

# Preface

The Rockwool Foundation Research Unit has been carrying out questionnaire surveys of the extent of undeclared work in Denmark ever since the end of the 1980s, using a survey design which had previously been tested several times during that decade. The focus of these surveys has been on a part of the shadow economy which in Denmark is known as “sort arbejde” and in Germany as “Schwarzarbeit.” A direct translation is “black work” or “black activities,” but in this study we use the term “undeclared work.” In the mid-1990s, the Research Unit also began to take an interest in the size of that particular part of the shadow economy in our neighboring countries. Was that kind of undeclared work more or less widespread in the Scandinavian countries than in Germany and the UK? And was it the same parts of the population that were especially active on the undeclared labor markets in these various countries?

The book entitled *The Shadow Economy in Germany, Great Britain and Scandinavia. A Measurement Based on Questionnaire Surveys* (Pedersen 2003) presented for the first time ever an overview of the structures of this sector of the undeclared economy in each of the countries concerned on the basis of surveys using identical questionnaires. *Black Activities in Germany in 2001 and in 2004. A Comparison Based on Survey Data* (Feld and Larsen 2005) was a follow-up to the description of the 2001 situation in Germany that was given in 2003; Søren Pedersen was again involved in the work in the early stages, contributing to the design of the questionnaire. A summary of Feld and Larsen (2005) was published as a chapter in *Jahrbuch Schattenwirtschaft 2006/2007* (Feld and Larsen 2006).

The present publication adds data from surveys carried out in Germany during 2005–2007. Main results up to and including 2006 were published in a newsletter from the Rockwool Foundation Research Unit in March 2008 (Feld and Larsen 2008), and a forthcoming study in German adds further data from 2008. These data from 2008 could not be analyzed in time to be fully integrated in the manuscript for the present publication, but we will refer to some main results from the 2008 survey as it brings additional insights of significance to the overall conclusions.

In addition to having a purely research interest in creating consistent time series of data for Germany over a period with changes in tax laws and when the government was making a special effort to restrict undeclared work and tax evasion in general, the Rockwool Foundation Research Unit has, through its cooperation with Professor Dr. Lars P. Feld, Director of the Walter Eucken Institute at the Albert-Ludwigs-University Freiburg and a member of the German Council of Economic Experts, taken a special interest in the relationship between deterrence and undeclared work and in the impact of tax policy and social norms on such activities. Professor Feld has been concerned with these topics for a number of years. In this project, he has helped to provide through new analyses a more detailed picture of the factors that are hypothesized to determine the incidence of undeclared work, including tax morale, tax policy and the risk of detection and subsequent punishment faced by offenders.

I wish to thank the German Ministry of Finance for funding the data collection in 2005, which extended the basis for comparison with 2001, and the Rockwool Foundation for providing the generous funding necessary for the project in its entirety. The project benefited also from the helpfulness of the Foundation and the interest they took in the work and I would like to express my warm thanks to the Foundation's staff, including its President Elin Schmidt and its former director Poul Erik Pedersen, and to the Board of the Foundation, headed by Tom Kähler, for the help and cooperation they have given to the Research Unit.

The interview surveys in Germany were conducted for the Rockwool Foundation Research Unit by TNS Infratest Sozialforschung, a private market research firm with considerable experience in collecting data for social science research. In this connection, Claus Larsen and Lars P. Feld were able to draw on the invaluable help of Gabriele Fischer, Arnold Riedmann and Harald Bielenski.

Special thanks are owed to Bent Jensen, Head of Communication at the Rockwool Foundation Research Unit, to the Research Unit's secretary, Mai-britt Sejberg, and to M.Sc. (econ.) Mark Gervasini Nielsen and M.Sc. (econ.), Ph.D. student Peer Skov, student research assistants at the Research Unit during parts of the period when the analyses for the book were made.

Some of the results from this study were presented by Lars P. Feld under the title *Semper aliquid haeret? Black Activities, Deterrence and Social Norms in Germany* at several conferences, in particular in his Presidential Address to the European Public Choice Society at its annual meeting from March 27–30, 2008 in Jena, at the Fourth Workshop on Behavioral Public Economics from October 11–12, 2008 at the University of Copenhagen and at the Sixth Christmas meeting of German economists abroad from December 21–22, 2009 at the University Heidelberg; under the title *Shadow Economy, Tax Compliance and the Democratic Setting* at a workshop by the DIW Berlin and the Hans-Böckler-Foundation from April 15–16, 2010 in Potsdam, under the title *How the Government Affects Tax Compliance: Survey Evidence from Germany* as a Keynote Lecture to the 66th Congress of the International Institute of Public Finance (IIPF) from August 23–26, 2010 at the University of Uppsala and at research seminars at Wuppertal and Nuremberg in 2005, Cologne and Freiburg in 2010 and at the Université

Libre de Bruxelles and the University of Frankfurt in 2011. Lars P. Feld wants to thank the participants of these conferences, workshops and seminars, in particular Naomi Feldman, Gebhard Kirchgässner, Wolfgang Leininger, Friedrich Schneider and Wolfram Richter for valuable comments and suggestions.

In addition, Lars P. Feld would like to thank his wife Susanne and his three boys, Immanuel, Leon and Bennet, for the time they had to give up in order to enable him to finish that project.

I would like to express great gratitude to the two principal researchers responsible for the project: Lars P. Feld and Claus Larsen of the Rockwool Foundation Research Unit, who has previously carried out research on tax evasion in various forms.

In carrying out this study, the Rockwool Foundation Research Unit has naturally maintained complete scientific independence in its relationships with the Ministry of Finance, TNS Infratest Sozialforschung and the Rockwool Foundation itself.

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