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TAX REFORM IN RUSSIA:
ENCOURAGING VOLUNTARY COMPLIANCE THROUGH PERSUASION

Camille Jackson

Abstract
Despite tremendous difficulties in the past, the current Russian tax system is performing surprisingly well. However, while Russian government officials have effectively tackled many of the economic and logistical problems embedded in the laws themselves, one area still calls for reform: voluntary compliance. This factor alone sets the Russian tax system apart from most systems in the U.S. and Europe, as Russians have tended away from tax compliance for centuries. I use an explanation of persuasion to show how the Russian government can—and is—garnering voluntary compliance from its citizens, using a persuasion chain in which persuasion transfers from international officials to Russian government officials to Russian citizens. This chain combines with existing theoretical ideas that Russians are ready, but not willing, to accept democratic standards and that better performance will increase trust (and tax payment) in democratic regimes. I use data from the New Russia Barometer and interviews with Russian citizens to test this explanation, concluding that it is too early to tell if persuasion methods have been effective, but that there is definite potential for the development of voluntary tax compliance in Russia.

The final days of 1991 brought unprecedented changes for Russia. The fall of Soviet rule and the struggle toward Western-style democracy—or at least away from communism—had been a long, hard, and trying process for Russia and her citizens. National output shrank considerably, inequality increased, and poverty became a reality for many. These calamities stem from the difficult yet necessary restructuring process—a process marked by difficulties and sometimes failure. An area in which the country
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has met with extreme difficulty is taxation. Russia has been notorious for widespread tax evasion and corruption, problems caused by ill-conceived tax laws and a cultural tendency away from tax compliance (Åslund 2001). Contrary to popular belief, however, the past few years have also seen surprising success in tax reform initiatives (Åslund 2001; Institute of Economics, Moscow 2002).

Indeed, amidst all the suffering and calamity, Russia has been making progress in its transition, and the new tax code adopted in stages between 1999 and 2003 is remarkable evidence of this progress. In the course of change, Russian officials have lowered both income and corporate tax rates, tightened compliance by using personal identification numbers on tax returns, and worked incessantly to improve federal–regional tax relationships. As a result, tax receipts have increased from 69% of expected tax revenue in 1996 to around 120% of expected revenue in 2000, and the growth rate of tax revenues almost tripled between 2001 and 2002 (Aaron 1996; Pravda 2002).

Some of this success is attributable to new tax laws that have increased clarity and transparency while decreasing an almost intolerable tax burden. Other success is attributable to higher oil prices and their subsequent boost of the Russian economy. Even in the face of these successes, however, Russian tax law will not become fully effective until the new laws meet with voluntary compliance. Indeed, this aspect alone is the most significant difference between the Russian tax systems and those operating in the United States and Europe: in Russia, there is no cultural norm that one must pay one's taxes; on the contrary, there is a norm that one should evade paying taxes to the greatest extent possible.

How, then, does the Russian government overcome this obstacle? I use an explanation of persuasion, or using dialogue to win a party over to your beliefs, to demonstrate how the Russian government can facilitate—and in some cases is already facilitating—voluntary tax compliance from its citizens. This idea begins with international tax assistants who first convince the Russian government that facilitating voluntary compliance should be a priority. Russian government officials then take this idea down to the level of citizens, where they set up programs and launch campaigns to garner voluntary compliance.

To provide a context to discuss this process, I will begin by laying out some of the problems associated with Russian tax compliance, problems
I identify as "unwritten rules" of the tax system and "social/historical rules" that have evolved over time. It is these rules the Russian government is struggling against—a struggle made more difficult by the fact that these rules have been cultivated for over a century, becoming embedded in Russian culture over time.

**The Russian Tax System: A Tiger Tamed?**

For most of the 1990s, the Russian tax system gained a reputation for ineffectiveness, complexity, and corruption—and for good reason. Tax revenues were low (1997 tax collections were only 65.9% of those anticipated), tax laws were complicated and nearly incomprehensible without the aid of an accountant, and deals both with and within government helped facilitate low tax compliance (Institute of Economics 1997, 5). The tax system became a tiger imprisoning the government, rendering Russia incapable of providing social benefits, offering economic incentives through taxation, or attracting foreign investment through transparency. With unemployment averaging 10.3% between 1990 and 1999, wage arrears equaling around $40,000 in 1997, and age-adjusted mortality rising by 33% between 1990 and 1994, social benefits were sorely needed yet crippled by low tax receipts (Eggars, Gaddy, and Graham 2004; International Labor Organization 1997).

Necessarily, the system needed reform: the tiger had to be tamed. What lay in the heart of the tiger were tax institutions—the rules that govern how people and organizations act within the state and society. These ineffective institutions can be broken into three primary categories: faulty and uncoordinated "written rules" created by the government, "unwritten rules" that have arisen in both government and society, and "social/historical rules" that have been centuries in the making. Of these three, the Russian government has transformed written rules the most, and this reform has proven surprisingly successful. Voluntary compliance, however—the focus of this article—is primarily affected by changes in unwritten and historical/social rules, which cannot be so easily changed by a parliamentary vote. Unlike written rules, these two categories have yet to be fully tamed. Before understanding how such taming can occur, however, one must understand where all three types of rules came from, what they are, and how they have crippled the Russian tax system.
Three Sources of the Complex System

Badly written rules. The Russian government is responsible for creating the official, written rules of the Russian tax code. Since the fall of communism in 1991, these rules have been amended, changed, and added to, subsequently becoming more complex if not mutated and greatly deformed. Beneath all this adding and amending a number of forces were at work, shaping the rule-making process until it became blind to the realities of the system and produced rules that only added to the complexity.

One of these forces was government tolerance of an inadequate system. According to Vitaly Artyakov, head of the Russian State Tax Service until 1997, the Russian government "passed a law whereby taxes are considered to have been paid when a payment authorization is issued by the client, not when the funds are received by the budget" (cited in Varnavskaya 1997, 8–9). In addition, firms apparently had a legal right not to pay, and the government considered tax offenses only an economic crime, not a crime against the state (Varnavskaya 1997, 8). One example of such leniency was the corporate institution of "middlemen" used to avoid taxation. These middlemen buy products from a mother company, sell those products, then use the resulting profits to obtain inputs and supplies for the mother company. Thus, while the "middlemen" are actually working for the company, they are legally tax exempt and not recorded on the books as corporate agents (Filippov 1997, 2). With a parliament overly sympathetic to corporations making such lenient laws—which are ultimately contrary to the goal of increasing tax revenue—there was bound to be confusion and low compliance.

Another problem contributing to the undue complexity of the tax system was lack of coordination between the legislature and executive branch. Especially in the mid-1990s, the Russian legislature focused on creating tax laws that were lenient while the executive branch focused on compliance and rule of law. Explanations for the lack of political coordination include clashes between parties within the Duma and government officials who were put into office by—and therefore loyal to—certain companies. Between 1992 and 1995 especially, politics within the Duma prevented the body from passing effective laws that might have aided tax administration by the executive branch and greatly simplified the system. Within parliament, the left and right prevented each other's agendas from being passed, creating a blockade to effective tax reform.
In addition, early, lenient tax laws enabled some companies to become wealthy and acquire power, power that they then used to put certain candidates into office (Norberg 2004). Coming into office partly through the assistance of non-tax-payment, these politicians had a certain loyalty to the lax taxation laws and little incentive to improve the system (Vishnevskaya 1997, 1).

In the face of lenient tax laws, the executive branch attempted to ameliorate the problematic situation through strict enforcement of existing tax law. The most extreme and notorious example of this is the Russian Tax Police, which was given such wide discretion in collecting taxes that Russian tax collection practices bore a striking resemblance to intimidation by the mafia (Gregory and Brooke 2000). In addition, Russian tax administration became bloated over time, with a 5,000-position (17%) increase in personnel between 1992 and 1995 (Aslund 1995, 194).

Behind this inconsistency between creation and execution of the tax laws lay problematic ideological divides regarding reform. A World Bank report on assisting Russia's transition notes that "the period through late 1999 was characterized by ideological and political splits over market reforms, perceived risk of backsliding, frequent shakes and major decisions within the government itself—including . . . parliamentary opposition to the reform efforts" (Zanini 2003, 40). When the writers of rules lean toward clemency and the executors toward severity, the rules tend to become muddled and interpreted disparately by the different groups.

Lack of government foresight is another factor that led to bad rules. During perestroika, when Russia first began the transition to private enterprise and was only imagining what a new tax system ought to look like, the government required little accountability from new enterprises, thus failing to condition firms to the reality and necessity of taxation (Zanini 2003, 40). The Russian government also applied shortsighted crisis management to deal with financial emergencies, often introducing "short-term and frequently improvised policy reaction . . . rather than . . . the implementation of a longer-term and comprehensive stabilization and reform blueprint" (Zanini 2003, 40). This lack of foresight produced institutions that were neither sustainable nor realistic for a market economy.

Unwritten rules. In addition to the obvious written tax rules of the Russian government, there are also unwritten rules created by both government and society that have hindered the Russian tax system. Some
of these were meant to be compatible with government regulations while others were meant to help firms and individuals get around regulations. One of these unwritten rules, nonpayments, has become extremely prevalent in—and detrimental to—the Russian tax system. The system of non-payments provides for noncash payment or payment through goods instead of money, a practice engineered by businessmen and government officials in an effort to decrease inflation but that has led only to currency devaluation and defaults on loans (Aitken 2001).

The Russian government's heavy involvement in the system of non-payments has led to especially detrimental effects: the government is often tardy with its payments for goods and services, which in turn makes government-serving firms tardy with their tax payments (Pinto, Drebentsov, and Morozov 2000). Local governments have played a part in the promulgation of this system by allowing and even inventing non-monetary tax payment systems—such as barter—to exact even marginal tax compliance (Woodruff 2002). This creates a cycle that might work theoretically (nobody pays nobody and all debts are forgiven), but that in practice creates economic inefficiencies because many of the companies to whom debts are forgiven are obsolete and unneeded (Aitken 2004). In the end, the nonpayments system compounds fiscal difficulties (Woodruff 2002).

In addition, the nonpayment system creates two business systems: one monetary and the other barter-based (Randall 2001, 152). Barter systems have become surprisingly prevalent in Russia, especially since the financial crisis of 1998, and government tax provisions have only further encouraged such practices. Barter systems are economically inefficient as they require a double coincidence of wants; transaction costs increase greatly as both buyers and sellers must find what they want from someone who wants what they have to sell.

Keeping multiple, misleading business records is an unwritten rule that has additionally plagued the Russian tax system. According to Linda M. Randall, "several managers described their strategy of keeping three sets of books: one for government tax collectors, one for organized crime, and one for the manager" (Randall 2001, 151). These separate, misleading records are not considered dishonest, but simply an appropriate way of doing business. This practice reflects the Russian approach to dealing with taxes, an approach that can be traced back further than a century.
Social and historical rules. Many of the problems and inefficiencies that existed in the Russian tax system were present in the late 1800s during Russia’s last attempt at creating a comprehensive tax system. Then, like today, increasing corporate taxes, collusion between taxpayers and tax collectors, and a blurred line between tax avoidance (considered legal) and tax evasion (illegal) plagued the system (IMF 1997; Bowman 1993, 272). Evidence of the same problems constantly reoccurring suggests that many of the inefficiencies in the tax system are the result of Russian culture and the Russian way of looking at taxation, which differs greatly from social conceptions of taxation in other countries. An anecdote illustrates this point:

During a business seminar in Novgorod, Russia, managers openly discussed the mechanism that they use to avoid paying taxes. A first question directed to American seminar leaders sought explanation of the ways U.S. managers avoid paying taxes. The instructors admitted that there are a number of loopholes that with a good accountant and tax planning allow Americans to reduce their tax burden and still hold to the letter of the law. Still puzzled, the Russians asked how Americans who cannot take advantage of loopholes avoid taxes. In response, faculty members pointed out that Americans run the risk of getting into trouble with the U.S. Internal Revenue Service if they attempt to avoid paying taxes. This exchange of information convinced the Russian managers that Americans are not aggressive and not good managers. (Randall 2001, 151)

While this attitude is prevalent among Russian business managers, what is more disconcerting is its prevalence among Russian lawmakers. The current attitude regarding tax avoidance among Russian citizens is exacerbated by lawmakers who appear more interested in accommodation of tax evasion than they are in combating it. Highly publicized leniency for tax violators has produced a public that does not fear prosecution for tax violations. Indeed, as noted by Erik Berglöf and Romesh Vaitilingam, “non-compliant taxpayers have interpreted each amnesty as a promise of further forgiveness, and acted accordingly” (Berglöf and Vaitilingam 1999, 11). In closing, while Russian culture may have a historic trend toward tax evasion, badly written rules and tax-evasion prone unwritten rules have only worsened the situation.
Persuasion: The Key to Voluntary Compliance?

I take part in this debate by contending that legal reform alone cannot change imbedded social norms or historical rules—Russian's historical tendency to evade taxes. Social norms—and the unwritten laws contingent upon them—are reconciled largely by administrative reform, not policy (tax-code-changing) reform. I argue that persuasion is the guiding factor in both motivating administrative reform and garnering voluntary compliance. This process, in effect, creates a persuasion chain, as represented in the following diagram:

![Persuasion Chain Diagram](image)

**Figure 1. Persuasion Chain**

**Persuasion chain.** Here, persuasion “begins” with international technical assistance—officials with the IMF, World Bank, USAID, and OECD, who transfer an understanding of economic principles. International officials interact with Russian government officials, offering advice that is considered, analyzed, experimented upon, and then absorbed into both Russian tax laws and administrative practices. After incorporating these suggestions and ideas, built on an understanding of economic principles, Russian officials then transfer these ideas, ways of thinking, and understanding about how new laws and practices should function on to Russian taxpayers, persuading them to comply with these new laws based on economic principles. Here, the transferred idea is that the new tax system must act like a principled tax system as opposed to simply looking like one. This persuasion is directed both toward Russian companies, from which most tax receipts are received, and Russian individuals who pay taxes. Persuasion
of both companies and the Russian population in general is achieved through two primary methods: (a) literature, propaganda, and advertisement of the new changes in the tax law; and (b) assistance for taxpayers. The first embodies an education initiative—programs to educate taxpayers as to what their responsibilities are, as well as how the changes are in their favor. The second is also educational in nature, but focuses on the nuances of compliance and is an attempt to show government support for those who comply.

Existing explanations and extension. Explanations of voluntary tax compliance within Russia have not been widely formulated or researched, but scholars have done extensive work regarding Russian culture. Since I intend to use a largely cultural argument for voluntary tax compliance, I will build upon this area of research to create a theoretical foundation.

Numerous articles in Russian culture literature address Russia's prospects for effective democracy. One prominent study incorporating numerous interviews with Russians from all walks of life found that Russians support democratic values but are unsure whether their current institutions will effectively uphold democracy (Carnaghan 2001). In other words, Russian culture is prepared for democracy and the incorporation of Western attitudes and behavior, but Russians themselves feel that their institutions are not capable of such behavior. The study further finds that Russians see a strong need for institutional reform but have little interest in changing these institutions. If, however, institutions were changed with the assistance of international organizations and analysts, these reformed institutions might then foster democratic ideals. Ellen Carnaghan does not consider this, but I would like to present it as a possibility.

Some theoretical support for this possibility is embedded in William Mishler and Richard Rose's work on regime approval (Mishler and Rose 2002). These authors contend that the performance of institutions—particularly economic performance—is the driving factor behind regime support. If democratic institutions perform well, then citizens will support democratic regimes, while ill-performing democratic institutions will have the opposite effect. Although this research focuses on regime support as opposed to tax compliance, I contend that tax compliance reflects regime support. After all, it only makes sense that support of a democratic regime would be reflected by democratic behavior within democratic institutions.
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An earlier study by Mishler and Rose investigated the role and status of trust in post-Soviet countries, a concept central to the functioning of an effective democracy (Mishler and Rose 1998; Bianco 1994). This study found that post-Soviet citizens are not necessarily distrustful of their government, but that they were not entirely trustful either. Instead, post-Soviet citizens reflected skepticism, an in-between characteristic that allows one to draw only limited predictions for the future of democracy in post-Soviet countries. Although the study did not yield strong predictive results, it did effectively paint a picture of post-Soviet levels of trust. This finding was reconfirmed, albeit not directly, in Carnaghan's study.

By combining these findings, one can form a picture of how politics and democracy should work in Russia. Russian citizens are skeptical of their government and believe current institutions will not effectively support democracy. At the same time, Russians do harbor democratic attitudes, and if democratic regimes performed well and brought economic success, Russians would, in theory, fully support those regimes and institutions. Recently Russian institutions have performed well. Tax revenues are high, compliance has greatly improved, the federal budget is under control, and the Russian government can now pay off its loans instead of defaulting on them. Will this shift create enough support for democratic tax institutions to create voluntary compliance, or has voluntary compliance actually preceded this shift? I contend that persuasion initially prompted reform and now this reform may prompt a two-way process that will eventually lead to greater compliance. More specifically, once persuasion has convinced Russian taxpayers to comply (which some evidence already supports), the improved tax performance created by persuasion will earn added support and, by extension, promote even greater compliance. It is important to note, however, that for this process to work persuasion at the outset is a necessary requirement.

Method. To evaluate the accuracy of my ideas I have examined data on regime support, trust, and attitudes toward tax evasion from the New Russia Barometer for the years 1996, 1998, 2000, 2001, and 2003. In addition, I have interviewed Russian citizens in Moscow, investigating their knowledge of and opinions on the recent tax reforms and whether they have perceived increased compliance over time.

Data from the New Russia Barometer yields mixed evidence. Over time, support for the democratic regime, and especially for the president,
has increased (Figures 1 and 2). Presidential support, however, can be attributed to a change in the president as opposed to a change in the population's perspective on the presidency in general. Regime support is similarly ambiguous and may, as Mishler and Rose hypothesize, reflect increased performance of the democratic system.

**Figure 2. Russians Favoring Current Regime**

**Figure 3. Trust in Russia.**
Percent of Russian citizens that trust Russian police, Duma/Parliament, the president, and private entrepreneurs.
Figure 4. Distrust in Russia.
Percent of Russian citizens that distrust Russian police, Duma/Parliament, the president, and private entrepreneurs.

Figure 5. Attitudes about Tax Evasion, 1998 and 2001
Source: New Russian Barometer
It is difficult to draw conclusions concerning trust in the government from the available data for a number of reasons. One problem is that the *New Russia Barometer* asks about trust in specific groups or organizations within government (Figure 3), as opposed to trust in government as a whole. While this is an effective and precise manner of gauging trust, the way it was carried out by the *New Russia Barometer* produces two potential issues of incommensurability. The *New Russia Barometer* is not consistent in the entities it asks respondents to evaluate. For example, between 1996 and 2000 the *Barometer* asked about the Duma or parliament in general, while in 2001 and 2003 it asked about members of Parliament. In addition, the *Barometer* asked about trust in international officials in 2000, but in no other years. A second problem with the *New Russia Barometer* is that none of the questions it asks concern trust in tax collection officials, or any group whose approval level could give a very precise idea of how much Russians trust the government to collect and use taxes fairly. The best estimates of this kind of trust are likely derived from public perceptions of the police, a part of which oversees tax collection and administration, and of the Duma, which ultimately oversees changes in tax law. Fortunately, the *New Russia Barometer* measured both groups every year. Unfortunately, measurements indicate that trust in both groups fell between 1996 and 2003. Trust in the Duma has plunged the most, taking a large hit in 2001 when the New Russia Barometer began asking about Duma members specifically as opposed to the Duma in general. Trust in the President has increased substantially since 2000, reaching a trust level of 60% in 2003 (Figure 3). Also included is a measure of trust in entrepreneurs, a trust that has increased over time and may be related to higher corporate compliance with tax laws. Most of these numbers, however, leave us with more puzzles than before. The data from the *New Russia Barometer* cannot clearly answer why trust in tax law administrators (police) and tax lawmakers (the Duma) has decreased while support for a democratic regime in general has increased.

Only one question from the *New Russia Barometer* directly addresses tax evasion, and, unfortunately, the *Barometer* asked this question only in 1998 and 2001. According to this data (Figure 5), general attitudes have changed slightly during that time. Respondents felt that tax laws were more strictly enforced in 2001 than in 1998 and that it has become more difficult to evade taxes by paying a bribe. However, only 2% more respondents felt
there was no need to pay. In other words, the Russian population has seen tax administration increase, but this increased administration has not brought about a shift towards voluntary compliance or a sentiment that taxes should be paid. This is an interesting finding, suggesting that although there is greater perceived enforcement this has not been accompanied by cultural change or the emergence of a belief that taxes should be paid.

**A deeper look into the situation through interviews**

Interviews with Russian citizens and officials shed further light on this relationship between the perception of increased enforcement and a concurrent lack of change in cultural attitudes. While speaking of corporate (as opposed to private) taxes, one Russian respondent expressed the view that the new, lower tax laws made it easier to own a business and pay taxes; it was the laws alone, and not attitudes, that have increased the number of businesses and amount of business tax compliance. Along those same lines, Derek Norberg, executive secretary of the Russian American Pacific Partnership, expressed that businesses now see it as profitable to pay taxes: doing so is less costly, increases transparency, and increases the company's legitimacy in the eyes of the community and international investors (Norberg 2004). The attitudes of businessmen have not changed, but the new laws and lower tax rates have made compliance a much more feasible and profitable option. This same idea has been expressed by other officials and citizens; the new tax rates make it more profitable for companies to pay taxes (Dobrolyubova 2004).

In addition to lower rates making compliance easier, new administrative measures have made compliance imperative. For example, previous income tax laws left a gaping hole for Russian citizens with more than one job: They could report only one form of employment on tax forms and Russian officials would never know that they had two or three other jobs. Recently, however, Russia has instituted a tracking system that identifies each individual with a number. This system has made it more difficult to hide multiple jobs and income sources. Thus, both statistical and qualitative evidence seem to suggest that Russian attitudes toward paying taxes have changed very little and that any increased compliance must be attributed to a change in laws.

The evidence of increased perception of enforcement and increased compliance in general reflects an overall trend in Russian domestic
government. Known as Putin’s “rule of law,” this is an ideal strongly enforced by Putin in many facets of Russian society, including the media, elections, crime, and, of course, tax payment. Strong administrative measures such as the arrest of Yukos Oil Company owner Mikhail Khodorkovsky have shown Putin’s desire to come down hard on tax offenders, and the public largely supports the government in this endeavor. Currently, 36% of Russians support the government against Yukos, 8% support Yukos against the government, and 17% are unsure (Public Opinion Foundation 2004). This trend, however, may simply be a starting point for garnering compliance. In the United States, most of us would say we comply because there is widespread knowledge of the IRS and how it punishes noncompliance. If a similar knowledge is cultivated in Russia, voluntary compliance may form over time. This change, however, must be facilitated through persuasion, persuasion the government has already initiated through a series of programs.

Studies conducted by the World Bank point out the importance of programs geared toward creating voluntary compliance and indicate that Russia has launched educational initiatives and set up taxpayer services within some regions—with international pressure (Gill 2003). Before 2000, compliance initiatives were not a high priority for the Russian government. The government saw tax payment as simply an obligation of all Russian citizens to keep the government running; it would be ludicrous to fund programs geared toward getting citizens to pay taxes with the very funds these programs were meant to raise. Over time, however, the Russian government saw the importance of voluntary compliance—a change that came about primarily through international dialogue as officials with the World Bank convinced Russian government officials that voluntary compliance is an area of the tax system that must be addressed, even if doing so requires the paradoxical use of taxpayers’ rubles (Dobrolyubova 2004). Since then the government has lunched advertisement campaigns to educate Russians about the new tax laws. These campaigns have included slogans such as “pay your taxes and sleep calmly” and analogies such as an apple slice that illustrates the decrease in income tax (Dobrolyubova 2004). Other programs have included taxpayer services, where tax inspectorates can answer questions for taxpayers, and even a tax book for school children—an educational initiative meant to teach children at an early age the importance of paying taxes.
Perhaps it is too early to observe the effects of these voluntary compliance initiatives. Indeed, for a country with a historical trend away from tax compliance, such initiatives will take time and may have a limited effect at first. I contend that this premature state is largely responsible for the mixed statistical results presented in Figures 2–5 and the tremendous evidence that new laws alone account for compliance. Over time, new laws coupled with new administration—and especially administration initiatives geared toward voluntary compliance—have a potential for success. This is partly supported by Mishler and Rose’s theory: the positive economic performance of a regime (in this case, the present tax system) will elicit support for that system or regime. This support, coupled with compliance programs, could in turn create more support—support that can change the thinking of taxpayers over time. Aside from this theoretical development, tax scholars note that even the United States went through a period of heavy corruption and Mafia infiltration during the 1920s, yet has since developed an honest tax system (Swift 2004). Thus, there may be hope for Russia as well.

Evidence of a Persuasion Chain.

While only future research can fully examine the persuasion relationship between Russian government and citizens, some evidence already supports the persuasion chain laid out earlier in the chapter, especially as it pertains to voluntary compliance. As noted previously, before 2000 the Russian government did not see voluntary compliance as a priority; it required international dialogue and persuasion, primarily by the World Bank, to convince the government to fully address the issue (Dobrolyubovna 2004). Since then, the Russian government has launched numerous advertisement campaigns and initiated taxpayer services to foster voluntary compliance. While many of these initiatives have been geared toward the population in general, some are meant to persuade businesses specifically, especially the taxpayer service programs. Besides income taxes, which are usually paid through companies, Russian citizens pay few direct taxes. This may seem to make tax advertisements geared toward the general population pointless, but many business owners and entrepreneurs are included in the general population. Thus, this completes the persuasion chain as it applies to voluntary compliance.
This article has briefly explored the area of voluntary tax compliance in Russia, concluding that conflicting statistical evidence suggests a need for further research in this area to determine the relationship between administrative reform, tax policy reform, and the growth of voluntary compliance. At the same time, qualitative evidence lends support to the idea of a persuasion chain linking international organizations, the Russian government, and Russian citizens. Although tax compliance has increased in Russia, the nation has a potential for even greater tax compliance, a potential that, if realized, may be an important step towards consolidating democracy in Russia.
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