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Shadow economy

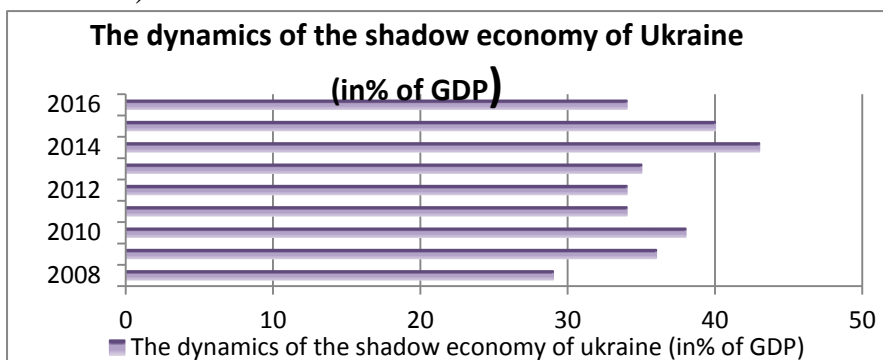
Shadow economy, which is an illegal economic activity developing out of state budgeting and control, is one of the largest barriers to economic development, welfare, level and quality of people's life as well as strengthening the national security of the state. The problem of shadowing exists in many countries of the world. However, this problem has a negative social and economic impact.

Economists identify the following types of the shadow economy:

- gray economy that includes legal economic activity where the production of goods and services is not revealed in the official statistics;
- illegal actions (bribery, speculative transactions and other types of fraud involving money receipt and transfer);
- underground economy (all types of economic activity prohibited by law).

The level of shadow economy directly depends on the economic prosperity, level of corruption, bureaucracy and social responsibility.

Ukraine's economy is characterized by a high level of shadowing (about 40% of GDP) that is demonstrated on the chart below.



In order to take the economy out of the shadow, coordinated actions of all legislative and executive branches of power are required. So, it is necessary to introduce a number of reforms that will include:

- legalization of the shadow sector;
- prohibition of shadowing;
- support to legally operating entrepreneurs;
- punishment for violation of the law;
- overcoming corruption.

The immediate actions should be aimed at improving the legislation because, first of all, the government should be interested in stimulating the economy get back from the shadow. The next step involves changing fiscal policy. It is also necessary to increase penalties for committing economic crimes. But these steps should be deliberate in order to encourage the existing shadow business to become legal.

However, the most important thing is the personal attitude of every citizen to the shadow economy. It must be treated as an abnormal functioning of society. But the way to achieving these changes in individuals' minds is overcoming the corruption in the country.