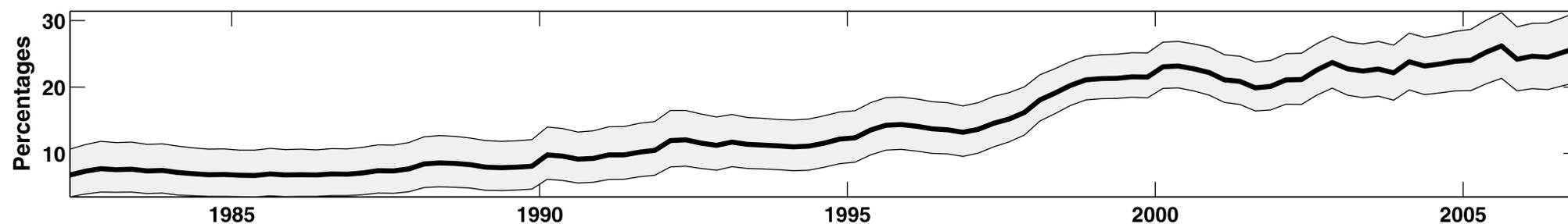
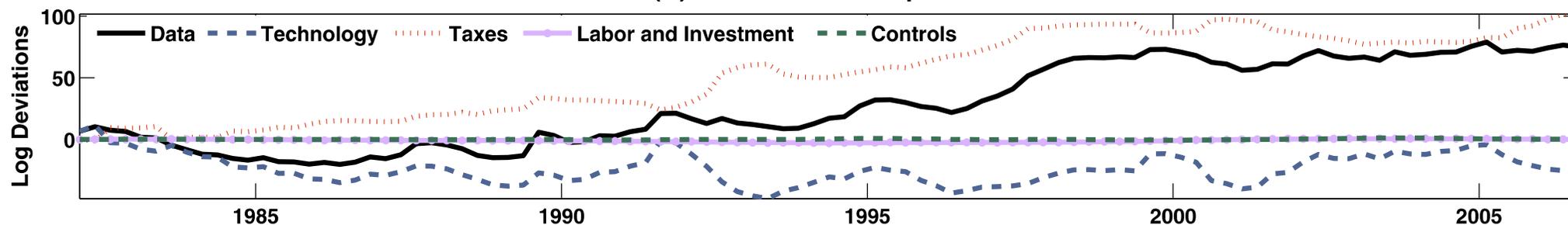


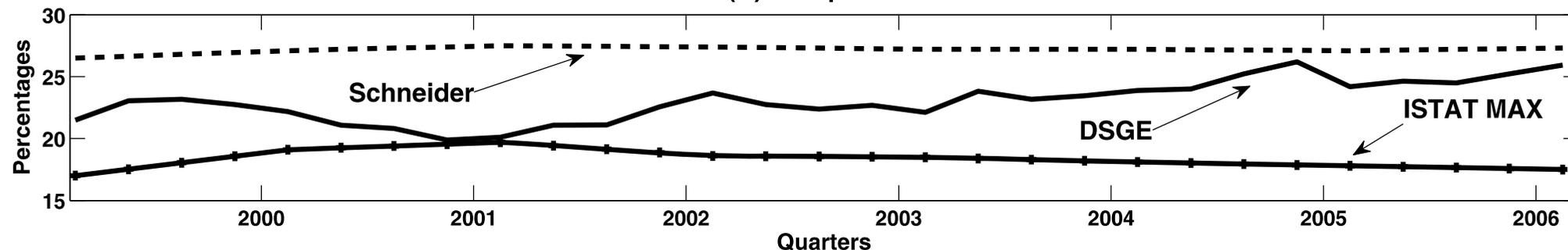
## (A) Size and Dynamics of the Underground Economy



## (B) Historical Decomposition



## (C) Comparison



**Fig. 1.** Size and trend of the underground economy. Panel A: smoothed estimate of the quarterly ratio of underground production to total output together with the 95 percent credible interval. Panel B: historical decomposition of underground production–GDP ratio. Note that the technology component includes sector-specific technology shocks. The fiscal factor includes shocks regarding corporate, social security and personal income tax rates. Other shocks include labor, investments and fiscal monitoring. Panel C: comparison with other approaches. Estimates of the underground economy provided by ISTAT (maximum hypothesis), MIMIC method from [Schneider and Enste \(2012\)](#) [p. 38] and DSGE estimates.