

Section 01. Modern Economics

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Shadow economy in Ukraine: ways of overcoming

The burning problem of Ukrainian business today is the proliferation of the shadow economy, which covers all areas of business life, because every year new methods and schemes of creating non-declared capital are invented. Ignoring this contradictory and multifaceted phenomenon causes serious errors in determining the macroeconomic indicators and results in inadequate assessment of the most important economic and social processes and trends, tactical and strategic mistakes in decisions making.

Fighting the shadow economy and corruption has to be complex and of vital national interest. However, the current methods remain fragmented and not complex. They are mostly limited to punitive sanctions for violating the terms of the ban.

In Ukraine, it is the responsibility of the government authorities to overcome the manifestations of the "shadow economy". But we can often see incoherence in the work of these agencies with the duplication of the administrative functions. Therefore, it allows "shadow" businesses to develop their criminal activity. Underground economic relationships are gradually evolving, being softened or even legalized in some cases.

The consequences of the "shadow economy" include:

- total criminalization of the country and society
- deformation of the tax system
- significant decrease in the efficiency of macroeconomic regulation
- growth of investment risks and worsening the investment climate.

Under these circumstances, it is important to create a special state body which could control the situation with the illicit economy and interact with all other government agencies and foreign bodies. This agency must have broad rights and perform the following functions: accumulation, analysis, prevention, investigation and prosecution of illegal business. To facilitate its work, it is necessary to create and introduce the electronic database, which would contain information about dishonest taxpayers, as well as financial and economic activity of enterprises and individuals, with the possibility of further data exchange between the state bodies in case of suspicious transactions.

In result, overcoming the illegal business activity will stimulate further development of the national economy and society. Being legal and bound to the law, the country economy can tremendously increase its potential and become effective. In the opposite case, the economy of Ukraine will follow the Latin American way of development with a predominance of narrow-clan interests, being beyond the reach of the law, that will lead the population of the country to poverty.