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SHAMING, SHAME AND RECIDIVISM

A Test of Reintegrative Shaming Theory in the White-Collar Crime Context

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Despite the popularity of reintegrative shaming theory in the field of criminology, only a small number of studies purporting to test it have been published to date. The aim of the present study, therefore, is to provide an empirical test of Braithwaite's (1989; Braithwaite and Braithwaite 2001) theory of reintegrative shaming in the white-collar crime context. The data on which the study is based came from survey data collected from a group of 652 tax offenders. Consistent with predictions, it was found that feelings of reintegration/stigmatization experienced during an enforcement event were related to reoffending behaviour. Those taxpayers who felt that their enforcement experience had been reintegrative in nature were less likely to report having evaded their taxes two years later. Consistent with Braithwaite and Braithwaite's (2001) hypotheses, shame-related emotions were also found to partially mediate the effect of reintegration on subsequent offending behaviour. Implications for the effective regulation of white-collar offenders are discussed.

Introduction

In 1989, John Braithwaite published his influential book, *Crime, Shame and Reintegration.* In it, Braithwaite argued that disapproval (i.e. shaming) that is carried out in a reintegrative fashion—as opposed to a stigmatizing fashion—can decrease offending behaviour, principally because of its superior moralizing qualities. More recently, Braithwaite and his colleagues (Ahmed *et al.* 2001) have elaborated on the role that shame-related emotions play in mediating the relationship between shaming and subsequent behaviour. A number of empirical studies have contributed to our understanding of the theory by testing the effect that shaming has on recidivism, or perceived likelihood of offending (Zhang 1995; Hay 2001; Tittle *et al.* 2003; Zhang and Zhang 2004). However, a number of theoretical claims made by the theory demand further attention. One of these is whether the apparent effect of shaming—that has so far been studied in the context of juvenile or blue-collar offending—translates to white-collar crime. A second is whether shame-related emotions mediate the effects of different kinds of shaming on subsequent behaviour.

The present study will explore these relationships using survey data collected from a sample of 652 adult taxpayers who had been caught and punished by the Australian Taxation Office (ATO) for engaging in illegal tax avoidance schemes. Of interest will be whether different forms of disapproval (reintegrative vs stigmatizing) are associated with subsequent offending behaviour, and whether this relationship is mediated by shame-related emotions.

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Shaming and compliance

John Braithwaite's theory of reintegrative shaming synthesizes the predictions of several theoretical perspectives of criminal behaviour into a single framework, but its most distinctive contribution is to focus attention on the effect of shaming, with shaming conceived of as encompassing all forms of social disapproval. The theory's primary argument is that the communication of disapproval is of central importance to understanding the effect that criminal justice actions have on the subsequent offending behaviour of individuals. Braithwaite (1989) distinguishes between two forms of disapproval that occur in response to offending: disapproval that is reintegrative in nature and disapproval that is stigmatic in nature.

According to Braithwaite (1989), disapproval that is reintegrative in nature is carried out in a respectful and healing manner. Here, the disapproval of an act is communicated with respect, and special effort is given to avert labelling and to terminate disapproval with rituals of forgiveness or reconciliation. Braithwaite predicts that reintegrative forms of shaming will result in less reoffending. Conversely, Braithwaite argues that disapproval that is stigmatic involves communicating disapproval of a person with disrespect, in which offenders are labelled with outcasting identities (e.g. thief, tax cheat), and there are no rituals to terminate disapproval. Reintegrative shaming theory predicts that this latter type of shaming results in greater levels of reoffending.

Shaming is described as affecting offenders' subsequent propensity to reoffend because it is a deterrent, has moralizing qualities that build the offenders own sense of conscience, and invokes shame-related emotions. In a revision of the theory, Braithwaite and Braithwaite (2001) have expanded on the role that shame-related emotions play in mediating the effect of reintegration or stigmatization on subsequent compliance. Based on the work of Scheff and Retzinger (1991), Ahmed (2001) and others, they suggest that individuals respond to, or manage, shame differently, and that the way in which the emotion is managed has important implications for future behaviour. A considerable research tradition shows that one way of managing shame is through acknowledgment of the emotion, and that this response is associated with empathy for victims, less anger and less externalization of blame (Lewis 1971; Scheff and Retzinger 1991; Ahmed 2001; Harris 2003). Thus, Braithwaite and Braithwaite (2001) suggest that reintegrative shaming results in lower offending, at least in part, because it is more likely to promote acknowledgement of shame by offenders.

In contrast, it is argued that stigmatic shaming is less likely to elicit acknowledgement of shame, or a sense of remorse, in an offender because it serves to humiliate an individual. Here, individuals are more likely to externalize blame for what has happened and are more likely to direct anger towards the entity expressing disapproval—an emotional state that Ahmed (2001) refers to as shame displacement. Braithwaite and Braithwaite (2001) argue that such feelings of hostility increase the probability of defiance and noncompliance exhibited by the offender in the future.

A number of quantitative studies have now explicitly tested the predictions of reintegrative shaming theory, primarily in the context of juvenile or blue-collar crime (Makkai and Braithwaite 1994; Zhang 1995; Hay 2001; Ahmed 2001; Tittle *et al.* 2003; Zhang and Zhang 2004; Ahmed and J. Braithwaite, in press). This literature will not be discussed at length here because a number of papers provide recent reviews of these studies (see Tittle *et al.* 2003; Harris 2006). However, these studies either support the hypothesized

relationship between the shaming variables and non-compliance (Makkai and Braithwaite 1994; Ahmed and J. Braithwaite 2005) or find partial support for them. In a number of cases, the main effects for shaming, reintegration or stigmatization have predicted offending measures but the same studies have failed to find the predicted interactions between shaming and reintegration (Hay 2001; Tittle *et al.* 2003; Zhang and Zhang 2004). In addition to these quantitative approaches to testing the theory, a number of other studies find support for the theory in historical case studies (see Braithwaite 1989; 1999; 2001; 2002), or have used it as an interpretive framework to explain research findings (e.g. Miethe *et al.* 2000).

Reintegrative shaming and white-collar crime

While the theory has received considerable attention in the context of blue-collar and juvenile crime, a question raised by some scholars is whether the theory also translates to white-collar crime (Levi and Suddle 1989). This is somewhat ironic, given that the theory has its origins in observations made by Fisse and Braithwaite (1983) in their work on corporate crime. However, as Levi (2002) suggests, damage to business prospects and financial concerns may be more salient to white-collar offenders than shaming because they are more likely to be insulated from the effects of shaming, particularly as it relates to reputation, by a range of geographical and social barriers. Such doubts have been countered by Braithwaite and Drahos (2002), who use the international drug trade as a case study to argue that shaming has proven to be an effective tool in changing corporate behaviour. This debate suggests that understanding the role of shaming and shame in curbing white-collar crime is an important policy question as well as a theoretical issue. As a result, a growing number of empirical studies have begun to address it in a variety of white-collar contexts.

Indeed, one of the empirical studies that has thus far found the strongest support for reintegrative shaming theory explores the relationship between the styles of disapproval employed by nursing home inspectors and compliance with nursing home standards (Makkai and Braithwaite 1994). Makkai and Braithwaite examined the compliance records of nursing homes over two consecutive years (hence a pre- and post-measure of compliance could be assessed). They interviewed inspection teams about the regulatory strategies that they used when dealing with nursing home managers. The results from this study provided strong support for the idea that disapproval that is reintegrative in nature (as opposed to stigmatizing) leads to higher rates of compliance. Specifically, it was found that inspectors who believed in expressing high levels of disapproval coupled with high levels of forgiveness and respect produced greater increases in compliance in a follow-up inspection. Compliance was found to actually decrease over time when inspectors reported using stigmatizing methods or reported being tolerant of non-compliance.

While Makkai and Braithwaite's (1994) research demonstrates a relationship between reintegrative shaming and compliance, a number of studies have focused on the link between shame-related emotions and future compliance. Using a random sample of 360 participants, Grasmick and Bursik (1990) measured respondents' inclinations to commit three offences: tax cheating, petty theft and drunken driving. Participants were asked whether they would feel shame if they committed each of these offences, and whether it would be a big problem for them. For all three offences, Grasmick and Bursik

found strong evidence of a deterrent effect of shame. For tax cheating and drunk driving in particular, anticipated feelings of shame were found to have a large deterrent effect on intention to offend in the future. Following on from Grasmick and Bursik's (1990) research, a number of other studies have also found that shame has a large deterrent effect on intention to commit corporate offences (e.g. Paternoster and Simpson 1996; Elis and Simpson 1995; Simpson 1992).

More recently, Ahmed and V. Braithwaite have extended this research on shame and compliance by distinguishing between the contributions of shame acknowledgement and shame displacement to compliance with tax laws. In a study that drew on a random population sample of 2040 cases, Ahmed and V. Braithwaite (2004) found that taxpayers who indicated that they would displace shame in response to being detected for hypothetical tax evasion behaviour were more likely to report having evaded their taxes in their most recent tax return. No significant relationship was found between shame acknowledgment and compliance behaviour. In another study that drew on survey data from 477 Australian university graduates, Ahmed and V. Braithwaite (2005) found that a significant relationship between the shame measures (shame acknowledgement and shame displacement) and compliance was mediated by participants' feelings of being 'dissociated' from the tax system, where this seems to indicate a disregard for the legitimacy of tax law.

Finally, in what might be considered a precursor to Ahmed's work on shame management, Benson (1990) observed that offenders varied in the way they handled emotions of shame and anger arising from stigmatization in court cases. In 30 qualitative interviews with white-collar offenders, Benson found that perception of having been stigmatized by the court process and by the mass media was strongly associated with feelings of shame and humiliation in the participants' stories. Furthermore, these feelings of shame often had implications for the participants' sense of identity and were transformed into feelings of rage and hostility. This is consistent with research that has shown that there is a relationship between stigmatization, unresolved shame[1] and anger/hostility (Harris 2006), but does so in the context of white-collar crime.

The present study

The present study builds upon existing research in two ways. It first seeks to replicate and extend those findings which suggest that shaming is relevant to predicting offending in the context of white-collar crime. Second, it seeks to test whether shame-related emotions mediate the effect of shaming on offending behaviour. As is evident from the studies discussed above, the relationships between shaming and shame, shaming and offending, and even between shame and offending have previously been explored. However, until now, no studies in the context of white-collar crime have sought to test Braithwaite's (1989; Braithwaite and Braithwaite 2001) claim that shame-related emotions partially mediate the effect of disapproval on subsequent compliance behaviour. A number of specific hypotheses can be identified:

H1 Taxpayers who perceived they experienced more reintegration during their enforcement experience will be less likely to reoffend, whereas taxpayers who felt stigmatized will be more likely to reoffend.

[1] Unresolved shame is similar to Ahmed's (2001) concept of shame displacement.

H2 Taxpayers who felt more reintegrated by their enforcement experience will be more likely to experience shame acknowledgment and less likely to experience shame displacement, whereas taxpayers who felt more stigmatized will be more likely to experience shame displacement and less likely to experience shame acknowledgment.

H3 Taxpayers who felt more acknowledged shame will be less likely to reoffend, whereas taxpayers who felt greater shame displacement will be more likely to reoffend.

H4 The relationship between shaming style (reintegrative vs stigmatic) and reoffending will be partially mediated by shame emotions.

The empirical context for conducting this study was provided in 1998, when Australia's Commissioner of Taxation announced that the Australian Taxation Office (ATO) would implement a series of initiatives aimed at combating aggressive tax planning. Of interest were tax schemes that had been mass marketed to the general public for the 'dominant purpose' of obtaining a tax benefit (see Appendix A for an example of these schemes). Under Australian tax law, the ATO had the power to recover a taxpayers' tax shortfall with interest and penalties for a period of up to six years after the initial tax scheme deduction was first claimed (for a detailed discussion of this case study, see Murphy 2002). Tens of thousands of Australian taxpayers were affected by the ATO crackdown. All taxpayers involved received enforcement letters informing them that they had broken the law, that they had invested in tax schemes for the dominant purpose of avoiding their taxation obligations, that they had incurred penalties as a result, and that they had two weeks in which to pay their outstanding tax bills (the average tax bill was reported to be in excess of AUS$75,000).

Widespread resentment over the enforcement action emerged. In particular, the implication that they were 'tax cheats' particularly angered the taxpayers involved. In interviews with a small number of these taxpayers, Murphy (2002; 2003) found that the 'tax cheat' label led many to feel stigmatized by the ATO (see also Hobson 2002). Taxpayers argued that their accountants and financial planners had sold them the schemes as a way of legitimately minimizing tax. During 1998–99, complaints were made to the Commonwealth Ombudsman about the ATO's handling of the schemes situation, various legal fighting funds were set up to represent taxpayers' interests, and the majority of taxpayers refused to pay back their scheme-related tax debts. The dispute between the taxpayers and the ATO culminated in a parliamentary enquiry. Recommendations made by the parliamentary committee assigned to investigate the issue criticized the heavy-handed enforcement tactics used by the ATO (Senate Economics References Committee 2002). The episode ended with the ATO making considerable compromises to reach a settlement and end the dispute. Penalties and interest were waived and generous terms for paying tax liabilities were offered to the taxpayers involved. The taxpayers surveyed in the present study represent a random sample of the taxpayers involved in this case study. They were surveyed prior to the final settlement offer having been made.

While this case study provided a remarkably useful dataset for examining the perceptions of a large number of tax offenders, it is not without its limitations. Given the cross-sectional nature of the survey data,[2] it is impossible to make definitive conclusions about

[2] Cross-sectional data are data that have only been collected at one point in time.

the causal direction of any relationships that are found. Accordingly, this study will limit itself to identifying the presence of relationships, which are valuable in themselves, rather than attempting to draw inferences about their direction. It is also important to note that a self-report measure of tax evasion was used as the measure of repeat offending in the present study. A method that relies on the honesty of the surveyed participants to disclose dishonest behaviour is obviously vulnerable to a challenge to its validity. However, participants were made aware that their responses would be kept confidential, and a strong tradition of research in criminology supports the validity of using self-report data in such circumstances (Maxfield and Babbie 2006; Thornberry and Krohn 2000).

Method

Participants and procedure

The 652 taxpayers who participated in the present study had all been caught and punished by the ATO for investing in illegal tax avoidance schemes. All schemes that were used by the taxpayers under study were financially structured in a similar way (see Appendix A). Hence, the taxpayers in the present study form a homogenous group in terms of the offence that they had been accused of.

With assistance from the ATO, a nationwide random sample of 1,250 tax offenders was sent a 28-page survey. Taxpayers were invited to participate in a study that was interested in taxpayers' views of the ATO and their enforcement processes. Taxpayers were informed that their responses would be anonymous and would not be used against them by the ATO. Non-respondents were followed up over time using an identification number that was affixed to each survey booklet, which was, in turn, linked to the sample name. A total of four mailings were made and, after a period of approximately three months, a total of 652 useable surveys were received. When adjusting for people who had moved address, had died or were incapable of completing the survey (N = 146), the response rate was 60 per cent.

Respondents in the final sample were between 25 and 76 years of age (M = 50.43, SD = 9.00), 83 per cent were male, 46 per cent had received a university education, and their average personal income was approximately AUS$79,000 (SD = AUS$59,000; at the time of writing, the average equated to approximately US$65,500 or €47,500). Using the limited amount of demographic data provided by the ATO (i.e. state of residence and sex), the sample proved to be representative of the overall scheme offender population (N = 32,000).

Measures used in the present study

The survey contained in excess of 200 questions designed to test respondents' attitudes towards the Australian tax system, the ATO and paying tax. A number of questions were also designed with the aim of assessing investors' self-reported tax compliance behaviour, and their views about their enforcement experience. For the purposes of the present study, however, only those questions relevant to three categories of variables were used: ATO reintegration/stigmatization variables, shame-related emotion variables and self-reported tax non-compliance variables. Appendix B lists all items used to construct each scale.

ATO reintegration/stigmatization

The five-item reintegration/stigmatization measure was based on previous research conducted by Ahmed *et al.* (2001). Taxpayers were asked to think back and reflect on the ATO's treatment of them during the enforcement process. Three items in the scale were designed to measure perceptions of reintegration (sample item: 'The ATO treats people with dignity and respect'), while two items were designed to measure perceptions of stigmatization (sample item: 'Once the ATO has you branded as a non-compliant taxpayer, they will never change their mind'). The factor analysis presented below shows that the five items loaded strongly onto only one factor. The two stigmatization items were therefore reverse scored before combining them with the three reintegration items. Hence, the overall scale was coded in the present study to reflect views about the ATO's use of reintegrative shaming; those scoring higher on this scale were more likely to see the ATO as having used reintegrative methods. If reverse scored, the scale would be a measure of stigmatization.

Shame-related emotion variables

Shame acknowledgment and shame displacement were measured by drawing on items developed by Ahmed (2001) in the bullying context and subsequently applied to taxation (Ahmed and V. Braithwaite 2004; 2005). Ten items in total measured various aspects of shame acknowledgment (sample item: 'I felt ashamed of myself') and shame displacement (sample item: 'I felt that I wanted to get even with the Tax Office'). These items have been shown in these previous studies to have good reliability. Respondents were asked these questions to ascertain how they felt in response to having been penalized by the ATO for engaging in an illegal form of tax avoidance behaviour. As is reported below, all ten emotion items were factor analysed.

Tax non-compliance

Taxpayers were asked a series of four questions about how they thought their enforcement experience had subsequently affected their taxpaying behaviour (sample item: 'I no longer declare all my income'). All four self-report items were combined to form the tax non-compliance scale; those taxpayers scoring higher on this scale were deemed to be more non-compliant.

Factor analysis

A principle components analysis was conducted to test for the dimensionality of the items, and the eigenvalues (4.11, 2.88, 2.43, 1.21, 1.00, 0.83, 0.79) and scree plot of this analysis suggested that four or five factors should be extracted. Inspection of the rotated factor structure (see Table 1) shows that the fifth factor was primarily identified by one item: 'I felt concerned to put matters right and put it behind me.' One additional item ('I felt regret') also had a substantial loading on this factor, though it also cross-loaded onto the shame acknowledgement factor (Factor 2). Given that the 'desire to put matters right' item was interesting theoretically, it was decided to retain the factor with only one item (Tabachnick and Fidell 2001).

This decision is supported by the fact that if only four factors are extracted from the analysis, then the 'desire to put matters right' item does not load particularly strongly

TABLE 1 *Factor analysis differentiating variables used in the analysis*

Item	Factor				
	1	2	3	4	5
1. Shame acknowledgment					
Felt ashamed of myself	0.84				
Felt embarrassed	0.81				
Felt guilty	0.76				
Felt what I'd done was wrong	0.65				
Felt regret	0.57				0.43
2. ATO reintegration/stigmatization					
ATO treats people with dignity/respect		0.75			
ATO treats people do right when forced		–0.74			
Once ATO has you branded non-compliant . . .		–0.70			
ATO respects me as long as admit mistakes		0.70			
ATO treats people as can be trusted to do right		0.61			
3. Tax non-compliance					
Use tax system in negative way			0.84		
Look for ways to purposefully cheat			0.82		
No longer declare all income			0.77		
More defiant towards ATO			0.70		
4. Shame displacement					
Felt bothered by thoughts being unfairly treated				0.76	
Felt angry with the ATO				0.65	
Things brought up unresolved in mind				0.65	
Felt wanted to get even with ATO				0.58	
5. Desire to put matters right					
Felt concerned to put matters right and put it behind me					0.81
Eigenvalues	4.11	2.88	2.43	1.21	1.00
Explained variance (%)	22	15	13	6	5

Note: principle-components analysis, with varimax rotation. Only factor loadings > 0.40 are displayed.

on any of the four factors. This item was therefore entered into a structural equation model (see next section) on its own, as it would appear to measure an emotional reaction that is distinct from shame acknowledgment, and the other loading on this factor is too weak to justify a scale consisting of two items. The other four factors extracted in the analysis support the scales that are described in the measures section. Factor 1 comprised five items that measured shame acknowledgment, Factor 2 comprised five items that measured perceptions of having experienced reintegration by the ATO, Factor 3 comprised four items that measured tax non-compliance, and Factor 4 comprised four items that measured shame displacement.

Results

As noted earlier, this study is interested in assessing the relationship between disapproval, shame-related emotions and recidivism. In other words, it is interested in addressing whether different forms of disapproval (reintegrative vs stigmatizing shaming) are related to different shame-related responses, and whether these shame emotions are related to reoffending behaviour. Of particular interest is whether the shame emotions mediate the effect of shaming on subsequent compliance behaviour. Table 2 presents

TABLE 2 *Means and standard deviations for each scale, and bi-variate correlations among all scales in the study*

Variables	Mean	SD	1	2	3	4	5
1. ATO reintegration/stigmatization	2.32	0.69	(0.76)				
2. Shame acknowledgment	2.45	0.96	–0.09*	(0.80)			
3. Desire to put matters right	3.79	1.23	0.05	0.31***	–		
4. Shame displacement	3.76	0.80	–0.45***	0.25***	–0.01	(0.66)	
5. Tax non-compliance	1.79	0.71	–0.21***	0.04	–0.12**	0.22***	(0.78)

Figures in parentheses are alpha coefficients. *$p < 0.05$; ** $p < 0.01$; *** $p < 0.001$; all scales measured on a 1–5 scale (1 = strongly disagree, 2 = disagree, 3 = neither, 4 = agree, 5 = strongly agree).

the means, standard deviations and alpha reliability coefficients for all scales measured in the present study. It also details the bi-variate correlations between each scale.

Structural equation model

In order to test the relationships between the variables of interest a structural equation model was conducted using AMOS version 4.0 (Arbuckle and Wothke 1999). Figure 1 shows the diagrammatic representation of the results of this structural equation model. From Figure 1, it can be seen that low levels of variance were explained in 'tax non-compliance' ($R^2 = 0.07$) and 'shame acknowledgment' ($R^2 = 0.01$), and moderate levels of variance were explained in 'shame displacement' ($R^2 = 0.20$), and the item that measures a 'desire to put matters right' ($R^2 = 0.11$).[3]

The first noteworthy relationship presented in Figure 1 is the direct negative relationship between the ATO reintegration/stigmatization measure and the tax non-compliance measure ($\beta = -0.13$, $p < 0.01$), and this remained significant when demographic variables were controlled for.[4] This supports Hypothesis 1 that taxpayers were less likely to reoffend if they believed that the ATO had used a reintegrative form of disapproval during their enforcement experience. Like the bi-variate correlation presented in Table 1, this finding provides direct support for Braithwaite's (1989) original assertion that reintegrative shaming is associated with greater compliance with the law.

Empirical support was also found for the assumption that shaming is related to the degree to which individuals experience shame-related emotions. As can be seen in Figure 1, ATO reintegration/stigmatization was negatively related to both shame

[3] It should be noted that for the sake of clarity, error terms associated with measures are not shown in Figure 1. However, there is a significant relationship between the error terms associated with shame acknowledgement and shame displacement ($\beta = 0.24$, $p < 0.001$). This suggests that individuals often felt both emotions to some degree, which is also consistent with the fact that perceived reintegration by the ATO predicts both forms of shame.

[4] An additional structural equation model was conducted to include demographic control variables. This additional model was tested because prior tax compliance research has found that demographic variables can affect compliance behaviour (e.g. Jackson and Milliron 1986). Given that aggressive tax planning is traditionally used by the rich as a method of reducing taxation, it could be the case that wealthier taxpayers hold more defiant attitudes toward tax authorities. We were therefore particularly interested in testing the effects that taxpayer income may have had in the model. For example, were wealthy taxpayers more likely to engage in further forms of non-compliance than those less wealthy? There was some evidence to suggest that age affected shame acknowledgement ($\beta = -0.19$, $p < 0.001$), indicating that older taxpayers were less likely to feel shame acknowledgement in response to disapproval, and there was evidence to suggest that education level affected levels of shame displacement and the 'desire to put matters right' ($\beta = -0.08$, $p < 0.05$ and $\beta = 0.09$, $p < 0.05$, respectively), with more educated taxpayers feeling less shame displacement and a greater desire to put the matter behind them. However, the results of this additional analysis found no evidence for an effect of income level on emotions of shame or on subsequent compliance behaviour. So, for the taxpayers studied in this paper at least, income level played no role in the reintegrative shaming model presented.

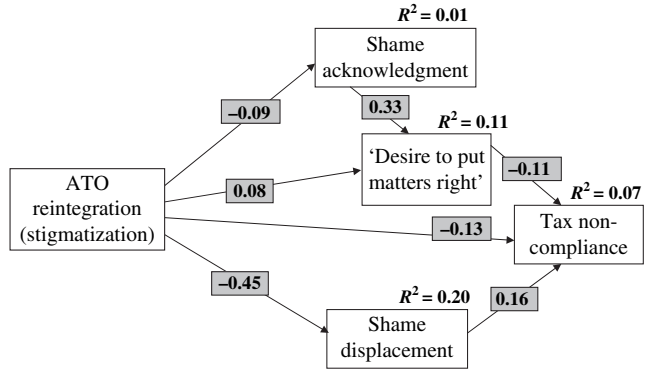

FIG. 1 Final (partially-mediated) model demonstrating the relationship between type of disapproval (reintegration vs. stigmatisation), emotions of shame, and tax non-compliance behaviour (all values are standardised regression coefficients).

TABLE 3 *Chi-square statistics and the goodness-of-fit indices of the fully mediated model, the non-mediated model and the final (partially mediated) model using shaming to predict feelings of shame and reoffending behaviour*

Fit indices	Fully-mediated model	Non-mediated model	Final model
Chi-square (χ^2)	3.92, $p < 0.141$	122.66, $p < 0.001$	86.19, $p < 0.001$
df	2	4	1
GFI (goodness-of-fit index)	0.998	0.934	0.958
CFI (comparative-fit index)	0.982	0.617	0.725
RMSEA (root mean square error of approximation)	0.038	0.213	0.362

acknowledgment ($\beta = -0.09$, $p < 0.05$) and shame displacement ($\beta = -0.45$, $p < 0.001$). However, this was only partially consistent with Hypothesis 2. As expected, the analysis shows a strong negative relationship with shame displacement, but, unexpectedly, reintegration was also negatively associated with shame acknowledgement.

A third aspect of the proposed model was tested by specifying that the emotion variables predict tax non-compliance. As stipulated in Hypothesis 3, shame displacement predicts greater non-compliance. However, it was also argued that those who feel acknowledged shame would be less likely to reoffend in the future. As can be seen from Figure 1, shame acknowledgment did not have a direct effect on tax non-compliance behaviour. Instead, the model shows that the only other variable to predict non-compliance is the item measuring a 'desire to put matters right' ($\beta = -0.11$, $p < 0.01$). This is an interesting result because this item is strongly predicted by shame acknowledgement ($\beta = 0.33$, $p < 0.001$) as well as reintegration ($\beta = 0.08$, $p < 0.05$).

Finally, the results presented in Table 3 and Figure 1 show that, consistent with Hypothesis 4, the shame-related emotions partially mediate the effect of reintegrative/stigmatizing shaming on subsequent offending behaviour. Table 3 (see last column) shows that when these shame emotions were included as partial mediators in the structural equation model, they had a significantly better fit to the data than when only the

direct effects were included. Prior to arriving at the final model presented in Figure 1, both a fully mediated and a non-mediated model were tested ($\chi^2_4 = 122.66$, $p < 0.001$ and $\chi^2_1 = 86.19$, $p < 0.001$, respectively) against a fully saturated model. When the saturated model was compared with the fully mediated model, the chi-square difference was significant, indicating that the fully mediated model was not sufficient (i.e. a direct relationship between shaming and non-compliance was required). When the saturated model was compared to the non-mediated model, the chi-square difference was also significant, indicating that at least some mediated paths from shaming to shame-related emotions were required to adequately represent the data. These findings suggest that a partially mediated model is the most appropriate, and this is supported by the chi-square ($\chi^2_1 = 3.92$, $p < 0.141$) and other fit indices.

Discussion

The aim of the present study was twofold. First was to test the basic premise of reintegrative shaming theory (Braithwaite 1989; Braithwaite and Braithwaite 2001) that stigmatizing forms of disapproval increase recidivism, while reintegrative forms of disapproval reduce recidivism in the white-collar crime context. The second aim of the study was to examine the degree to which the effects of reintegration and stigmatization on compliance are explained by shame-related emotions, as implied by Braithwaite's initial statement of the theory and elaborated on in a recent revision (Braithwaite and Braithwaite 2001).

An important finding in this study is that those who perceived the ATO's treatment of them as more reintegrative, and consequently as less stigmatizing, were less likely to report that they had evaded their taxes in the years following their enforcement experience. As discussed in the Introduction, causality cannot be determined from these data because they are cross-sectional rather than longitudinal. Nevertheless, these results provide some support for the central prediction of reintegrative shaming theory—that reintegration of offenders leads to lower reoffending—while its opposite—stigmatization—leads to greater reoffending. This is significant because it adds to the growing number of studies that suggest that reintegrative shaming theory is relevant to explaining white-collar crime (Benson 1990; Makkai and Braithwaite 1994; Braithwaite and Drahos 2002).

The second focus of this study was to explore the mediating role that shame-related emotions play in the shaming–compliance relationship. In part, the relationships proposed by Braithwaite and Braithwaite (2001) are supported by the model. Comparison of a non-mediated model, a fully mediated model and a partially mediated model clearly supported the hypothesis that the emotion variables partially mediate the effect of perceived reintegration. Furthermore, the emotion of shame displacement seems to be consistent with the work of Ahmed (2001). The more individuals felt that they were stigmatized, the more they reported shame displacement and, in turn, this emotion predicts higher non-compliance. However, the relationship between reintegration, shame acknowledgement and compliance was not as hypothesized. Reintegration predicted slightly less shame acknowledgement, not more, and shame acknowledgement did not predict non-compliance. Instead, it would seem that the single item measuring a 'desire to put things right', which was differentiated in the factor analysis from shame acknowledgement, is what predicts greater compliance. Thus, it might be concluded that the model finds support for the hypothesis that shame-related emotions mediate the

relationship between shaming and compliance, but that it does not support the hypothesized role of shame acknowledgement. Desire to put matters right, according to both restorative justice and shame management theory, should be positively related to both reintegration and compliance, as it is in these results. However, Ahmed's (2001) theory suggests that 'desire to put matters right' should have this effect as part of shame acknowledgement, not as an emotion that is conceptually distinct from shame acknowledgement.

There may be a number of reasons for failing to find the expected relationship between reintegration, shame acknowledgement and compliance. Measurement of the key concepts is one possibility. Unlike some previous research (e.g. Hay 2001; Harris 2001), reintegration and stigmatization in the present study were measured as opposites of a single scale. This was due to the fact that all items measuring these concepts loaded clearly onto only one factor. Second, it may be that reintegration, or low stigmatization, in this measure indicates that respondents perceived the ATO to be non-disapproving of their behaviour, rather than as disapproving reintegratively. This would be consistent with the finding by Makkai and Braithwaite (1994) that reintegration without disapproval, which they labelled 'tolerance', increased non-compliance. Another possibility, proposed by a number of scholars, is that shame is not as important as remorse (Maxwell and Morris 1999; Morris 2002; Taylor 2002; Van Stokkom 2002; Hayes and Daly 2003). This might be consistent with the finding that the 'desire to put matters right', which might measure an aspect of remorse, was distinct from shame acknowledgement, and that it significantly predicted higher compliance. It is not possible to verify these possible explanations in the current dataset. However, given that shame-related emotions do appear to partially mediate the effects of shaming on subsequent compliance behaviour, an important focus of future research will be to clarify the effects of different emotions.

Taken together, these findings have important implications for the study of white-collar crime. As noted earlier in the Introduction, Levi (2002) suggests that damage to business prospects and financial concerns may be more salient to white-collar offenders than feelings of shame. While this may be true, the results of the present study suggest that shame is pertinent to individuals who are accused of tax evasion, and may play a significant role in determining how they comply with the law in the future. While tax evasion may be distinct from other forms of white-collar crime, the results of this study support placing greater emphasis on understanding the social and emotional impact of regulation on white-collar offenders (see Fisse and Braithwaite 1983; Ayres and Braithwaite 1992; Benson 1990; Elis and Simpson 1995).

Implications for regulatory enforcement models

While the present study has been able to lend general support to the theoretical framework underlying reintegrative shaming theory in the white-collar crime context, the findings of the present study also have wider implications for the area of regulatory enforcement. The aim of regulatory enforcement is to gain future compliance from offenders. At the same time, however, enforcement practices should not result in the alienation of those they come into contact with. In an area such as taxation, as in many other regulatory contexts, the behaviour being regulated is continuous and fundamental to the long-term health of the community. In such a regulatory context, the goal should therefore be to secure long-term voluntary compliance.

The findings of the present study suggest that in order to prevent possible reoffending after an enforcement experience, regulators should aim to adopt enforcement procedures that emphasize the reintegration of offenders back into society. Ayres and Braithwaite (1992) have long been critics of overly intrusive regulatory measures, pointing out that they can be counterproductive. If a person is prepared to admit their mistakes and to make amends, Ayres and Braithwaite question why a regulator would introduce punitive tactics that will only make the regulatee close down psychologically.

The field of taxation regulation offers many examples of how tax authorities have used overly punitive responses to tax non-compliance and abused their powers to alienate the community. For example, as discussed in detail by Job and Honaker (2003), constant media reports about poor ATO practices, bully-boy tactics and accusations of excessive and unfair use of power were rife during the 1990s (Gumley and Wyatt 1996). There were claims that the ATO was 'out of touch' and 'lacked understanding' (Anonymous 1997*a*; 1997*b*; 1997*c*) and that poor use of penalties 'threatened the integrity of the tax system' (Chamberlain 1996). The Internal Revenue System in the United States, like other tax authorities around the world, has also been the target of similar criticisms (e.g. Gore and Rubin 1998).

If reintegrative shaming is the key to promoting long-term compliance, then one might wonder just how reintegrative shaming might be applied to a field such as taxation regulation. 'Taxation regulation incorporates millions of taxpayers many of whom are cheating the system in different ways and to different degrees' (V. Braithwaite 2006). Automated procedures are therefore essential for processing the volumes of documents and data that flow through the system. Here, reintegrative shaming cannot be practised routinely on a one-to-one basis with offenders as it is in other fields (e.g. Morris and Maxwell 2001; Sherman *et al.* 2000). Rather, the principles of reintegrative shaming need to be implemented in a way that engages with the masses.

Evidence to suggest that such an approach can be developed relatively easily in an automated environment comes from a recent Australian taxation study conducted by Wenzel (2006). Wenzel (2006) studied the effectiveness of different reminder letters that reminded small business taxpayers about their requirements to lodge their quarterly business activity statements with the ATO. Taxpayers in his study were all non-compliant taxpayers, as they had all failed to lodge their business activity statements to the ATO by the required date. Working with the ATO, Wenzel tested three different letters on subsequent lodgement compliance. The first was the ATO's standard reminder letter, which made penalties and punishment salient. The other two letters focused on principles of procedural fairness (principles that share many commonalities with reintegrative shaming principles). The first of these procedural justice letters emphasized consideration and respect for taxpayers (i.e. interpersonal fairness), while, at the same time, communicating to the taxpayers that they had not fulfilled their taxation obligations under the tax code, which is broadly consistent with the approach proposed by reintegrative shaming theory. The second letter provided taxpayers with information about their obligations and provided justifications for the ATO's decision to pursue them further (i.e. informational justice).

Each of the three letters was sent to a random sample of taxpayers ($N = 2{,}052$). It was found that both the informational and interpersonal letter yielded greater lodgement compliance from individuals compared with the standard ATO letter. Importantly, it

was also found that fewer complaints were made to the ATO from taxpayers who received the informational and interpersonal letters (Wenzel 2002).

Of course, simply introducing an automated letter system which relies on incorporating messages of reintegration and respect is likely to be overly simplistic. However, what might be concluded from both the present study and Wenzel's study is that traditional enforcement approaches which seek to punish offenders in a stigmatizing fashion might prove to be counterproductive in the long term. Changing communication strategies with offenders can help in this situation. 'Respecting individuals, respecting their rights to privacy and confidentiality, providing them with explanations for enforcement decisions, and providing opportunities to contest decisions and reach agreements are all ways in which improvements can be made' in the direction of recognizing the importance of reintegration in an enforcement context (V. Braithwaite 2006).

Conclusion

A growing body of research suggests that social and emotional factors are important for understanding white-collar crime. This study adds to this evidence and supports a number of predictions made by reintegrative shaming theory in this context. As implied by previous research, it would seem that emotions play a critical role in the way that individuals interpret and act upon social disapproval. This would seem to be true, even in contexts—like tax evasion—in which emotions have generally been seen as less influential. While it is beyond the scope of the present study, future researchers should seek to use a randomized–controlled trial methodology (Wenzel and Taylor 2004) to test for the causal relationship between shaming practices, emotions and subsequent compliance behaviour in the white-collar crime context. Along with greater clarity in the way that particular emotions affect behaviour, such research could be important in guiding the way that tax administrators and other regulators seek to gain compliance.

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Appendix A

Some of the most common tax schemes used by the taxpayers caught up in the ATO crackdown of aggressive tax planning were referred to as round-robin schemes. These included non-recourse financing, often in agriculture, afforestation and franchise schemes. An example of a franchise scheme is 'Oracle'. Oracle offered investors the opportunity to invest in a business that promoted and presented personal development and educational workshops. By making an initial cash outlay of $10,000 and borrowing $30,000 from Oracle's financing company, investors could claim an immediate tax deduction from the ATO of $40,000. This would lead some investors, depending on their original income level, to receive a tax refund from the ATO of up to $19,400 (source: Oracle International Pty Ltd Prospectus: 3). From here, $10,000 of the $19,400 went into paying the initial $10,000 set-up fee. In some cases, taxpayers were able to 'pocket' the remaining $9,400.

Several aspects of the investment were of concern to the ATO. One major concern was that the loan of $30,000 was repayable only from the proceeds of the business. If the business made no profit, investors would not be required to repay the loan. Therefore, unlike many other 'legitimate' tax-effective investments, there was no risk to the investor. In addition, some scheme investors made a profit from their tax return. Another concern for the ATO related to the nature of the deduction made. Specifically, only a fraction of the $40,000 claimed as a tax deduction went into the underlying activity. For many scheme arrangements, the majority of the money raised went into financing the management fees. It is for these reasons that the ATO deemed these forms of tax-avoidance schemes to be illegitimate under the law.

Appendix B

Contained here is a complete list of the measures used in the analysis of this paper.

ATO reintegration/stigmatization

- Once the ATO has you branded as a non-compliant taxpayer, they will never change their mind (r).
- The ATO treats people as if they will only do the right thing when forced to (r).
- Even if the ATO finds that I am doing something wrong, they will respect me in the long run, as long as I admit my mistakes.
- The ATO treats people with dignity and respect.
- The ATO treats people as if they can be trusted to do the right thing.

Shame acknowledgment

How did you feel after you were told by the ATO to pay back your taxes …?

- I felt guilty.
- I felt ashamed of myself.
- I felt that what I had done was wrong.
- I felt embarrassed.
- I felt regret.

Shame displacement

How did you feel after you were told by the ATO to pay back your taxes …?

- I felt bothered by thoughts that I was being unfairly treated.
- Some of the things that were brought up remain unresolved in my mind.
- I felt that I wanted to get even with the ATO.
- I felt angry with the ATO.

Desire to put matters right

How did you feel after you were told by the ATO to pay back your taxes …?

- I felt concerned to put matters right and put it behind me.

Tax non-compliance

- I now look for ways to purposefully cheat the tax system.
- I now use the tax system in a negative way to recoup the financial losses I have incurred.
- I no longer declare all of my income.
- I am now more defiant towards the ATO.