

This paper analyses a 2002 survey of the Czech and Slovak Republics, and more limited surveys of Hungary and Poland to conclude that tax evasion is lowest among those who believe that they are getting good quality government services for the taxes they pay. A 20% increase in perceived quality of government services could lead to a 13% drop in the frequency of tax evasion. The present analysis is the first 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.