Legitimacy of regulatory authorities as a function of inclusive identification and power over ingroups and outgroups

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Abstract

To insure compliance with rules and laws, regulatory authorities are usually in a position of power over a heterogeneous population or multiple groups. Power may thus need to be analysed as a tripartite relationship between authority, ingroup and outgroup. Based on the social identity approach and related justice theories, it is argued that social identification with an inclusive category that includes ingroup, outgroup and authority determines how group members react to the authority’s power use and perceived legitimacy. Two studies were set in the context of the Australian tax system. Study 1 used an experimental design with a student sample; Study 2 was survey with a random sample of Australian citizens. Participants who identified less strongly with the inclusive category (Australians) attributed more legitimacy to the tax authority, when it exercised effective power over the outgroup (Study 1), or when it appeared lenient towards the ingroup (Study 2). In contrast, participants who identified strongly with the inclusive category attributed more legitimacy to the tax authority when it used its powers consistently towards both groups. Copyright © 2006 John Wiley & Sons, Ltd.

In most spheres of society, laws, rules or principles regulate human conduct, usually to maintain social order, to advance the collective good or to protect individual rights and welfare. Regulatory institutions are agencies that monitor and seek to maintain compliance with such rules or principles. Obviously, the courts and the police attempt to keep the public compliant with all forms of laws: criminal law, traffic rules and so on. There are also institutions that attempt to maintain principles of free and fair markets (e.g. in Australia the Australian Competition and Consumer Commission). Likewise, there are revenue agencies such as the Australian Taxation Office whose responsibility it is to ensure that people pay the taxes they lawfully owe.

Regulatory institutions may have various strategies to seek compliance, but conventionally they use their ability to punish and sanction in order to coerce people into certain behaviour. The ability to coerce others is usually the short definition of the concept of power (see Haslam, 2004). Regulatory institutions have power, and it is the use of their power that is often subject to evaluation and scrutiny. As Malcolm Sparrow (2000) puts it forcefully:

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Society entrusts regulatory and enforcement agencies with awesome powers. They can impose economic penalties, place liens upon or seize property, limit business practices, suspend professional licences, destroy livelihoods. They can restrict liberty, use force, and even kill [...]. How regulatory and enforcement agencies use these powers fundamentally affects the nature and quality of life in a democracy. Not surprisingly, regulators are scrutinised more closely and criticised more regularly for their uses or abuses of power than for their stewardship of public resources. (Sparrow, 2000, p. 2)

For the functioning of regulatory institutions and the effectiveness of any other powerholder, it is important to realise that power does not simply and automatically lead to submission and compliance of the regulated or the powerless. Rather, reactions to power are very much determined by people’s perception of how powerholders use or abuse their power (see Lee-Chai & Bargh, 2001). In this paper, we argue that people attribute more or less legitimacy to a powerholder depending on the level and consistency of the power used and whether people identify with the inclusive category represented by the powerholder.

**POWER AND LEGITIMACY**

Definitions of power vary in the social psychological literature and include broader and narrower conceptions (see Turner, 2005). In their classic article, French and Raven (1959) understand power broadly as the potential to influence other people’s attitudes or behaviour. This potential can be based on one’s capability to reward or punish others, one’s legitimate authority, expertise, attraction and, as Raven adds (1965, 2001), information and persuasion. In contrast, Moscovici (1976) distinguishes between power and influence: power involves dependence and means coercion against people’s will and beliefs, whereas influence operates through norms and social consensus that change people’s very will and beliefs (see also Hollander, 1985; Turner, 1991). Legitimacy, expertise, attraction and information are, from this perspective, only effective in changing others’ behaviour if they are socially validated through processes of social influence (Haslam, 2004). Power more narrowly defined is thus restricted to the ‘relative capacity to modify others’ states by providing or withholding resources or administering punishments’ (Keltner, Gruenfeld, & Anderson, 2003, p. 265).

However, as Turner (2005) argues, even the meaning of rewards and sanctions (and other forms of control, including physical constraints and force) varies depending on the influence processes that underlie them. On the one hand, they can be considered legitimate means of control bestowed on an authority through influence, consensus and group norms. On the other hand, they can be considered means of mere coercion—enforcement against one’s will and without legitimacy. In turn, use of coercive power can undermine the psychological basis of social influence, such as social identification and perceived legitimacy (Haslam, 2004; Reynolds & Platow, 2003; Turner, 2005). It depends on a powerholder’s fair and ethical use of its powers whether or not he/she maintains or attains a position of legitimate authority (Tyler & Lind, 1992).

Evaluations of power use and their effects on perceptions of legitimacy are particularly important for regulatory institutions because, while they have power to coerce people to follow certain rules, coercion is not the most efficient way of regulating behaviour. For one, deterrence (i.e. the threat of sanctions for noncompliance as a means to seek compliance) requires constant surveillance of behaviour. Once surveillance ceases, deterrence is likely to be ineffective. Second, systems of control
and the administration of sanctions can be costly. Regulators need to gather evidence and establish a case against a suspected noncomplier, allow for appeal processes, arrange for court hearings and so on. Therefore, as Tyler (2001) argues, regulatory authorities would be better off seeking voluntary compliance, the key to which is the perceived legitimacy of the authority and the rules it attempts to maintain. Legitimacy implies a sense of obligation and thus willingness to obey authorities and follow the social rules. However, if a regulator is perceived to exercise excessive levels of power or to abuse their power otherwise, this can undermine its perceived legitimacy and lead to resistance and protest behaviour (often manifested in noncompliance). It is therefore important to understand the processes and conditions that lead people to accept the use of power, to ascribe legitimacy to a powerholder and to obey its decisions willingly.

**POWER AND SOCIAL IDENTITY**

Recent research from the perspectives of social identity and self-categorisation theories has contributed to an understanding of these processes. The main argument is that subordinates interpret and evaluate power use very much through the lens of their salient group membership. That is, their interpretation and evaluation of power use depends on whether the powerholder is perceived to be an ingroup or outgroup member.

For instance, Ellemers, Van Rijswijk, Bruins, and De Gilder (1998) experimentally manipulated the level of power a superior exerted as well as the ingroup versus outgroup membership of the superior. Generally, subordinates were less satisfied and ascribed less legitimacy when the level of power was high compared with low. However, subordinates who identified strongly with their ingroup attributed the power use of the ingroup superior more benevolently to external circumstances than less identified subordinates did. On a subsequent task participants cooperated with an ingroup superior regardless of whether the level of power was high or low. In contrast, subordinates cooperated less with an outgroup superior who exerted high levels of power than in the case of low power.

A study by Haslam, McGarty, and Reynolds (1999; reported in Haslam, 2004) told a very similar story. Here, in a vignette study Australian participants learned about students seeking help from authorities after their passports had been stolen. The students were either Australians seeking help from American immigration officials, or Americans seeking help from Australian officials. When the officials dealt with the problem only slowly, this was considered more legitimate when they were Australians (ingroup) compared to when they were Americans (outgroup) dealing with Australian students. The results are consistent with a social identity analysis. Subordinate group members will evaluate an ingroup superior more favourably than an outgroup superior, when they identify with their group. Restated in terms of self-categorisation theory (Haslam, 2004), once a powerholder is categorised as a member of their ingroup, subordinates will consider them as more representative of their group and as more normative and persuasive. Power is basically transformed into legitimate influence.

However, even when subordinates perceive the powerholder as being part of their ingroup, ascription of legitimacy should further depend on whether the powerholder lives up to the expectation of representing the values of the group (Turner, 1991) and, for example, maintaining principles of procedural fairness (Tyler & Lind, 1992). Group members who identify with the group that an authority is meant to represent want the authority to treat them with respect, benevolence and neutrality; and they ascribe greater legitimacy to an ingroup authority who acts in accordance with such principles of procedural fairness (Tyler, 1997).
POWER AS A TRIPARTITE RELATIONSHIP

In most research, including the studies reviewed in the previous section, power has been treated as a relationship between two parties: one powerholder and one subordinate party (e.g. one individual with power over another individual, one group over another group, or one authority over a presumably homogeneous group of subordinates). When researchers investigate ingroup/outgroup relations, they tend to assume that subordinates and powerholder belong to the same group or subordinates belong to one group and the powerholder to another group.

However, in the context of regulatory institutions it becomes apparent that the power relation can be construed as a tripartite (or multipartite) one, with an authority exercising power over two (or more) different societal groups. For instance, the police or the courts are often in a relationship of authority over two conflicting parties. Likewise, institutions such as tax authorities have power over a population of taxpayers that is not homogeneous, but consists of different societal groups; for instance, the rich versus the poor, business owners versus wage and salary earners, and so on.

That means, in the context of taxation for instance, people can think of themselves as members of a certain sublevel ingroup of taxpayers, in contrast to one or more other groups (outgroups) of taxpayers. They then regard the authority as having certain powers over their ingroup and certain powers over the outgroup. By implication, the two subgroups can compare themselves with each other in terms of their level of powerlessness towards the authority. As will be argued here, this adds another dimension to the issue of how people perceive and react to an authority’s position of power; namely the issue of consistency of power over different groups of subordinates.

Some recent research has indeed looked at the power of authorities that preside over a diverse group or over different groups. Smith and Tyler (1996), for example, studied factors that led advantaged and disadvantaged ethnic groups in America to ascribe legitimacy to Congress and its policies. They found that members of both groups granted greater levels of legitimacy to the authority when they identified strongly with the superordinate group Americans and they felt Congress was fair and respectful in its decision-making processes. In contrast, subgroup members who identified less strongly with the superordinate group Americans appeared more instrumentally motivated and evaluated legitimacy rather as a function of how favourable Congress’ decisions were for their subgroup (for similar findings in different settings, see Huo, 2003; Huo, Smith, Tyler, & Lind, 1996).

However, while the situation in these studies involved one authority wielding power over different groups of subordinates, a tripartite power relation was not the research focus. The authority’s level of power over different groups was not the explicit subject of the studies; neither did subgroups compare their respective positions of power or powerlessness vis-à-vis the authority. Perceptions of fairness, furthermore, concerned the authority’s general processes of decision-making, not its relative treatment of different subgroups. Nonetheless, consistent with the group value model of procedural justice (Lind & Tyler, 1988; Tyler, 1997), these studies yielded two important insights that are also important for responses to power in a tripartite relation, as we will see now: a superordinate or inclusive group identity may be considered to encompass subgroups and authority, and this may increase the tendency to respond to the perceived fairness, rather than the subgroup favourability, of power use or power distribution.

HYPOTHESES

The question addressed in this paper is when and why subordinates in a tripartite power relation ascribe legitimacy to the powerholder. As the studies by Ellemers et al. (1998) and Haslam et al.
have shown, power use seems to be more acceptable and regarded as more legitimate when the powerholder is considered to be part of the ingroup. How does this analysis now translate to the situation of a tripartite power relation where a powerholder, a third party, wields power over both ingroup and outgroup? The key is that self-categorisations are possible at different levels of inclusiveness (Turner, 1987), and the powerholder can be considered a member and representative of a more inclusive self-category that includes ingroup and outgroup (Huo, 2003). If this is the case and subordinates identify strongly with the inclusive category, then (following Ellemers et al., 1998; and Haslam et al., 1999) the powerholder is likely to be evaluated relatively favourably and to be considered legitimate regardless of the level of power used. In contrast, when subordinates do not identify with the relevant inclusive category, they will evaluate power use more in terms of its impact on their ingroup’s interests and relative outcomes. That is, subordinates who identify less strongly with the inclusive category will ascribe greater legitimacy to a powerholder who uses less power and is more lenient towards their sublevel ingroup, than to a powerholder who uses greater power against their ingroup (Hypothesis 1a). Alternatively, subordinates who identify less strongly with the inclusive category will (again, out of group interest) ascribe greater legitimacy to a powerholder who uses greater powers against the outgroup, than to a powerholder who is lenient or powerless against the outgroup (Hypothesis 1b).

This prediction so far refers to the effects of power level. However, the tripartite situation may involve a powerholder who has different levels of power over different subgroups. What are the implications of such inconsistency of power use? First, consistency of power use can be construed as an issue of procedural fairness (Leventhal, 1980), and as such we can derive predictions from Tyler’s group value model of procedural justice that links the fairness motive to social identity (Lind & Tyler, 1988; Tyler & Lind, 1992; Tyler, Boeckmann, Smith, & Huo, 1997). Specifically, Tyler assumes that people seek procedurally fair treatment when they identify with the (inclusive) group represented by a decision-maker or authority, because the fair treatment reflects their value or standing in the group. Identified with the group, people are concerned about their status as members of that group and thus want to be treated fairly and respectfully by the authority representing the group.

Alternatively, consistency of power use can be construed as an issue of distributive justice, because power use has usually direct material consequences for subordinates. In a social categorisation approach to distributive justice, Wenzel (2004) argues that people derive entitlements from a more inclusive category that includes all potential recipients in a given situation. The entitlements are derived either directly from one’s membership in that category or from one’s relative prototypicality for the category. For instance, when highly identified with the relevant inclusive category, people may derive from this inclusion an entitlement to be treated the same as other members (or subgroups) of that category (Wenzel, 2000). The implications are the same as for Tyler’s analysis. Subordinates who identify with the superordinate category that includes ingroup, outgroup and the authority will be more strongly motivated towards just and consistent treatment. As a consequence, subordinates will ascribe greater legitimacy to a powerholder who shows consistency of power use across ingroup and outgroup. Conversely, subordinates who do not identify with the inclusive category will be less motivated towards justice. Their perceptions will not be affected by the level of consistency of power use (Hypothesis 2).

To summarise, subordinates who identify to a lesser degree with a group that includes powerholder and sublevel ingroup and outgroup will be more concerned about self or group interests (Smith & Tyler, 1996; Wenzel, 2002a). They will ascribe greater legitimacy to a powerholder who uses little power over the ingroup or much power over the outgroup. In contrast, those highly identified with the inclusive category will be committed to justice and fairness. They will attribute greater legitimacy to a powerholder who uses power consistently.
STUDY 1

The present research is set in the context of taxation, with the tax authority as powerholder and different taxpayer groups as the regulated subgroups. In Study 1, the two relevant groups were cash-earning low income taxpayers versus wealthy corporate taxpayers. We chose psychology students as participants for this study because their relative naivety about tax issues should be conducive to the effectiveness of our experimental manipulation. A survey of Australian undergraduate students in 2000 showed that about three quarters of them work while studying at university; on average they work 14.5 hours per week each semester (Long & Hayden, 2001). Thus, because our student participants are generally on low income and often have side jobs where they are paid in cash, it was assumed they would refer to the cash-earning low income taxpayers more as an ingroup and to wealthy taxpayers as an outgroup. The nation (i.e. Australians) was in this context likely to be a relevant inclusive superordinate category (including ingroup, outgroup and tax authority). Power referred here to the Tax Office’s capacity to enforce compliance of the ingroup and outgroup, respectively, and was portrayed as being either low or high. The consistency of power use was therefore implied in this design and was greater when the tax authority had presumably either little power over both taxpayer groups or great powers over both groups.

Method

Participants and Design

The participants were 106 undergraduate psychology students aged between 18 and 54 years old ($M = 24$). The vast majority of them (95.3%) earned taxable income at the time or had done so in the past. The participants were randomly allocated to the conditions of a 2(power over ingroup) x 2(power over outgroup) experimental design. The main dependent measure was the level of legitimacy attributed to the Tax Office.

Materials

Bogus newspaper articles about the Australian Taxation Office were created for the purposes of the study. Elements of real newspaper articles were tailored and combined to fit the required state of affairs for each condition. Arguments were kept consistent across conditions, such that only power use differed, while the content of the stories was the same. An approximately equal number of words was dedicated to ingroup and outgroup arguments within each article.

The articles portrayed the power of the Tax Office as either high or low over two sectors of society, cash-income earners, such as students (participant ingroup), and high-income/corporate taxpayers (outgroup). The article (a) portraying low power over both groups was entitled ‘Australian Tax Office impotent against tax cheats: big and small’. It referred to the difficulty of tracking large corporate tax evasion due to ‘phoenix companies’ (that make losses and declare bankruptcy but re-emerge under different names) and the difficulty of detecting undeclared cash-income due to its invisible nature. The article (b) portraying high power over the outgroup and low power over the ingroup was entitled ‘Tax Office fails with small cheats but tough on big players’. It referred to the use of a sophisticated database on leading companies to catch corporate money shifting and insolvency as well as public shaming of directors involved, and the difficulty of detecting undeclared cash-income due to its invisible nature. The article (c) for the reverse condition was entitled ‘Tax Office tough on small cheats
but fails with big players’. It referred to the difficulty of tracking large corporate tax evasion due to ‘phoenix companies’ (as described earlier) and data-matching techniques to detect undeclared cash-income. These two inconsistent power articles first presented the group towards which the Tax Office had high power. The article (d) describing high power over both groups was entitled ‘Australian Tax Office tough on tax cheats: big and small’. It referred to the use of a sophisticated database on leading companies to catch corporate money shifting and insolvency as well as public shaming of the directors involved, and data-matching techniques to detect undeclared income. In both consistent power articles the high-income/corporate taxpayers were presented first and low/cash-income earners second.

Dependent Variables

After having read the newspaper article, participants were asked to complete a questionnaire. All variables were measured on 7-point rating scales, ranging from 1 (do not agree at all) to 7 (agree completely).

Power Participants responded to five questions regarding the Tax Office’s power over different taxpayer groups: ‘The Tax Office can’t do much if a [large business] decides to defy it’ (reverse-scored), and so on for ‘small business’, ‘wealthy wage-earner’, ‘ordinary wage-earner’, and ‘cash-wage earner’. The two items regarding the Tax Office’s perceived power over large business and wealthy people were averaged for a measure of power over the outgroup \( r = 0.74 \). In contrast, the ingroup in the present study were cash-earners. Because the cash economy is characteristically also a problem among small businesses (Bajada, 2002), the two items regarding the Tax Office’s perceived power over small business and cash-earners were averaged for a measure of power over the ingroup \( r = 0.44 \). A principal component analysis with varimax rotation for the four items confirmed the distinction, yielding two factors (53% explained variance) on which the relevant items loaded as expected (loadings > 0.79). The two measures of perceived power over ingroup and outgroup were weakly correlated \( r = 0.22 \).

Using all five power items, a measure of power inconsistency was constructed by calculating each participant’s standard deviation across the five questions. A smaller standard deviation indicates perceived uniformity of treatment toward different groups; conversely, a larger standard deviation indicates perceived disparity of treatment towards different groups (see Kinsey & Grasmick, 1993; Wenzel, 2002b).

Legitimacy Legitimacy measures were adopted from research by Tyler (1997). The seven items tapped into facets such as acceptance of decisions by the tax authority even when they are counter to one’s own views or interests (e.g. ‘People should follow the decisions of the Tax Office even if they go against what they think is right’) or, reverse-coded, resistance against decisions that are considered wrong (e.g. ‘People have a duty to resist the Tax Office where they don’t agree with its rules’); favourable evaluations of the authority (‘The Tax Office does its job well’) and, reverse-coded, rejection of the Tax Office’s authority (e.g. ‘The Tax Office’s influence in decisions about our tax system should be reduced’). Scale scores were obtained by averaging across items \( \alpha = 0.76 \).

Identification The level of identification with the inclusive category was measured on a three-item scale: ‘Being a member of the Australian community is very important to me’; ‘I am proud of being a member of the Australian community’; and ‘I see myself mainly as a member of the Australian community’ \( \alpha = 0.73 \). The items measured three facets of the social identity: centrality, emotive attachment and salience (see Haslam, 2004). Scale scores were obtained by averaging across items.
(\(M = 5.32, SD = 1.16\)). Note that the identification scores were rather skewed, reflecting that most respondents identified more or less strongly as Australians.

Results and Discussion

First, it was checked whether the manipulations succeeded in inducing the intended perceptions. The measure of power over ingroup was subjected to an analysis of variance with the two experimental factors power over ingroup and power over outgroup. This yielded only the expected main effect of power over ingroup, \(F(1, 102) = 13.68, p < 0.001\), with power over the ingroup being perceived to be higher in the high than in the low power level condition (\(M_s = 4.83 \text{ vs. } 3.90\)). Similarly, for the measure of power over outgroup the same analysis yielded only a significant main effect of power over outgroup, \(F(1, 102) = 6.75, p = 0.011\). The tax authority was perceived to have greater power over the outgroup in the high than in the low power over outgroup condition (\(M_s = 4.94 \text{ vs. } 4.21\)). The newspaper articles thus successfully influenced the respondents’ perception of the Tax Office’s level of power over ingroup and outgroup.

Of further interest was whether these manipulations also affected perceptions of power inconsistency as indicated by the standard deviation measure. Analysis of variance yielded only a significant interaction effect as expected, \(F(1, 102) = 7.40, p = 0.008\). The tax authority’s power over different taxpayer subgroups was regarded as less inconsistent in the conditions where the tax authority was portrayed as having low or high power over both groups (\(M_s = 1.11 \text{ and } 1.01\), respectively) compared to the situations where it had low power over the ingroup but high power over the outgroup, or high power over the ingroup but low power over the outgroup (\(M_s = 1.62 \text{ and } 1.22\), respectively). Note that the experimental manipulations did not significantly affect levels of identification with the inclusive category (Australians), \(F(1, 102) < 2.67, ns\), which is important for it to function as a moderator variable.

How did the experimental manipulations influence the attribution of legitimacy to the authority? We predicted that this would depend on respondents’ level of identification with the inclusive category in this context. To test our predictions, we performed hierarchical regression analyses with perceived legitimacy of the tax authority as dependent variable. In a first step we included the two dummy-coded experimental factors and the identification measure as predictor variables. As Table 1 shows, there was a significant effect of identification (\(\beta = 0.20, p = 0.035\)) indicating that respondents regarded the tax

| Table 1. Hierarchical regression model for the prediction of perceived legitimacy (Study 1) |
|-----------------|-----------------|-----------------|
| Predictor                  | Step 1          | Step 2          | Step 3          |
| Identification             | 0.20*           | 0.13            | 0.16            |
| Power over ingroup         | 0.19*           | 0.22*           | 0.21*           |
| Power over outgroup        | 0.10            | 0.10            | 0.10            |
| Identification × Power over ingroup | −0.05           | 0.04            |
| Identification × Power over outgroup | −0.23*           | −0.18*          |
| Power over ingroup × Power over outgroup | 0.09            | 0.08            |
| Identification × Power over ingroup × Power over outgroup (Constant) | 0.00            | 0.01            | −0.02           |
| \(R^2\)                    | 0.082           | 0.134           | 0.159           |
| \(\Delta R^2\)            | 0.052           | 0.025           |
| \(\Delta F\)              | 3.04*           | 1.99            | 2.89*           |
| \(df\)                    | 102             | 99              | 98              |

Note: \(^*p < 0.10; ^{*}p < 0.05\).
authority as more legitimate, the more they identified with the superordinate group—Australians. There was also, which was close to significant, an unexpected effect of power over ingroup ($\beta = 0.19$, $p = 0.052$): in the condition of high power over the ingroup respondents tended to ascribe a greater level of legitimacy to the authority than in the low power condition.

More interesting for our predictions are interactions between experimental factors and identification. To reduce the risk of multicollinearity, we followed Aiken and West (1991) and standardised the predictor variables first before building the interaction terms as products of the relevant standardised variables. Moreover, for interaction terms that are based on the product of standardised predictor variables, the unstandardised solution provides an unbiased standardised regression coefficient.

Hypothesis 1 predicted interactions between level of power (over ingroup and outgroup) and level of identification. In a second step of the regression, we therefore included all three two-way interactions between the predictor variables. As can be seen in Table 1, Step 2, the only significant two-way interaction was between the factor power over outgroup and the identification measure ($\beta = -0.23$, $p = 0.025$). To illustrate the meaning of this effect, we calculated simple effects of power over outgroup at $-1$ and $+1$ standard deviation of identification (Aiken & West, 1991). The results are depicted in Figure 1. In line with Hypothesis 1b, the experimentally manipulated level of power over the outgroup significantly affected perceptions of legitimacy only when respondents did not identify strongly with the inclusive group: the more power the authority was said to have over the outgroup, the more legitimate the authority was found to be ($\beta = 0.33$, $p = 0.021$). In contrast, strongly identified respondents attributed relatively high levels of legitimacy to the tax authority regardless of its level of power over the outgroup ($\beta = -0.13$, ns). However, there was no empirical support for Hypothesis 1a, which predicted an equivalent finding for power over the ingroup.

Hypothesis 2 predicted that for respondents who identified strongly with the inclusive group consistent use of power over ingroup and outgroup (low or high power over both groups) would contribute to greater legitimacy. A consistency effect would be reflected in a two-way interaction between power over ingroup and power over outgroup. Because such an effect was only predicted for the highly identified, this should materialise as a three-way interaction effect. The three-way interaction term was therefore included in a third step of the regression (see Table 1); it had a marginally significant effect ($\beta = 0.17$, $p = 0.092$). To probe the meaning of this effect we tested for simple effects at low and high levels of inclusive identification ($-1$ and $+1$ standard deviation). The

Figure 1. Interaction between identification and power over outgroup (Study 1)
*Note:* The standardised simple slopes are depicted here for $-1$ and $+1$ standard deviations of each predictor variable.
results showed for relatively low levels of identification only the significant effect of power over the outgroup ($\beta = 0.28, p = 0.050$) already obtained in the second step of the regression. Crucially, the two-way interaction between power over ingroup and power over outgroup was not significant here ($\beta = -0.09, \text{ns}$). In contrast, for more strongly identified respondents, the two-way interaction between levels of power over ingroup and outgroup was marginally significant ($\beta = 0.25, p = 0.067$), consistent with Hypothesis 2. Further probing of this interaction revealed that high power over the outgroup tended to yield greater legitimacy when the authority had high power over the ingroup ($\beta = 0.17, \text{ns}$), but it led to less legitimacy when it was inconsistent with the authority’s low power over the ingroup ($\beta = -0.34, p = 0.064$).

Because the regression results supporting Hypothesis 2 were only marginally significant and somewhat ambiguous so far, a more focused test was conducted to clarify the results. For this test, the two experimental factors were recoded into a new factor of power consistency. Namely, conditions of low power over ingroup and high power over outgroup were combined with high power over ingroup and low power over outgroup as situations of inconsistent power use. In contrast, conditions of equally low or high power over both groups were combined as situations of consistent power use. A new regression analysis included this factor power consistency as predictor, together with power over the outgroup, identification and the interaction between power consistency and identification. The interaction was statistically significant ($\beta = 0.19, p = 0.048$). Simple effect analysis showed that power consistency had no effect when identification was low ($\beta = -0.12, \text{ns}$), but it significantly affected perceptions of legitimacy when identification was high ($\beta = 0.27, p = 0.047$). Only when respondents identified strongly with the inclusive category did the consistent use of power over ingroup and outgroup lead to attributions of greater legitimacy to the authority (see Figure 2).

The findings of Study 1 thus yielded empirical support for the prediction that for highly identified respondents the consistency of power use would foster attributions of legitimacy, while those who identify less strongly would be less affected by power consistency. Moreover, it was found that respondents who identified less strongly with the inclusive group regarded the authority as relatively legitimate only when the authority exerted a high degree of power over the outgroup, while the highly identified regarded the authority as rather legitimate regardless of power levels over the outgroup. This is in line with the prediction that the less identified would be more concerned about the relative favourability and instrumentality of the authority’s power use for their subgroup’s interests.

![Figure 2. Interaction between identification and power consistency (Study 1)](image)

*Note:* The standardised simple slopes are depicted here for $-1$ and $+1$ standard deviations of each predictor variable.
Unexpectedly, however, the corresponding prediction that less identified respondents would ascribe greater legitimacy to an authority that had relatively little power over the ingroup was not borne out. Interestingly, there was instead a reverse main effect: the authority’s greater use of power against the ingroup led to more legitimacy. It is not clear why this part of the prediction was not confirmed and why instead respondents seemed to ascribe more legitimacy to an authority who was tough on their own group. One possible explanation is that the low/cash income group of taxpayers was not as much of an ingroup for students as we had assumed. Although students do often earn cash on the side, their income is usually modest and below the tax-free threshold, so that taxpaying (or tax evasion) and the tax authority’s power to prevent noncompliance may not be such big issues for them. In a second study, we will therefore turn to a different population, namely a broader cross-section of citizens for whom taxpaying and their identity as taxpayers should be more relevant.

**STUDY 2**

Study 2 applied a correlational survey methodology to test the theoretical predictions for a broader population for whom tax issues can be expected to be more topical. The data were taken from an extensive survey of Australian citizens conducted in 2002/2003. Because in this study respondents belonged to a variety of taxpayer groups, we could not refer to a particular ingroup and outgroup. Instead, we used the more generic labels ‘their own occupational group’ and ‘other occupational groups’ and basically invited respondents to nominate or think of the relevant ingroup and outgroup.

**Method**

*Participants and Procedure*

A sample of 4000 respondents was drawn from the Australian electoral roll, using proportional-to-size sampling within each state and territory. Respondents were first sent a pre-letter asking them for their participation in a survey on tax issues and guaranteeing strict confidentiality of responses. Unless participation had explicitly been declined, respondents were then sent a survey with reply-paid envelope. The following process was modelled on the Dillman Total Design Method (Dillman, 1978) and involved the follow-up of non-respondents over a period of time, sending them reminder letters and replacement surveys. In total, 965 completed surveys were finally received. When adjusting for out-of-scope respondents, this corresponds to a response rate of 29.4%. The relatively low response rate was likely to be due to the considerable length of the survey and the unattractive tax topic, but it is consistent with other tax surveys of the general population in Australia (Braithwaite, Reinhart, Mearns, & Graham, 2001; Wallschutzky, 1984).

The final total sample was aged between 18 and 88 years old ($M = 48.5$); 54.2% were male and 45.8% were female; 52.5% had post-secondary education; 67.6% worked full-time and 25.8% worked part-time; the average personal income was about AUS$ 36 000. Note that further reductions of the valid $n$ in the following analyses were due to missing data.

**Variables**

*Identification* The level of identification with the inclusive category was measured on a three-item scale under the heading ‘Where do you position yourself within the tax system?’ First, ‘When you
think about tax, do you see yourself primarily . . .’ with different options following, one of them being ‘As a member of the Australian community’. Second, ‘What is important to you? . . . The Australian community’. Third, ‘What do you feel pride in? . . . Being a member of the Australian community’ (all on 7-point scales, from 1 = not at all, to 7 = very much). Scale scores were obtained by averaging across items (α = 0.79).

**Power** As a measure of the level of *power over the ingroup*, a single item was used that adopted the format from Study 1: ‘The Tax Office can’t do much if my occupational group decides to defy it’ (reverse-scored; 1 = strongly disagree, 7 = strongly agree). A similar one-item measure was used for the perceived level of *power over the outgroup*: ‘The Tax Office can’t do much if other occupational groups decide to defy it’ (reverse-scored).

**Power consistency** Another five items that again followed the same format were used to measure power consistency across societal groups: ‘The Tax Office can’t do much if [large business] decides to defy it’, and so on for ‘small business’, ‘a wealthy person’, ‘an ordinary wage and salary earner’ and ‘a self-employed taxpayer’. In line with the procedure used in Study 1, respondents’ individual standard deviations across these items were calculated. Results of Study 1 indicated that this was a valid measure of inconsistency of power use. A smaller standard deviation indicates perceived uniformity or consistency of treatment toward different groups, while a larger standard deviation indicates perceived disparity of treatment towards different groups. To reverse this measure and score it in the direction of the construct (consistent with the hypothesis), it was multiplied by −1.

**Legitimacy** Legitimacy was measured by nine items that tapped into the perceived fairness of the Tax Office (e.g. ‘Our tax system is fair’), the Tax Office representing Australian norms and values (e.g. ‘The Tax Office is an institution that represents what the Australian people believe in’) as well as favouribility toward and trust in the tax authority (e.g. ‘The Tax Office can be trusted to administer the tax system so that it is right for the country as a whole’). Scale scores were obtained by averaging across items (α = 0.91).

**Background variables** A number of background variables were measured: age, sex, personal income, family income and education level. All of these were tested for possible effects on perceived legitimacy. However, only age turned out to have a significant impact that thus needed to be accounted for statistically. All other variables were dropped so as to avoid further reductions in valid cases due to missing data (more common for the two income measures).

**Results and Discussion**

The descriptive statistics and zero-order correlations for all variables are displayed in Table 2. Note that measures of power over ingroup and power over outgroup were strongly positively correlated (r = 0.71). This correlation was unexpected and constitutes a potential problem for the following regression analyses. Tolerance statistics (> 0.45) and condition number (2.93) indicated that multicollinearity was not a problem, but the considerable overlap between these two variables could imply mutual inhibition of their effects, which was to be considered in our analyses (see Cohen, Cohen, West, & Aiken, 2003). We will return to this issue.

To test our theoretical predictions, hierarchical regression analyses were employed, with legitimacy being the criterion variable. In a first step, we controlled for age as a background variable (the other
background variables played no significant role and were dropped). In a second step, all first-order effects were included in the analysis; that is, identification, power over ingroup, power over outgroup and power consistency were included as predictor variables. In a third step, three two-way interaction terms were included, namely interactions between identification on the one hand, and power over ingroup, power over outgroup and power consistency on the other hand. Predictors were again first standardised and interaction terms were the product of relevant standardised variables; the unstandardised solution then provides appropriate standardised regression coefficients (Aiken & West, 1991).

The results of the regression analysis are given in Table 3. All three steps of the regression contributed to the explanation of variance in perceived legitimacy. We can focus on the last step of the model. First, even if of little theoretical interest here, age was significantly related to perceived legitimacy ($\beta = 0.14$, $p < 0.001$). Older respondents tended to attribute greater legitimacy to the tax authority than younger respondents did. Controlling for this effect, level of identification was positively related to perceived legitimacy ($\beta = 0.19$, $p < 0.001$). The more strongly respondents identified with their nation, being the relevant inclusive category in this context, the more legitimacy they ascribed to the tax authority. This is consistent with a self-categorisation analysis of group commitment and leadership (Turner, Hogg, Oakes, Reicher, & Wetherell, 1987), according to which group members hold more favourable attitudes to others who are fellow members or represent a group with which they identify in a given situation.

Table 2. Descriptive statistics and correlations for Study 2

<table>
<thead>
<tr>
<th>Variable</th>
<th>$M$</th>
<th>$SD$</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Age</td>
<td>47.82</td>
<td>14.42</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2. Identification</td>
<td>5.55</td>
<td>1.26</td>
<td>0.14***</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>3. Power over ingroup</td>
<td>5.55</td>
<td>1.47</td>
<td>0.02</td>
<td>—0.00</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>4. Power over outgroup</td>
<td>5.22</td>
<td>1.51</td>
<td>0.04</td>
<td>0.03</td>
<td>0.71***</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>5. Power consistency</td>
<td>−1.32</td>
<td>1.06</td>
<td>−0.14***</td>
<td>−0.08†</td>
<td>−0.07†</td>
<td>0.12***</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>6. Legitimacy</td>
<td>3.53</td>
<td>1.16</td>
<td>0.13***</td>
<td>0.20***</td>
<td>−0.11***</td>
<td>−0.06†</td>
<td>0.21***</td>
<td>—</td>
</tr>
</tbody>
</table>

Note: Listwise $N = 846$. †$p < 0.10$; *$p < 0.05$; ***$p < 0.001$.

Table 3. Hierarchical regression model for the prediction of perceived legitimacy (Study 2)

<table>
<thead>
<tr>
<th>Predictor</th>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>0.13***</td>
<td>0.14***</td>
<td>0.14***</td>
</tr>
<tr>
<td>Identification</td>
<td>0.20***</td>
<td>0.19***</td>
<td></td>
</tr>
<tr>
<td>Power over ingroup</td>
<td>−0.06</td>
<td>−0.09†</td>
<td></td>
</tr>
<tr>
<td>Power over outgroup</td>
<td>−0.06</td>
<td>−0.05</td>
<td></td>
</tr>
<tr>
<td>Power consistency</td>
<td>0.24***</td>
<td>0.23***</td>
<td></td>
</tr>
<tr>
<td>Identification × Power over ingroup</td>
<td></td>
<td></td>
<td>0.09*</td>
</tr>
<tr>
<td>Identification × Power over outgroup</td>
<td></td>
<td></td>
<td>−0.05</td>
</tr>
<tr>
<td>Identification × Power consistency</td>
<td></td>
<td></td>
<td>0.06*</td>
</tr>
<tr>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.00</td>
<td>−0.00</td>
<td>−0.01</td>
</tr>
<tr>
<td>$\Delta R^2$</td>
<td>0.017</td>
<td>0.118</td>
<td>0.124</td>
</tr>
<tr>
<td>$\Delta F$</td>
<td>14.9****</td>
<td>23.84***</td>
<td>2.17†</td>
</tr>
<tr>
<td>$df$</td>
<td>844</td>
<td>840</td>
<td>837</td>
</tr>
</tbody>
</table>

Note: †$p < 0.10$; *$p < 0.05$; ***$p < 0.001$.
More important for the present approach, there was a marginally significant effect of power over the ingroup, which tended to be negatively related to perceived legitimacy ($\beta = -0.09$, $p = 0.080$). Consistent with the findings of Ellemers et al. (1998), people generally dislike being subjected to power. Leaders or institutions using power may do so at the expense of a decrease in legitimacy that affected subordinates or subgroups attribute to them. Moreover, power consistency was positively related to perceived legitimacy ($\beta = 0.23$, $p < 0.001$). People are generally concerned about the fair and consistent use of power. When powerholders use different amounts of power over various groups, their authority is regarded as less legitimate.

However, these effects need to be considered in the context of significant interaction effects that are central to our theoretical predictions. First, level of identification significantly moderated the relationship between level of power over the ingroup and perceived legitimacy ($\beta = 0.09$, $p = 0.048$). Simple slopes, calculated at levels of $-1$ versus $+1$ standard deviations of identification, were used to illustrate the meaning of this interaction (Aiken & West, 1991). The results were consistent with Hypothesis 1a. For less identified respondents, power over the ingroup was significantly negatively related to legitimacy ($\beta = -0.18$, $p = 0.017$). The more power the authority had or used against the ingroup, the less legitimate the authority was perceived to be. In contrast, for highly identified respondents, power over the ingroup had no significant effect ($\beta = 0.01$, ns). As can be seen in Figure 3, these respondents considered the tax authority to be relatively legitimate, irrespective of the level of power used against the ingroup.

For power over the outgroup, the equivalent interaction effect predicted in Hypothesis 1b was not significant. As noted before, power over the outgroup (and its interaction with identification) could lack significance because of the observed strong overlap with power over the ingroup. To investigate this possibility, an alternative regression model was analysed where power over the ingroup and its interaction were omitted. Again, however, the interaction between power over outgroup and identification was not significant. Moreover, power over the outgroup was now significantly negatively related to perceived legitimacy ($\beta = -0.12$, $p < 0.001$). From our perspective, and following Study 1, a high level of power used against an outgroup to maintain its compliance should rather have been conducive to perceptions of legitimacy. This suggests that the power over the outgroup measure was problematic in this study. In retrospect, other ‘occupational groups’, as referred to in this measure, might not necessarily be regarded as outgroups in this context. Respondents may have thought of other

![Figure 3](image-url)

**Figure 3.** Interaction between identification and power over ingroup (Study 2)

*Note:* The standardised simple slopes are depicted here for $-1$ and $+1$ standard deviations of each predictor variable.
groups of workers or wage earners (i.e. occupation in a more narrow sense) that might have been regarded less as outgroups compared to business groups and wealthy people.

Finally, our analysis yielded a significant interaction effect of power consistency and identification ($\beta = 0.06, p = 0.049$). Again, simple slopes illustrate the meaning of this interaction, calculated at levels of $-1$ versus $+1$ standard deviations of identification. For less identified respondents, power consistency was already positively related to perceived legitimacy ($\beta = 0.17, p < 0.001$), but the relationship was substantially stronger for highly identified respondents ($\beta = 0.29, p < 0.001$). As can be seen in Figure 4, consistency of power use contributed greatly to the authority’s legitimacy as perceived by respondents who identified strongly with the inclusive category. The benefits of consistent power use were less pronounced for respondents who identified less strongly with the inclusive category. These findings are consistent with Hypothesis 2 and the results of Study 1.

**GENERAL DISCUSSION**

The present two studies investigated how an authority’s power use affect perceptions of its legitimacy. Specifically, we focused on regulatory institutions that are given powers to maintain people’s compliance with principles, rules or laws. We argued that, different from earlier treatments of the concept of power, a power relationship is often a multilateral one, where one authority wields power over a number of subordinates or various groups of people. In this situation, people may not only be concerned about the level of power the authority uses against themselves or their ingroup, but also whether it is powerful enough towards others and relevant outgroups. Moreover, it raises the issue of fairness and consistency of power use across ingroup and outgroups.

We argued that people’s level of identification with a superordinate category that includes ingroup, outgroup and authority determines how these issues affect perceptions of legitimacy. Overall, the two studies, set in the context of taxation, yielded good support for the theoretical analysis. Consistent with earlier studies (Ellemers et al., 1998; Haslam et al., 1999), high identifiers were less affected by the level of power the authority used and they ascribed high levels of legitimacy regardless. Being highly identified with the inclusive category, they are more likely to see the tax authority as representative of
themselves and as a legitimate authority. In contrast, the less identified base their views more on the implications of the authority’s power use for their own subgroup in relation to other subgroups. They prefer that the authority is tough on an outgroup that attempts to undermine the law and take advantage of others, as observed in Study 1. Or, they prefer that the authority is lenient to their ingroup and they are more favourable to the authority in this case, as shown in Study 2.

It is not completely clear why it was power over the outgroup that showed the predicted effects in the first study, but power over the ingroup in the second study. We have already hinted at some possible post-hoc explanations. Both have to do with assumptions that we made in the design of our study about which groups would be relevant ingroups or outgroups. For students in the first study, cash earning taxpayers might not have been such a relevant ingroup, perhaps because many students do not pay any tax (even though they have to lodge a tax return for the money they earn part-time). However, it should again be pointed out that the student participants in the experimental study were not merely a sample of convenience. Rather, it was integral to the success of the manipulation that participants were uninformed enough so as not to question the validity of the information they were given. Unfortunately, relatively uninformed might also have meant relatively uninvolved and unidentified with the ingroup presented. In the second study, ‘other occupational groups’ might not have been regarded as a relevant outgroup. Respondents might have understood this category in a narrow sense of the word occupation and perhaps thought of others with whom they shared a tax-relevant identity as workers or professionals. Basically, the question referring to other occupational groups might have made them think of other ingroup members rather than outgroup members.

Other differences between the two studies could also account for the different findings. For example, it should be noted that the measure of legitimacy in Study 2 used somewhat different items compared to Study 1. This had to do with the fact that the data were taken from a larger survey that was not explicitly designed to replicate Study 1. While both measures can be considered reasonable operationalisations of legitimacy, consistent with the way this construct has been measured elsewhere (see Tyler, 1997), the possibility of unintended shifts in meaning cannot be completely ruled out. Yet, it is not clear what these shifts could have been and how they could account for the different findings.

To continue the discussion of limitations of this research, we have already mentioned earlier the omission of measures of subgroup identification in these studies. Theoretically, concerns about power over ingroup and power consistency over ingroup and outgroup should be greater when people actually identify with their ingroup. Another limitation stems from the fact that superordinate identification was an observed variable in both studies. We therefore cannot be certain about the causality underlying the effects, even in the experimental study. Level of identification might be correlated with other relevant respondent differences that were not taken into account in these studies.

However, the two studies also have some clear strengths and complement each other well. The studies used different samples of participants and different methodological approaches, a controlled experimental design versus a rich field study, and yet they yielded results that were consistent at a theoretical level.

The most consistent finding, at a theoretical as well as observational level, was that inclusive identification also affected concerns about the consistency of power use. Here, it is the highly identified who have greater concerns about consistency and fairness; they are negatively affected and withdraw legitimacy when the authority uses power inconsistently. This finding is in line with a social identity analysis of justice and fairness, such as Tyler’s (1997) group value model of procedural justice and Wenzel’s (2004) categorisation approach to distributive justice. People judge an authority’s use of power in terms of justice and fairness when they identify with an inclusive category (formally) represented by the authority; when they care about the values that define that identity as they see it, and when they are concerned about their ingroup’s status in the context of that overarching identity.
More specifically, the findings are consistent with Tyler and Lind’s (1992) relational model of authority that assumes that people attribute legitimate authority to leaders or representatives of their group, when they identify with the group and feel that the leaders treat them fairly and respectfully. However, whereas it has usually been argued that leaders or authorities can do their job either through legitimacy and influence or the exercise of power and control, the present research shows that the two are interrelated. When people consider the exercise of power appropriate or fair, they attribute greater legitimacy to the authority. When they do not identify with the relevant inclusive category, they are more likely to find the use of less power over their ingroup, or the use of greater power against the outgroup, appropriate. When they identify with the relevant inclusive category, they are more likely to transcend their immediate subgroup interests and find a consistent use of power over both groups fair and legitimate.

The findings can also be related to Platow’s work on the effects of a leader’s resource allocations and perceived distributive fairness on leadership endorsement (Platow, Hoar, Reid, Harley, & Morrison, 1997; Platow, O’Connell, Shave, & Hanning, 1995). In interpersonal (intragroup) contexts, the research showed that participants found an equal allocation fairer and endorsed a leader more who allocated resources equally. In comparison, in intergroup contexts, members who identified strongly with their group tended to find fairer an allocation that favoured an ingroup member at the expense of an outgroup member, and they endorsed more strongly a leader who distributed the resources in favour of the ingroup. Platow, Reid, and Andrews (1998) replicated these findings for equal versus unequal amount of voice given to participants, that is, for an aspect of procedural justice (see Platow, Wenzel, & Nolan, 2003).

Although Platow’s work does not involve the issue of superordinate identification, there is an interesting parallel to the present research. In Platow’s studies, the interpersonal context (and the intergroup context for participants who did not identify with their ingroup) may be construed as an intragroup situation similar to the condition in the present research where participants identified with the inclusive category. In these conditions, both studies demonstrated support for leaders/authorities who treated people equally and consistently. In contrast, the intergroup context for the highly identified ingroup members in Platow’s studies, and the situation where participants did not identify with the inclusive category in the present research, yielded support for leaders/authorities who were biased in favour of the ingroup or against the outgroup. Clearly, the present study differs from the earlier research in its interest in regulatory institutions rather than single leaders, and in its focus on groups rather than single members as subordinates. Nonetheless, the parallel is interesting and suggests that Platow’s analysis could also be applied to the use and distribution of power in a tripartite power relation.

The present study, however, points explicitly to the importance of inclusion for the attribution of legitimacy; such an inclusion can even span an intergroup context (Huo, 2003). A sense of inclusion is the basis for a commitment to justice as well as the derivation of specific entitlements (Wenzel, 2002a). When people identify with the inclusive category, they use criteria of justice to evaluate an authority’s use of power or its relative powerlessness, and they attribute degrees of legitimacy correspondingly. When people do not identify with the inclusive category, they base their evaluations on their perceived self or group-interests and on how instrumental the authority’s power position is for these. Put differently, authorities can gain legitimacy when they encourage commitment to a superordinate identity and common values and when they use power consistently.

At one level, this conclusion is in line with Tyler’s (2001) view about the role of fairness in garnering legitimacy as an effective means to compliance. At another level, it implies however that the use of power is not necessarily inconsistent with legitimacy, and legitimacy not simply an alternative to power. Rather, people may in fact expect an authority to have and use power rather than being a ‘toothless tiger’ (the main effect of power over the ingroup in Study 1 provides some evidence for
To have credibility and legitimacy, authorities may need power, for instance, to prevent that compliant taxpayers feel tax evaders are exploiting them and are getting away with it. However, authorities need to use their power appropriately and consistently, in order to maintain their legitimacy. Note that this does not necessarily mean that authorities cannot regulate responsively and with discretion, using differently coercive and cooperative strategies depending on the circumstances (Braithwaite, 2002). It is important however that soft cooperative compliance strategies are not seen to be used for some groups but not for others, simply because the authority has unequal amounts of coercive power over them or is unwilling to use its power against some but not other groups. The authority would need to reasonably explain and justify its choices (Sparrow, 2000).

In fact, what we may need to distinguish in future research are the attributions for an authority’s differential power use towards ingroup and outgroup. A regulatory institution such as the Tax Office may use less power and be less effective towards a subgroup of taxpayers, because it does not have the means to be more effective or because it lacks commitment to fight the noncompliance of that group. Whatever is actually the case, it is crucial how taxpayer groups perceive the situation and explain the authority’s differential power use. For instance, ordinary taxpayers may think the tax authority simply does not have the means to always foresee the loopholes that wealthy individuals or large corporates will exploit next; that it does not have the funds or the personnel to match the sophisticated legal advice that wealthy taxpayers can engage. Alternatively, ordinary taxpayers may believe that the tax authority has the capacity to stem tax evasion and avoidance of the wealthy and large business but decides not to make use of it. For instance, they may believe the tax authority tolerates tax avoidance schemes of the wealthy, but intervenes when the same schemes are adopted by ordinary taxpayers (Hobson, 2002; Murphy, 2003). In line with Mikula’s (1993, 2003) attribution of blame model, we would expect that taxpayers’ explanations of the tax authority’s actions determine how much responsibility and blame they attribute to the authority, and how much injustice and resentment they feel.

Although more work needs to be done, the present research clarified that power use and legitimacy are not necessarily opposites. In a tripartite relationship between ingroup, outgroup and authority, a commitment to an overarching inclusive identity can make consistent and fair power use a basis of legitimacy.

REFERENCES


