

The underground macroeconomics

“Like Physics, which cannot yet explain 96% of the substance in the Universe, so is Economics, unprepared to understand and to offer a rational explicative model to the underground economy.”

The habit of conceptualizing certain components of the economic reality from a moral perspective functions as a barrier to the truth. That is the predicament of the concept of underground economy, which – though excessively themed – is incompletely theorized, expelled from the core of economic theory and minimally formalized. Thus reality undergoes statistical approximation, is indirectly evaluated and treated in normative terms.

The hard core of the underground economy, usually associated with corrupt individual behaviours or at most with illegal activities of criminal organizations, is excluded from the object of Economics. The underground economy is perceived as a problem for Justice to solve. The breadth of specific courses of action is limited by the model of defining the interdictions of the legislative systems. The principle according to which everything which is not expressly forbidden by law is therefore permitted crystalizes by negation the state and phenomenology of the underground economy.

The underground economy has an undeniably baffling effect over rational understanding, its mores seemingly consistent with an esoteric plane of action, where by the law of secrecy and discretion the reality is replaced with sufficiency. Thus it has become a repetitive rule for the underground economy to be handled marginally, as a phenomena perverted by individuals or groups who bypass the usual paths of wealth making. From this stems the inadequate manner of constructing the understanding and the explanation, whose consequences are determining – among others – the context for the public decision motivations on the eradication of the underground economy practices. Around the concept of underground economy there have developed various institutions aimed at fighting it. Essentially, the underground economy synthesises negative intellectual reactions.

The contour and the substance of the underground economy also pertain to the interpretation of the freedom of thought and action as a logical consequence of the founding of the vision of reality exclusively on the principle of methodological individualism. From this point of view, the underground economy is conceptually contaminated by the ideological structuring of the understanding. Out of all the

theoretical perspectives, economic libertarianism – as well as social libertarianism – generates the inclination to avoid the space of economic rationality. It does so paradoxically, through the fluidity of the free-market conceptualization and it results in the most insistent contemporary source of intolerance to the setting of norms.

The underground economy is an implacable reality, ostensibly cognizable, despite the inhibiting signal given by the inadequate adjectivization. The nominal qualification of “subterranean” sparks quite a cognitive dissonance, even though this isn’t about a visible enough type of economy, somewhat present in the material body of the society through specific agents, permanent action and measurable effects. The underground economy is an unavoidable consequence of any activity which is set up to the reach objectives related to utility and wealth.

Historically, the underground economy accompanies mankind on its journey toward prosperity. It fills the permanent and immense voids between the expectations of comfort and the possibility to access the resources needed for their fulfilment. It is, by definition, a macro-reality. Using the suggestions of cosmology, it could be said that the underground economy bears similarity to the companion to the four percent of the visible, material Universe, meaning the twenty three percent of dark matter and seventy three percent of dark energy. Just like Physics, which cannot explain the further ninety six percent of the Universe’s substance, so is Economics, unprepared to understand and offer a rational explicative model of the underground economy.

The epistemologically complicated part is that our theoretical perception in Economics relates to a whole, when in fact we have gotten used to talking just of one part, the one whose dimension is suggested by the concept of economic rationality presented in positive terms. Economic rationality, though, holds an integral sense if it is seen as a path for the realization of social finality in its diversity. Thus, the standard epistemological perspective came to admit a skewing of reality, because the social finality is served by the entire human actional plane, including that which we attribute to the patterns of the underground economy.

In fact, that which exists as a part excluded from the universe of Economics is underground Macroeconomics. Which is an objective reality drawn on a special type of the institutional conventionality of the inter-subjectivity, an acceptance of the maximization of the immediate goal of wealth possession through tacit arrangements. In these conditions, it is easier to understand why the problem of using the means for obtaining wealth is relaxed when it has to offer solutions. Calling upon offshore practices, for instance, originates from this. The offshores are but mere geographical points, but their spread is global, especially in the form of depersonalized capital and secret currency operations. The offshores drag in their wake tax evasion, the black market, rent-seeking monopolies etc. The present crisis is triggered by the excessive irrationality exuded by the unsecuritized drivers of stock exchange capitalization, the fictitious value and the absolute reliance of speculation.

The control of the global energy market, especially through violent means, as well as the discrete management of profit draining from the ultra-productive illegal

drugs markets, organ trafficking or even labour trafficking cover an important segment of the underground economy. The trade in duplicates, reproductions, copies, replacements and fakes is part of the impressive arsenal of an omnipresent reality and massively used in some national strategies for economic development. There is not an insignificant predisposition for influencing the markets through evaluation and rating, demand-creating campaigns, stimulating consumption, creating market exuberance, determining demand through the creation of electronic and biological viruses. In particular, the region of ex-communist countries has often witnessed the market-cleaning-through-privatization phenomenon, or the pressure to evolve into consumption markets. The “bickering” around budgets and the leeching of public property, together with the encouragement of economic migration and the acceptance of illegal employment diversify the specific flavour of transition economies.

Escaping the cognitive complex of the micro-phenomenon’s typology seems to be a solution for constructing a veritable explicative model of the underground economy. Perhaps approaching the underground economy as a problem of over-determination would be the winning choice of the increase in knowledge. In any way, circumscribing the hypostasis of the states of the underground economy would lack a real finality without taking into account the macroeconomic context, especially in its natural conjunction with society’s governance. The sprouts of the reality called “underground economy” have a societal determination, crossing the frontier between the potential and the real in the human actional field.

The underground macro-economy is really a problem of national and global governance, not just a result of individual initiative and of private property. It is obvious that in many places and situations – when market hegemony, the corporatization of governance or the economic occupation of states are accepted – the processes of the underground economy are being employed. Just as well as there are situations where the contribution of the underground economy is added wholly to the prosperity of society. This truth is without doubt for any metropolis, as was evident in the penurious economy of communist regimes when the fridge was full of products from the underground economy. The successful strategies in breaking the vicious circles of development and of evading from the periphery are not strangers to the doubling of the Solowian residuum with the impulse of the underground economy in the multiplication of prosperity sources, thus being proceeded without exception wherever there was social success. The philosophy of the last frontier was proven – where it was applied – to be the significant base of the integral path towards performance.

Finally, treating things on principle, there is a powerful reason for the abstaining in including the underground economy in the usual theory of wealth creation: its real extension undermines the hypothesis of rational markets and the eminence of homo oeconomicus. Accepting the underground economy within the theoretical body of Economics erodes the construction of market rationality, an otherwise hard idea to match with the logic of the inter-subjectivity activated by selfish interests.

The approaches of behavioural Economics, in an Akerloffian manner for example, as well as those of heterodox Economics tend toward the nuancing of the explicative model by taking into consideration the hypothesis of the combination of motivations and answers in the space of transactional inter-subjectivity on aggregating intervals of economic/noneconomic and rational/irrational.

Theoretical realism in understanding the economic whole would evidently lodge itself within this conceptual grid, which would place together – by final effects – the surface economy and the underground economy.

Marin Dinu

Contents

Corruption, public integrity, and globalization in South-Eastern European states. A comparative analysis Andrew I. E. Ewoh, Ani Matei, Lucica Matei	7
The risks of Euro adoption in Romania – an analysis based on ten criteria Marius-Corneliu Marinaş	35
The impact of foreign direct investment on economic growth: the Portuguese experience Nuno Carlos Leitão, Saeed Rasekhi	51
The lack of consistency in budget deficit criteria in the Stability and Growth Pact Andrei Hrebenciuc.....	63
Local reforms by political conditionality: trials and erros in Central and Eastern Europe Diana Iancu	73
Employment in the EU countries: a panel data analysis Larisa Stănilă, Mădălina Andreica, Amalia Cristescu.....	87
Territorial efficiency of the cohesion policy in Romania Daniela Livia Traşcă, Mirela Ionela Aceleanu, Daniela Sahlian.....	103
Corporate social responsibility and organizational identity in post-crisis economy Diana Andreia Hristache, Claudia Elena Paicu, Nilgün İsmail	113
Urban and rural educational system disparities in Romania Mihaela Roberta Stanef.	121
Green economic growth premise for sustainable development Carmen Lenuţa Trică, Marilena Papuc	131
Adaptation of the tourism in Romania to the new economic context imposed by the global economic crisis (in 2010) Silvia Iftime, Paulina Cornelia Podina	141

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