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Tax evasion and well-being: A study of the social and institutional context in Central and Eastern Europe

Ada Ferrer-i-Carbonell, Klarita Gërzhani



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Tax evasion and well-being:**A study of the social and institutional context in Central and Eastern Europe**

Ada Ferrer-i-Carbonell

Institut d'Anàlisi Econòmica (IAE-CSIC) and Barcelona GSE

Campus UAB, 08193 Bellaterra, Spain

Klarita Gërxhani *

Department of Political and Social Sciences, European University Institute

Via dei Roccettini 9, 50014 San Domenico di Fiesole (FI), Italy

Abstract

The paper examines the relationship between tax evasion and individuals' well-being by using a subjective question on life satisfaction in fourteen Central and Eastern European countries. The paper focuses on the role of institutions and social capital in molding this relationship. The results indicate that evading taxes is negatively associated with individuals' life satisfaction. This negative relationship seems to be shaped by a positive perception of formal tax-related institutions and a high level of formal social capital. A similar analysis run for two generational groups, distinguished in terms of whether having had working experience during communism, yields further interesting results: while associational engagement (i.e. formal social capital) has a crucial role to the younger generation in the way they experience the relationship between evading tax and how satisfied they are with their life, for the older generation it is their social networks (i.e. informal social capital) that shape this relationship.

Keywords: Life satisfaction, subjective well-being, tax evasion, institutions, social capital.

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* Corresponding author.

Email addresses: ada.ferrer@iae.csic.es (A.Ferrer-i-Carbonell), klarita.gerxhani@eui.eu (K. Gërxhani).

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