



SOCIAL INEQUITY, TAXES AND WELFARE IN AUSTRALASIA

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Purpose: The major aims of this study are to highlight, challenge and explain the inequitable treatment of tax and welfare fraudsters in the criminal justice systems of Australia and New Zealand. A second objective of the study is to highlight the importance of critical tax research as an instrument to agitate for social change.

Design / Methodology / Approach: A survey captures 3,000 respondents' perceptions of the likelihood that different 'types' of people will commit welfare or tax fraud. Using social dominance theory, we investigate the extent to which prejudice impacts on attitudes towards those engaged in these fraudulent activities.

Findings: We find the presence of traditional stereotypes, such as the perception that businessmen are more likely to commit tax fraud and people receiving welfare assistance are more likely to commit fraud. We also find strong preferences towards respondents' own in-group.

Value: The study highlights the difficulty of social change in the presence of strong in-group preference and prejudice. Cognisance of in-group preference is relevant to the accounting profession where elements of self-regulation remain. In-group preferences may impact on services provided, as well as professional development and education.

Social Implications: Where in-group preference exists among those who construct and enforce the rules relating to investigations, prosecutions and sentencing of tax and welfare fraud, it is perhaps unsurprising that welfare recipients attract less societal support than other groups who have support from their own in-groups that have greater power, resources and influence.

Keywords: tax evasion; welfare fraud; prejudice; social dominance; inequity

INTRODUCTION

Like accounting, tax is not just about reporting and monitoring; it is more than a set of rules to determine who should pay what in certain circumstances. Instead, it is a social construction compiled by the state, in conjunction with professional bodies and interested entities. As noted in Chua's seminal article (1986:601), accounting is a '*common set of philosophical assumptions about knowledge, the empirical world, and the relationship between theory and practice*'. The same observation may be made of taxation. The taxation discipline has its own rules and generally understood ways of doing things. Moreover, it has its own generally accepted processes for addressing transgressions from these rules and

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3 regulations. Other social institutions, such as welfare agencies, have similarly understood
4 and taken for granted rules pertaining to behaviours and sanctions for wrongdoings.

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6 This study uses the field of taxation to highlight and challenge issues of inequity and social
7 justice. It does this by illustrating how the conceptually similar crimes of tax evasion and
8 welfare fraud result in different outcomes in the justice system. Table 1 outlines the
9 similarities and differences in the two crimes.

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11 **(Insert Table 1 About Here)**

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13 Table 1 shows a number of similarities in the two crimes: they are deliberate; they have the
14 same victim; and they have the same outcome. Moreover, both are quantifiable in the form of
15 the economic harm that results from the activity. While tax evasion is the usual description
16 attached to tax non-compliance, in order that the conventional labels attached to the offences
17 do not detract from the following analysis and discussion, both activities will be referred to as
18 'fraud' for the remainder of this article.

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21 Table 1 also shows the two key differences in the crimes. Tax fraud has considerably more
22 economic significance than welfare fraud – 50 times the magnitude in New Zealand in
23 2015/16 (Inland Revenue, 2016; Ministry of Social Development, 2016). However, Table 1
24 does not show the privilege shown to tax fraudsters as compared to welfare fraudsters. Thus,
25 the first aim of this study is to illustrate how those with greater resources and influence in
26 society receive preferential treatment when compared to those who are less powerful in
27 society, using the tax and welfare systems for illustrative purposes. The aim extends to
28 challenge this preferential treatment and explain why these differences continue to exist in a
29 society that is increasingly accepting that unequal treatment of individuals is undesirable.

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32 This study explores the role of prejudice as an explanation for the differences in treatment of
33 tax and welfare fraudsters, using a social dominance theoretical framework. Prejudice is a
34 concept social scientists use to describe and understand inter-group conflicts that occur in
35 society (Duckitt, 1992). Social dominance theory highlights the presence of prejudice, as it
36 suggests that individuals create social groups that promote hierarchies. The theory captures
37 the extent to which individuals prefer societal relations to be equal or whether their
38 preference is for their own group to dominate.

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41 Extending Mitchell, Sikka and Willmott's (2001:528) encouragement for accounting scholars
42 to more directly intervene in worldly affairs and '*report "inconvenient facts" to a wider*
43 *public*', the genesis of our study is the different treatments of welfare and tax fraudsters in
44 New Zealand and Australia. In the study, we examine in- and out-groups and the extent to
45 which individuals believe that their own group is more or less likely to commit either tax or
46 welfare fraud. We do this by reporting on results from a large survey with 3,000 respondents.

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49 We find strong evidence of the presence of social dominance along with traditional
50 stereotyping. In doing so, we find in-group preference: individuals believe their own in-group
51 is less likely to commit the crimes of tax or welfare fraud than other groups. This finding
52 suggests that it may be difficult to change the extant inequitable treatment currently afforded
53 to welfare fraudsters, as those with the most power and influence are, adopting social
54 dominance theory, most likely to favour their own in-group.

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3 The study has a second objective, which is to make a case for more critical tax research. A
4 Special Issue of critical tax research in 2010 noted that *'tax has not received the intellectual*
5 *attention it deserves from accounting scholars and indeed is often marginalized by other*
6 *apposite fields of enquiry such as political science, law and social policy'* (Boden, Killian,
7 Mulligan and Oats, 2010).² This is despite the significance of tax to society. Thus, we pursue
8 Dillard's claim that through *'an examination of contemporary social, economic and political*
9 *issues, means for producing a critique are proposed that potentially could assist in a rational*
10 *evaluation of ... social arrangements and motivate changes in practices and policies deemed*
11 *irrational and oppressive'* (1991:9).
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14 The structure of this article is as follows. First, we establish the problem in section two by
15 providing an outline of the literature that has investigated how those with greater or fewer
16 resources are treated differently in society. We use white- and blue-collar crime for
17 definitional purposes. We follow this with data to illustrate the different treatment of tax and
18 welfare fraudsters in both the New Zealand and Australian justice systems. Section two also
19 provides an outline of the concept of prejudice, used for explanatory purposes in this study.
20 Section three engages with the critical tax research on inequity. Section four provides an
21 outline of the theoretical framework used in the study: social dominance theory. Section five
22 follows, which outlines the research questions, describes the research design and provides the
23 characteristics of the survey respondents. Section six describes the research findings, which
24 show that in-groups support similar in-groups. Section seven engages in a discussion of the
25 issue whereby privileged in-groups hold sufficient power to maintain the status quo, resulting
26 in a situation where we are unlikely to see outcomes improve for those who are least
27 powerful in society. Section eight draws conclusions where, given the findings of the study,
28 we highlight the importance of scholarly engagement in the field of tax.
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35 BACKGROUND

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37 The background section serves two purposes. It moves from the general to the specific,
38 starting with the existing literature on the different treatment of individuals in different socio-
39 economic groups in the justice system. This serves to establish the generally accepted
40 perception that individuals who are less privileged in society receive less favourable
41 treatment than individuals who are more privileged. We then outline how this is visible in the
42 New Zealand and Australian contexts, to set the scene for the particular issue examined in
43 this study. The second aim of this section is to outline a selection of the literature on a key
44 concept social scientists use to understand intergroup conflict: prejudice. We briefly address
45 stereotyping, as an important connection with prejudice.
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52 ² We do not suggest that there is no critical tax research or that the critical tax research community is not
53 engaging in excellent work. Recent activities such as the dedication of a Special Issue of Critical Perspectives
54 on Accounting to taxation issues (2010, Issue 21, Volume 7) is one example. However, older valuable studies
55 also exist, such as Boden, Childs and Wild (1995). However, the field remains less developed when compared
56 to progress in accounting. There are also fewer tax scholars than accounting scholars, which impacts on the
57 quantity of critical tax publications.
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This study focuses on the tax system, using tax and welfare fraud for comparative purposes. The study is located in Australia and New Zealand, as they are progressive democracies that are typically associated with egalitarian societies. New Zealand and Australia both have comprehensive welfare systems that provide income supplementation under a range of circumstances. Both countries provide assistance for those who are unemployed, unwell or in other constrained situations, such as being sole parents. While the tax systems in each country are different, they both comprehensively tax income from individuals and entities. The New Zealand tax system has a highly effective consumption tax, but few wealth taxes. Unlike New Zealand, the Australian tax system incorporates a comprehensive capital gains tax. Both countries have a broad system of legislated penalties for non-compliance with either the tax or the welfare systems.³

Treatment in the Justice System

Issues relating to the preferential treatment of ‘white-collar criminals’ when compared to ‘blue-collar criminals’ have been observed for over 60 years. Sutherland (1949) was among the first to challenge the more lenient treatment given to privileged offenders, suggesting that individuals committing white-collar crime were likely to have greater power, resources and influence: all of which were likely to impact on their treatment in the justice system. From this time, multiple scholars have highlighted the preferential treatment of those committing white-collar crime (Hagan, Nagel and Albonetti, 1980; Weisburd, Wheeler, Waring and Bode, 1991; Hudson, 1993; Nelken, 1997; Croall, 2001; Cook, 2006; Gustafson, 2009; Wacquant, 2009; Reiman and Leighton, 2013).

Various factors contribute to these different outcomes. One of these factors is class. For example, in Sutherland’s seminal article of 1940, he suggests that ‘*respectable, or at least respected, business and professional*’ people had access to resources and power that facilitated committing financial crime, something that is not available to ‘*crime in the lower class, composed of persons of low socioeconomic status*’ (Sutherland, 1940:1). While Sutherland’s comments date back to nearly 80 years ago, they remain valid in the present day. While our study does not directly address the issue of class, we observe Sutherland’s (1940:8) suggestion that the different treatments of blue- and white-collar crime in the justice system could, at least in part, be explained by the following:

persons of the upper socio-economic class are more powerful politically and financially and escape arrest and conviction to a greater extent than persons who lack such power, even when guilty of crimes. Wealthy persons can employ skilled attorneys and in other ways influence the administration of justice in their own favour more effectively than can persons of the lower socio-economic class.

³ In New Zealand, these penalties are in the *Tax Administration Act 1994* and the *Social Security Act 1964* for tax offending and welfare offending, respectively. Prosecutions may be taken under the *Crimes Act 1961* for both offending categories, which has a higher maximum threshold of penalties. In Australia, the *Tax Administration Act 1953* details the general interest charge made for non-payment of tax obligations. This Act also outlines offences and prosecution processes. The Tax Administration legislation in both countries also specifies taxpayers’ rights in relation to objections, disputes and reviews. Like New Zealand, tax prosecutions in Australia may also be taken under the *Criminal Code Act 1985*, which provides for a higher maximum penalty.

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3 Sutherland's observation has relevance to this study, as it highlights the greater influence and
4 resources that allow for outcomes that are more favourable in the justice system. We also
5 note Brown's (2007) study on race and class in tax policy. Brown highlights the more
6 punitive treatment of lower-income earners in relation to tax audits, where *'low-income*
7 *taxpayers are far more likely to be audited than their high-income counterparts'* (2007:790).

9
10 When one of the offending categories is welfare fraud, the differences between white- and
11 blue-collar offending becomes particularly pronounced. Marston and Walsh report that case
12 law in Australia indicates that *'a sentence of imprisonment is generally considered to be the*
13 *starting point by the courts in social security fraud cases'* (2008:292). This is despite the fact
14 that financial offending undertaken by the wealthy is *'often much greater [in value] than that*
15 *of common criminals'* (Weisburd, Wheeler, Waring and Bode, 1991:7).

17
18 The 'type' of offending appears to be a more relevant factor in judging crimes than the harm
19 generated from the crime. Indeed, the social construction of crime is visible in research
20 indicating that individuals view tax offending as less serious than other offences involving
21 similar financial amounts (Cullen, Link and Polanzi, 1982; Australian Institute of
22 Criminology, 1986; McIntosh and Veal, 2001; Orviska and Hudson, 2002; Smith, Button,
23 Johnston and Frimpong, 2011). Moreover, studies that ask respondents to rank crimes in
24 order of seriousness generally report that tax fraud is less serious than other financial crimes
25 (Australian Institute of Criminology, 1986; Evans and Kelley, 2001; Karlinsky, Burton and
26 Blanthorne, 2004; Gupta, 2006). Thus, interpretation of fraudulent behaviour varies across
27 contexts (Cooper, Dacin and Palmer, 2013).

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31 A particular issue is the association made between receiving welfare and welfare fraud. There
32 is evidence throughout multiple societies of prejudice against individuals receiving welfare
33 benefits. The presence of welfare fraud amplifies this prejudice. Again, visibly different
34 narratives exist in the discussions pertaining to the behaviours of those on welfare and the
35 larger group of taxpayers. Illustrative examples from New Zealand, Australia and the United
36 Kingdom show the pejorative language frequently used in association with those receiving
37 welfare assistance: *'scroungers or cheats'* (Marston and Walsh, 2008:287); *'wilfully idle,*
38 *undeserving and lacking in moral fibre'* (Cook, 1989:11); *'dole cheats'* (Prenzler, 2010:2);⁴
39 or *'parasites demanding social security while making no contribution to the economy'*
40 (Bright, 1978:161). Meanwhile, tax fraud is *'elite crime or crimes of the powerful'* (Croall,
41 2011:11).

44
45 The tax discipline is similar to the accounting profession, where for many decades it has been
46 held as a profession that is, as described by Mitchell, Sikka and Willmott, *'beyond reproach'*
47 (2001:528). These authors continue to observe how powerful elites police knowledge by
48 producing narratives that discredit alternative voices. The image of tax fraudsters is that they
49 contribute to society; notwithstanding the fact that their non-payment of tax means their
50 financial contributions are absent.⁵ Meanwhile, the image of welfare fraudsters is that they do
51 not contribute and challenge the *'ideals of independence and self-sufficiency'* that are
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56 ⁴ The term 'dole cheats' is commonly used in Australia to refer to welfare fraudsters.

57 ⁵ See, for example, the work of Croall (2001).

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3 venerated in society (Fineman, 2006:135). Fineman (2006) also observes that we perpetuate
4 practices that stigmatise those who are dependent, while ignoring the socio-economic
5 circumstances of people's lives.
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7 **Inequity in the Tax and Welfare Systems in New Zealand and Australia**

8
9 This sub-section establishes the more punitive treatment of welfare recipients, as compared to
10 tax evaders, in New Zealand and Australia. A dominant assumption is that taxation rules and
11 regulations are transparent, consistently applied and objective. However, evidence suggests
12 that taxation rules may be internally consistent, but when compared across other similar
13 activities, inequities are evident. For example, tax debtors receive more lenient debt
14 repayment obligations than welfare debtors (Marriott, 2014). Tax debtors are more likely to
15 have their repayments reduced or written off if they can establish serious hardship, while
16 welfare debtors are likely to only have their debt written off when all efforts to collect the
17 debt have been exhausted (e.g. the debtor has died and the estate is insolvent) (Marriott,
18 2014).
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21
22 Marriott's (2014) study also highlights the different thresholds for serious hardship for
23 welfare debtors and tax debtors. There is no definition for serious hardship in the *Social*
24 *Security Act 1964*. The most likely outcome for welfare debtors who experience serious
25 hardship is their repayments may reduce. By way of comparison, serious hardship for tax
26 debtors is outlined in the *Tax Administration Act 1994* as including '*significant financial*
27 *difficulties that arise where the taxpayer ... would be unable to meet: minimum living*
28 *expenses estimated according to normal community standards of cost and quality...*'.⁶ Tax
29 debtors who establish they are experiencing serious hardship may request remission of their
30 debts.
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34 A further example of the different treatment of those who engage in welfare fraud and other
35 financial crimes is visible in a recent change to the *Social Security Act 1964*. The changes
36 create a situation where the partners of welfare fraudsters become liable for prosecution for
37 the crime committed by their partner. They may also be liable for the debt generated from
38 the offending. The threshold is when the partner 'ought to have known' of the offending,
39 rather than actual knowledge. This change, which was effective from July 2014, results in a
40 situation where the partners of welfare fraudsters are treated differently from the partners of
41 other financial fraudsters.
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45 Prior research has established different approaches to prosecutions by different government
46 agencies. Recently released data from government agencies shows that the most active
47 prosecution agencies by number of prosecutions were (in order): the New Zealand Police, the
48 Department of Corrections, and the welfare agency – the Ministry of Social Development –
49 was third. In the financial year to 2015, the Ministry of Social Development completed 670
50 prosecutions. Differences are evident when comparing similar government agencies such as
51 the Financial Markets Authority (two prosecutions) or Accident Compensation Corporation
52 (four prosecutions). These two agencies are comparable as they are also involved in financial
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57 ⁶ Tax Administration Act 1994, s 177A.
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3 fraud cases and Accident Compensation Corporation fraud typically relates to over claiming
4 entitlements. A recent media report cites a Crown Law briefing as suggesting that there are
5 different approaches adopted to prosecution depending on whether welfare receipt is part of
6 the crime.⁷
7

8 Sentencing outcomes also generate disparities between welfare fraud and tax fraud offences.
9 As the crimes are both financial, they lend themselves to comparison. Prior research has
10 shown that for approximately three times the amount of average welfare offending
11 (\$229,471), tax fraudsters have one-third of the chance of receiving a prison sentence when
12 compared to welfare fraudsters (18%) (Marriott, 2013). The different proportions of
13 investigations and prosecutions suggest a greater willingness by authorities to pursue those on
14 welfare, where criminal activity is present.
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17 Similar patterns are visible in Australia with the different treatments of welfare and tax
18 fraudsters. As with New Zealand, only a small percentage of tax lodgements result in
19 disputes, objections and reviews; relatively small proportions receive referral for prosecution;
20 and conviction rates from prosecutions are high. Investigations of welfare recipients totalled
21 3.5 million reviews in 2009-10 (Lindley, Jorna and Smith, 2010:3). Prosecutions in Australia
22 as a proportion of customers are typically around 0.05 per cent (Marriott, 2013). Like New
23 Zealand, conviction rates from prosecutions are high at 99 per cent. However, the average
24 saving per prosecuted offence is not high. Savings per prosecution range between A\$29,000-
25 A\$52,000, but the average saving per adjustment after investigation is between A\$165 and
26 A\$199 (Lindley, Jorna and Smith, 2010). This indicates that a large number of reviews and
27 investigations occur in relation to very small amounts of incorrect claims.
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31 While the information available in the two jurisdictions is not identical, both countries clearly
32 show different treatments of welfare and tax fraudsters in the justice system. There are more
33 investigations and prosecutions of welfare fraud than tax fraud in both countries and
34 prosecutions commence at a lower level of offending for welfare fraud. The different
35 approaches to investigations, prosecutions and sentencing of welfare crimes suggests a
36 greater willingness to both pursue and to punish offending by those receiving welfare
37 benefits.
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41 The approach to investigation and prosecution of tax fraud may affect its perception. Tax
42 crime is of significantly greater economic importance than welfare crime. However, the
43 differences in treatment of the two crimes suggests that welfare fraud is the more serious
44 offence and likely to generate considerable damage to the social fabric. Lehman and Okcabol
45 observe this phenomenon when noting that crime management, including underreporting of
46 some statistics, comprises '*part of a complicated political process by re-constructing
47 meaning and imbued with social practices*' (2005:615).
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50 The approach adopted to the investigation and prosecution of tax fraud leads to
51 underreporting of this offence, through the process of negotiated settlements. This situation
52 arises as non-compliant taxpayers may negotiate outcomes with the tax authority and thereby
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56 ⁷ Reported in the Dominion Post, 17 February 2017. Available at: <http://www.pressreader.com/new-zealand/the-dominion-post/20170210/282535838114056>, retrieved 4 March 2017.
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3 avoid prosecution. This option is not available to welfare fraudsters. While New Zealand
4 and Australia are typically regarded as largely honest jurisdictions,⁸ there are clearly more
5 than a handful of tax fraud cases in most years, which is the impression given by the few tax
6 fraud cases that can be witnessed in the criminal courts. By way of contrast, the greater
7 number of investigations and prosecutions, together with harsher sentences, provides support
8 to the generally accepted belief that welfare fraud is a more serious crime than tax fraud.
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10 The circular feature of these crimes is similar to that observed by Dillard in relation to
11 accounting, whereby in the absence of an intervention, *'distortions are interpreted as*
12 *objective representations of "real" phenomena'* (1991:9). The common link with the tax and
13 welfare fraud dynamic that is the focus of this article, is that the societal framing of welfare
14 fraud as the more serious offence, minimises the opportunity for critique that would allow the
15 dominant cycle to be broken. To paraphrase Dillard where accounting is replaced with tax, *'if*
16 *the images of existence are not directed toward alternative ideological mirrors and the*
17 *distorted, yet differently distorted, "realities" considered, then [tax] will continue to*
18 *reinforce and reify the social system from which it emanated'* (1991:9).
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22 23 **Prejudice**

24 This study investigates prejudice as it *'can usefully be regarded as the outcome of conflicting*
25 *group goals'* (Brown, 1995:203). In the groups we examine in this study, the group that we
26 expect to see as the oppressed group is the group of welfare fraudsters. Inevitably, there are
27 insufficient resources to provide sufficient financial support to allow everyone in society to
28 have their desired standard of living. Therefore, when people take more from the system for
29 themselves, all the others in the group suffer. Tax fraudsters achieve the same outcome, but
30 without application of similar negative attitudes.
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33 Duckitt (1992) observes the range of concepts social scientists use to assist with explaining
34 inter-group conflicts. Among these are tolerance, ethnocentrism, stereotype, racism,
35 discrimination and prejudice. Prejudice is the focus on the current study as it has been
36 *'accorded primacy'* among these factors (Duckitt, 1992:7). However, the commonalities and
37 overlaps between these concepts are recognised, and all of these concepts are likely to affect
38 the results reported herein to a greater or lesser extent.
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41 Typically, there are four generally agreed factors involved in the definition of prejudice:

- 42 1. It is an inter-group phenomenon;
 - 43 2. It is negative;
 - 44 3. It is undesirable; and,
 - 45 4. It is an attitude (Duckitt (1992), citing Ashmore 1970:9).⁹
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50 Attitudes are generally agreed to be a *'latent or underlying variable that is assumed to guide*
51 *or influence behavior'* (Fishbein and Ajzen, 1975). Attitudes are learned tendencies that
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55 ⁸ For example, see Transparency International's Corruption Perception Index, where New Zealand and Australia
56 both rank highly in terms of levels of public sector corruption.

57 ⁹ Refer to Duckitt (1992:10) for more detail on definitions of prejudice.
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inform responses to an object. Typically, these exist on a spectrum of favourable to unfavourable. Beliefs inform the attitude held by the individual in relation to the object, with stronger or weaker beliefs reflected in the extent of prejudice held towards the object. Fishbein and Ajzen (1975) suggest that intentions are a special case of beliefs, where the strength of the intention determines the probability that the person will perform a particular behaviour. For some time, social psychology research has united in accepting that attitudes do not appear to have a strong impact on behaviour (Terry, Hogg and Blackwood, 2001).

Intergroup relations have been the focus of many discussions on prejudice. The fundamental principle is that people favour their own groups over others (Pratto, Sidanius and Levin, 2006). Prejudice towards out-groups is generated with the practice that *'large numbers of people in any segment of society will broadly agree in their negative stereotypes of any given outgroup and will behave in a similar way towards them'* (Brown, 1995:10). Intergroup conflicts can take the form of competition for resources, domination of one group above another, or disparities in size or status (Brown, 1995).

There are numerous examples that confirm the correlation between intergroup domination and the belief of the inferiority of the minority or oppressed group (Duckitt, 1992:101). One of the roles played by the minority group in ensuring the maintenance of the extant hierarchy is in taking the role of the scapegoat for activities disapproved of by the dominant group. Having a scapegoat facilitates cohesion within the dominant group, particularly when the minority group is already a group that is resented (Duckitt, 1992). This is particularly relevant for the welfare and tax fraud that is the topic of this study. Welfare fraudsters are a subset of people who are receiving welfare benefits. Society does not view either welfare recipients or fraudsters favourably. However, views of tax fraudsters are that they are clever or entrepreneurial. Welfare fraudsters meet the criteria of a minority or oppressed group, particularly as they are often not well organised, usually have few resources, and typically have little in the way of political influence, power or support. In contrast, tax fraudsters often retain power, influence and networks, notwithstanding criminal activity.

Duckitt (2001) reports that prejudice tends to be generalised over targets, that is, individuals who hold less favourable attitudes to one minority or oppressed group are also likely to hold less favourable attitudes to other minority or oppressed groups. There are multiple reasons why individuals may hold unfavourable views about welfare fraud. For example, the media reports on both welfare and tax fraud prosecutions. However, as welfare fraud is more likely to be prosecuted than tax fraud for a similar quantum of offending, it appears more frequently in the media.¹⁰ Thus, individuals may readily overestimate the presence of welfare fraud in society when compared to tax fraud. This phenomenon, referred to as illusory correlation in the social psychology literature, provides for individuals to assume high rates of welfare fraud among welfare recipients, as compared to tax fraud among taxpayers, due to overestimates of the frequency of welfare fraud. Thus, as noted by Hamilton and Gifford, different perceptions of groups may result solely from *'cognitive mechanisms involved in*

¹⁰ A search on one of the primary New Zealand news websites for 'tax evasion' returns 2,100 results and for 'benefit fraud' returns 7,590 results (search undertaken 26 February 2017 on website www.stuff.co.nz).

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3 *processing information about stimulus events that differ in their frequencies of co-*
4 *occurrence'* (2000:161).

5
6 While the study of intergroup conflicts focuses on group ideals, the focus can also be on the
7 influence of the group on individual attitudes. In many cases, stereotyped perspectives on
8 out-groups act to reinforce attitudes. Brown describes stereotyping as '*a phenomenon at the*
9 *heart of the study of prejudice'* (1995:82) and '*a cognitive association of a social category*
10 *with certain characteristics'* (1995:90). More simply, they are described by Locke and
11 Johnston (2001:108) as '*mental representations of social groups and their members which*
12 *contain enough detail to allow us to know what group members are like without ever meeting*
13 *them'*. As well as including the likely traits of that group, these mental representations will
14 also generate expectations of how the group members will behave. Stereotypes may result
15 from cultural influences, socio-economic differences, or from cognitive bias that results in
16 illusory correlations between minority or oppressed groups and infrequently occurring
17 attributes (Brown, 1995).

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21 Part of the wider problem in relation to attitudes towards those who engage in tax fraud and
22 those who engage in welfare fraud is the reinforcement of knowledge relating to the two
23 crimes. To the extent that harsher punishments are noticeable for welfare fraud, the act
24 becomes conceptually a more serious crime. This phenomenon is raised by Mitchell, Sikka
25 and Willmott, who observe the need to '*foster an awareness of how forms of power,*
26 *including legal processes, constrain as well as enable the dissemination of knowledge'*
27 (2001:527).

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30 The link between stereotypes and prejudice is that prejudice '*captures the affective nature of*
31 *the response to members of different social groups'* that may result from stereotypes (Locke
32 and Johnston, 2001:108). Different people will hold dissimilar levels of prejudice towards
33 certain groups, which affects how they evaluate that group. Those who are more prejudiced
34 will use negative information about a group to judge that group and reinforce negative
35 attitudes (Locke and Johnston, 2001).

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37
38 Research outputs typically agree that stereotyping influences perceptions and judgements of
39 people or events. For example, Darley and Gross (2000) report that individuals assessed
40 children to be of higher or lower academic ability when told the child was from a high- or
41 low-socioeconomic background, respectively. Darley and Gross (2000) suggest that this
42 stereotype information does not create certainties about individuals, but rather allows
43 hypotheses to be formed about the stereotyped individual, which are then 'tested' in a biased
44 fashion, allowing their false confirmation.

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47 Group affiliations may affect stereotypes. These group affiliations can result in people being
48 more likely to agree with favourable stereotypes of their own groups and less likely to agree
49 with favourable stereotypes of other groups: another example of illusory correlations. Thus,
50 a form of positive social identity develops with one's own group(s), which, if threatened, may
51 result in intergroup conflict. Social identity theory suggests that a desire for an in-group to
52 maintain a positive social identity motivates attitudes towards that group (Terry, Hogg and
53 Blackwood, 2001). Research has shown that even when the basis for a group membership is
54 random, individuals favour their in-group, leading to the conclusion that where a group is
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self-inclusive, this is sufficient condition to generate hostility to other out-groups (Terry, Hogg and Blackwood, 2001).

TAX AND INEQUITY

In many ways, critical tax research is no different from critical accounting research. In a recent article commemorating 25 years of a critical accounting journal, Morales and Sponem, raise a number of objectives of the critical accounting approach including: it must question the power of any group to determine what is appropriate; it engages with theory to determine conditions to assist with emancipation; it proposes reforms and exposes dysfunctions; and it can '*convey the social, political and human complexities of accounting institutions*' (Morales and Sponem (2017) citing Cooper (2014)). Critical tax research has these same objectives.

This section provides a brief illustration of the tax research that has considered inequity. In its most traditional use in taxation, equity is one of a small number of 'principles' typically considered desirable in tax policy. Different ways of looking at equity are used in the tax literature, e.g., horizontal and vertical, or progressive and regressive. The common feature is some component of 'equal' – notwithstanding that 'equal' is achievable by treating all the same, or all differently, depending on the circumstances.

Research on inequity often focuses on economic inequity, emphasising the differences in returns to capital and labour (for example, Piketty (2014)), and the subsequent relationship between inequity and increasing inequality. While this is important, this section highlights the additional contribution that critical tax research has made in extending the issue into the social and legislative domain. What is common in the majority of the literature is that it focuses on the tax *system* and the ways in which the regime of tax legislation and its interpretation can result in inequitable outcomes. This study adopts a different focus and instead it examines how tax, in general, is privileged. This may be because tax funds economic and social activity, and thus has a worthy objective. Meanwhile, welfare is an expenditure item, with recipients demonised for the lack of self-reliance that is the ideal when viewed through a neo-liberal lens. Work by Boden, Childs and Wild (1995) explores this further, highlighting the '*anti-welfare notions*' that result from the concept of economic citizenship and the expectation of self-reliance. Brown provides further evidence in her observation that in America "*welfare recipients*" *equal lazy blacks, who would rather receive money from the government than work*' (2007:794). This is notwithstanding the close connection of the tax and welfare schemes in relation to social objectives.

While the traditional concepts of equity within tax have been widely critiqued, inequity has not faced the same level of inquisition. Infanti captures this idea when he writes that tax equity is '*solely concerned with the fair treatment of individuals who either have the same or different incomes*' (Infanti, 2008:1195). Infanti continues to observe that this represents a normative choice '*to consider economic differences – and only economic differences – in determining the fairness of a tax...*' (2008:1195). Infanti's express aim is to raise consciousness of the taken for granted nature of fairness in tax research and extend thinking

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3 to *'embrace not only fairness to the privileged among us, but to the oppressed as well'*
4 (2008:1197).

5
6 Knauer (2014) adopts a similar stance, observing that tax policy adopts terms of neutral
7 outcomes, while simultaneously disregarding characteristics of taxpayers that may lead to
8 outcomes that are not neutral, such as gender, ethnic group or socioeconomic position.
9 Instead, tax policy formation uses large-scale models that group taxpayers into income
10 groups or expenditure categories. As Knauer (2014:210) writes, *'the fiction of taxpayer*
11 *neutrality is a constituent feature of optimal tax theory, which seeks to maximize social*
12 *welfare by identifying the optimal tax base'*.

13
14
15 Similar views are visible in the field of critical tax research. Critical tax scholars have made
16 strong contributions to address the issues Infanti and Knauer raise. While some of these are
17 more traditional tax topics, such as the extent to which fairness affects tax burdens (for
18 example, Farrar, 2011) or tax reform (Knauer, 2014), a range of interdisciplinary work
19 addressing inequity is also evident. Examples include gender equity and tax (see, for
20 example, Blumberg, 1971; Livingston, 2002; and Grown and Valodia, 2010); tax
21 discrimination and ethnicity (see, for example, Moran and Whitford, 1996, and Brown,
22 2007); the role of tax administration and administrators (Tuck, 2010); how the tax system is
23 used to influence the choices of women (Mumford, 2009); or inequities that result for same-
24 sex couples from the tax regime (Knauer, 1998), among others. A further topic that has
25 attracted discussion is a more fundamental consideration of tax equity: who pays tax. See
26 Infanti (2007) for a thorough discussion of this field or Gracia and Oats (2010) who discuss
27 the related topic of tax avoidance and tax evasion. All of these examples address components
28 of inequity relating to, or resulting from, taxation. Some directly address inequity by
29 exploring the inequitable outcomes for different groups from the tax rules, while others show
30 how the tax rules privilege the wealthy.

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32
33 Infanti observes that *'the problem is not that "mainstream" and critical tax scholars are*
34 *talking past each other, but that critical tax scholars attempt to frame their discussions in tax*
35 *equity terms at all'* (2008:1195). Infanti's argument is that tax equity focuses on the
36 economic differences in determining tax fairness. Infanti refers to the *'insidious*
37 *homogenization of the population'* that results in tax equity performing a *'sanitizing and a*
38 *screening function'* (2008:1196) as it eliminates difference that takes other forms, such as
39 gender or ethnicity.

40
41
42 Boden et al (2010:541) further develop this idea in observing the 'othering' of taxation,
43 which may be the result of professional preference to maintain tax as a technical discipline to
44 *'keep prying eyes from closely examining the hidden power plays at work'*. Boden et al
45 further note that positivism typically dominates tax research, whether this takes the form of
46 black-letter law interpretations or the economic cost-benefit approach to tax policy (2010).
47 Boden et al combine these two issues – the marginalisation of tax research and the traditional
48 approaches to tax research – to suggest the outcome is *'the absence of an understanding of*
49 *the operation of power in a social contract that touches the lives of all'* (2010: 541).

50
51
52 Boden et al's claim about the dominance of positive research in the tax discipline is visible in
53 all components of the literature: the publication outlets, the topics covered and the methods
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3 used. Moreover, this positive influence has been visible in early literature examining the
4 behaviour of taxpayers when these taxpayers believed the tax system was inequitable.
5 Falkinger (1988:388) captures the general finding of these studies: *'tax evasion is a means to*
6 *adjust the corresponding terms of trade with government if they are perceived to be unfair'*
7 (1988:388). Many of these early tax studies were experimental (Spicer and Lundstedt, 1976;
8 Spicer and Becker, 1980), theoretical (Cowell, 1985; Forest and Sheffrin, 2002) or empirical
9 (Wallschutzsky, 1988) and typically reported that perceptions of inequity were a factor in
10 taxpayers' decisions to evade their tax obligations. In time, critical research supplemented
11 these economically grounded studies, which reaches across a broader construct of inequity
12 than that visible in the field of public finance.
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15
16 The tax community's ability to engage with technically complex material is well-established.
17 However, Boden et al (2010:541) note that in the absence of a critical social science
18 perspective *'this technical approach to tax fails to penetrate structural rules and their*
19 *application'*. Furthermore, it minimises the opportunity we have to highlight the power
20 imbalances in society that are generated and maintained within the broader tax discipline.
21 Thus, one of the aims of this study is to highlight the lack of equivalence in the treatment of
22 welfare and tax offenders, where those in the group of tax offenders are more likely to
23 represent those with the most power and influence in society. While the breadth and depth of
24 critical tax research has undoubtedly expanded over recent decades, there is still much work
25 needed to highlight the bias that, as captured by Knauer, *'is often obscured by the misplaced*
26 *belief in the inherent neutrality of taxation'* (2012:230).
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31 **SOCIAL DOMINANCE THEORY**

32
33 The foundation of social dominance theory is the belief that all societies are systems of
34 group-based social hierarchies (Sidanius and Pratto, 1999). Dominant groups are
35 characterised by *'possession of a disproportionately large share of positive social value, or*
36 *all those materials and symbolic things for which people strive'* (Sidanius and Pratto,
37 1999:31), such as power, authority, or status. Those in subordinate groups possess a large
38 share of negative social value, such as little power and authority, few possessions and low
39 social status. A fundamental assumption of social dominance theory is that groups engage in
40 behaviours to facilitate the endurance of extant hierarchies.
41
42

43
44 Sidanius et al (2004) propose that social institutions, as well as powerful individuals,
45 disproportionately allocate desirable and undesirable goods in society, with the result that
46 those who are less powerful receive greater amounts of undesirable goods, such as
47 punishments. Social dominance theory proposes that an individual's measure of social
48 dominance orientation drives attitudes towards out-groups. Social dominance orientation is
49 *'the basic desire to have one's own primary in-group (however defined) be considered better*
50 *than, superior to, and dominant over relevant out-groups'* (Sidanius et al, 2001:153). The
51 general orientation toward group-based social hierarchy is social dominance orientation
52 (SDO) (Sidanius and Pratto, 1999:39). This study uses the 16-question SDO measurement
53 scale (Sidanius and Pratto, 1999), as provided in Appendix I.
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3 People who are more social-dominance oriented will prefer hierarchy-enhancing policies that
4 allow for group-based dominance, such as those in the criminal justice system that award
5 harsher punishments to those in subordinate social groups. Conversely, those lower on social
6 dominance orientation are more likely to: reflect preferences for *'egalitarianism and*
7 *altruistic social concern'* (Sibley, Robertson and Kirkwood, 2005:172); show preference for
8 policies that are hierarchy-attenuating (Pratto et al, 1994); and are more likely to favour
9 equality in the justice system. Thus, the SDO criteria may be divided into those measures
10 that score high on dominance (questions 2, 4, 6, 8, 10, 12, 14 and 15) and those that score
11 high on egalitarianism (questions 1, 3, 5, 7, 9, 11, 13 and 16).
12
13

14 There are multiple reasons for adopting SDO in this study. Social dominance theory is a
15 powerful predictor of generalised prejudice (Duckitt et al, 2002; Duckitt and Sibley, 2010)
16 and intergroup phenomena (Duckitt, 2001; Ho et al, 2012). In addition, SDO is an effective
17 predictor of attitudes where the foundation of intergroup relations is inequality and where
18 intergroup relations are characterised by high levels of threat to group values and security
19 (Sibley, Robertson and Kirkwood, 2005).¹¹ SDO is *'highly reliable'* (Duckitt et al, 2002:76)
20 and *'highly stable over time'* (Sidanius and Pratto, 1999:68). Ho et al (2012:584) describe
21 SDO as *'one of the most versatile and useful constructs for understanding socio-political*
22 *ideologies, the psychology of prejudice, and intergroup behaviour'*. Furthermore, studies
23 have shown a negative correlation between social dominance orientation and traits such as
24 empathy, tolerance and altruism (Pratto et al, 1994).
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29 Of particular relevance to this study is the suggestion by Sidanius and Pratto (1999) that the
30 criminal justice system is a social institution that systematically reproduces group-based
31 hierarchy. These hierarchies are visible in the treatment of minority groups in the criminal
32 justice system, as well as in the different treatments of tax and welfare fraudsters.
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36 RESEARCH QUESTIONS, METHODOLOGY AND CHARACTERISTICS OF 37 RESPONDENTS 38

39 The major aim of this study is to highlight, challenge and explain the inequity resulting from
40 the treatments of different societal groups. This section commences with the research
41 questions and research design adopted to address these aims. The section also outlines the
42 characteristics of the survey respondents.
43
44

45 Research Questions

46 The study focuses on prejudiced attitudes towards different types of people. As noted in the
47 literature in section three, one of the aims of critical accounting (and tax) research is to
48 question and challenge power relations and situations that result from power relations. Given
49 the anti-welfare notions highlighted in section three, we expect attitudes towards those who
50 are engaging in welfare fraud to be more punitive than towards those who engage in tax
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56 ¹¹ For example, Sibley, Robertson and Kirkwood (2005) have used SDO to predict attitudes towards Māori-
57 Pakeha relations in New Zealand.
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3 fraud. This expectation results from the perception of a generally negative attitude towards
4 those who are in receipt of welfare, notwithstanding any welfare fraud. Therefore, we expect
5 exacerbation of this attitude when fraudulent activity is present. This leads to the first
6 research question in our study.
7

- 8 1. To what extent are attitudes towards welfare fraud more negative than attitudes
9 towards tax fraud?
10

11 By asking this question in the New Zealand and Australian environments, which are often
12 believed to be relatively tolerant societies, we provide further support for the extant literature
13 that illustrates the presence of prejudice against those who are marginalised in society. We
14 subsequently set out to examine the influence of prejudice on attitudes and for this we use
15 social dominance theory. Following social dominance theory, we expect that individuals will
16 identify more positively with their own group. Thus, our second research question is:
17

- 18 2. To what extent do individuals believe that their own group is more or less likely to
19 commit tax fraud or welfare fraud?
20

21 This potential presence of inter-group stereotypes and prejudice against out-groups resulted
22 in the use of social dominance theory for analytical purposes in this study. The theory allows
23 us to highlight where equal relations are preferred, or whether an individual prefers their own
24 group to dominate. In asking this question through the frame of social dominance, we
25 examine whether prejudice within hierarchies exists that will limit potential social change.
26
27

28 **Research Design**

29

30 We collect data via an online survey. A representative sample of the New Zealand and
31 Australian population received the electronically distributed survey. An independent research
32 company holding a database comprised of individuals belonging to a retail rewards
33 programme in each country distributed the email. The database held approximately half of
34 the population in both New Zealand and Australia. While the database holds a large
35 proportion of the population, as it is a retail rewards scheme, higher socio-economic
36 individuals have greater representation. However, this limitation does not restrict the
37 targeting of a representative sample of the New Zealand and Australian populations based on
38 the most recent census data.
39

40
41 We excluded those aged under the age of 18 due to their limited engagement with the welfare
42 or tax systems. Individuals received rewards in the form of retail 'points' from the retail
43 reward scheme for participating in the survey.¹² This ensured anonymity of respondents from
44 the researchers. The study received Human Ethics approval from the university of the first
45 author.
46
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48 The database holder sent a large number of emails (15,000). The experiment was available
49 for people to complete until the requisite number of completed surveys (1,500 in Australia
50 and 1,500 in New Zealand) was received, which was approximately three days. At this time,
51 the survey closed.
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56 ¹² Upon receipt of the email requesting participation, individuals received a link to the experiment. Completion
57 of the experiment provided individuals with a code that allowed collection of the reward points.
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All respondents were required to complete the survey in order to receive their retail reward points, although for some questions (income, age, etc.), people could respond 'Prefer not to say'. We coded these as missing. When we required the subjects to have complete responses for all the demographic variables, we were left with 2,527 respondents, 1,266 (50.1%) from New Zealand, and 1,261 (49.9%) from Australia. We then considered the characteristics of the study participants separately by New Zealand and Australian respondents.

Country Selection

New Zealand and Australia are frequently utilised in cross-country studies, as they lend themselves to effective comparative studies. They are both successful southern-hemisphere Commonwealth countries with similar demographic profiles, social policy objectives and British colonial heritage (Marriott, 2010). The countries have parliamentary governments, are both OECD member countries, are geographically close and have close trade relationships.

This study does not compare between the two countries and instead uses the two countries together to examine for different responses to the same events. We use Australia and New Zealand, as they are sufficiently similar from an economic, social and legal perspective. For example, McLean (2003:14) claims that '*these two have more in common with one another than either has with any other country on the planet ... they are probably simply more alike than any other two separate nations*' (2003:14); and suggests that:

There are strong personal and social affinities between the two peoples and close links by modern transport; both are liberal, moderate democracies, fortunate and successful states with a far-reaching network of co-operation between them; there are no divisive legacies of bitterness or wars: there is nothing of a racial, religious, ethical or linguistic character to provide any pretext for apart-ness.

Characteristics of Survey Respondents

The survey collected a range of demographic variables. This section discusses those that are most relevant to the analysis, together with the traditional variables of gender and age. We do not include tables outlining the variables, in the interests of space. However, details of respondents are available from the authors on request. The gender responses were 48%/52% male/female in New Zealand and 46%/54% in Australia. We received a good range of age responses, noting that we only requested responses from those aged over 18. The survey has large numbers of European responses – New Zealand European in New Zealand and Australian European in Australia. As compared to census profiles, New Zealand Māori and Pasifika are under-represented in New Zealand. Asians have higher representation in Australia at 13.3% (approximately 7% of the Australian population identify with at least one Asian ethnicity) and lower representation in New Zealand at 4.6% (approximately 12% of the New Zealand population identify with at least one Asian ethnicity).

We grouped respondents into three professional groups. Nearly half (48.1%) of Australian respondents have classified themselves as unskilled, as compared to 30.4% of New Zealanders. In the Manager/Professional category, New Zealand has greater representation at 38.6%, compared to 24.3% for Australia. This aligns with other variables, which show that

Australian respondents are younger and more receive welfare benefits than New Zealand respondents.

In both Australia and New Zealand, the main source of income is from wages and salaries: 58% in Australia and 67% in New Zealand. In Australia, 16% of respondents reported receiving a pension while 17% of New Zealand respondents reported the same. New Zealand respondents reported that 12% per cent were self-employed, as compared to seven per cent of Australians. Only small proportions of people had no source of income, or income from capital, in both countries. We have a considerably higher proportion of people reporting as being on a benefit in Australia at 14.5% as compared to New Zealand at 3%. We separate old-age pensions and other welfare benefits in this grouping. The proportion of the working age population (18-64 years of age) in receipt of welfare benefit is 18% in Australia (Australian Council of Social Services 2014) and 11% in New Zealand (Ministry of Social Development 2014). Therefore, both countries are under-represented in the survey by individuals in receipt of welfare benefits.

Social Dominance Orientation Scale

The survey had 80 questions, but we do not include all the questions in this article. We positioned the SDO questions at the end of the study, after all the questions on perceptions of tax or welfare had been finished. We told respondents: *'we would now like to ask your views on a range of topics relating to groups within society. Please click on the response that best reflects your view'*. The questions outlined in Appendix I followed.

The SDO scale is a widely used social psychological scale. It consists of 16 items, each scored from 1 (strongly disagree) to 7 (strongly agree).¹³ We divide the scale into two 8-item sub-domains (Dominance and Egalitarianism).¹⁴

We calculate scores by taking the mean of the items for that score, after appropriate reverse coding for items asking 'negatively'. The two-factor solution for the SDO in our sample gave the same result – splitting the items into the same ones defined for Dominance and Egalitarianism - as reported in the literature. In our sample, the Cronbach's alpha for all 16 items was 0.890 (95% CI: 0.883, 0.896), for the 8-item Egalitarianism score, Cronbach's alpha was 0.871 (0.863, 0.878), and for the 8-item Dominance score, alpha = 0.873 (0.865, 0.880).

Table 2 outlines the means and standard deviations for our sample.

(Insert Table 2 About Here)

FINDINGS

In order to address the question of whether people are likely to believe their own in-group is more or less likely to engage in a particular crime, we examine the likelihood that the

¹³ For further detail, see Sidanius and Pratto (2001).

¹⁴ For further detail, see Ho et al (2012).

respondent thought a 'type' of person would be more or less likely to evade tax or engage in welfare fraud. We pose two scenario-based questions to respondents as follows:

- (1) Tax Fraud Scenario. You read in the newspaper that someone has been caught evading tax. If you knew the following about them, do you think it is more or less likely that the person is guilty?
- (2) Welfare Fraud Scenario. You read in the newspaper that someone has been caught committing welfare fraud. If you knew the following about them, do you think it is more or less likely that the person is guilty?

For each of the scenarios, we provided seven options:

1. The person did not have a job
2. The person owns their own home
3. The person is of Māori ethnicity
4. The person is a businessman
5. The person receives a welfare benefit
6. The person is an immigrant from the United Kingdom
7. The person is an immigrant from Tonga

We collected responses on a 7-point Likert scale from 1 (more likely) to 7 (less likely). We did not give any additional anchors with the exception of a mid-point anchor at 4 (undecided).

We selected these options due to expected stereotypes of particular types of people. The Māori group is included as Māori are the indigenous people of New Zealand and comprise approximately 15% of the population. Historically they have been the target of negative stereotypes (e.g. *'lazy, slovenly and inefficient and not able to cope with the strict time demands of the capitalist world'*).¹⁵ As the indigenous Aboriginal population in Australia is around two per cent, we did not set out to investigate Aboriginal responses, as we believed it was unlikely that we would get sufficient responses to engage in meaningful analysis.

We used repeated measures analysis of variance to test whether the average 'likelihood of being guilty' differed by the seven different 'types' of people outlined above; whether there were differences by scenario; and whether the differences by person differed by scenario (the interaction effect). We use Bonferroni post-hoc tests to determine which 'types' of people differed from each other. Table 3 outlines the results of the overall analysis, which shows a significant difference by scenario, by person and a significant interaction.

(Insert Table 3 About Here)

The results of the analysis of both scenarios were difficult to interpret, therefore we analysed each scenario separately. The one-way ANOVA used is equivalent to a two-sample t-test. This is suitable for even very small sample sizes (< 15, for example). As our sample sizes are at least 50 in every group, there is no problem with lack of power. The other assumption of

¹⁵ Te Ara The Encyclopedia of New Zealand. Story: European ideas about Māori. Retrieved from: <http://www.teara.govt.nz/en/european-ideas-about-maori/page-6>, 18 February 2017.

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3 the t-test is that the data are normally distributed. To deal with this possibility, we conducted
4 non-parametric tests (Wilcoxon tests, the non-parametric equivalent to the t-test). The results
5 remain the same. Table 4 reports the means by scenario and by person.
6

7 **(Insert Table 4 About Here)**

8
9 Table 4 shows that by ranking, respondents felt those least likely to engage in tax fraud were
10 those who did not have a job, while the person most likely to engage in tax fraud was the
11 businessman. These are expected responses, as it is reasonable to assume that someone who
12 did not have a job was not in a position to evade tax (as they have no income). In a similar
13 way, a businessman has the greatest opportunity to engage in tax fraud.
14

15 For welfare fraud, the person viewed as most likely to engage in welfare fraud is the person
16 in receipt of welfare. The person viewed as least likely to engage in welfare fraud is the
17 immigrant from the United Kingdom. As those who are eligible for welfare are those most
18 likely to be in a position to take advantage of the scheme, these are also expected responses.
19 Immigrants from the United Kingdom are less likely to be eligible for welfare payments in
20 either New Zealand or Australia, so it is a valid assumption that they may be the group least
21 likely to be able to engage in welfare fraud.
22
23

24 In order to examine the influence of in- and out-groups in this study, we investigated whether
25 the respondent's choice differed by whether they were a similar or a dissimilar person. For
26 both scenarios, we provided the Māori ethnicity option. Table 5 outlines the mean responses
27 to these questions by Māori and non-Māori.
28
29

30 **(Insert Table 5 About Here)**

31
32 As can be seen in Table 5, when we asked Māori about a Māori person, they give a higher
33 value than when we asked non-Māori about a Māori person. That is, Māori respondents
34 believe that Māori are less likely to engage in tax and welfare fraud than non-Māori
35 respondents. The mean differences are statistically significant for tax fraud and almost
36 significant for welfare fraud.
37

38 The next group we examined was the businessman. We classified the in-group as men, who
39 had identified in the manager/professional occupation grouping. Table 6 outlines these
40 results.
41

42 **(Insert Table 6 About Here)**

43
44 For both scenarios, businessmen give people like them higher scores, that is, they believe
45 they are less likely to engage in either crime, than non-businessmen. The difference in means
46 is larger for tax fraud than for welfare fraud. This shows businessman respondents believe
47 that they are less likely to commit these crimes than other people think they are.
48
49

50 The third group we examined was the group of respondents who were in receipt of welfare
51 benefits. We identified these groups from those who responded that their sole source of
52 income was from benefits. Table 7 reports these results.
53

54 **(Insert Table 7 About Here)**

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3 As with the other two groups, the in-group (i.e. those receiving welfare benefits) scored the
4 person on a benefit more highly than respondents who had some other source of income did.
5 That is, they perceived that the person receiving welfare benefits was less likely to be guilty
6 than other respondents.
7

8 The next question we address is how does social dominance orientation affect this
9 relationship between in- and out-groups, and their responses about the likelihood of who will
10 engage in the financial fraud. To examine this, we fit General Linear Models to model the
11 relationship between Group (Māori, Businessman and Welfare Recipient), Social Dominance
12 Orientation (split into its two constituents Dominance and Egalitarianism), and the outcome
13 variable (the likelihood of being guilty of tax or welfare fraud). For each model, the results
14 gave p-values for Group and for whichever Social Dominance Orientation variable used, and
15 parameter estimates, which gave the direction of the relationship. Table 8 outlines these
16 results.
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20 **(Insert Table 8 About Here)**

21 For each predictor (Dominance, Egalitarianism and Māori) and for each model (Tax Fraud or
22 Welfare Fraud), the table gives the estimated coefficient, and its p-value. For Dominance and
23 Egalitarianism, where the coefficient is positive, this means that as Dominance or
24 Egalitarianism increases, the score increases, that is, the respondent believes the person is less
25 likely to be guilty. Where the coefficient is negative, higher values of Dominance or
26 Egalitarianism mean lower scores, that is, the person is more likely to be guilty. For the
27 Māori variable, a negative coefficient means the score is lower for non-Māori than for Māori.
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31 For Māori, Dominance and Egalitarianism were more important statistically than was the
32 ethnicity of the respondent. The ethnicity was not significant, although there was always a
33 trend towards statistical significance. This may have been due to the small sample size. The
34 direction was always the same: Māori gave higher scores than non-Māori (negative
35 coefficient, therefore less likely to be guilty). The coefficients of Dominance were negative,
36 so that as a person's Dominance score increased, they would consider a Māori person more
37 likely to be guilty. The reverse was true for Egalitarianism, that is, the more egalitarian the
38 respondent was, the higher the score, i.e., the Māori person was less likely to be guilty.
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40

41 Table 9 outlines the models for the businessmen. In these examples, non-Businessmen gave a
42 lower score on average, that is, they perceived the businessmen as more likely to be guilty,
43 than the businessmen did. This result was statistically significant for both scenarios. The
44 coefficients for Dominance were positive for the tax fraud example and negative for the
45 welfare fraud example. Therefore, for tax fraud, respondents with higher Dominance scores
46 gave higher scores for tax fraud, that is, businessmen were less likely to be guilty. For the
47 welfare fraud scenario, respondents with higher scores for Dominance gave a lower score,
48 indicating that businessmen were more likely to be guilty. This finding is unexpected.
49 However, to the extent that respondents believe that businessmen can structure their financial
50 affairs more effectively than traditional employees, there may be a perception that they are
51 receiving state benefits (such as working tax credits) if their incomes are artificially low. The
52 media has reported examples of such behaviour in recent times. For Egalitarianism, the
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effect was similar for both scenarios – higher egalitarianism was associated with a lower score, that is, increased likelihood of being guilty.

(Insert Table 9 About Here)

Table 10 outlines Welfare recipients, our final example. There was no association between Dominance or Egalitarianism, and the likelihood of being guilty of welfare fraud. However, if the respondent was a welfare recipient, they scored the likelihood of guilt lower (i.e. more likely) than if the respondent was not a welfare recipient. There was a strong statistical relationship between Dominance (but not Egalitarianism) and the likelihood of being guilty of tax fraud. Again, higher values of Dominance were associated with lower scores (more likely to be guilty) and higher values of Egalitarianism were associated with higher scores (less likely to be guilty). In all situations, welfare recipients scored themselves higher (i.e. less likely to commit the crime) than non-welfare recipients scored them. For welfare recipients, all that matters is the in-group and out-group. Unlike the other two groups, dominance and egalitarianism is not important.

(Insert Table 10 About Here)

DISCUSSION

Cooper, Dacin and Palmer observe that fraud is not *'personal nor universal'* and instead is *'situated in specific social and historical contexts'* (2013:445). This was evident in the prejudice views held by our survey respondents. These views align with expected stereotypes: businessmen evade tax or people receiving welfare benefits engage in welfare fraud. When we examine views on the likelihood of 'who' will engage in tax or welfare fraud, we find different stereotypes among different groups.

The literature on prejudice, together with social dominance theory, suggests that affiliation with a group generates a more positive stereotype of that group. This is evident in the findings reported in this study. Our more detailed analysis of in- and out-groups (Māori and non-Māori, businessmen and non-businessmen, and recipients of welfare and non-recipients of welfare) showed a strong presence of preference for one's own group. In all cases, the in-group believed that their own group was less likely to commit the crime – regardless of whether the crime was welfare or tax fraud – indicating the presence of the positive social identity suggested by social dominance theory.

We find evidence of prejudice towards Māori people among the respondents who scored high on SDO dominance measures, whereby these respondents considered that a person of Māori ethnicity was more likely to be guilty of tax or welfare fraud. The opposite was visible among respondents who scored high on SDO egalitarianism. However, we find that for those who scored highly on SDO dominance measures, they are more likely to think favourably about how businessmen will behave in relation to tax fraud (i.e. that they are less likely to engage in tax fraud), but more likely to engage in welfare fraud. We find a similar result with those who scored highly on SDO egalitarianism measures, whereby higher egalitarianism was associated with increased likelihood of committing either crime. This response for businessmen aligns with the inherent prejudice that is prevalent with welfare fraud. Those who score highly on SDO dominance measures are those who have agreed with

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3 statements suggesting that some groups of people are more worthy than others, that some
4 groups of people should stay 'in their place', and that it is a good thing that some groups are
5 at the top and others are at the bottom (among other questions). Thus, dominance is
6 associated with superiority of certain groups and businessmen are likely to be a group that is
7 more desirable and superior than other groups.
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10 When investigating welfare fraud and welfare recipients, we find fewer associations with
11 Dominance or Egalitarianism. However, we did find strong relationships with tax fraud,
12 whereby higher Dominance was associated with perceptions that welfare recipients are more
13 likely to be guilty and higher Egalitarianism was associated with perceptions that welfare
14 recipients were less likely to be guilty.
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17 The criminal justice system is more likely to apply harsh criminal sanctions against members
18 of subordinate social groups than members of dominant social groups across a range of
19 differentiating characteristics (Gross and Mauro, 1989; Baldus, Woodworth and Pulaski,
20 1990; Sidanius et. al, 2006). When minority groups with few resources, networks, or power
21 receive support primarily from in-groups, then it is perhaps unsurprising that these groups
22 receive less favourable treatment in the justice system. Other groups that have greater power,
23 resources, and networks are also more likely to receive support from similar people or
24 groups, who also have greater power, resources, and networks.
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27 The professional field of tax is largely the domain of elites: accountants, lawyers and
28 economists. Tax laws are complex, which facilitates exploitation by those sufficiently
29 knowledgeable to minimise payment obligations. Those who are privileged are more likely
30 to commit tax fraud: typically, the fraudster has the funds before the fraud occurs.¹⁶ This
31 raises the potential for the embedding of practices when they benefit the interests of dominant
32 groups (Chua, 1986) and act to reinforce privileged positions.
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35 The results also suggest the presence of intergroup conflict. The literature predicts hostility
36 towards the minority group, which is visible in the harsher treatment that welfare recipients
37 receive in the investigation, prosecution and sentencing phases of the justice system. The
38 presence of such in-groups and out-groups contributes to inequity, to the extent that
39 preferences of the powerful do not extend beyond their own in-group.
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42 Reference to the sociological literature reveals the status of welfare recipients as marginalised
43 people. Fineman explains an often-accepted narrative when she writes '*we venerate the*
44 *autonomous, independent, and self-sufficient individual as our ideal. We assume that anyone*
45 *can cultivate these characteristics, consistent with our belief in the inherent equality of all*
46 *members of our society, and we stigmatize those who do not'* (Fineman, 2006:135).
47 Moreover, we respect entrepreneurs and business owners, and hold in high esteem those who
48 create jobs and 'contribute' to society – making excuses for their crimes when they are
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56 ¹⁶ For example, when collection occurs, but payment to the government does not.
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3 exposed.¹⁷ This social construction of what is fraudulent activity facilitates and reinforces in-
4 and out-group preference and restricts meaningful social change.

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6 We acknowledge the limitations of this study. While we targeted a representative sample of
7 the New Zealand and Australian populations, we did not receive responses that entirely
8 matched the populations based on census data. The main concern in this regard is the under-
9 representation of ethnic minority groups that are among the lower socio-economic groups
10 (e.g. Pasifika and Māori). We used the SDO scale as a framework to assess prejudice. This
11 instrument has been widely tested and is highly reliable. However, we acknowledge that
12 different results may arise with the use of a different instrument. In addition, we have only
13 examined one explanatory variable, which is prejudice. There are multiple factors that affect
14 views of crimes, of which prejudice is only one.
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19 CONCLUSION

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21 This study adds to the literature on in-groups and out-groups specific to tax and welfare
22 fraud, as comparable crimes. The fundamental premise of social dominance theory is that
23 societies minimise conflict by creating consensus on ideologies that promote the superiority
24 of one group over others (Pratto et al, 1994). This is visible in the data and findings
25 previously outlined. The results of our survey show that in-groups hold preferable views of
26 their own in-groups. Thus, to the extent that groups with more power or status view their own
27 group as superior, we are unlikely to see significant change to the current differences in
28 treatment of tax and welfare fraudsters.
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31 Walzer (1983), in his theory of justice, suggests that social goods (or bads) should not be
32 distributed based on some arbitrary characteristic. In this case, the characteristic is whether
33 the person is in receipt of a welfare benefit. If someone is situated in a group with greater or
34 fewer resources or power, this should not result in a different treatment in the justice system.
35 Nor should it allow for influence over the treatment of other groups. Individuals should
36 receive equal treatment, unless treating them unequally produces a more equitable outcome.
37 However, in the absence of direct, deliberate action to address the different treatments in the
38 justice system, it is unlikely that meaningful change will occur.
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42 This leads to the role of critical research. With reference to critical research, Chua
43 (1986:621) observes that in order to highlight restrictive conditions, it is necessary to
44 demonstrate that *'so-called objective and universal social laws are but products of particular*
45 *forms of domination and ideology'*. While Chua is discussing accounting, her statement is
46 equally applicable to taxation. Chua continues to observe that in challenging the status quo
47 *'social change may be initiated such that injustice and inequities may be corrected'*
48 (1986:621). Herein lies the role of critical tax researchers.
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51 In the same way that accounting researchers have identified that accounting theories are
52 *'normative and value-laden in that they usually mask a conservative ideological bias'*, tax
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56 ¹⁷ Analysis by the authors of sentencing decisions of serious white-collar crime in New Zealand shows that the
57 'good character' of the offenders was a factor in reducing the sentence in 56% of cases.
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3 theories and practice may be equally accused. There is considerable capacity for critical tax
4 research to have greater involvement in highlighting the potential for privileged individuals to
5 receive privileged treatment in the justice system when committing 'privileged crimes'
6 (Tinker, Merino and Neimark, 1982:167).
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8 While this study focuses on tax, considerations for the accounting profession may be drawn.
9 As noted in the previous section, accountants are one of the key groups that comprise the
10 broad tax discipline. The in-group of accountants, which operates within an overarching
11 ethical framework, may have an ethical duty to challenge behaviours whereby minority
12 groups are the subject of discrimination. As argued by Bruna and Bazin '*supporting the*
13 *Other...is an ethical duty*' (2017:4). A further consideration for accountants relates to the
14 finding of strong in-group preference. This preference is relevant for a profession that retains
15 elements of self-regulation, as this study suggests that accountants are likely to have a more
16 favourable view of accountants than other out-groups. This preference may further extend to
17 other activities frequently provided in-house by accounting professional bodies, such as
18 professional development and education.
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22 Where powerful groups believe in the superiority of other similar powerful groups, this
23 reinforces the status quo. This article has used the example of the different treatment of tax
24 and welfare fraud in the justice systems of New Zealand and Australia to highlight prejudice
25 and privilege. Given the findings in this study, there are significant societal issues that tax
26 scholars can, and arguably should, be challenging. This study highlights the potential for
27 critical tax research to challenge the privileged position that tax commands in society and to
28 provide robust evidence-based challenges to the status quo. While tax avoidance by multi-
29 national enterprises has received greater focus in recent years, many of the discriminatory
30 practices that exist at an operational level remain unchallenged. In New Zealand, universities
31 have '*a role as critic and conscience of society*'¹⁸ and tax researchers are not heeding this
32 obligation to the extent that critical tax research as a discipline in Australasia does not tackle
33 issues of social justice. We follow the example of Lehman, Annette and Agyemang (2013)
34 in relation to critical accounting research, and call for critical tax researchers to assist in
35 giving voice to the marginalised.
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57 ¹⁸ Education Act 1989, s 4(a)(v).
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Appendix I: Social Dominance Orientation Questions

	Question	Category
1	All groups should be given an equal chance in life	Egalitarianism
2	Some groups of people are just more worthy than others	Dominance
3	Group equality should be our ideal	Egalitarianism
4	In getting what your group wants, it is sometimes necessary to use force against other groups	Dominance
5	We should do what we can to equalise conditions for different groups	Egalitarianism
6	It's OK if some groups have more of a chance in life than others	Dominance
7	We should increase social equality	Egalitarianism
8	To get ahead in life, it is sometimes necessary to step on other groups	Dominance
9	We would have fewer problems if we treated groups more equally	Egalitarianism
10	If certain groups of people stayed in their place, we would have fewer problems	Dominance
11	We should strive to make incomes more equal	Egalitarianism
12	It's probably a good thing that certain groups are at the top and other groups are at the bottom	Dominance
13	No one group should dominate in society	Egalitarianism
14	Inferior groups should stay in their place	Dominance
15	Sometimes other groups must be kept in their place	Dominance
16	It would be good if all groups could be equal	Egalitarianism

TABLES

Table 1: Similarities and Differences in Tax Fraud and Welfare Fraud

	Tax Fraud	Welfare Fraud
Intent	Deliberate fraud	Deliberate fraud
How measured	Quantifiable	Quantifiable
Victim	The state and society	The state and society
Outcome	Fewer resources for the state	Fewer resources for the state
Impact	Significant	Moderate ¹
Activity	Not paying funds legally due to the state	Taking more funds from the state than legally entitled

Table 2: Means and Standard Deviations for Sample

	Number	Minimum	Maximum	Mean	Std. Deviation
Dominance	2527	1.00	7.00	2.8265	1.20304
Egalitarianism	2527	1.00	7.00	5.3705	1.04556

Table 3: Overall analysis (Wilks' Lambda)

	Value	F	Hypothesis df	Error df	Sig
Scenario	.942	154.811	1.000	2526.000	.000
Person	.645	231.415	6.000	2521.000	.000
Scenario*Person	.690	188.693	6.000	2521.000	.000

Table 4: Means by Scenario and Person

Tax Evasion Scenario				
Person	Mean	Std. Deviation	Minimum	Maximum
1. No job	4.049	1.765	1	7
2. Home owner	3.498	1.436	1	7
3. Māori	3.825	1.293	1	7
4. Businessman	2.550	1.354	1	7
5. On welfare	3.450	1.607	1	7

¹ For example, all forms of detected tax evasion in New Zealand in 2015/16 was reported as NZ\$1.2 billion, while detected welfare fraud in the same period was NZ\$24 million.

6. From UK	3.756	1.314	1	7
7. From Tonga	3.767	1.306	1	7
Welfare Fraud Scenario				
1. No job	2.850	1.619	1	7
2. Home owner	3.793	1.647	1	7
3. Māori	3.519	1.277	1	7
4. Businessman	3.541	1.813	1	7
5. On welfare	2.644	1.448	1	7
6. From UK	3.805	1.312	1	7
7. From Tonga	3.612	1.291	1	7

Table 5: Responses by Māori and Non-Māori

Māori?		Tax Evasion	Welfare Fraud
No	Mean	3.8181	3.5121
	Number	2474	2474
	Std. Deviation	1.28227	1.27214
Yes	Mean	4.1698	3.8491
	Number	53	53
	Std. Deviation	1.68404	1.47278
Total	Mean	3.8255	3.5192
	Number	2527	2527
	Std. Deviation	1.29253	1.27725
ANOVA	F (1, 2525)	3.846	3.615
	p-value	0.050	0.057
Wilcoxon p-value		0.046	0.047

Table 6: Responses by Businessman and Non-Businessman

Businessman?		Tax Evasion	Welfare Fraud
No	Mean	2.5024	3.5024
	Number	2122	2122
	Std. Deviation	1.34842	1.83096
Yes	Mean	2.8000	3.7407
	Number	405	405

	Std. Deviation	1.35960	1.70597
Total	Mean	2.5501	3.5406
	Number	2527	2527
	Std. Deviation	1.35436	1.81330
ANOVA	F (1, 2525)	16.527	5.889
	p-value	<0.0005	0.015
Wilcoxon p-value		<0.0005	0.010

Table 7: Responses by Welfare Recipients

Welfare Recipient?		Tax Evasion	Welfare Fraud
No	Mean	3.426	2.6216
	Number	2310	2310
	Std. Deviation	1.60780	1.44081
Yes	Mean	3.7051	2.8802
	Number	217	217
	Std. Deviation	1.57692	1.50136
Total	Mean	3.4499	2.6438
	Number	2527	2527
	Std. Deviation	1.60677	1.44762
ANOVA	F (1, 2525)	5.997	6.341
	p-value	0.014	0.012
Wilcoxon p-value		0.009	0.012

Table 8: Models for Māori

Predictor	Tax Evasion Coefficient, p-value	Welfare Fraud Coefficient, p-value
Dominance	-0.154, p < 0.0005	-0.107, p < 0.0005
Egalitarianism	0.056, p = 0.038	0.046, p = 0.085
Māori (yes/no)	-0.309, p = 0.081	-0.305, p = 0.083

Table 9: Models for Businessmen

Predictor	Tax Evasion Coefficient, p-value	Welfare Fraud Coefficient, p-value

Dominance	0.069, p = 0.005	-0.158, p < 0.0005
Egalitarianism	-0.163, p < 0.0005	-0.139, p < 0.0005
Businessman (yes/no)	-0.262, p < 0.0005	-0.211, p = 0.032

Table 10: Models for Welfare Recipients

Predictor	Tax Evasion Coefficient, p-value	Welfare Fraud Coefficient, p-value
Dominance	-0.184, p < 0.0005	0.018, p = 0.490
Egalitarianism	0.024, p = 0.470	-0.003, p = 0.915
Welfare recipient (yes/no)	-0.274, p = 0.015	-0.259, p = 0.012

SOCIAL INEQUITY, TAXES AND WELFARE IN AUSTRALASIA¹

Purpose: The major aims of this study are to highlight, challenge and explain the inequitable treatment of tax and welfare fraudsters in the criminal justice systems of Australia and New Zealand. ~~We offer prejudice by way of explanation and suggest that it is also prejudice that restricts the implementation of more equitable processes.~~ A second objective of the study is to highlight the importance of critical tax research as an instrument to agitate for social change.

Design / Methodology / Approach: A survey captures 3,000 respondents' perceptions of the likelihood that different 'types' of people will commit welfare or tax fraud. Using ~~the~~ social dominance ~~theoretical framework~~theory, we investigate the extent to which prejudice impacts on attitudes towards those who engage engaged in these fraudulent activities.

Findings: We find the presence of traditional stereotypes, such as the perception that businessmen are more likely to commit tax fraud and people receiving welfare assistance are more likely to commit fraud. We also find strong preferences towards respondents' own in-group, ~~whereby businessmen, Māori, and people receiving welfare assistance believed their own group was less likely to commit either crime.~~

Value: The study highlights the difficulty of social change in the presence of strong in-group preference and prejudice. ~~Where minority groups have few resources, networks or power and receive support primarily from members of the same group, practices in the justice system that are detrimental to these groups are unlikely to receive the requisite attention needed to change embedded discrimination. Cognisance of in-group preference is relevant to the accounting profession where elements of self-regulation remain. In-group preferences may impact on services provided, as well as professional development and education.~~

Social Implications: Where in-group preference exists among those who ~~are influential in constructing and enforcing~~construct and enforce the rules relating to investigations, prosecutions and sentencing of tax and welfare fraud ~~hold more favourable attitudes towards their own in-group~~, it is perhaps unsurprising that welfare recipients attract less societal support than other groups who ~~are supported by~~have support from their own in-groups that have greater power, resources and influence.

Keywords: tax evasion; welfare fraud; prejudice; social dominance; inequity

INTRODUCTION

Like accounting, tax is not just about reporting and monitoring; it is more than a set of rules to determine who should pay what in certain circumstances. Instead, it is a social

¹ The authors are grateful for the constructive feedback and guidance provided by two anonymous reviewers and the editors in the publication of this article.

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3 construction compiled by the state, in conjunction with professional bodies and interested
4 entities. As noted in Chua's seminal article (1986:601), accounting is a '*common set of*
5 *philosophical assumptions about knowledge, the empirical world, and the relationship*
6 *between theory and practice*'. The same observation may be made of taxation. The taxation
7 discipline has its own rules and generally understood ways of doing things. Moreover, it has
8 its own generally accepted processes for addressing transgressions from these rules and
9 regulations. Other social institutions, such as welfare agencies, have similarly understood
10 and taken for granted rules pertaining to behaviours and sanctions for wrongdoings.

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13 This study uses the field of taxation to highlight and challenge issues of inequity and social
14 justice. It does this by illustrating how the conceptually similar crimes of tax evasion and
15 welfare fraud result in different outcomes in the justice system. Table 1 outlines the
16 similarities and differences in the two crimes.

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19 **(Insert Table 1 About Here)**

20 Table 1 shows a number of similarities in the two crimes: they are deliberate; they have the
21 same victim; and they have the same outcome. Moreover, both are quantifiable in the form of
22 the economic harm that results from the activity. While tax evasion is the usual description
23 attached to tax non-compliance, in order that the conventional labels attached to the offences
24 do not detract from the following analysis and discussion, both activities will be referred to as
25 'fraud' for the remainder of this article.

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28 Table 1 also shows the two key differences in the crimes. Tax fraud has considerably more
29 economic significance than welfare fraud – 50 times the magnitude in New Zealand in
30 2015/16 (Inland Revenue, 2016; Ministry of Social Development, 2016). However, Table 1
31 does not show the privilege shown to tax fraudsters as compared to welfare fraudsters. Thus,
32 the first aim of this study is ~~This study uses the tax and welfare systems~~ to illustrate how
33 those with greater resources and influence in society ~~may expect to~~ receive preferential
34 treatment when compared to those who are less powerful in society, using the tax and welfare
35 systems for illustrative purposes. ~~The aim extends to~~ ~~This illustration is one of the primary~~
36 ~~aims of this study.~~ ~~The other aims of the study are to~~ challenge this preferential treatment and
37 explain why these differences continue to exist in a society that is increasingly accepting that
38 unequal treatment of individuals is undesirable.

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41 This study explores the role of prejudice as an explanation for the differences in treatment of
42 tax and welfare fraudsters, using a social dominance theoretical framework. Prejudice is a
43 concept ~~used by social scientists~~ social scientists use to ~~both~~ describe and understand inter-
44 group conflicts that occur in society (Duckitt, 1992). Social dominance theory highlights the
45 presence of prejudice, as it suggests that individuals create social groups that promote
46 hierarchies. The theory captures the extent to which individuals prefer societal relations to be
47 equal or whether their preference is for their own group to dominate.

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50 Extending Mitchell, Sikka and Willmott's (2001:528) encouragement for accounting scholars
51 to more directly intervene in worldly affairs and '*report "inconvenient facts" to a wider*
52 *public*', the genesis of our study is the different treatments of welfare and tax fraudsters in
53 New Zealand and Australia. In the study, we examine in- and out-groups and the extent to
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3 which individuals believe that their own group is more or less likely to commit either tax or
4 welfare fraud. We do this by reporting on results from a large survey with 3,000 respondents.

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6 We find strong evidence of the presence of social dominance along with traditional
7 stereotyping. In doing so, we find in-group preference: individuals believe their own in-group
8 is less likely to commit the crimes of tax or welfare fraud than other groups. This finding
9 suggests that it may be difficult to change the extant inequitable treatment currently afforded
10 to welfare fraudsters, as those with the most power and influence are, adopting social
11 dominance theory, most likely to favour their own in-group.
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13
14 The study has a second objective, which is to make a case for more critical tax research. A
15 Special Issue of critical tax research in 2010 noted that *'tax has not received the intellectual
16 attention it deserves from accounting scholars and indeed is often marginalized by other
17 apposite fields of enquiry such as political science, law and social policy'* (Boden, Killian,
18 Mulligan and Oats, 2010).² This is despite the significance of tax to society. Thus, we pursue
19 Dillard's claim that through *'an examination of contemporary social, economic and political
20 issues, means for producing a critique are proposed that potentially could assist in a rational
21 evaluation of ... social arrangements and motivate changes in practices and policies deemed
22 irrational and oppressive'* (1991:9).
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26 The structure of this article is as follows. First, we establish the problem in section two by
27 providing an outline of the literature that has investigated how those with greater or fewer
28 resources are treated differently in society. We use white- and blue-collar crime for
29 definitional purposes. We follow this with data to illustrate the different treatment of tax and
30 welfare fraudsters in both the New Zealand and Australian justice systems. Section two also
31 provides an outline of the concept of prejudice, used for explanatory purposes in this study.
32 Section three engages with the critical tax research on inequity. Section four provides an
33 outline of the theoretical framework used in the study: social dominance theory. Section five
34 follows, which outlines the research questions, describes the research design and provides the
35 characteristics of the survey respondents. Section six describes the research findings, which
36 show that in-groups support similar in-groups. Section seven engages in a discussion of the
37 issue whereby privileged in-groups hold sufficient power to maintain the status quo, resulting
38 in a situation where we are unlikely to see outcomes improve for those who are least
39 powerful in society. Section eight draws conclusions where, given the findings of the study,
40 we highlight the importance of scholarly engagement in the field of tax.
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53 ² We do not suggest that there is no critical tax research or that the critical tax research community is not
54 engaging in excellent work. Recent activities such as the dedication of a Special Issue of Critical Perspectives
55 on Accounting to taxation issues (2010, Issue 21, Volume 7) is one example. However, older valuable studies
56 also exist, such as Boden, Childs and Wild (1995). However, the field remains less developed when compared
57 to progress in accounting. There are also fewer tax scholars than accounting scholars, which impacts on the
58 quantity of critical tax publications.
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BACKGROUND

The background section serves two purposes. It moves from the general to the specific, starting with the existing literature on the different treatment of individuals in different socio-economic groups in the justice system. This serves to establish the generally accepted perception that individuals who are less privileged in society receive less favourable treatment than individuals who are more privileged. We then outline how this is visible in the New Zealand and Australian contexts, to set the scene for the particular issue examined in this study. The second aim of this section is to outline a selection of the literature on a key concept ~~used by~~ social scientists use to understand intergroup conflict: prejudice. We briefly address stereotyping, as an important connection with prejudice.

This study focuses on the tax system, using tax and welfare fraud for comparative purposes. The study is located in Australia and New Zealand, as they are progressive democracies that are typically associated with egalitarian societies. New Zealand and Australia both have comprehensive welfare systems that provide income supplementation under a range of circumstances. Both countries provide assistance for those who are unemployed, unwell or in other constrained situations, such as being sole parents. While the ~~detail of the~~ tax systems in each country are different, they both comprehensively tax income from individuals and entities. The New Zealand tax system has a highly effective consumption tax, but few wealth taxes. Unlike New Zealand, the Australian tax system incorporates a comprehensive capital gains tax. Both countries have a broad system of legislated penalties for non-compliance with either the tax or the welfare systems.³

Treatment in the Justice System

Issues relating to the preferential treatment of 'white-collar criminals' when compared to 'blue-collar criminals' have been observed for over 60 years. Sutherland (1949) was among the first to challenge the more lenient treatment given to privileged offenders, suggesting that individuals committing white-collar crime were likely to have greater power, resources and influence: all of which were likely to impact on their treatment in the justice system. From this time, multiple scholars have highlighted the preferential treatment of those committing white-collar crime (Hagan, Nagel and Albonetti, 1980; Weisburd, Wheeler, Waring and Bode, 1991; Hudson, 1993; Nelken, 1997; Croall, 2001; Cook, 2006; Gustafson, 2009; Wacquant, 2009; Reiman and Leighton, 2013).

Various factors contribute to these different outcomes. One of these factors is class. For example, in Sutherland's seminal article of 1940, he suggests that '*respectable, or at least respected, business and professional*' people had access to resources and power that facilitated committing financial crime, something that is not available to '*crime in the lower*

³ In New Zealand, these penalties are in the *Tax Administration Act 1994* and the *Social Security Act 1964* for tax offending and welfare offending, respectively. Prosecutions may be taken under the *Crimes Act 1961* for both offending categories, which has a higher maximum threshold of penalties. In Australia, the *Tax Administration Act 1953* details the general interest charge made for non-payment of tax obligations. This Act also outlines offences and prosecution processes. The Tax Administration legislation in both countries also specifies taxpayers' rights in relation to objections, disputes and reviews. Like New Zealand, tax prosecutions in Australia may also be taken under the *Criminal Code Act 1985*, which provides for a higher maximum penalty.

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3 *class, composed of persons of low socioeconomic status*' (Sutherland, 1940:1). While
4 Sutherland's comments date back to nearly 80 years ago, they remain valid in the present
5 day. While our study does not directly address the issue of class, we observe Sutherland's
6 (1940:8) suggestion that the different treatments of blue- and white-collar crime in the justice
7 system could, at least in part, be explained by the following:

8
9 *persons of the upper socio-economic class are more powerful politically and financially*
10 *and escape arrest and conviction to a greater extent than persons who lack such power,*
11 *even when guilty of crimes. Wealthy persons can employ skilled attorneys and in other*
12 *ways influence the administration of justice in their own favour more effectively than can*
13 *persons of the lower socio-economic class.*
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16 Sutherland's observation has relevance to this study, as it highlights the greater influence and
17 resources that allow for outcomes that are more favourable in the justice system. We also
18 note Brown's (2007) study on race and class in tax policy. Brown highlights the more
19 punitive treatment of lower-income earners in relation to tax audits, where *'low-income*
20 *taxpayers are far more likely to be audited than their high-income counterparts*' (2007:790).

21
22 When one of the offending categories is welfare fraud, the differences between white- and
23 blue-collar offending becomes particularly pronounced. Marston and Walsh report that case
24 law in Australia indicates that *'a sentence of imprisonment is generally considered to be the*
25 *starting point by the courts in social security fraud cases*' (2008:292). This is despite the fact
26 that financial offending undertaken by the wealthy is *'often much greater [in value] than that*
27 *of common criminals*' (Weisburd, Wheeler, Waring and Bode, 1991:7).

28
29 The 'type' of offending appears to be a more relevant factor in judging crimes than the harm
30 generated from the crime. Indeed, the social construction of crime is visible in research
31 indicating that individuals view tax offending as less serious than other offences involving
32 similar financial amounts (Cullen, Link and Polanzi, 1982; Australian Institute of
33 Criminology, 1986; McIntosh and Veal, 2001; Orviska and Hudson, 2002; Smith, Button,
34 Johnston and Frimpong, 2011). Moreover, studies that ask respondents to rank crimes in
35 order of seriousness generally report that tax fraud is less serious than other financial crimes
36 (Australian Institute of Criminology, 1986; Evans and Kelley, 2001; Karlinsky, Burton and
37 Blanthorne, 2004; Gupta, 2006). Thus, interpretation of fraudulent behaviour varies across
38 contexts (Cooper, Dacin and Palmer, 2013).

39
40 A particular issue is the association made between receiving welfare and welfare fraud. There
41 is evidence throughout multiple societies of prejudice against individuals receiving welfare
42 benefits. The presence of welfare fraud amplifies this prejudice. Again, visibly different
43 narratives exist in the discussions pertaining to the behaviours of those on welfare and the
44 larger group of taxpayers. Illustrative examples from New Zealand, Australia and the United
45 Kingdom show the pejorative language frequently used in association with those receiving
46 welfare assistance: *'scroungers or cheats*' (Marston and Walsh, 2008:287); *'wilfully idle,*
47 *undeserving and lacking in moral fibre*' (Cook, 1989:11); *'dole cheats*' (Prenzler, 2010:2);⁴
48 or *'parasites demanding social security while making no contribution to the economy*'
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57 ⁴ The term 'dole cheats' is commonly used in Australia to refer to welfare fraudsters.
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(Bright, 1978:161). Meanwhile, tax fraud is '*elite crime or crimes of the powerful*' (Croall, 2011:11).

The tax discipline is similar to the accounting profession, where for many decades it has been held as a profession that is, as described by Mitchell, Sikka and Willmott, '*beyond reproach*' (2001:528). These authors continue to observe how powerful elites police knowledge by producing narratives that discredit alternative voices. The image of tax fraudsters is that they contribute to society; notwithstanding the fact that their non-payment of tax means their financial contributions are absent.⁵ Meanwhile, the image of welfare fraudsters is that they do not contribute and challenge the '*ideals of independence and self-sufficiency*' that are venerated in society (Fineman, 2006:135). Fineman (2006) also observes that we perpetuate practices that stigmatise those who are dependent, while ignoring the socio-economic circumstances of people's lives.

Inequity in the Tax and Welfare Systems in New Zealand and Australia

This sub-section establishes the more punitive treatment of welfare recipients, as compared to tax evaders, in New Zealand and Australia. A dominant assumption is that taxation rules and regulations are transparent, consistently applied and objective. However, evidence suggests that taxation rules may be internally consistent, but when compared across other similar activities, inequities are evident. For example, tax debtors receive more lenient debt repayment obligations than welfare debtors (Marriott, 2014). Tax debtors are more likely to have their repayments reduced or written off if they can establish serious hardship, while welfare debtors are likely to only have their debt written off when all efforts to collect the debt have been exhausted (e.g. the debtor has died and the estate is insolvent) (Marriott, 2014).

Marriott's (2014) study also highlights the different thresholds for serious hardship for welfare debtors and tax debtors. There is no definition for serious hardship in the *Social Security Act 1964*. The most likely outcome for welfare debtors who experience serious hardship is their repayments may reduce. By way of comparison, serious hardship for tax debtors is outlined in the *Tax Administration Act 1994* as including '*significant financial difficulties that arise where the taxpayer ... would be unable to meet: minimum living expenses estimated according to normal community standards of cost and quality...*'.⁶ Tax debtors who establish they are experiencing serious hardship may request remission of their debts.

A further example of the different treatment of those who engage in welfare fraud and other financial crimes is visible in a recent change to the *Social Security Act 1964*. The changes create a situation where the partners of welfare fraudsters become liable for prosecution for the crime committed by their partner. They may also be liable for the debt generated from the offending. The threshold is when the partner 'ought to have known' of the offending, rather than actual knowledge. This change, which was effective from July 2014, results in a

⁵ See, for example, the work of Croall (2001).

⁶ Tax Administration Act 1994, s 177A.

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3 situation where the partners of welfare fraudsters are treated differently from the partners of
4 other financial fraudsters.

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6 Prior research has established different approaches to prosecutions by different government
7 agencies. Recently released data from government agencies shows that the most active
8 prosecution agencies by number of prosecutions were (in order): the New Zealand Police, the
9 Department of Corrections, and the welfare agency – the Ministry of Social Development –
10 was third. In the financial year to 2015, the Ministry of Social Development completed 670
11 prosecutions. Differences are evident when comparing similar government agencies such as
12 the Financial Markets Authority (two prosecutions) or Accident Compensation Corporation
13 (four prosecutions). These two agencies are comparable as they are also involved in financial
14 fraud cases and Accident Compensation Corporation fraud typically relates to over claiming
15 entitlements. A recent media report cites a Crown Law briefing as suggesting that there are
16 different approaches adopted to prosecution depending on whether welfare receipt is part of
17 the crime.⁷

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21 Sentencing outcomes also generate disparities between welfare fraud and tax fraud offences.
22 As the crimes are both financial, they lend themselves to comparison. Prior research has
23 shown that for approximately three times the amount of average welfare offending
24 (\$229,471), tax fraudsters have one-third of the chance of receiving a prison sentence when
25 compared to welfare fraudsters (18%) (Marriott, 2013). The different proportions of
26 investigations and prosecutions suggest a greater willingness by authorities to pursue those on
27 welfare, where criminal activity is present.

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30 Similar patterns are visible in Australia with the different treatments of welfare and tax
31 fraudsters. As with New Zealand, only a small percentage of tax lodgements result in
32 disputes, objections and reviews; relatively small proportions receive referral for prosecution;
33 and conviction rates from prosecutions are high. Investigations of welfare recipients totalled
34 3.5 million reviews in 2009-10 (Lindley, Jorna and Smith, 2010:3). Prosecutions in Australia
35 as a proportion of customers are typically around 0.05 per cent (Marriott, 2013). Like New
36 Zealand, conviction rates from prosecutions are high at 99 per cent. However, the average
37 saving per prosecuted offence is not high. Savings per prosecution range between A\$29,000-
38 A\$52,000, but the average saving per adjustment after investigation is between A\$165 and
39 A\$199 (Lindley, Jorna and Smith, 2010). This indicates that a large number of reviews and
40 investigations occur in relation to very small amounts of incorrect claims.

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44 While the information available in the two jurisdictions is not identical, both countries clearly
45 show different treatments of welfare and tax fraudsters in the justice system. There are more
46 investigations and prosecutions of welfare fraud than tax fraud in both countries and
47 prosecutions commence at a lower level of offending for welfare fraud. The different
48 approaches to investigations, prosecutions and sentencing of welfare crimes suggests a
49 greater willingness to both pursue and to punish offending by those receiving welfare
50 benefits.

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56 ⁷ Reported in the Dominion Post, 17 February 2017. Available at: <http://www.pressreader.com/new-zealand/the-dominion-post/20170210/282535838114056>, retrieved 4 March 2017.

The approach to investigation and prosecution of tax fraud may affect its perception. Tax crime is of significantly greater economic importance than welfare crime. However, the differences in treatment of the two crimes suggests that welfare fraud is the more serious offence and likely to generate considerable damage to the social fabric. Lehman and Okcabol observe this phenomenon when noting that crime management, including underreporting of some statistics, comprises *'part of a complicated political process by re-constructing meaning and imbued with social practices'* (2005:615).

The approach adopted to the investigation and prosecution of tax fraud leads to underreporting of this offence, through the process of negotiated settlements. This situation arises as non-compliant taxpayers may negotiate outcomes with the tax authority and thereby avoid prosecution. This option is not available to welfare fraudsters. While New Zealand and Australia are typically regarded as largely honest jurisdictions,⁸ there are clearly more than a handful of tax fraud cases in most years, which is the impression given by the few tax fraud cases that can be witnessed in the criminal courts. By way of contrast, the greater number of investigations and prosecutions, together with harsher sentences, provides support to the generally accepted belief that welfare fraud is a more serious crime than tax fraud.

The circular feature of these crimes is similar to that observed by Dillard in relation to accounting, whereby in the absence of an intervention, *'distortions are interpreted as objective representations of "real" phenomena'* (1991:9). The common link with the tax and welfare fraud dynamic that is the focus of this article, is that the societal framing of welfare fraud as the more serious offence, minimises the opportunity for critique that would allow the dominant cycle to be broken. To paraphrase Dillard where accounting is replaced with tax, *'if the images of existence are not directed toward alternative ideological mirrors and the distorted, yet differently distorted, "realities" considered, then [tax] will continue to reinforce and reify the social system from which it emanated'* (1991:9).

Prejudice

This study investigates prejudice as it *'can usefully be regarded as the outcome of conflicting group goals'* (Brown, 1995:203). In the groups we examine in this study, the group that we expect to see as the oppressed group is the group of welfare fraudsters. Inevitably, there are insufficient resources to provide sufficient financial support to allow everyone in society to have their desired standard of living. Therefore, when people take more from the system for themselves, all the others in the group suffer. Tax fraudsters achieve the same outcome, but without application of similar negative attitudes.

Duckitt (1992) observes the range of concepts ~~used by~~ social scientists use to assist with explaining inter-group conflicts. Among these are tolerance, ethnocentrism, stereotype, racism, discrimination and prejudice. Prejudice is the focus on the current study as it has been *'accorded primacy'* among these factors (Duckitt, 1992:7). However, the commonalities and

⁸ For example, see Transparency International's Corruption Perception Index, where New Zealand and Australia both rank highly in terms of levels of public sector corruption.

overlaps between these concepts are recognised, and all of these concepts are likely to affect the results reported herein to a greater or lesser extent.

Typically, there are four generally agreed factors involved in the definition of prejudice:

1. It is an inter-group phenomenon;
2. It is negative;
3. It is undesirable; and,
4. It is an attitude (Duckitt (1992), citing Ashmore 1970:9).⁹

Attitudes are generally agreed to be a '*latent or underlying variable that is assumed to guide or influence behavior*' (Fishbein and Ajzen, 1975). Attitudes are learned tendencies that inform responses to an object. Typically, these exist on a spectrum of favourable to unfavourable. Beliefs inform the attitude held by the individual in relation to the object, with stronger or weaker beliefs reflected in the extent of prejudice held towards the object. Fishbein and Ajzen (1975) suggest that intentions are a special case of beliefs, where the strength of the intention determines the probability that the person will perform a particular behaviour. For some time, social psychology research has united in accepting that attitudes do not appear to have a strong impact on behaviour (Terry, Hogg and Blackwood, 2001).

Intergroup relations have been the focus of many discussions on prejudice. The fundamental principle is that people favour their own groups over others (Pratto, Sidanius and Levin, 2006). Prejudice towards out-groups is generated with the practice that '*large numbers of people in any segment of society will broadly agree in their negative stereotypes of any given outgroup and will behave in a similar way towards them*' (Brown, 1995:10). Intergroup conflicts can take the form of competition for resources, domination of one group above another, or disparities in size or status (Brown, 1995).

There are numerous examples that confirm the correlation between intergroup domination and the belief of the inferiority of the minority or oppressed group (Duckitt, 1992:101). One of the roles played by the minority group in ensuring the maintenance of the extant hierarchy is in taking the role of the scapegoat for activities disapproved of by the dominant group. Having a scapegoat facilitates cohesion within the dominant group, particularly when the minority group is already a group that is resented (Duckitt, 1992). This is particularly relevant for the welfare and tax fraud~~the topic that is under examination in the topic of this study~~study, which is welfare and tax fraudsters. Welfare fraudsters are a subset of people who are receiving welfare benefits. Society does not view either welfare recipients or fraudsters favourably. However, views of tax fraudsters are that they are clever or entrepreneurial. Welfare fraudsters meet the criteria of a minority or oppressed group, particularly as they are often not well organised, usually have few resources, and typically have little in the way of political influence, power or support. In contrast, tax fraudsters often retain power, influence and networks, notwithstanding criminal activity.

⁹ Refer to Duckitt (1992:10) for more detail on definitions of prejudice.

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3 Duckitt (2001) reports that prejudice tends to be generalised over targets, that is, individuals
4 who hold less favourable attitudes to one minority or oppressed group are also likely to hold
5 less favourable attitudes to other minority or oppressed groups. There are multiple reasons
6 why individuals may hold unfavourable views about welfare fraud. For example, the media
7 reports on both welfare and tax fraud prosecutions. However, as welfare fraud is more likely
8 to be prosecuted than tax fraud for a similar quantum of offending, it appears more frequently
9 in the media.¹⁰ Thus, individuals may readily overestimate the presence of welfare fraud in
10 society when compared to tax fraud. This phenomenon, referred to as illusory correlation in
11 the social psychology literature, provides for individuals to assume high rates of welfare
12 fraud among welfare recipients, as compared to tax fraud among taxpayers, due to
13 overestimates of the frequency of welfare fraud. Thus, as noted by Hamilton and Gifford,
14 different perceptions of groups may result solely from *'cognitive mechanisms involved in*
15 *processing information about stimulus events that differ in their frequencies of co-*
16 *occurrence'* (2000:161).
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21 While the study of intergroup conflicts focuses on group ideals, the focus can also be on the
22 influence of the group on individual attitudes. In many cases, stereotyped perspectives on
23 out-groups act to reinforce attitudes. Brown describes stereotyping as *'a phenomenon at the*
24 *heart of the study of prejudice'* (1995:82) and *'a cognitive association of a social category*
25 *with certain characteristics'* (1995:90). More simply, they are described by Locke and
26 Johnston (2001:108) as *'mental representations of social groups and their members which*
27 *contain enough detail to allow us to know what group members are like without ever meeting*
28 *them'*. As well as including the likely traits of that group, these mental representations will
29 also generate expectations of how the group members will behave. Stereotypes may result
30 from cultural influences, socio-economic differences, or from cognitive bias that results in
31 illusory correlations between minority or oppressed groups and infrequently occurring
32 attributes (Brown, 1995).
33
34
35

36 Part of the wider problem in relation to attitudes towards those who engage in tax fraud and
37 those who engage in welfare fraud is the reinforcement of knowledge relating to the two
38 crimes. To the extent that harsher punishments are noticeable for welfare fraud, the act
39 becomes conceptually a more serious crime. This phenomenon is raised by Mitchell, Sikka
40 and Willmott, who observe the need to *'foster an awareness of how forms of power,*
41 *including legal processes, constrain as well as enable the dissemination of knowledge'*
42 (2001:527).
43
44

45 The link between stereotypes and prejudice is that prejudice *'captures the affective nature of*
46 *the response to members of different social groups'* that may result from stereotypes (Locke
47 and Johnston, 2001:108). Different people will hold dissimilar levels of prejudice towards
48 certain groups, which affects how they evaluate that group. Those who are more prejudiced
49 will use negative information about a group to judge that group and reinforce negative
50 attitudes (Locke and Johnston, 2001).
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56 ¹⁰ A search on one of the primary New Zealand news websites for 'tax evasion' returns 2,100 results and for
57 'benefit fraud' returns 7,590 results (search undertaken 26 February 2017 on website www.stuff.co.nz).
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3 Research outputs typically agree that stereotyping influences perceptions and judgements of
4 people or events. For example, Darley and Gross (2000) report that individuals assessed
5 children to be of higher or lower academic ability when told the child was from a high- or
6 low-socioeconomic background, respectively. Darley and Gross (2000) suggest that this
7 stereotype information does not create certainties about individuals, but rather allows
8 hypotheses to be formed about the stereotyped individual, which are then 'tested' in a biased
9 fashion, allowing their false confirmation.
10

11
12 Group affiliations may affect stereotypes. These group affiliations can result in people being
13 more likely to agree with favourable stereotypes of their own groups and less likely to agree
14 with favourable stereotypes of other groups: another example of illusory correlations. Thus,
15 a form of positive social identity develops with one's own group(s), which, if threatened, may
16 result in intergroup conflict. Social identity theory suggests that a desire for an in-group to
17 maintain a positive social identity motivates attitudes towards that group (Terry, Hogg and
18 Blackwood, 2001). Research has shown that even when the basis for a group membership is
19 random, individuals favour their in-group, leading to the conclusion that where a group is
20 self-inclusive, this is sufficient condition to generate hostility to other out-groups (Terry,
21 Hogg and Blackwood, 2001).
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26 TAX AND INEQUITY

27
28 In many ways, critical tax research is no different from critical accounting research. In a
29 recent article commemorating 25 years of a critical accounting journal, Morales and Sponem,
30 raise a number of objectives of the critical accounting approach including: it must question
31 the power of any group to determine what is appropriate; it engages with theory to determine
32 conditions to assist with emancipation; it proposes reforms and exposes dysfunctions; and it
33 can '*convey the social, political and human complexities of accounting institutions*' (Morales
34 and Sponem (2017) citing Cooper (2014)). Critical tax research has these same objectives.
35
36

37 This section provides a brief illustration of the tax research that has considered inequity. In
38 its most traditional use in taxation, equity is one of a small number of 'principles' typically
39 considered desirable in tax policy. Different ways of looking at equity are used in the tax
40 literature, e.g., horizontal and vertical, or progressive and regressive. The common feature is
41 some component of 'equal' – notwithstanding that 'equal' is achievable by treating all the
42 same, or all differently, depending on the circumstances.
43
44

45 Research on inequity often focuses on economic inequity, emphasising the differences in
46 returns to capital and labour (for example, Piketty (2014)), and the subsequent relationship
47 between inequity and increasing inequality. While this is important, this section highlights
48 the additional contribution that critical tax research has made in extending the issue into the
49 social and legislative domain. What is common in the majority of the literature is that it
50 focuses on the tax *system* and the ways in which the regime of tax legislation and its
51 interpretation can result in inequitable outcomes. This study adopts a different focus and
52 instead it examines how tax, in general, is privileged. This may be because tax funds
53 economic and social activity, and thus has a worthy objective. Meanwhile, welfare is an
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3 expenditure item, with recipients demonised for the lack of self-reliance that is the ideal when
4 viewed through a neo-liberal lens. Work by Boden, Childs and Wild (1995) explores this
5 further, highlighting the *'anti-welfare notions'* that result from the concept of economic
6 citizenship and the expectation of self-reliance. Brown provides further evidence in her
7 observation that in America *"welfare recipients" equal lazy blacks, who would rather*
8 *receive money from the government than work'* (2007:794). This is notwithstanding the close
9 connection of the tax and welfare schemes in relation to social objectives.

10
11
12 While the traditional concepts of equity within tax have been widely critiqued, inequity has
13 not faced the same level of inquisition. Infanti captures this idea when he writes that tax
14 equity is *'solely concerned with the fair treatment of individuals who either have the same or*
15 *different incomes'* (Infanti, 2008:1195). Infanti continues to observe that this represents a
16 normative choice *'to consider economic differences – and only economic differences – in*
17 *determining the fairness of a tax...'* (2008:1195). Infanti's express aim is to raise
18 consciousness of the taken for granted nature of fairness in tax research and extend thinking
19 to *'embrace not only fairness to the privileged among us, but to the oppressed as well'*
20 (2008:1197).

21
22
23 Knauer (2014) adopts a similar stance, observing that tax policy adopts terms of neutral
24 outcomes, while simultaneously disregarding characteristics of taxpayers that may lead to
25 outcomes that are not neutral, such as gender, ethnic group or socioeconomic position.
26 Instead, tax policy formation uses large-scale models that group taxpayers into income
27 groups or expenditure categories. As Knauer (2014:210) writes, *'the fiction of taxpayer*
28 *neutrality is a constituent feature of optimal tax theory, which seeks to maximize social*
29 *welfare by identifying the optimal tax base'*.

30
31
32 Similar views are visible in the field of critical tax research. Critical tax scholars have made
33 strong contributions to address the issues ~~raised by~~ Infanti and Knauer raise. While some of
34 these are more traditional tax topics, such as the extent to which fairness affects tax burdens
35 (for example, Farrar, 2011) or tax reform (Knauer, 2014), a range of interdisciplinary work
36 addressing inequity is also evident. Examples include gender equity and tax (see, for
37 example, Blumberg, 1971; Livingston, 2002; and Grown and Valodia, 2010); tax
38 discrimination and ethnicity (see, for example, Moran and Whitford, 1996, and Brown,
39 2007); the role of tax administration and administrators (Tuck, 2010); how the tax system is
40 used to influence the choices of women (Mumford, 2009); or inequities that result for same-
41 sex couples from the tax regime (Knauer, 1998), among others. A further topic that has
42 attracted discussion is a more fundamental consideration of tax equity: who pays tax. See
43 Infanti (2007) for a thorough discussion of this field or Gracia and Oats (2010) who discuss
44 the related topic of tax avoidance and tax evasion. All of these examples address components
45 of inequity relating to, or resulting from, taxation. Some directly address inequity by
46 exploring the inequitable outcomes for different groups from the tax rules, while others show
47 how the tax rules privilege the wealthy.

48
49
50 Infanti observes that *'the problem is not that "mainstream" and critical tax scholars are*
51 *talking past each other, but that critical tax scholars attempt to frame their discussions in tax*
52 *equity terms at all'* (2008:1195). Infanti's argument is that tax equity focuses on the

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3 economic differences in determining tax fairness. Infanti refers to the *'insidious*
4 *homogenization of the population'* that results in tax equity performing a *'sanitizing and a*
5 *screening function'* (2008:1196) as it eliminates difference that takes other forms, such as
6 gender or ethnicity.
7

8 ~~This idea is further developed by~~ Boden et al (2010:541) further develop this idea in
9 observing, who observe the 'othering' of taxation, which may be the result of professional
10 preference to maintain tax as a technical discipline to *'keep prying eyes from closely*
11 *examining the hidden power plays at work'*. Boden et al further note that ~~the field of tax~~
12 ~~research is typically the domain of~~ positivism typically dominates tax research, whether this
13 takes the form of black-letter law interpretations or the economic cost-benefit approach to tax
14 policy (2010). Boden et al combine these two issues – the marginalisation of tax research
15 and the traditional approaches to tax research – to suggest the outcome is *'the absence of an*
16 *understanding of the operation of power in a social contract that touches the lives of all'*
17 (2010: 541).
18
19
20

21 Boden et al's claim about the dominance of positive research in the tax discipline is visible in
22 all components of the literature: the publication outlets, the topics covered and the methods
23 used. Moreover, this positive influence has been visible in early literature examining the
24 behaviour of taxpayers when these taxpayers believed the tax system was inequitable.
25 Falkinger (1988:388) captures the general finding of these studies: *'tax evasion is a means to*
26 *adjust the corresponding terms of trade with government if they are perceived to be unfair'*
27 (1988:388). Many of these early tax studies were experimental (Spicer and Lundstedt, 1976;
28 Spicer and Becker, 1980), theoretical (Cowell, 1985; Forest and Sheffrin, 2002) or empirical
29 (Wallschutzsky, 1988) and typically reported that perceptions of inequity were a factor in
30 taxpayers' decisions to evade their tax obligations. In time, critical research supplemented
31 these economically grounded studies, which reaches across a broader construct of inequity
32 than that visible in the field of public finance.
33
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36 | The tax community's ability to engage with technically complex material is well-established.
37 However, Boden et al (2010:541) note that in the absence of a critical social science
38 perspective *'this technical approach to tax fails to penetrate structural rules and their*
39 *application'*. Furthermore, it minimises the opportunity we have to highlight the power
40 imbalances in society that are generated and maintained within the broader tax discipline.
41 Thus, one of the aims of this study is to highlight the lack of equivalence in the treatment of
42 welfare and tax offenders, where those in the group of tax offenders are more likely to
43 represent those with the most power and influence in society. While the breadth and depth of
44 critical tax research has undoubtedly expanded over recent decades, there is still much work
45 needed to highlight the bias that, as captured by Knauer, *'is often obscured by the misplaced*
46 *belief in the inherent neutrality of taxation'* (2012:230).
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52 SOCIAL DOMINANCE THEORY

53
54 The foundation of social dominance theory is the belief that all societies are systems of
55 group-based social hierarchies (Sidanius and Pratto, 1999). Dominant groups are
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3 characterised by *'possession of a disproportionately large share of positive social value, or*
4 *all those materials and symbolic things for which people strive'* (Sidanius and Pratto,
5 1999:31), such as power, authority, or status. Those in subordinate groups possess a large
6 share of negative social value, such as little power and authority, few possessions and low
7 social status. A fundamental assumption of social dominance theory is that groups engage in
8 behaviours to facilitate the endurance of extant hierarchies.

9
10 Sidanius et al (2004) propose that social institutions, as well as powerful individuals,
11 disproportionately allocate desirable and undesirable goods in society, with the result that
12 those who are less powerful receive greater amounts of undesirable goods, such as
13 punishments. Social dominance theory proposes that an individual's measure of social
14 dominance orientation drives attitudes towards out-groups. Social dominance orientation is
15 *'the basic desire to have one's own primary in-group (however defined) be considered better*
16 *than, superior to, and dominant over relevant out-groups'* (Sidanius et al, 2001:153). The
17 general orientation toward group-based social hierarchy is social dominance orientation
18 (SDO) (Sidanius and Pratto, 1999:39). This study uses the 16-question SDO measurement
19 scale (Sidanius and Pratto, 1999), as provided in Appendix I.

20
21 People who are more social-dominance oriented will prefer hierarchy-enhancing policies that
22 allow for group-based dominance, such as those in the criminal justice system that award
23 harsher punishments to those in subordinate social groups. Conversely, those lower on social
24 dominance orientation are more likely to: reflect preferences for *'egalitarianism and*
25 *altruistic social concern'* (Sibley, Robertson and Kirkwood, 2005:172); show preference for
26 policies that are hierarchy-attenuating (Pratto et al, 1994); and are more likely to favour
27 equality in the justice system. Thus, the SDO criteria may be divided into those measures
28 that score high on dominance (questions 2, 4, 6, 8, 10, 12, 14 and 15) and those that score
29 high on egalitarianism (questions 1, 3, 5, 7, 9, 11, 13 and 16).

30
31 There are multiple reasons for adopting SDO in this study. Social dominance theory is a
32 powerful predictor of generalised prejudice (Duckitt et al, 2002; Duckitt and Sibley, 2010)
33 and intergroup phenomena (Duckitt, 2001; Ho et al, 2012). In addition, SDO is an effective
34 predictor of attitudes where the foundation of intergroup relations is inequality and where
35 intergroup relations are characterised by high levels of threat to group values and security
36 (Sibley, Robertson and Kirkwood, 2005).¹¹ SDO is *'highly reliable'* (Duckitt et al, 2002:76)
37 and *'highly stable over time'* (Sidanius and Pratto, 1999:68). Ho et al (2012:584) describe
38 SDO as *'one of the most versatile and useful constructs for understanding socio-political*
39 *ideologies, the psychology of prejudice, and intergroup behaviour'*. Furthermore, studies
40 have shown a negative correlation between social dominance orientation and traits such as
41 empathy, tolerance and altruism (Pratto et al, 1994).

42
43 Of particular relevance to this study is the suggestion by Sidanius and Pratto (1999) that the
44 criminal justice system is a social institution that systematically reproduces group-based
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56 ¹¹ For example, Sibley, Robertson and Kirkwood (2005) have used SDO to predict attitudes towards Māori-
57 Pakeha relations in New Zealand.

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3 hierarchy. These hierarchies are visible in the treatment of minority groups in the criminal
4 justice system, as well as in the different treatments of tax and welfare fraudsters.
5
6

7 **RESEARCH QUESTIONS, METHODOLOGY AND CHARACTERISTICS OF** 8 **RESPONDENTS** 9

10 The major aim of this study is to highlight, challenge and explain the inequity resulting from
11 the treatments of different societal groups. This section commences with the research
12 questions and research design adopted to address these aims. The section also outlines the
13 characteristics of the survey respondents.
14
15

16 **Research Questions** 17

18 The study focuses on prejudiced attitudes towards different types of people. As noted in the
19 literature in section three, one of the aims of critical accounting (and tax) research is to
20 question and challenge power relations and situations that result from power relations. Given
21 the anti-welfare notions highlighted in section three, we expect attitudes towards those who
22 are engaging in welfare fraud to be more punitive than towards those who engage in tax
23 fraud. This expectation results from the perception of a generally negative attitude towards
24 those who are in receipt of welfare, notwithstanding any welfare fraud. Therefore, we expect
25 exacerbation of this attitude when fraudulent activity is present. This leads to the first
26 research question in our study.
27
28

- 29
30 1. To what extent are attitudes towards welfare fraud more negative than attitudes
31 towards tax fraud?
32

33 By asking this question in the New Zealand and Australian environments, which are often
34 believed to be relatively tolerant societies, we provide further support for the extant literature
35 that illustrates the presence of prejudice against those who are marginalised in society. We
36 subsequently set out to examine the influence of prejudice on attitudes and for this we use
37 social dominance theory. Following social dominance theory, we expect that individuals will
38 identify more positively with their own group. Thus, our second research question is:
39

- 40 2. To what extent do individuals believe that their own group is more or less likely to
41 commit tax fraud or welfare fraud?
42

43 This potential presence of inter-group stereotypes and prejudice against out-groups resulted
44 in the use of social dominance theory for analytical purposes in this study. The theory allows
45 us to highlight where equal relations are preferred, or whether an individual prefers their own
46 group to dominate. In asking this question through the frame of social dominance, we
47 examine whether prejudice within hierarchies exists that will limit potential social change.
48
49

50 **Research Design** 51

52 We collect data via an online survey. A representative sample of the New Zealand and
53 Australian population received the electronically distributed survey. An independent research
54 company holding a database comprised of individuals belonging to a retail rewards
55 programme in each country distributed the email. The database held approximately half of
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3 the population in both New Zealand and Australia. While the database holds a large
4 proportion of the population, as it is a retail rewards scheme, higher socio-economic
5 individuals have greater representation. However, this limitation does not restrict the
6 targeting of a representative sample of the New Zealand and Australian populations based on
7 the most recent census data.
8

9 We excluded those aged under the age of 18 due to their limited engagement with the welfare
10 or tax systems. Individuals received rewards in the form of retail 'points' from the retail
11 reward scheme for participating in the survey.¹² This ensured anonymity of respondents from
12 the researchers. The study received Human Ethics approval from the university of the first
13 author.
14
15

16 The database holder sent a large number of emails (15,000). The experiment was available
17 for people to complete until the requisite number of completed surveys (1,500 in Australia
18 and 1,500 in New Zealand) was received, which was approximately three days. At this time,
19 the survey closed.
20

21 All respondents were required to complete the survey in order to receive their retail reward
22 points, although for some questions (income, age, etc.), people could respond 'Prefer not to
23 say'. We coded these as missing. When we required the subjects to have complete responses
24 for all the demographic variables, we were left with 2,527 respondents, 1,266 (50.1%) from
25 New Zealand, and 1,261 (49.9%) from Australia. We then considered the characteristics of
26 the study participants separately by New Zealand and Australian respondents.
27
28
29

30 **Country Selection**

31 New Zealand and Australia are frequently utilised in cross-country studies, as they lend
32 themselves to effective comparative studies. They are both successful southern-hemisphere
33 Commonwealth countries with similar demographic profiles, social policy objectives and
34 British colonial heritage (Marriott, 2010). The countries have parliamentary governments,
35 are both OECD member countries, are geographically close and have close trade
36 relationships.
37
38

39 This study does not compare between the two countries and instead uses the two countries
40 together to examine for different responses to the same events. We use Australia and New
41 Zealand, as they are sufficiently similar from an economic, social and legal perspective. For
42 example, McLean (2003:14) claims that '*these two have more in common with one another*
43 *than either has with any other country on the planet ... they are probably simply more alike*
44 *than any other two separate nations'* (2003:14); and suggests that:
45
46

47 *There are strong personal and social affinities between the two peoples and close links by*
48 *modern transport; both are liberal, moderate democracies, fortunate and successful states*
49 *with a far-reaching network of co-operation between them; there are no divisive legacies of*
50 *bitterness or wars: there is nothing of a racial, religious, ethical or linguistic character to*
51 *provide any pretext for apart-ness.*
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56 ¹² Upon receipt of the email requesting participation, individuals received a link to the experiment. Completion
57 of the experiment provided individuals with a code that allowed collection of the reward points.
58
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Characteristics of Survey Respondents

The survey collected a range of demographic variables. This section discusses those that are most relevant to the analysis, together with the traditional variables of gender and age. We do not include tables outlining the variables, in the interests of space. However, details of respondents are available from the authors on request. The gender responses were 48%/52% male/female in New Zealand and 46%/54% in Australia. We received a good range of age responses, noting that we only requested responses from those aged over 18. The survey has large numbers of European responses – New Zealand European in New Zealand and Australian European in Australia. As compared to census profiles, New Zealand Māori and Pasifika are under-represented in New Zealand. Asians have higher representation in Australia at 13.3% (approximately 7% of the Australian population identify with at least one Asian ethnicity) and lower representation in New Zealand at 4.6% (approximately 12% of the New Zealand population identify with at least one Asian ethnicity).

We grouped respondents into three professional groups. Nearly half (48.1%) of Australian respondents have classified themselves as unskilled, as compared to 30.4% of New Zealanders. In the Manager/Professional category, New Zealand has greater representation at 38.6%, compared to 24.3% for Australia. This aligns with other variables, which show that Australian respondents are younger and more receive welfare benefits than New Zealand respondents.

In both Australia and New Zealand, the main source of income is from wages and salaries: 58% in Australia and 67% in New Zealand. In Australia, 16% of respondents reported receiving a pension while 17% of New Zealand respondents reported the same. New Zealand respondents reported that 12% per cent were self-employed, as compared to seven per cent of Australians. Only small proportions of people had no source of income, or income from capital, in both countries. We have a considerably higher proportion of people reporting as being on a benefit in Australia at 14.5% as compared to New Zealand at 3%. We separate old-age pensions and other welfare benefits in this grouping. The proportion of the working age population (18-64 years of age) in receipt of welfare benefit is 18% in Australia (Australian Council of Social Services 2014) and 11% in New Zealand (Ministry of Social Development 2014). Therefore, both countries are under-represented in the survey by individuals in receipt of welfare benefits.

Social Dominance Orientation Scale

The survey had 80 questions, but we do not include all the questions in this article. We positioned the SDO questions at the end of the study, after all the questions on perceptions of tax or welfare had been finished. We told respondents: *'we would now like to ask your views on a range of topics relating to groups within society. Please click on the response that best reflects your view'*. The questions outlined in Appendix I followed.

1
2
3 The SDO scale is a widely used social psychological scale. It consists of 16 items, each
4 scored from 1 (strongly disagree) to 7 (strongly agree).¹³ We divide the scale into two 8-item
5 sub-domains (Dominance and Egalitarianism).¹⁴
6

7 We calculate scores by taking the mean of the items for that score, after appropriate reverse
8 coding for items asking 'negatively'. The two-factor solution for the SDO in our sample
9 gave the same result – splitting the items into the same ones defined for Dominance and
10 Egalitarianism - as reported in the literature. In our sample, the Cronbach's alpha for all 16
11 items was 0.890 (95% CI: 0.883, 0.896), for the 8-item Egalitarianism score, Cronbach's
12 alpha was 0.871 (0.863, 0.878), and for the 8-item Dominance score, alpha = 0.873 (0.865,
13 0.880).
14
15

16 Table 2 outlines the means and standard deviations for our sample.
17

18 **(Insert Table 2 About Here)**
19

20 21 FINDINGS

22
23 In order to address the question of whether people are likely to believe their own in-group is
24 more or less likely to engage in a particular crime, we examine the likelihood that the
25 respondent thought a 'type' of person would be more or less likely to evade tax or engage in
26 welfare fraud. We pose two scenario-based questions to respondents as follows:
27

- 28
29 (1) Tax Fraud Scenario. You read in the newspaper that someone has been caught
30 evading tax. If you knew the following about them, do you think it is more or less
31 likely that the person is guilty?
32
33 (2) Welfare Fraud Scenario. You read in the newspaper that someone has been caught
34 committing welfare fraud. If you knew the following about them, do you think it is
35 more or less likely that the person is guilty?
36

37 For each of the scenarios, we provided seven options:

- 38
39 1. The person did not have a job
40 2. The person owns their own home
41 3. The person is of Māori ethnicity
42 4. The person is a businessman
43 5. The person receives a welfare benefit
44 6. The person is an immigrant from the United Kingdom
45 7. The person is an immigrant from Tonga
46

47 We collected responses on a 7-point Likert scale from 1 (more likely) to 7 (less likely). We
48 did not give any additional anchors with the exception of a mid-point anchor at 4
49 (undecided).
50
51

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55 ¹³ For further detail, see Sidanius and Pratto (2001).

56 ¹⁴ For further detail, see Ho et al (2012).
57
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We selected these options due to expected stereotypes of particular types of people. The Māori group is included as Māori are the indigenous people of New Zealand and comprise approximately 15% of the population. Historically they have been the target of negative stereotypes (e.g. *'lazy, slovenly and inefficient and not able to cope with the strict time demands of the capitalist world'*).¹⁵ As the indigenous Aboriginal population in Australia is around two per cent, we did not set out to investigate Aboriginal responses, as we believed it was unlikely that we would get sufficient responses to engage in meaningful analysis.

We used repeated measures analysis of variance to test whether the average 'likelihood of being guilty' differed by the seven different 'types' of people outlined above; whether there were differences by scenario; and whether the differences by person differed by scenario (the interaction effect). We use Bonferroni post-hoc tests to determine which 'types' of people differed from each other. Table 3 outlines the results of the overall analysis, which shows a significant difference by scenario, by person and a significant interaction.

(Insert Table 3 About Here)

The results of the analysis of both scenarios were difficult to interpret, therefore we analysed each scenario separately. The one-way ANOVA used is equivalent to a two-sample t-test. This ~~can be used~~ is suitable for even very small sample sizes (< 15, for example). As our sample sizes are at least 50 in every group, there is no problem with lack of power. The other assumption of the t-test is that the data are normally distributed. To deal with this possibility, we conducted non-parametric tests (Wilcoxon tests, the non-parametric equivalent to the t-test). The results remain the same. Table 4 reports the means by scenario and by person.

(Insert Table 4 About Here)

Table 4 shows that by ranking, respondents felt those least likely to engage in tax fraud were those who did not have a job, while the person most likely to engage in tax fraud was the businessman. These are expected responses, as it is reasonable to assume that someone who did not have a job was not in a position to evade tax (as they have no income). In a similar way, a businessman has the greatest opportunity to engage in tax fraud.

For welfare fraud, the person viewed as most likely to engage in welfare fraud is the person in receipt of welfare. The person viewed as least likely to engage in welfare fraud is the immigrant from the United Kingdom. As those who are eligible for welfare are those most likely to be in a position to take advantage of the scheme, these are also expected responses. Immigrants from the United Kingdom are less likely to be eligible for welfare payments in either New Zealand or Australia, so it is a valid assumption that they may be the group least likely to be able to engage in welfare fraud.

In order to examine the influence of in- and out-groups in this study, we investigated whether the respondent's choice differed by whether they were a similar or a dissimilar person. For both scenarios, we provided the Māori ethnicity option. Table 5 outlines the mean responses to these questions by Māori and non-Māori.

¹⁵ Te Ara The Encyclopedia of New Zealand. Story: European ideas about Māori. Retrieved from: <http://www.teara.govt.nz/en/european-ideas-about-maori/page-6>, 18 February 2017.

1
2
3 **(Insert Table 5 About Here)**

4 As can be seen in Table 5, when we asked Māori about a Māori person, they give a higher
5 value than when we asked non-Māori about a Māori person. That is, Māori respondents
6 believe that Māori are less likely to engage in tax and welfare fraud than non-Māori
7 respondents. The mean differences are statistically significant for tax fraud and almost
8 significant for welfare fraud.
9

10
11 The next group we examined was the businessman. We classified the in-group as men, who
12 had identified in the manager/professional occupation grouping. Table 6 outlines these
13 results.
14

15 **(Insert Table 6 About Here)**

16
17 For both scenarios, businessmen give people like them higher scores, that is, they believe
18 they are less likely to engage in either crime, than non-businessmen. The difference in means
19 is larger for tax fraud than for welfare fraud. This shows businessman respondents believe
20 that they are less likely to commit these crimes than other people think they are.
21

22 The third group we examined was the group of respondents who were in receipt of welfare
23 benefits. We identified these groups from those who responded that their sole source of
24 income was from benefits. Table 7 reports these results.
25

26 **(Insert Table 7 About Here)**

27
28 As with the other two groups, the in-group (i.e. those receiving welfare benefits) scored the
29 person on a benefit more highly than respondents who had some other source of income did.
30 That is, they perceived that the person receiving welfare benefits was less likely to be guilty
31 than other respondents.
32

33
34 The next question we address is how does social dominance orientation affect this
35 relationship between in- and out-groups, and their responses about the likelihood of who will
36 engage in the financial fraud. To examine this, we fit General Linear Models to model the
37 relationship between Group (Māori, Businessman and Welfare Recipient), Social Dominance
38 Orientation (split into its two constituents Dominance and Egalitarianism), and the outcome
39 variable (the likelihood of being guilty of tax or welfare fraud). For each model, the results
40 gave p-values for Group and for whichever Social Dominance Orientation variable used, and
41 parameter estimates, which gave the direction of the relationship. Table 8 outlines these
42 results.
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45 **(Insert Table 8 About Here)**

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47 For each predictor (Dominance, Egalitarianism and Māori) and for each model (Tax Fraud or
48 Welfare Fraud), the table gives the estimated coefficient, and its p-value. For Dominance and
49 Egalitarianism, where the coefficient is positive, this means that as Dominance or
50 Egalitarianism increases, the score increases, that is, the respondent believes the person is less
51 likely to be guilty. Where the coefficient is negative, higher values of Dominance or
52 Egalitarianism mean lower scores, that is, the person is more likely to be guilty. For the
53 Māori variable, a negative coefficient means the score is lower for non-Māori than for Māori.
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3 For Māori, Dominance and Egalitarianism were more important statistically than was the
4 ethnicity of the respondent. The ethnicity was not significant, although there was always a
5 trend towards statistical significance. This may have been due to the small sample size. The
6 direction was always the same: Māori gave higher scores than non-Māori (negative
7 coefficient, therefore less likely to be guilty). The coefficients of Dominance were negative,
8 so that as a person's Dominance score increased, they would consider a Māori person more
9 likely to be guilty. The reverse was true for Egalitarianism, that is, the more egalitarian the
10 respondent was, the higher the score, i.e., the Māori person was less likely to be guilty.

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13 Table 9 outlines the models for the businessmen. In these examples, non-Businessmen gave a
14 lower score on average, that is, they perceived the businessmen as more likely to be guilty,
15 than the businessmen did. This result was statistically significant for both scenarios. The
16 coefficients for Dominance were positive for the tax fraud example and negative for the
17 welfare fraud example. Therefore, for tax fraud, respondents with higher Dominance scores
18 gave higher scores for tax fraud, that is, businessmen were less likely to be guilty. For the
19 welfare fraud scenario, respondents with higher scores for Dominance gave a lower score,
20 indicating that businessmen were more likely to be guilty. This finding is unexpected.
21 However, to the extent that respondents believe that businessmen can structure their financial
22 affairs more effectively than traditional employees, there may be a perception that they are
23 receiving state benefits (such as working tax credits) if their incomes are artificially low. The
24 media has reported examples of such behaviour in recent times. For Egalitarianism, the
25 effect was similar for both scenarios – higher egalitarianism was associated with a lower
26 score, that is, increased likelihood of being guilty.

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31 **(Insert Table 9 About Here)**

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33 Table 10 outlines Welfare recipients, our final example. There was no association between
34 Dominance or Egalitarianism, and the likelihood of being guilty of welfare fraud. However, if
35 the respondent was a welfare recipient, they scored the likelihood of guilt lower (i.e. more
36 likely) than if the respondent was not a welfare recipient. There was a strong statistical
37 relationship between Dominance (but not Egalitarianism) and the likelihood of being guilty
38 of tax fraud. Again, higher values of Dominance were associated with lower scores (more
39 likely to be guilty) and higher values of Egalitarianism were associated with higher scores
40 (less likely to be guilty). In all situations, welfare recipients scored themselves higher (i.e.
41 less likely to commit the crime) than non-welfare recipients scored them. For welfare
42 recipients, all that matters is the in-group and out-group. Unlike the other two groups,
43 dominance and egalitarianism is not important.

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47 **(Insert Table 10 About Here)**

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49 **DISCUSSION**

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51 Cooper, Dacin and Palmer observe that fraud is not *'personal nor universal'* and instead is
52 *'situated in specific social and historical contexts'* (2013:445). This was evident in the
53 prejudice views held by our survey respondents. These views align with expected
54 stereotypes: businessmen evade tax or people receiving welfare benefits engage in welfare
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3 fraud. When we examine views on the likelihood of 'who' will engage in tax or welfare
4 fraud, we find different stereotypes among different groups.

5
6 The literature on prejudice, together with social dominance theory, suggests that affiliation
7 with a group generates a more positive stereotype of that group. This is evident in the
8 findings reported in this study. Our more detailed analysis of in- and out-groups (Māori and
9 non-Māori, businessmen and non-businessmen, and recipients of welfare and non-recipients
10 of welfare) showed a strong presence of preference for one's own group. In all cases, the in-
11 group believed that their own group was less likely to commit the crime – regardless of
12 whether the crime was welfare or tax fraud – indicating the presence of the positive social
13 identity suggested by social dominance theory.
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16 We find evidence of prejudice towards Māori people among the respondents who scored high
17 on SDO dominance measures, whereby these respondents considered that a person of Māori
18 ethnicity was more likely to be guilty of tax or welfare fraud. The opposite was visible
19 among respondents who scored high on SDO egalitarianism. However, we find that for
20 those who scored highly on SDO dominance measures, they are more likely to think
21 favourably about how businessmen will behave in relation to tax fraud (i.e. that they are less
22 likely to engage in tax fraud), but more likely to engage in welfare fraud. We find a similar
23 result with those who scored highly on SDO egalitarianism measures, whereby higher
24 egalitarianism was associated with increased likelihood of committing either crime. This
25 response for businessmen aligns with the inherent prejudice that is prevalent with welfare
26 fraud. Those who score highly on SDO dominance measures are those who have agreed with
27 statements suggesting that some groups of people are more worthy than others, that some
28 groups of people should stay 'in their place', and that it is a good thing that some groups are
29 at the top and others are at the bottom (among other questions). Thus, dominance is
30 associated with superiority of certain groups and businessmen are likely to be a group that is
31 more desirable and superior than other groups.
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36 When investigating welfare fraud and welfare recipients, we find fewer associations with
37 Dominance or Egalitarianism. However, we did find strong relationships with tax fraud,
38 whereby higher Dominance was associated with perceptions that welfare recipients are more
39 likely to be guilty and higher Egalitarianism was associated with perceptions that welfare
40 recipients were less likely to be guilty.
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43 The criminal justice system is more likely to apply harsh criminal sanctions against members
44 of subordinate social groups than members of dominant social groups across a range of
45 differentiating characteristics (Gross and Mauro, 1989; Baldus, Woodworth and Pulaski,
46 1990; Sidanius et. al, 2006). When ~~a~~ minority groups with few resources, networks, or power
47 receive support is primarily supported by members of the same group from in-groups, then it
48 is perhaps unsurprising that ~~these~~ is groups ~~receives~~ less favourable treatment in the justice
49 system. Other groups that have greater power, resources, and networks are also more likely
50 to receive support from similar people or groups, who also have greater power, resources, and
51 networks.
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55 The professional field of tax is largely the domain of elites: accountants, lawyers and
56 economists. Tax laws are complex, which facilitates exploitation by those sufficiently
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3 knowledgeable to minimise payment obligations. Those who are privileged are more likely
4 to commit tax fraud: typically, ~~the fraudster has the funds axable income has been received or~~
5 ~~tax payable has been collected~~ before the fraud occurs.¹⁶ This raises the potential for the
6 embedding of practices when they benefit the interests of dominant groups (Chua, 1986) and
7 act to reinforce privileged positions.
8

9
10 The results also suggest the presence of intergroup conflict. The literature predicts hostility
11 towards the minority group, which is visible in the harsher treatment that welfare recipients
12 receive in the investigation, prosecution and sentencing phases of the justice system. The
13 presence of such in-groups and out-groups contributes to inequity, to the extent that
14 preferences of the powerful do not extend beyond their own in-group.
15

16 Reference to the sociological literature reveals the status of welfare recipients as marginalised
17 people. Fineman explains an often-accepted narrative when she writes '*we venerate the*
18 *autonomous, independent, and self-sufficient individual as our ideal. We assume that anyone*
19 *can cultivate these characteristics, consistent with our belief in the inherent equality of all*
20 *members of our society, and we stigmatize those who do not*' (Fineman, 2006:135).
21 Moreover, we respect entrepreneurs and business owners, and hold in high esteem those who
22 create jobs and 'contribute' to society – making excuses for their crimes when they are
23 exposed.¹⁷ This social construction of what is fraudulent activity facilitates and reinforces in-
24 and out-group preference and restricts meaningful social change.
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28 We acknowledge the limitations of this study. While we targeted a representative sample of
29 the New Zealand and Australian populations, we did not receive responses that entirely
30 matched the populations based on census data. The main concern in this regard is the under-
31 representation of ethnic minority groups that are among the lower socio-economic groups
32 (e.g. Pasifika and Māori). We used the SDO scale as a framework to assess prejudice. This
33 instrument has been widely tested and is highly reliable. However, we acknowledge that
34 different results may arise with the use of a different instrument. In addition, we have only
35 examined one explanatory variable, which is prejudice. There are multiple factors that affect
36 views of crimes, of which prejudice is only one.
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41 CONCLUSION

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43 This study adds to the literature on in-groups and out-groups specific to tax and welfare
44 fraud, as comparable crimes. The fundamental premise of social dominance theory is that
45 societies minimise conflict by creating consensus on ideologies that promote the superiority
46 of one group over others (Pratto et al, 1994). This is visible in the data and findings
47 previously outlined. The results of our survey show that in-groups hold preferable views of
48 their own in-groups. Thus, to the extent that groups with more power or status view their own
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54 ¹⁶ For example, when collection occurs, but payment to the government does not.

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56 ¹⁷ Analysis by the authors of sentencing decisions of serious white-collar crime in New Zealand shows that the
57 'good character' of the offenders was a factor in reducing the sentence in 56% of cases.
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3 group as superior, we are unlikely to see significant change to the current differences in
4 treatment of tax and welfare fraudsters.

5
6 Walzer (1983), in his theory of justice, suggests that social goods (or bads) should not be
7 distributed based on some arbitrary characteristic. In this case, the characteristic is whether
8 the person is in receipt of a welfare benefit. If someone is situated in a group with greater or
9 fewer resources or power, this should not result in a different treatment in the justice system.
10 Nor should it allow for influence over the treatment of other groups. Individuals should
11 receive equal treatment, unless treating them unequally produces a more equitable outcome.
12 However, in the absence of direct, deliberate action to address the different treatments in the
13 justice system, it is unlikely that meaningful change will occur.

14
15
16 This leads to the role of critical research. With reference to critical research, Chua
17 (1986:621) observes that in order to highlight restrictive conditions, it is necessary to
18 demonstrate that *'so-called objective and universal social laws are but products of particular*
19 *forms of domination and ideology'*. While Chua is discussing accounting, her statement is
20 equally applicable to taxation. Chua continues to observe that in challenging the status quo
21 *'social change may be initiated such that injustice and inequities may be corrected'*
22 (1986:621). Herein lies the role of critical tax researchers.

23
24
25 In the same way that accounting researchers have identified that accounting theories are
26 *'normative and value-laden in that they usually mask a conservative ideological bias'*, tax
27 theories and practice may be equally accused. There is considerable capacity for critical tax
28 research to have greater involvement in highlighting the potential for privileged individuals to
29 receive privileged treatment in the justice system when committing 'privileged crimes'
30 (Tinker, Merino and Neimark, 1982:167).

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33 While this study focuses on tax, considerations for the accounting profession may be drawn.
34 As noted in the previous section, accountants are one of the key groups that comprise the
35 broad tax discipline. The in-group of accountants, which operates within an overarching
36 ethical framework, may have an ethical duty to challenge behaviours whereby minority
37 groups are the subject of discrimination. As argued by Bruna and Bazin *'supporting the*
38 *Other...is an ethical duty'* (2017:4). A further consideration for accountants relates to the
39 finding of strong in-group preference. This preference is relevant for a profession that retains
40 elements of self-regulation, as this study suggests that accountants are likely to have a more
41 favourable view of accountants than other out-groups. This preference may further extend to
42 other activities frequently provided in-house by accounting professional bodies, such as
43 professional development and education.

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47 Where powerful groups believe in the superiority of other similar powerful groups, this
48 reinforces the status quo. This article has used the example of the different treatment of tax
49 and welfare fraud in the justice systems of New Zealand and Australia to highlight prejudice
50 and privilege. Given the findings in this study, there are significant societal issues that tax
51 scholars can, and arguably should, be challenging. This study highlights the potential for
52 critical tax research to challenge the privileged position that tax commands in society and to
53 provide robust evidence-based challenges to the status quo. While tax avoidance by multi-
54 national enterprises has received greater focus in recent years, many of the discriminatory
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3 practices that exist at an operational level remain unchallenged. In New Zealand, universities
4 have '*a role as critic and conscience of society*'¹⁸ and tax researchers are not heeding this
5 obligation to the extent that critical tax research as a discipline in Australasia does not tackle
6 issues of social justice. We follow the example of Lehman, Annisette and Agyemang (2013)
7 in relation to critical accounting research, and call for critical tax researchers to assist in
8 giving voice to the marginalised.
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56 ¹⁸ Education Act 1989, s 4(a)(v).
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Appendix I: Social Dominance Orientation Questions

	Question	Category
1	All groups should be given an equal chance in life	Egalitarianism
2	Some groups of people are just more worthy than others	Dominance
3	Group equality should be our ideal	Egalitarianism
4	In getting what your group wants, it is sometimes necessary to use force against other groups	Dominance
5	We should do what we can to equalise conditions for different groups	Egalitarianism
6	It's OK if some groups have more of a chance in life than others	Dominance
7	We should increase social equality	Egalitarianism
8	To get ahead in life, it is sometimes necessary to step on other groups	Dominance
9	We would have fewer problems if we treated groups more equally	Egalitarianism
10	If certain groups of people stayed in their place, we would have fewer problems	Dominance
11	We should strive to make incomes more equal	Egalitarianism
12	It's probably a good thing that certain groups are at the top and other groups are at the bottom	Dominance
13	No one group should dominate in society	Egalitarianism
14	Inferior groups should stay in their place	Dominance
15	Sometimes other groups must be kept in their place	Dominance
16	It would be good if all groups could be equal	Egalitarianism

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3 **SOCIAL INEQUITY, TAXES AND WELFARE IN AUSTRALASIA**

4 **Response to Editors' Comments (Reference AAAJ-02-2016-2432.R3)**

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Editors' Comments	Action taken
The abstract is a little too long for AAAJ, which has a 250 word limit. We suggest trimming to just the key points (e.g. removing the second sentence in the 'purpose' section, and removing the clause after 'in-group' in the final sentence of 'findings')	Amended as suggested, together with another couple of changes to reduce the word count. The abstract is now 244 words (including the headings).
Also, we requested in the previous review that the 'value' section of the abstract refer more directly to the contribution to accounting. Since the contribution to accounting research is a key part of AAAJ's remit, we would again suggest rephrasing the value section to stress the contribution to prior accounting research	I have amended the 'value' section as suggested.
While the paper's discussion of its main aims has improved, there still seems to be some confusing passages. In particular, p. 2, lines 32 to 36 appear to mention three aims, but then line 8, p. 3 begins with 'The second major aim of the study...'. Consistent with our understanding of your abstract, could the several aims on p. 2 be incorporated under one clearly signalled 'first' aim?	Apologies for the confusion. I have rewritten this paragraph on page 2.
There are still opportunities to streamline the writing by replacing passive with active voice (e.g. social scientist use, vs. used by social scientists (p. 8); issues Infanti and Knauer raise; vs. issued raised by Infanti and Knauer (p. 12); Boden et al. (2010) further develop this idea, vs. this idea is further developed by Boden et al (p. 13); positivism typically dominates tax research, vs. the field of tax research is typically the domain of positivism, vs (p. 13) etc.).	Apologies (again). I have amended all those suggested, together with a number of other instances throughout the article.