

# FRANCESCO FLAVIANO RUSSO

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## EDUCATION

Ph.D., Economics, Boston University, Boston MA, May 2009 (expected)

Dissertation Title: *Essays on the Hidden Economy*

Dissertation Committee: Adrien Verdelhan, Laurence Kotlikoff and Daniele Paserman

M.A., Economics (*with distinction*), University of Naples Federico II, Napoli, Italy, 2004

B.A., Economics (*summa cum laude*), University of Naples Federico II, Napoli, Italy, 2003

## FIELDS OF INTEREST

Macroeconomics, Development, Applied Econometrics

## TEACHING EXPERIENCE

Instructor, Econometrics, Boston University, Spring 2008

Instructor, Statistics for Economics, Boston University, Fall 2006, Spring 2007,

Fall 2007, Fall 2008

Teaching Fellow, Principles of Macroeconomics, Boston University, Spring 2006

Teaching Assistant, Law and Economics, Boston University, Fall 2006

## FELLOWSHIPS AND AWARDS

M.E.F. Distinguished Master Student, University of Naples Federico II, Spring 2004

Rosenstein-Rodan Prize, Institute for Economic Development (IED), Spring 2008

Graduate Scholarship, Department of Economics, Boston University, 2004-2008

## WORKING PAPERS

“The Cost of the Legal System and the Hidden Economy” (job market paper) October 2008

“Double Business Cycle: the Hidden Economy in the U.S.” June 2008

## WORK IN PROGRESS

“Is the Growth of the Public Sector Synonymous with Less Government?”

“Free Trade and Free Illegal Trade”

## LANGUAGES

English (fluent), Italian (native), French (basic), Spanish (basic)

**COMPUTER SKILLS:** MATLAB, STATA, LaTeX, Excel

**CITIZENSHIP/VISA:** ITALY/F-1 VISA

**The Cost of the Legal System and the Hidden Economy (Job Market Paper)**

I propose a dynamic model of industry equilibrium to study the effect of the costs of access and participation to the legal system on the size of the hidden economy. The cost of access is related to the monetary expenses that are necessary to start a business and to the opportunity cost of the bureaucratic procedures involved. The cost of participation is related to tax payments and to labor market regulations. The model implies that, on average, two thirds of the observed cross sectional differentials in the size of the hidden economy can be accounted for by differences in the cost of access. Furthermore the model delivers a measure of the hidden economy that is highly correlated with all the available estimates. I also show that a regression analysis confirms all the results of the numerical analysis.

**Double Business Cycle: the Hidden Economy in the U.S.**

In the U.S. the cyclical component of the GDP is negatively correlated with the cyclical component of the hidden economy GDP over the period 1960-2003, highlighting the existence of a Double Business Cycle. The relative size of the hidden economy is decreasing over all the sample, while the absolute size is increasing until the first half of the 80's and then fluctuating around a constant trend. The main contribution of the paper is showing that this characterization is robust across different estimation methods of the hidden economy. The second part of the work proposes a DSGE model that rationalizes the empirical findings. The key factor that delivers the negative correlation is a process of workers reallocation along the cycle in response to exogenous shocks. The decreasing relative size of the hidden economy is implied by the time series behavior of the effective tax pressure.

**REFERENCES:**

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