







Q



International Economic Journal >

Volume 24, 2010 - Issue 4: Special Issue on Shadow Economy

Volume 24, Issue 4 ► New Estimates for the Shadow Economies a

3,340 551 53 CrossRef citations to date Altmetric

Articles

New Estimates for the Shadow Economies all over the World

Friedrich Schneider , Andreas Buehn & Claudio E. Montenegro

Pages 443-461 | Published online: 13 Dec 2010



Full Article





66 Citations

Metrics

Reprints & Permissions

Read this article

Share

Abstract

This paper presents estimations of the shadow economies for 162 countries, including developing, Eastern European, Central Asian, and high income OECD countries over 1999 to 2006/2007. According to our estimations, the weighted average size of the shadow economy (as a percentage of 'official' GDP) in Sub-Saharan Africa is 37.6%, in Europe and Central Asia (mostly transition countries) 36.4% and in high income OECD countries 13.4%. We find that an increased burden of taxation (direct and indirect ones), combined with (labour market) regulations and the quality of public goods and services as well as the state of the 'official' economy are the driving forces of the shadow economy.

Keywords:

Shadow economy of 162 countries

tax burden

quality of state institutions

regulation

MIMIC model

JEL Classifications:

O17 O5 D78 H2 H11 H26

Acknowledgements

Responsibility for the content of this paper is the authors' and should not be attributed to our affiliated institutions. This work is a background paper for the 'In from the Shadow: Integrating Europe's Informal Labor', a World Bank regional report on the informal sector in Central, Southern Europe and the Baltic countries (Task number P112988). We would like to thank suggestions and comments received at the 2010 Annual Meeting of the Public Choice Society (Monterrey, CA), the 2010 Annual Meeting of the European Public Choice Society (Izmir, Turkey), and the workshop Shadow Economy, Tax Policy, and Labour Markets in International Comparison: Options for Economic Policy.

Notes

¹Compare the different opinions of Tanzi (1999), Thomas (1999), Giles (1999a, 1999b) and Pedersen (2003).

²This definition is used for example, by Feige (<u>1989</u>, <u>1994</u>), Schneider (<u>2005</u>, <u>2007</u>), Feld and Schneider (<u>2010</u>) and Frey and Pommerehne (<u>1984</u>). Do-it-yourself activities are not included. For estimates of the shadow economy and the do-it-yourself activities for Germany see Buehn et al. (<u>2009</u>).

³See Schneider (<u>1986</u>, <u>2005</u>, <u>2007</u>); Johnson et al. (<u>1998a</u>, <u>1998b</u>); Tanzi (<u>1999</u>); Giles (<u>1999a</u>); Giles and Tedds (<u>2002</u>); Feld and Schneider (<u>2010</u>).

⁴The pioneers of this approach are Frey and Weck-Hannemann (1984) who applied this approach to cross-section data from the 24 OECD countries for various years.

⁵A general overview about the SEM approach is given in, for example, Bollen (1989).

⁶A number of variables is not available for 2007, hence we have two different sets of cause variables.

 7 x $_{1t}$ is size of government, x $_{2t}$ and x $_{3t}$ are the fiscal and business freedom index, and x 4t represents GDP per capita. All series are taken as standardized deviations from the country-specific mean.

⁸The base values originate from the year 2000 except for some developing countries, for which we sometimes used base values from the year 2005 because of data availability. The MIMIC index has been adjusted to the positive range by adding a positive constant.

Related Research Data

Shadow Economies: Size, Causes, and Consequences

Source: Journal of Economic Literature

The shadow economies of Western Europe

Source: Economic Affairs

Uses and Abuses of Estimates of the Underground Economy

Source: The Economic Journal

THE MONETARY METHOD AND THE SIZE OF THE SHADOW ECONOMY: A CRITICAL

ASSESSMENT

Source: Review of Income and Wealth

The hidden economy as an 'unobserved' variable

Source: European Economic Review

Estimating the Size of the Danish Shadow Economy using the Currency Demand

Approach: An Attempt

Source: Scandinavian Journal of Economics

Shadow Economy and Do-it-Yourself Activities: The German Case

Related research 1



Information for

Authors

R&D professionals

Editors

Librarians

Societies

Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

Help and information

Help and contact

Newsroom

All journals

Books

Keep up to date

Register to receive personalised research and resources by email



Sign me up











Accessibility



Copyright © 2025 Informa UK Limited Privacy policy Cookies Terms & conditions



Registered in England & Wales No. 01072954 5 Howick Place | London | SW1P 1WG