

**Referee report for *economics* on “Shadow Economies and Corruption all over the World: What do we really Know?” by Friedrich Schneider.**

The paper starts by discussing the causes for the existence of the shadow economy around the world. It then goes on to derive estimates of the size of this shadow economy for 145 countries for recent periods (1999/2000, 2000/2001, 2002/2003). It then discusses the relationship between corruption and informality and performs some cross-country estimations. The different techniques to estimate the country-level amount of informality and the data used are discussed in the Appendix.

For previous readers of the 2000, *Journal of Economic Literature* survey by Schneider and Enste, the first question will be to determine what new information is contained in the present paper. Indeed, most of Sections 2, 4, 5 and 6 (the technical Appendix) are directly adapted from the JEL paper, with a number of sentences or paragraphs actually being straight copy/paste. The first conclusion is that the only apparent contribution is the set of numbers giving new, more recent values for the size of the shadow economy across countries, contained in Section 3. This may be of some interest, although obviously the use of cross-country data has some well know limitations, in particular when it comes to policy implications.

Beside this general comment, one additional concern is that this strand of work on the informal sector persists in completely ignoring most of the theoretical and empirical literature that has discussed seriously the issue of the causes of informality. In that respect, one of the main outstanding questions is probably that of whether some form of dualism is relevant (for example labor market dualism where regulations are constraining workers who then have no choice than to take an informal job), or whether, instead, non-pecuniary benefits attached for example to being an independent entrepreneur are the driving force. The answer to this and related questions have important practical policy implications because they condition how we want to think about “good” versus “bad” jobs, about entry into entrepreneurship and potential transition to formality later on, etc. Relevant work includes, among many others, Rauch (JDE, 91), Fortin et al. (JDE, 97), Straub (JDE, 2005), Amaral and Quintin (JME, 06), De Paula and Scheinkman (mimeo, 2006), Galiani and Weinschelbaum (mimeo, 2006), etc..., while empirically the work of Maloney at the World Bank (see a review in Maloney, *World Development* 2004), and of course James Tybout (see for example the 2000 JEL survey) should certainly be taken into account.