geelong (Victoria): Deakin University.
- Rothengatter, Maarten R., & R. Bruce Wiegand (2000) *The Discovery of "Cybergrounded" Collaborative Research: Notes from the Social History of a Research Project on Tax-Compliance in Australia*. The Australian Sociological Association's Annual (2000) Conference – Proceedings Paper. Adelaide (Australia): Flinders University.
- Russell, Steven. (1998) "Reintegrative Shaming and the 'Frozen Antithesis': Braithwaite and Elias". *Journal of Sociology - 'The Australian Sociological Association'* Vol. 34, No. 3, November 1998: 302-313. South-Melbourne, Victoria, Australia: Addison Wesley Longman.
- Schneider, Frederich. (2002) "*The Value Added of Underground Activities: Size and Measure of the Shadow Economies of 110 Countries All Over the World*". Conference Paper delivered during a Workshop of the Australian National Tax Center (CTSI) at the Australian National University on July 17th, 2002.
- Schneider, Frederich., & D. Enste (2000) "Shadow Economies: Size, Causes and Consequences". *The Journal of Economic Literature*, 38 (1): 77-114.
- Schneider, Frederich., & Valerie Braithwaite, & Monika Rheinhardt (2001) *Individual Behaviour in Australia's Shadow Economy: Facts, Empirical Findings And Some Mysteries*. Centre for Tax System Integrity Working Paper No 19. Canberra: The Australian National University.
- Scott, John. (1991) *Social Network Analysis: A Handbook* London: Sage Publications Ltd.
- Sherman, L. (1998) "Defiance, deterrence, and irrelevance: A theory of the criminal sanction." *Journal of Research in Crime and Delinquency* 30, 445-473.
- Smith, Philip., & Tim Phillips. 2001. 'Popular understandings of "UnAustralian": an investigation of the un-national'. *Journal of Sociology* 37, 4, December, pp. 323-32. The Australian Sociological Association London: SAGE Publications Ltd.
- Stillwell, Frank. (2000) *Changing Track: A new political economic direction for Australia*. Sydney (Annendale): Pluto Press Australia Limited.
- Stokes, Randall., & John P. Hewitt. (1976). "Aligning Actions". *American Sociological Review* 1976, Vol. 41 (October): pp.838-849.
- Stratton, Jon. (1998) *Race Daze: Australia in identity crisis* Sydney: Pluto Press Australia.
- Taylor, Natalie. (2001) *Understanding Taxpayer Attitudes Through Understanding Taxpayer Identities*. Centre for Tax System Integrity Working Paper No 14. Canberra: The Australian National University.
- Thomas, W.I. & D. Swaine. (1928) *The Child in America*. New York: Knopf.

- Tyler, Tom R. (2001) *Trust And Law-Abidingness: A Proactive Model Of Social Regulation*. Centre for Tax System Integrity Working Paper No 16. Canberra: The Australian National University.
- Thurman QC., St John, C., & L. Riggs (1984) "Neutralisation and Tax Evasion: How Effective Would a Moral Appeal Be in Improving Compliance to Tax Laws?" in *Law and Policy* Volume 6, No. 3, July 1984: 309-327.
- Tindall, D.B., & Barry Wellman (2001) *Canada As Social Structure: Social Network Analysis And Canadian Sociology*.
http://www.barrywellman's.publications
- Turner, B.A. (1983) "The Use of Grounded Theory for the Qualitative Analysis of Organizational Behaviour" *Journal of Management Studies* 20 (3): 333-347.
- Uslaner, Eric M. (2003) "Tax Evasion, Trust, and the Strong Arm of the Law", paper presented at the *Conference on Tax Evasion, Trust and State, University Of St. Gallen, Switzerland, October 17-19, 2003*.
- Waldinger, R., & Ward R. Aldrich and Associates (1990) *Ethnic Entrepreneurs--Immigrant Business in Industrial Societies*. Newbury Park, CA: Sage.
- Waters, M. (1995) *Globalisation* London: Routledge.
- Weber, Max. (1978) *Economy and Society* G. Roth and G. Wittich (eds.) New York: Bedminster Press.
- Wellman, Barry (1983) "Network Analysis: Some Basic Principles". Pp. 155-200 in *Sociological Theory 1983*, R. Collins (ed). San Francisco: Jossey-Bass.
- Wenzel, Michael (2001) *The Impact of Outcome Orientation And Justice Concerns On Tax Compliance: The Role Of Taxpayers' Identity*. Centre for Tax System Integrity Working Paper No 6. Canberra: The Australian National University.
- Williams, Robert. (2001) *Prosecuting Non-Lodgers: To Persuade Or Punish?* Centre for Tax System Integrity Working Paper No 12. Canberra: The Australian National University.
- Wiegand, R. Bruce (1989) "Political Considerations of Studying Tax Compliance".
The American Sociologist, Volume 18, Number 4, (Winter 1987): 375-83.
- _____. (1992) *Off the Books: Theory and Critique of the Underground Economy*. Dix Hills, NY: General Hall, Inc.
- _____. (1994) "Black Money in Belize: The Ethnicity and Social Structure of Black-Market Crime" *Social Forces* 73 (1): 134-154.
- Wiegand, R. Bruce & Tom Armstrong (1995) *Penny Wise and Pound Foolish: The Privatization of Taxpayer Services* Washington, D.C.: American Association of Retired Persons-Andrus Foundation.
- Wiegand, R. Bruce & Maarten Rothengatter (2000) *Tax Collection in Australia's Cash Economy: Assessing Revenue Implications*. The Australian Sociological Association's Annual (2000) Conference – Unpublished Discussion Paper. Adelaide (Australia): Flinders University.

Appendix 1

Main Research Questions:

- 1. How does ethnicity factor into common perceptions of the extent of tax non-compliance?**
- 2. Do ethnic trading networks differ in their respective cultures of compliance?**
- 3. Do ethnic trading networks differ inter-generationally?**
- 4. Are structural characteristics of trading networks associated with particular types of tax non-compliance?**
- 5. How might gender play a role in improving tax compliance in ethnic trading networks?**
- 6. What role do tax agents and community organisations that mainly work with ethnic populations, play in communicating and the reinforcement of dominant compliance norms and values?**

Endnotes:

¹ The term ‘black-economy’ is but one and an almost synonymous expression for others that denote activities connected to (illegal) tax evasion and avoidance. Often used are: underground-; hidden-; parallel-; illicit-, informal-; irregular-; cash-; shadow-; second-; and clandestine-*economy*, including activities such as ‘moonlighting’ and other sources of income that are submerged or hidden. The Australian Taxation Office (ATO) defines tax evasion as: the “understatement of income/overstatement of deductions”; and tax avoidance as: “taking full advantage of the law to minimize tax liability” (www.ato.gov.au). Estimates of the magnitude of Australia’s cash economy fluctuate between 3.5 and 13.4 per cent of Australia’s Gross Domestic Product (GDP). Using “...1995/1996 GDP figures and an effective tax rate of 23 per cent...the amount of revenue foregone could be between Aus\$3.9 billion and Aus\$15.1 billion” (ATO 1998:16).

² For a more detailed discussion on the difficulties involved in distinguishing tax compliance from non-compliance/evasion and calculating the magnitude of the black-economy, see Potas 1993; McBarnet 2001; Wenzel 2001; Bajada 2001; Schneider, Braithwaite and Reinhart 2001; Schneider & Enste 2000; Schneider 2002. Throughout this paper I will use Wenzel’s (2001) distinction between tax evasion (i.e., “the deliberate criminal non-fulfillment of one’s tax liabilities”) and tax non-compliance. The latter is a broader term and includes “unintended (although still unlawful) failure to meet [one’s] tax obligations, for instance, due to misinformation, misunderstanding or calculation errors” (p. 2).

³ Multiculturalism, in Australia, is a contested topic that has particular racist undertones and various politicized meanings. The reader should be aware of the direct implications that dominant political discourses have on the construction of a ‘mythical’ national identity that is based upon a rhetoric of a (alleged) tolerance for the separate and delimited cultures of ‘unpredictable strangers’ (Lupton 1999). As Stratton (1998) puts it, “...the function of the rhetoric of tolerance in multiculturalism is to privilege and entrench, and in the process to give further substance to one particular (Anglo-Celtic) culture” (84-5). Policies and regulations that are effected by these discourses of multiculturalism as an ideology, display the same failing features of the older assimilationist doctrines and practical initiatives that are used to achieve “cultural, normative and economic integration of immigrants into a unitary (Australian) society” (Jakubowicz 1984: 14-28; cf. Jupp 1984).

⁴ I adopt the terms non-immigrant or non-ethnic businesses, as do Collins et al. (1995: 11, 89). I take the terms immigrant business and ethnic business to mean: businesses that are owned and operated by entrepreneurs from first- and second-generation ethnic minorities. Moreover, I make a careful distinction between immigrant entrepreneurs from a Non-English-Speaking-Background (i.e., NESB) and those with an English-Speaking-Background (i.e., ESB).

⁵ In following the Australian Bureau of Statistics (ABS) definitions, the term *small-business* is used to refer to “non-manufacturing industries employing less than 20 employees; and manufacturing industries employing less than 100 employees” (1998a: 1). *Micro-business* refers to businesses, which

are non-employed -- sometimes also termed *own account workers* -- and businesses having fewer than five employees (ABS, 1998a: 4, 77).

⁶ Australian tax agents and advisors are not unlike commercial ‘tax-preparers’ in the United States. Some 26,000 individually registered tax agents/firms practise countrywide (Pietka 1999: 1-8). The vast majority of all Australian taxpayers -- estimated to be as high as seventy to eighty per cent (Murphy and Sakurai 2001: 1; Williams 2001: 4) -- utilize the (commercial) services of tax agents to prepare their tax-returns, or provide expert advice on their overall tax-planning.

⁷ The term which is used regularly in the Australian vernacular and denotes strong, collective disapproval of certain actions, practices and beliefs, is to see these as being “UnAustralian”. For a colorful expose of ‘UnAustralian’ activities and notions, see Smith and Phillips (2001).

⁸ Current debates about the actual size of Australia’s cash-economy and the extra revenue (some \$3.5 billion) the introduction of the Goods & Services Tax (G&ST) is supposedly able to generate, are sources for wild speculation and awaiting further substantive empirical research.

⁹ Network-sampling is sometimes termed: chain-referral sampling, reputational sampling, or snowball sampling (see Neuman & Wiegand 2000).

¹⁰ Qualitative research can be used to generate new and refine existing hypotheses (see Neuman & Wiegand 2000: 48-52). The emergent ‘*working hypotheses*’ that can be derived from qualitative research may, subsequently, be used as the basis for questions in further larger-scale, quantitatively oriented studies.

¹¹ Substantive studies have looked at: the perceived seriousness of tax cheating; the perceived risks of detection; the perceived severity of punishment; perceptions of tax equity; and the perceived compliance of other taxpayers. Consistently, strong correlations have linked specific perceptions of tax evasion to self-reported evasive behaviours (Roth, Scholz, and Witte 1989: 91-133; cf. Wenzel 2001; Taylor 2001).

¹² *Money laundering* is defined as the process “whereby proceeds from illicit activities undergo a transformation (‘laundered’) so that at the end of the laundering process, they appear to have been derived from legitimate activities... Illicit tax practices such as profit skimming (or ‘tolling’ or ‘transfer-pricing’), double invoicing, transfer-pricing abuses, and diversion of income can be carried out through the use of corporations and trusts established in foreign jurisdictions” (OECD 2001a; 2001b: 34-40). For a critical discussion on the detrimental effects of transfer-pricing on national revenue streams, see Martin & Schumann (1997).

¹³ Globalisation, according to Capling *et al.* (1998; cf. Harvey 1989; Waters 1995), can be defined as “the emergence of a global economy, characterized by uncontrollable market forces and new economic (trans-national) actors, unregulated by political institutions rendering governments powerless” (p. 5). The benefits of financial deregulation, in combination with a less restricted movement of people between countries and jurisdictions, as well as the rapid globalisation of Communication and Information Technologies (CITs), all translate into potential sources and significant opportunities for innovative non-compliance with national tax laws (cf. OECD 2000 and 2001a). According to Hall (1996), the global shift also highlights the “cultural aspects of economic relations” that, in turn, warrant the significance of developing enforcement procedures that are responsive to *local* needs, values, norms and traditions.