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**Analysis of reasons for the emergence of the secret economy**

**Abstract:** this article describes the nature of the secret economy, the main forms and areas of the manifestation of the secret economy. In addition, the causes and factors of the development of the secret economy have been studied. The socio-economic consequences of the development of the secret economy are analyzed.

**Key words:** secret economy, secrecy, price of secrecy, unregistered, informal economy, hidden.

Making exchanges in private mode is also associated with costs. Subjects operating in the secret economy, who have achieved savings in one type of costs, make more other costs - they are obliged to pay the "price of secrecy". Privacy assessment consists of several elements.

1. Costs associated with evasion of legal regulations include: paying tax and other financial advisors; production limitation and lost profits due to advertising (the bigger the company and the more active it is in advertising campaigns, the greater the chance of being caught by regulatory authorities); the costs of "double-entry" accounting and the resulting losses from accounting and control difficulties in the enterprise.

2. Expenses related to the transfer of income. All economic entities pay indirect taxes and inflation tax. However, unlike public economic entities, private economic entities cannot apply to the state for the protection of violated property rights. It is also necessary to add difficulties related to obtaining a loan.

3. Expenses related to refusal to write down taxes and wages. Avoiding mandatory payments to income tax, social security fund and pension fund allows the enterprise to save on wages, but it reduces the interest in replacing labor with capital and re-equipment. De Soto uses the term "animated capital" to describe confidentially recorded property rights: this capital cannot be used as collateral, invested in collateral, freely sold, and sometimes simply bequeathed.

4. Costs related to the impossibility of using the contract system. The confidential event of concluding contracts makes it difficult to implement long-term projects involving many economic entities. In cases where there is a need to revise the contract, they cannot apply to court or arbitration. *Costs related to the absolute two-way nature of the confidential transaction. The attempt to hide the activity and its results from the law encourages to limit as much as possible the circle of participants of the collusive transaction. Costs of using confidential dispute resolution procedures. First of all, maintaining good relations with a large number of relatives, compatriots and other "ones" in order to resolve conflicts requires time and funds for exchange of services. Secondly, turning to mafia services, which perform the functions of courts and power structures, is conditioned by the need to pay a specific tax.*

*There are methodological approaches to the underground economy as a category, which are as follows:*

- in the economic approach, the underground economy is studied at the global, macro- and micro-level, as well as institutional aspects;*
- the legal approach takes into account the relationship to the normative system of regulation, that is, avoiding official, state registration and control;*
- not registered and taken into account in accounting and statistical bodies;*
- in the criminological approach, activities that harm the society and the individual are taken into account;*
- the secret economy is researched on the basis of all approaches and criteria in a comprehensive approach;*
- in the cybernetic approach, the secret economy is considered as a self-regulating and managing system, economic-mathematical models for forecasting the development of the secret economy are developed.*

The range of variability in the scale and nature of activities in the underground economy is very wide - it includes processes from large profits from criminal activities (for example, drug dealing) to "rewarding" a plumber with a bottle of vodka for a repaired faucet. Secret economic activity is divided into types of production and redistribution activities according to its effectiveness. In relation to the official economy, there are types of secret economy such as internal economy and parallel economy. The following types of secret economy are defined according to the stages of reproduction:

- confidential production;
- confidential distribution;
- confidential exchange;
- discreet consumption.

Secret production is manifested in illegal, unaccounted for, hidden, small-scale production, production of low-quality products, irrational use of production resources.

Secret distribution is expressed in illegal distribution of income, special distribution, theft, embezzlement of state property, encroachment on private property of citizens and crimes against it. Secret exchange occurs in the form of illegal trade, deception of buyers, sale of illegally produced products. Illicit consumption is the consumption of illegally obtained benefits, illegal use of services, consumption of products that are not accepted in society, designed to satisfy the destructive needs of people, and the use of services of a similar nature. Types of confidential economic activities in the market of consumer goods and services by market types;

in investment goods markets; in financial markets; in labor markets; will be available in other markets (information, technological, intellectual property). The clandestine economic activity has long gone beyond the scope of the formal economy and has been parasitic in all spheres of society: from the household economy to large enterprises, influencing the state's activities and changing the standard of living and lifestyle of the country's population. All this allows us to conclude that the informal economy should be considered as a separate segment of the social economy with the following social characteristics:

- • universality;
- • integrity;
- • the relationship with the external environment, which manifests itself through convergence with the official economy and legal economic structures, as well as state and community institutions;
- • the composition of stable connections and relations in the Khufyan economy, the ability to ensure its integrity and uniqueness, and the ability to preserve its main features with various internal and external changes; hierarchy (as a special case of the structure) - arrangement of parts and elements of the private economy from top to bottom;
- self-organization and continuous development, the ability to organically join world economic relations; Expediency and the existence of a universal working mechanism consisting of the generality of the usual methods and methods for achieving practical goals;
- existence of two opposing principles - constructive (production sector) and destructive (criminal sector).

It should be said that different types of secret activities differ in quality. For this reason, in order to properly understand the problems of the underground economy, it is necessary to distinguish its main segments and sectors. In economic science, the following criteria are used to determine which sector of the economy belongs to the informal, criminal, fictitious, clandestine or open, official economy:

- fiscal (tax) interests of the state;
- real volume of GDP;
- legal parameters;
- description of the interaction of pilgrim subjects.

The secret economy is manifested in the concealment of income from taxation. Tax evasion methods include:

- opening several account numbers in different banks and carrying out monetary transactions through them without being fully indicated in the accounting;
- use of trust, promissory notes and other accounts;

- keeping "double bookkeeping", dealing with cash, thereby concealing income and cash receipts from taxes;

- by registering an enterprise in one city, district, but opening an account number in banks in another city, district, they avoid paying taxes in the place where the enterprise is registered and in the place where it operates, that is, they evade;

- increase the cost of the products (services, works) sold at the expense of unaccounted costs;

- in the official accounts and payment documents, based on the agreement of the parties, the value of the work performed (rendered services) is shown at low prices, and the rest of it is distributed among themselves in the form of cash. Cash income is hidden from taxation.

The operations carried out in the secret economy can be divided into the following types:

- economic and financial transactions that are completely excluded from accounting and are not taken into account anywhere. Such operations are carried out by legally registered and unregistered enterprises;

- partially hidden operations. In this case, a part of the operations carried out by the enterprises, that is, a part of the received income, is not taken into account in accounting and is hidden from taxation. The clandestine economy is divided into criminal, criminal or unmonitored clandestine economy sectors, depending on whether or not it contradicts the current legislation. Economic activity is generally hidden in the criminal, i.e. criminal, underground economy. In the unobserved, informal sector of the economy, spending or income is hidden or not taken into account at all<sup>13</sup>. These types of activities are organized in the form of clandestine, illegal enterprises, shops, clandestine businesses and business entities or officially operating enterprises (firms). Organized crime emerges and develops within the framework of the clandestine criminal economy. The criminal underground economy based on organized crime is often involved in the production and sale of goods and services prohibited by the above-mentioned legislation. One of the forms of criminal organized economic activity is racketeering. Racketeering is a business based on intimidation and blackmail. Such types of activities include actions that are completely denied in the official economic life, which cannot be reconciled with them, and lead to the disruption of the official economy. This proposed classification should not be absolute. There is no sharp boundary between different forms of the underground economy. For example, organized crime groups may collect "tributes" from informal sector enterprises and use their connections with legitimate entrepreneurs to launder their profits. The informal economy covers all goods and services, resource markets and all sectors of the economy. Also, enterprises that do not have the status of a legal entity, are not officially registered, and have the status of a legal entity can be subjects of the clandestine economy. Economic entities with the status of a legal entity are engaged in clandestine production and exchange. Business entities that are not officially registered include:

- natural persons who are not officially registered as entrepreneurs engaged in the production and provision of services to households and enterprises on the basis of payments in cash or in kind;

- provision of paid housing and other services;

- secret enterprises and shops producing legal goods and services. Their activity is not taken into account in statistics and accounting. The underground economy operates at the micro, meso, macro and mega economic levels. On a global scale, the secret economy is manifested in banking and corporate spheres in the form of financial and economic crimes, drug business, prostitution, human trafficking, porn business, secret arms trade, "money laundering", i.e., legalization of money obtained through crime, and forms of corruption. The hierarchical structure of the economy of Khufiona is characterized by many relationships between components, the most characteristic of which is coordination and subordination. Coordination (horizontal order) and subordination (vertical order) are characteristic of modern informal economy, so informal economy is not only a hierarchical, but also a network structure. The exact structure of the economy of Khufonia allows us to draw a conclusion about the existence of a parallel state with a similar official system of administration in the country. Khufyona's economy is organized according to the pyramid principle. The shape of the pyramid was not chosen by chance. First, it supports the verticality of the interaction of the subjects of the secret economy (the dependence of the "below" on the "above"). Second, the number of participants in each horizontal segment is clearly specified with a certain number of assumptions.

Usually, the pyramid appears to consist of three segments (the first being the top). Of course, for each meso-, micro-, and macro-level government, the composition of the pyramid will be different. With the more detailed construction of the pyramid at the federal level, each segment probably reflects a certain relief formed by the pyramids of the state structure and groups of elements when meso-micro combined. The summit of the tetrahedral pyramid consists of: 1) the first persons of the executive power, as well as the assistants of the legislative bodies, the first representatives of the judicial, investigative, and financial bodies who have real opportunities to make the necessary decisions; 2) financial and industrial capital - entrepreneurs whose capital corresponds to the micro and mesoscale budget; 3) organized criminal association - on the one hand, representatives of big business, and on the other - criminal businessmen who are representatives of the criminal world; 4) the authoritarian hierarchical institution of the Orthodox Church is the largest owner of real estate with a large flow of money closed by state intervention. The middle segment of the pyramid consists of entrepreneurs, businessmen, financiers, and industrialists. One thing unites these people - the desire and opportunity to become the basis of the middle class of a country with a simple market economy. This class also includes a number of "average" (in terms of influence) officials and criminal elements who use their positions for personal gain. The potential allies of the undercover workers in the middle of the pyramid are, in our opinion, the extreme part of the third segment - the feet of the pyramid, represented by hired workers, ordinary civil servants, ordinary criminal elements.

### **Conclusion**

In conclusion, we should say that the market and the state have fundamentally irreparable flaws (imperfections) that create an opportunity to carry out socially dangerous activities in the economic sphere. The irremediable imperfection of the market and the state is exacerbated by the excessive strengthening of the role of the state and by unjustified exclusion of the state from the performance of its specific tasks.

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