

THE INFLUENCE OF INSTITUTIONAL STRATEGIES ON THE UNDERGROUND ECONOMY

Ciprian Tudurachi, PhD Student

Valahia University from Targoviste, tudurachi.ciprian@gmail.com

Liliana Paschia, PhD Student

“1 Decembrie 1918” University from Alba Iulia, paschialiliana@gmail.com

Abstract: *The fight against shadow economy must be addressed not only as a permanent concern of economic analysts and decision-makers, but rather as a problematic ethical-moral nature affecting economic and interpersonal relations, as strategic and operational object. The authors attempt outline an institutional management strategy geared towards underground economy combating has as objective the strands establishment without having exhaustiveness claim. We make a case for extending the implementation of a coherent program, strategic and operational, and its adoption as a way of institutional management in the context it really wants to launch a concerted offensive to combat the underground economy.*

Keywords: underground economy, shadow economy, strategy, annual planning, strategic management, operational management, strategic programming, institutional strategies

JEL Codes: M1, K40, K42

1. Introduction

The adoption of a strategic and operational program, as a way of driving, geared towards combating the underground economy, involves a global approach, but also the need to ensure an organized targeting institutional effort in this regard.

It should be stressed that the strategy is that option that ensures the alignment of institution future direction and control. In this context it is clear that it is necessary to define the instruments of planning, to set objectives, which become operational targets, all of them gaining a predominant character in the context of practical guides and annual action programs.

Avoiding the strategic decisions adoption implies the existence of an isolated integrated and dynamic vision of future activity, which should materialize in a "strategy for medium or long term".

The most appropriate instruments for combating the underground economy are represented by medium or long term strategies and operational guidelines, which unlike the strategies; they need to have a detailed and predominantly technical character, specific to each activity sector addressed to.

2. A strategy to minimize underground economy

A strategy to minimize underground economy should summarize the major action objectives and lines decided at the institutional level in order to achieve the reduction of the proposed targets meaning the decreasing the systems underground economy (Figure 1).



Figure 1. General components of a strategy to reduce the shadow economy

Source: own vision

A proper strategy requires a clear distinction between economic issues and those related to its implementation. From the economic point of view, the strategy must provide answers at least to these questions:

- What are the costs generated by shadow economy?
- What are the prevention measures to be taken to quell the different forms of phenomenon?
- What are the benefits obtained because of shadow economy decrease, and what are the measures taken in order to increase the effectiveness of actions to combat it?
- How various adopted measures affect each other, positive or negative?
- What are the measures that should be taken and what are decision-making levels?
- How could be measured the degree of strategic objectives achievement?

It raises a lot of other questions when strategy is implemented. It seems important those relating to the manner in which the obtained benefits based on collaboration between all stakeholders, and how they can be neutralize or how they can be turned into allies. It should also be assessed the impact of the direct and indirect actions, should be guaranteed the necessity to improve strategy implementation chances and the monitored progress during its whole implementation.

However, the underground economy should not be approached only in terms of economic development and deployment. The fight against shadow economy must not be seen as the ultimate goal because, at some point, the economic costs of shadow economy reducing will outweigh the benefits, and a correct prevention and combat strategy may represent only a starting point for financial restitution at the institutional level, for the social service provision reforms, for greater citizens' involvement etc.

Institutional strategies geared towards combating the underground economy, covering the objectives and approaches to be followed in order to achieve them, reinforce efforts to combat the phenomenon in all societies. Although the need for a strategy may be evident, often campaigns against shadow economy does not formulate clear and specifically to such an approach.

The adoption of a reform strategy made essential knowledge of these principles and the real situation. Most of the times it is very difficult, if not impossible, to identify, monitor and punish the practices of the shadow economy at the institutional level. It seems easier strategies development targeted for the purposes of phenomenon limitation. However, they must involve organizational measures: strengthening of the necessary structures, adopting a system of incentives etc.

Institutional management strategies must first assess what are the benefits and what are the costs of the measures adopted. It is also necessary to have a coherent action plan to implement the strategic objectives, as well as a system of the results measurement.

The most important factors to be taken into account with a view to create a conducive climate to reduce institutional shadow economy are:

- ✓ a real state powers separation of;
- ✓ the existence of the periodic financial reporting systems very well developed;
- ✓ rigorously and institutional transparency;
- ✓ judiciary uncompromising, unruly politics;
- ✓ precise, clear rules;
- ✓ well grounded laws.

A strategy, no matter how well it is made up, can't set goals of simultaneously fighting against all forms of shadow economy. Therefore, we consider that priority should be established according to the direct and indirect impact that they have on society.

Furthermore, a strategy involving a clear vision of what you want to achieve, the means and the instruments that will be used, but also on the ways forward in the short term, medium and long term. To be credible, a strategy to fight against shadow economy must provide immediate, measurable results, however, it is necessary that it be a step-by-step action plan for three-five years, including realistic goals.

3. Strategic and operational programming and underground economy

The establishment of the basic principles is the most important element of the fight against the underground economy in the right direction. There are also shared values that can provide a general institutional framework:

- ✓ citizen's rights, even if situations may affect the institution;
- ✓ a new quality of relationship with the citizen: citizens become an institutional partner;
- ✓ transparency: citizens must be fairly, clearly and timely informed;
- ✓ non-discriminatory treatment for all citizens: in any event, persons having similar situations should not be differentially treated;
- ✓ avoid adverse effects which the adhesion to the goals of the institution they might create: citizens should not be misled;
- ✓ increase computerization: it allows avoiding direct relationship, make face-to-face with citizens, which in turn will limit the opportunities of active or passive corruption;
- ✓ the professionalism and morality guarantee a good practice.

Practical implementation is a particularly vast mechanism, involving mediation between public power and institutional system, whatever it would be.

Implementation of the strategic objectives must be addressed, however, through multi-year objectives implementation annual concrete programs. A guideline in this regard could support the success of such strategies. It should describe the behaviours for the application and implementation of principles aimed at ensuring a conducive environment to the practical actions of the strategy, the strategic objectives, and action lines of, perennial or annual, as well as measures.

Because the program details the strategic objectives and lines of action is splitting them into specific measures, it must be virtually in its entirety. In this context, one can speak of a coherent plan of action based on accurate measures, timelines, responsibilities, and achievement indicators for results measuring.

A guide to ethics is part of overall strategic tools and has a practical value for default institution in implementing its primary purpose being to obtain efficiency.

Strategy and guidelines can be replaced with an anti underground economy programs that target directly the objectives and practices of the institutions in which it and their partners implement to.

Obviously, the programs are much more practical than practical strategies that include targets and a series of high-quality guidelines, principle, less quantifiable. Unlike these, the programs are less descriptive and more profound.

4. Conclusions

Complexity and at the same time, the specifics of the underground economy, leading to an integrated approach to problems, actors being not just civil servants and/or businesses, but the State itself. Therefore, most uncertainty related to the evolution of this phenomenon is the Government's responsibility towards the black economy generated in public institutions, intervention capacity of public powers and their interest in combating the phenomenon, the responsibility of the State in the context of the active participants in the activities specific to the shadow economy are, as a rule, government workers, taxpayers, on their behalf, intermediaries, etc.

"Agents" of the shadow economy are individuals or representatives of employees / managers or intermediaries, persons whose action cannot be held responsible State. Under these circumstances, can we consider the State as being guilty, or this Act, the authority to take measures to sanction such practices?

Because of the processes involved, based on knowledge of the present and future vision, the strategy puts special emphasis on adapting the Organization to the evolution of its environment. As a result, necessarily, the strategic approach should make an inventory of the goals, each of which is accompanied by lines of action and the necessary measures to be adopted. In addition, in the context of the annual action programmes shall be established deadlines for implementation and indicators for measuring results.

Implementation in the practical work of the strategy requires the establishment of milestones along the way at both central and local levels. This stage involves large, strategic objectives detailed in tactical and operational goals, flexible and tailored to specific institutional implementation, expressed quantitatively, capable of measuring its effectiveness.

Underground economy should not be seen as a chance to some, as a temporary irregularity in work or morals of a citizen or group of citizens who violate the rules and legal regulations. An efficient approach to the phenomenon must necessarily involve a management change at the institutional level. In other words, it takes a change of system and policies because the practice of specific activities of the shadow economy at the individual or group is only a consequence of their operation, and punishing those guilty has a relatively limited impact.

5. References

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