

Quality of Government Services and the Civic Duty to Pay Taxes in the Czech and Slovak Republics, and other Transition Countries¹

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Abstract

A 2002 survey of 1089 Czechs and 501 Slovaks, as well as a more limited survey of Hungary, and Poland, indicates that an individual may evade taxes in part if he believes he is receiving substandard government services. Our is the first analysis of this sort to indicate that quality of government services influences the willingness to pay taxes. Governments in transition countries who suffer from weak tax collection apparatus may wish to transmit clear information on the quality of their services in order to cut down on evasion.

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1. Introduction

Tax evasion is one of the central problems facing the governments of transition countries. Corrupt tax officials, lack of resources to collect taxes, and populations versed in skirting rules, force transition countries to adopt systems of taxation that unduly target those narrow groups from who money can be extracted. This narrow targeting violates the central principle of efficient taxation, which is to tax at low rates on a broad base. Tax evasion raises what Browning (1976) calls the marginal cost of public funds. Governments of transition countries have attacked the problem of tax evasion by cracking down on evaders. The present paper suggests a supplementary approach might be in order. In a survey of the Czech and Slovak Republics, Hungary, and Poland, we find strong evidence that citizens will avoid taxes if they do not believe they are getting quality government services for the taxes levied upon them.

By now there exists a strong and growing research movement encompassing, theory, experiments, and surveys that support the notion that citizens who believe they are getting quality government services will be more willing to pay their taxes than citizens who do not believe government is serving them well. Feld and Tyran (2002) discuss these researches in depth. Of the three survey studies Feld and Tyran discuss, two focus on England and one on Sweden. No survey studies of the link between willingness-to-pay taxes and the quality of government services seem to exist for transition countries.

The number of survey studies compared to experimental studies cited by Feld and Tyran is small perhaps because surveys occupy a suspect position in the minds of tax-evasion researchers. The main lament of survey critics is that people lie. How can one gauge the size of the underground economy if respondents are not telling the truth? As we have explained elsewhere (Hanousek and Palda 2003) lying is a problem for those who wish to use surveys to calculate the *size* of the underground economy. Lying is not a problem for those who wish to understand *why* people evade taxes if lying is systematic. If the rich and the poor both understate their level of evasion by the same fraction, then researchers can work with meaningful variances in their data. Lies in such circumstances only affect levels, they do not affect relations. If the rich lie

systematically more than lie the poor then coefficient estimates of the factors that influence tax evasion will understate the true effect of independent variables on the dependent tax evasion variable. We are not particularly concerned with producing unbiased estimates of the forces that influence tax evasion. We wish instead to establish that a relation exists between quality of government services and the willingness to pay taxes and to be able state in which direction the bias goes.

We believe that governments wishing to reduce tax evasion must attack the problem in a pincer movement. One flank of evasion must come under attack from officers of the excise wishing to coerce citizens to pay. The other flank must be turned by a government wishing to prove to its citizens that their money is being well-spent. A student of the Downsian analysis of voting classifies the reasons for voting either as instrumental or as moral. Instrumental voters cast their ballots to affect the outcome of the election. Moral voters cast their ballots out of a sense of civic duty. The Downsian classification applies to tax evasion. Some people will pay their taxes out of a sense of duty to the community. Other tax payers will pay only if they feel that payment saves them from fines and imprisonment. By recognizing both moral and instrumental reasons for the payment of taxes we can isolate the variables which will explain the decision to evade taxes. Our survey asks what people believe are the fines for evasion and the probability of being audited, as well as whether people believe they are getting quality government services for the monies they pay. We will use regression analysis to incorporate both types of variable in an equation that we hope explains why people evade taxes in the Czech Republic.

Our research is of more than academic interest. We argue that transition governments could make significant gains in revenue if they raised the perceived quality of the services with which they provide their citizens. By encouraging more people to pay their taxes these transition countries could lower the deadweight cost associated with every dollar of tax raised and so allow governments to undertake the investments needed to foster economic growth.

2. The Data

The goal of this paper is to seek out evidence that tax evasion is not just a product of greed but may also be a form of legitimate protest by citizens against a government they find to be inefficient and unresponsive to their needs. The first step in our analysis is to explore a detailed survey we conducted (face-to-face interviews) of the Czech and Slovak Republics in 2002, as well as a more limited surveys for Hungary and Poland. Some results we present are comparable to a survey we conducted in 2000, and where these results are comparable we present both years.² Detailed description of the surveys including questionnaires, summary tables and results explicitly mentioned in the text are available from authors upon a request or at <http://home.cerge-ei.cz/hanousek/evasion>. The appendix contains a summary of some of the main variables used in our analysis. The purpose of this section is to lay out the measures of tax evasion we sought and to give the reader some idea of the characteristics of the population we studied. We will then proceed to show the relation between tax evasion and a citizen's belief that he is or is not getting quality government service for the taxes he pays.

As Giles (2000) explains, there are several ways to measure tax evasion: tax audit surveys, money demand methods, latent variable techniques, tax overhang methods, labour force surveys, and surveys asking individuals how much they evade. Surveys are useful for understanding why individuals evade taxes at any point in time, whereas macro-methods such as latent variable analysis and tax-overhang approaches are more appropriate for time-series analysis of tax evasion.

At present the only estimates of the underground economy for the Czech and Slovak Republics are those of the Ministry of Finance which is primarily concerned about collecting unpaid-backtaxes from firms. Until our survey, there were no independent academic estimates of the size of tax evasion in the Czech and Slovak Republics. There is a similar dearth of such estimates for other transition countries.

² Our surveys were carried out by the leading Czech survey firm Median in 2002 and 2000, respectively.

Number of respondents were as follows: 1089 Czechs (2002), 1062 Czechs (2000); 501 Slovaks (2002) 524 Slovaks (2000); 1008 Poles and 1000 Hungarians (both in 2002).

We have chosen the survey method of analyzing tax evasion because this method is rich in demographic information. We can use demographic information to see what characteristics of respondents are associated with evasion. The survey method also allows us to ask respondents what they believe is the probability of being caught evading and what penalties they believe they face, whether they believe evasion to be moral, and whether they believe their wealth needs to be safeguarded by tax evasion, whether government is giving them quality services for the taxes they pay. These subjective data allow us to probe the effects of incentives on the decision to evade. Survey data suffer from the lies respondents tell. We shall see that even though lying may pervade the data, solid relations emerged between the questions we asked and whether people evaded.

The main problems we faced in our survey were in knowing how much tax people evade and what factors we can attribute to their evasion. The obvious problem when asking people about their participation in the underground economy is that they will be reluctant to confess their participation and if they do so, then can later in the survey “justify” it by claiming that they evaded taxes because they believed government services to be of low quality. To avoid this problems and ex-post justification, our survey tackles this problem in stages. First, we called survey “Satisfaction with services” and we start asking our respondents general demographic questions and questions related to government and quality of services provided by the government. When answering these questions respondents have no idea that questions about tax evasion will follow and thus they cannot justify their evasion by claiming a poor quality of government services. Second we ask respondents whether they know of anyone who has participated in the underground economy. Respondents might not feel ashamed about answering this question honestly. Knowing people who participated in the underground economy could be a weak signal that the respondent also participates. Next we ask whether the respondent has ever bought goods or services in the underground economy. Finally, and this is perhaps the question to which respondents will give the least honest reply, we ask whether they have themselves ever participated in the underground economy and what is the nature of this participation.

Tables 1a and 1b summarize the first (“soft”) level of inquiry of our survey. Table 1a is from our 2000 survey (see Hanousek and Palda 2003) and Table 1b is from the present 2002 survey. These tables show the answer to what people thought about the size of the underground economy. If people are rational observers of their surroundings, their opinions about the size of the underground economy might be a fair estimate of the actual underground economy. Giving an opinion about the size of the underground economy is not likely to threaten a respondent so that we can expect the answers to be honest.

Table 1a: “Soft” measures of participation in the underground economy, 2000

Survey question	CR	SL	Significant difference
Percentage of adults in country having unreported income	38.3	42.7	**
Percentage of neighbors having unreported income	33.2	38.8	**
Ever bought undeclared goods/services	49.4	50.0	

Source: 2000 Survey data, authors' computation

Table 1b: “Soft” measures of participation in the underground economy, 2002

Survey question	CR	SL	Significant difference
Percentage of adults in country having unreported income	48.6	53.8	**
Percentage of neighbors having unreported income	37.4	38.9	
Ever bought undeclared goods/services	55.3	54.4	

Source: 2002 Survey data, authors' computation

Row 3 of Tables 1a and 1b summarizes the answers to more intimate questions than those summarized in rows 1 and 2. Here we ask whether the respondent has ever bought goods in the underground economy. The level of threat to respondents is greater here than in the questions in rows 1 and 2, but still fairly mild, as there is no effective legal sanction for those who buy goods from producers who evade taxes unless the law forbids sale of these goods. There is no significant difference between

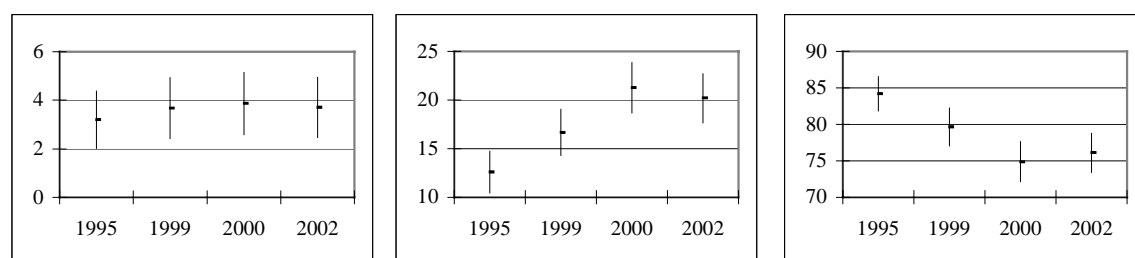
what Czechs and Slovaks answered. Both groups claim with equal frequency to have bought from the underground sector. There is no contradiction between the finding that Czechs and Slovaks buy equally from the shadow sector and the earlier finding that Slovaks believe the percent of people with income from the shadow economy is higher than for the Czech Republic. Our questions to respondents up to this point in the discussion have been sufficiently vague to allow for several interpretations. Czechs and Slovaks may buy equally from the black market but Slovaks may spend more in their purchases. To get a more precise idea of how much tax people evade than the answers given to the questions in Tables 1a and 1b we need to put the question of evasion to respondents baldly and hope that some respondents accept to answer our questions.

The most intimate questions in our survey ask the respondent with what frequency he has worked and not declared his income and how much money he earned from activities upon which he did not declare to the publicans.

Table 2a. Values and 95%-confidence intervals for relative frequencies of different level of tax evasion. Czech Republic 1995, 1999, 2000, 2002.

Year	Often	Sometimes	Never
1995	3,2% (2,0%, 4,4%)	12,6% (10,5%, 14,7%)	84,2% (81,9%, 86,5%)
1999	3,7% (2,4%, 4,9%)	16,7% (14,3%, 19,0%)	79,7% (77,1%, 82,2%)
2000	3,9% (2,6%, 5,1%)	21,3% (18,7%, 23,9%)	74,9% (72,1%, 77,6%)
2002	3,7% (2,5%, 4,9%)	20,2% (17,7%, 22,7%)	76,1% (73,4%, 78,8%)

Figure 1: Graphs for 95% confidence intervals

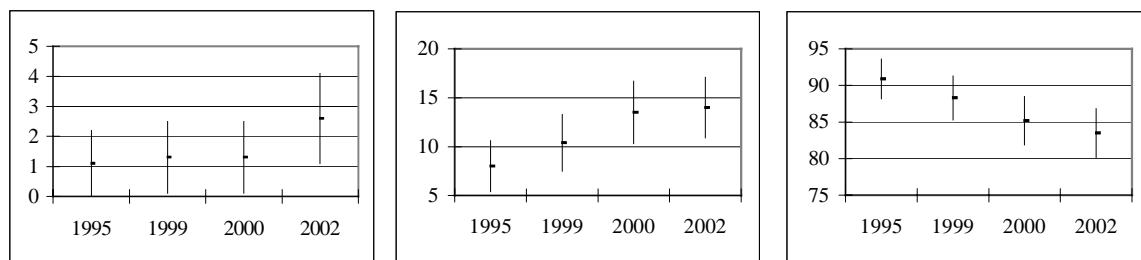


Source: 2000 and 2002 survey data, authors' computation

Table 2b. Values and 95%-confidence intervals for relative frequencies of different level of tax evasion. Slovak Republic 1995, 1999, 2000, 2002.

Year	Often	Sometimes	Never
1995	1,1% (0,0%, 2,2%)	8,0% (5,4%, 10,6%)	90,9% (88,2%, 93,6%)
1999	1,3% (0,1%, 2,5%)	10,4% (7,5%, 13,3%)	88,3% (85,3%, 91,3%)
2000	1,3% (0,1%, 2,5%)	13,5% (10,3%, 16,7%)	85,2% (81,9%, 88,5%)
2002	2,6% (1,1%, 4,1%)	14,0% (10,9%, 17,1%)	83,5% (80,2%, 86,8%)

Figure 2: Graphs for 95% confidence intervals



Source: 2000 and 2002 survey data, authors' computation

The above tables and graphs show a marked tendency for those who never evaded taxes to be a diminishing group. In another paper (Hanousek and Palda 2002) we discussed how those who have never evaded taxes are a shrinking group of society and how this bodes ill for the long-term evolution of tax payment in the Czech and Slovak Republics.

The most intimate question we asked was simply how much tax a person evaded. Table 3 breaks down undeclared income into different income categories. This table is roughly consistent with Table 2b. Nearly 30% of Czechs claim to have some undeclared income in Table 3, whereas in Table 2b nearly 25% of Czechs claim to have evaded sometimes or often. The statement seems less applicable to the Slovak Republic.

Table 3: Distribution of undeclared monthly income, 2002

Income range	CR	SR
None	72.8	83.5
<10,000 Crowns	14.8	9.8
10,000-15,000 Crowns	1.3	0.2
15,000-20,000 Crowns	0.5	0.2
20,000-25,000 Crowns	0.4	0.0
>25,000 Crowns	0.0	0.0
Rejected answer	10.2	6.3

Source: 2002 Survey data, authors' computation

Note that average wage in 2002 in Czech Republic was 15,707 while in Slovakia it was 13,531. (1\$ ≈ 32,736 CZK and 1\$ ≈ 45,335 SKK)

Figures 1 and 2 show how evasion has evolved over the last seven years in the Czech and Slovak Republics. Once again we must take care not to view the estimates of tax evasion in the above tables as being accurate. Respondents might tell us how much they evaded but there are two problems we must recognize while interpreting these responses. The first problem with the estimates in Table 3 is that people lie about their incomes. Horry, Palda, and Walker (1992) found that in surveys of consumer finances for Canada, respondents consistently underreported their incomes by 10%. They were able to arrive at this conclusion by comparing GDP imputed from the Canadian survey of consumer finances with GDP derived from the national accounts. If people lie about their legitimate income, chances are they will also lie about their shadow income. The second problem with the estimates in Table 3 is that some respondents chose to answer how much they evaded and others chose not to answer. The self-selection of responses is a warning that our sample of answers may not be representative of the population of answers. The direction in which might go this potential selection bias is not clear. Those who answer may have less to hide than those who do not answer. In this case answers would underestimate the size of tax evasion. If the biggest tax evaders are also the least risk averse people then sample selection could bias upward our estimates of the underground economy. If those who answered how much they evaded are a random mix of the above two types then our

estimate of the size of tax evasion will not be biased but may suffer from a large variance.

Perhaps the most complicated problem posed by our measures of tax evasion is that it is difficult, if not impossible in a survey to ask people exactly how much they evaded. We can pose questions about the range in which their evasion might fall, but this form of question bunches all the highest evaders into one group. We have no idea of the upper limit of evasion in this highest group. Questions about how often people evade give us an idea of the number of people participating in the shadow economy, but once again, their answers do not accurately weigh the degree of their involvement. These potentially frustrating aspects of the survey data are standard in this area of research and force us to dose our findings with a heavy degree of interpretation and nuance.

3. Quality and Willingness to Pay

The above overview of Czech and Slovak evasion speaks of two societies where tax evasion seems to be pervasive. Why should this be so? Opportunity is the answer that leaps to mind. Czechs and Slovaks have a device for evasion at their disposal. Hundreds of thousands of citizens declare themselves “consultants” to companies. While the consultant sits in his company office, the company need not worry about paying social security benefits and the so-called consultant may deduct from his taxes apartment, travel, and food expenses. Czech and Slovak authorities have not yet caught up with this variant of evader. Authorities have enough on their hands with the large corporate evaders whom they estimate to be important and easily targeted cheaters of the government treasury. Pervasiveness may be in the eyes of the beholder. We have no benchmark against which to assess whether evasion is large or small. At best we can hope to separate two forces that might influence evasion: a man’s greed and his sense of duty to the community. Once we understand the contribution of each factor we can get a grip on how government may best attack the problem of tax evasion.

Our quality of government services index was but one measure of the manner in which individuals perceive government. We asked several other questions covering several more detailed dimensions of government services and correlated these impressions with the willingness to pay taxes. Our results on these sub-indices conformed to the results discussed above and are summarized in Table 4.

The following Table 4 shows the (non-parametric) cross-correlation of evasion with these questions measuring quality of the government services. Taken *en gros* Table 4 suggests that people who think well of their government are more inclined to pay their taxes than are people who bear a grudge against the state. The only possible discrepancy in this table is that those who believed corruption was a big problem tended to evade less than those who believed corruption was not a problem. We say “possible” discrepancy because we could also surmise that those who see corruption as a major problem could also be those who would like to evade taxes but who do not have ability or knowledge to bribe tax officials. In similar calculations we found a highly significant correlation of -0.09 between frequency of underground work and

satisfaction with government services for Hungary (in Table 4 this correlation is -0.5 for the Czech Republic and -0.05---but not significant) for Slovakia. We found no significant correlation between evasion and satisfaction in Poland.

Table 4: Spearman’s correlation coefficients of measures of government services and morality with participation in underground economy for Czech and Slovak Republics 2002

Scale questions 1 to 5 (1=very satisfied, absolutely agree; 2=satisfied, agree, etc.)	Buying underground (1 often, 2 sometimes, 3 never)		Working underground (1 often, 2 sometimes, 3 never)	
	CR	SR	CR	SR
Satisfaction with country economic development	-0.07**	-0.03	0.02	0.02
Legal system now and ten years ago (1=much improved; 5=much worse)	-0.05*	0.02	0.04	0.06
Law and order should be always obeyed	-0.19***	-0.16***	-0.27***	-0.15***
Is corruption the major problem of your country?	-0.11***	-0.02	-0.13***	0.03
Satisfaction with government services	-0.11***	-0.05	-.05*	-0.05
Is tax evasion moral?	0.31***	0.25***	0.36***	0.21***
Is a misuse of social benefits moral?	0.25***	0.18***	0.37***	0.21***

Source: 2002 Survey data, authors' computation

*** Significant on 1%, ** significant on 5%, * significant on 10% levels.

The next table relates via regression one of our measures of tax evasion (the frequency with which one states one evades) to a battery of independent variables. The independent variables fall into the following categories: demographic (age, income, sex, education), instrumental (perceived probability of being caught, perceived penalty), and whether one believes one is getting quality government services for the tax one is paying.

Table 5. Logits of Tax Evasion (dependent variable)

Variable	(1)	(2)	(3)	Marginal effects $\partial P/\partial x$ on evading categories. Specification (3)		
				frequent	Sometimes	never
Constant	1.779 ^{***} (0.320)	1.779 ^{***} (0.209)	1.715 ^{***} (0.270)			
Gap between actual and desirable income	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000	0.000	0.000
Female	0.173 ^{***} (0.131)	0.290 ^{***} (0.096)	0.295 ^{***} (0.097)	-0.041	-0.074	0.114
Primary school education		-0.736 (0.693)	-0.767 (0.759)	0.172	0.124	-0.295
Apprenticeship (2 years)	-0.521 ^{***} (0.269)	-0.554 ^{***} (0.205)	-0.600 ^{***} (0.212)	0.109	0.127	-0.236
Apprenticeship (3-4 years) without diploma	-0.454 ^{***} (0.226)	-0.560 ^{***} (0.186)	-0.591 ^{***} (0.193)	0.090	0.139	-0.229
Secondary vocational without diploma	-0.354 ^{**} (0.223)	-0.475 ^{**} (0.193)	-0.492 ^{**} (0.198)	0.078	0.115	-0.193
Grammar school with general diploma	-0.092 (0.724)	-0.621 (0.464)	-0.689 (0.431)	0.147	0.121	-0.268
Is your household worse off compared a year ago?	0.184 (0.256)	-0.010 (0.151)	-0.041 (0.148)	0.006	0.010	-0.016
Probability of being caught	0.017 ^{***} (0.002)	0.013 ^{***} (0.002)	0.013 ^{***} (0.002)	-0.002	-0.003	0.005
Perceived tax penalty	-0.012 (0.065)		0.005 (0.062)	-0.001	-0.001	0.002
Missing perceived tax penalty			0.190 (0.193)	-0.026	-0.048	0.073
Unsatisfied with governmental services	-0.126 (0.157)	0.027 (0.109)	0.035 (0.110)	-0.005	-0.009	0.014
Very unsatisfied with governmental services	-0.721 ^{***} (0.184)	-0.331 ^{***} (0.126)	-0.322 ^{***} (0.123)	0.050	0.076	-0.127
Observations	490	901	901			
R-square adj.	0.162	0.109	0.106			

* Significant on 10 percent level, ** Significant on 5 percent level, *** Significant on 1 percent level.

Standard errors are in parentheses.

The most important finding of Table 5 is the very strong tendency for those who are unsatisfied with government services to become frequent or sometime tax evaders. The last row of Table 5 is astounding. It says that moving from the second lowest to the lowest level of belief in the quality of government services on a five point scale will increase tax evasion by 13%. This quality effect swamps standard effects researchers attribute to the perceived penalty of being caught and the perceived probability of being caught (rows ten and eleven of Table 5).

4. Interpretations

The skeptical reader may ask whether the person who evades taxes justifies his evasion by citing that the quality of government services is low, and whether frequent tax evaders are not those who perceive a low probability of being caught. Simultaneity of this sort plagues social survey research. Matsusaka and Palda (1993) analyzed the causes of voter participation and managed to replace voter perceptions of closeness with an objective measure of true closeness of a political race in each district they studied. Notably, when using objective measures of election closeness they found no relation between closeness and the propensity to cast one's ballot. Using subjective measures of closeness they had found such a relation. We have no objective measures of quality of government services with which to work and so our finding that people who perceive good quality government services will feel inclined to pay their taxes. Our "trick" to help us avoid this vexatious question of simultaneity is to ask respondents early on in the survey whether they perceive government services to be of good quality. Only much later in the survey do we ask questions about tax evasion. It is impossible at that point for respondents who claim high tax evasion to go back and correct their answers about how they perceived the quality of government services.

If we can then take at face-value our empirical finding that people who perceive government services to be of low quality react to their perception by evading taxes we must consider the result to be one of the first importance. For every point on a five point scale of satisfaction with government services, one half of one percent of respondents will shift from being infrequent to frequent evaders. Even so "small" an increase in frequent evasion as one half a percent can shift government revenues. This is good news for a good government and bad news for a government that is intent on fleecing its subjects. Honest and efficient governments that wish to increase tax-compliance might wish to pay special attention to letting their subjects know what the government is doing for them. Letting subjects know is not just a matter of television advertising but of all the channels through which political information can move. Unlimited campaign advertising, decentralized spending and tax, and citizens' initiatives are keys to promoting a citizenry informed about its government. Our findings provide no "quick-fix" advice for politicians starved for revenues. Our

findings indicate that quality of government services and taxes collected join each other in a virtuous circle.

5. Conclusion

Showing that quality and payment of taxes march together says nothing about the dynamics of tax evasion. We can only provide a snapshot suggesting the existence of a parameter that influences these dynamics. This parameter is the individual's willingness to pay taxes for what he perceives are quality government services. His willingness shines through any incentive to free ride on the payments of fellow citizens.

The present paper has analysed tax evasion in the Czech and Slovak Republics by using a 2002 survey of 1089 Czechs and 501 Slovaks. We noted that tax evasion by individuals is on the rise in both republics. We sought to explain why people evade taxes in both republics and found that, among other forces driving tax evasion, the willingness of citizens to pay increases as they perceive the quality of government services to be good.

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Appendix

Table A1: Structure of informal sector in Czech Republic: relative % shares

	<i>Total sample</i>	<i>Purchase of informal goods/ services</i>			<i>Active engagement in informal activities</i>					
					<i>Have you ever had.. ?</i>			<i>Informal Salary [CZK]</i>		
		<i>Often</i>	<i>Sometimes</i>	<i>Never</i>	<i>Often</i>	<i>Sometimes</i>	<i>Never</i>	<i><10000</i>	<i><10000, 15000)</i>	<i>>=15000</i>
Total	1041	103	470	464	38	209	788	154	14	9
<i>Sex</i>										
Male	49,3	60,2	51,1	45,5	73,7	59,8	45,6	60,4	50,0	88,9
Female	50,7	39,8	48,9	54,5	26,3	40,2	54,4	39,6	50,0	11,1
<i>Age</i>										
18 to 25 years	18,8	19,4	19,4	18,1	21,1	23,9	17,3	25,3	21,4	11,1
26 to 35 years	23,2	20,4	25,3	21,6	15,8	27,3	22,5	25,3	7,1	22,2
36 to 45 years	20,6	21,4	20,6	20,5	26,3	22,5	19,7	25,3	21,4	22,2
46 to 55 years	22,8	30,1	20,6	23,1	23,7	16,7	24,5	15,6	21,4	44,4
56 to 65 years	14,7	8,7	14,0	16,8	13,2	9,6	16,1	8,4	28,6	0,0
<i>Level of education</i>										
Primary	18,7	23,3	17,7	18,8	21,1	19,6	18,4	20,1	21,4	11,1
Without GCE	38,8	36,9	42,1	36,0	39,5	43,1	37,7	44,2	21,4	22,2
With GCE	32,6	29,1	31,9	34,1	34,2	31,6	32,6	33,1	50,0	44,4
Higher	9,9	10,7	8,3	11,2	5,3	5,7	11,3	2,6	7,1	22,2
<i>Level of income[CZK]</i>										
< 10.000	46,8	42,7	48,1	46,1	31,6	39,7	49,4	39,6	14,3	11,1
10.001 to 15.000	32,2	33,0	29,1	35,3	34,2	33,0	31,9	39,0	35,7	11,1
15.001 to 20.000	11,0	12,6	11,7	9,9	13,2	14,4	9,9	14,3	21,4	11,1
20.001 to 25.000	3,4	3,9	4,5	2,2	7,9	5,7	2,5	4,5	21,4	22,2
25.001 to 30.000	1,7	2,9	2,1	1,1	2,6	3,8	1,1	1,3	7,1	22,2
30.001 to 40.000	0,4	1,0	0,4	0,2	2,6	0,0	0,4	0,0	0,0	11,1
40.001 to 50.000	0,3	1,0	0,4	0,0	0,0	0,5	0,3	0,0	0,0	11,1
>= 50.001	0,1	0,0	0,0	0,2	0,0	0,0	0,1	0,0	0,0	0,0
Rejected answer	4,2	2,9	3,6	5,0	7,9	2,9	4,4	1,3	0,0	0,0

Table A2: Structure of informal sector in Slovak Republic: relative % shares

	<i>Total sample</i>	<i>Purchase of informal goods/ services</i>			<i>Active engagement in informal activities</i>					
					<i>Have you ever had.. ?</i>			<i>Informal Salary [CZK]</i>		
		<i>Often</i>	<i>Sometimes</i>	<i>Never</i>	<i>Often</i>	<i>Sometimes</i>	<i>Never</i>	<i><10000</i>	<i><10000, 15000)</i>	<i>>=15000</i>
Total	509	43	234	232	13	71	424	50	1	1
<i>Sex</i>										
Male	51,9	65,1	56,8	44,4	92,3	69,0	47,9	72,0	100,0	100,0
Female	48,1	34,9	43,2	55,6	7,7	31,0	52,1	28,0	0,0	0,0
<i>Age</i>										
18 to 25 years	13,4	11,6	15,0	12,1	23,1	14,1	13,0	10,0	0,0	0,0
26 to 35 years	29,1	30,2	30,8	27,2	30,8	36,6	27,6	38,0	0,0	0,0
36 to 45 years	30,3	44,2	27,8	30,2	38,5	29,6	30,2	28,0	100,0	100,0
46 to 55 years	21,4	14,0	21,8	22,4	7,7	14,1	23,1	18,0	0,0	0,0
56 to 65 years	5,9	0,0	4,7	8,2	0,0	5,6	6,1	6,0	0,0	0,0
<i>Level of education</i>										
Primary	6,5	9,3	6,4	6,0	15,4	5,6	6,4	8,0	0,0	0,0
Without GCE	39,1	44,2	38,9	38,4	23,1	52,1	37,3	46,0	0,0	0,0
With GCE	41,5	32,6	44,9	39,7	61,5	32,4	42,5	40,0	100,0	100,0
Higher	13,0	14,0	9,8	15,9	0,0	9,9	13,9	6,0	0,0	0,0
<i>Level of income[CZK]</i>										
< 10.000	60,5	69,8	56,4	62,9	46,2	56,3	61,6	62,0	0,0	0,0
10.001 to 15.000	25,5	11,6	31,2	22,4	38,5	25,4	25,2	34,0	0,0	0,0
15.001 to 20.000	5,5	4,7	5,1	5,2	0,0	5,6	5,7	2,0	0,0	0,0
20.001 to 25.000	2,2	4,7	1,7	2,2	0,0	2,8	2,1	0,0	0,0	0,0
25.001 to 30.000	0,8	2,3	0,9	0,4	0,0	1,4	0,7	0,0	0,0	0,0
30.001 to 40.000	0,2	0,0	0,0	0,4	0,0	1,4	0,0	2,0	0,0	0,0
40.001 to 50.000	0,2	0,0	0,4	0,0	0,0	1,4	0,0	0,0	0,0	0,0
Rejected answer	5,1	7,0	4,3	5,6	15,4	5,6	4,7	0,0	100,0	100,0