

# Shadow Economy as a Threat to Economic Security

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## **Abstract:**

The article scientifically examines the influence of the shadow economy on the economic security of the country. During the study, experts from countries such as Russia, England and Germany, who conducted scientific research within the framework of the topic, summarized the conducted scientific research on the secret economy, their suggestions and recommendations, and also summarized the general conclusions. regarding the influence of the secret economy on the economic security of the country.

**Keywords:** shadow economy, gross domestic product, corruption, inflation, tax system, budget deficit, competition, macroeconomic policy, criminal economic activity, criminalization of the economy.

Economic security by its classical definition is a state of security of the economic interests of the individual, society and the state, or protection from internal and external threats. While this definition broadens the content of economic security, it is considered inconvenient to analyze another economic process in a security cross section. This can be explained on the one hand by the generality in the definition, that is, by the fact that interests and threats are not more clearly revealed, on the other hand, "affordability" expresses absolutism in itself and reduces the possibilities of applying "soft" techniques in the analyzes. Another definition that has been elevated to the classical level in this regard is the academic It belongs to L.Abalkin and has become an application-implementation in the study of the processes of ensuring economic security. By definition, economic security is the sum of conditions and factors that ensure the independence, stability, resilience of the national economy, the ability to constantly be renewed and improved. This description was published and It was also used as a basis in by Uzbek scientists H.Abulkosimov B.Israelov .

As a result of the research carried out, it turned out that the scientific approaches expressed on the impact of the hidden economy on economic security can be conditionally divided into 3 groups. The first group includes approaches aimed at directly describing the impact of the hidden economy on economic security. In them, this effect is explained mainly through negative situations that arise as a result of the activities of the hidden economy. For Example, Among the threats to the economic security of the country as a result of a hidden economy in B.Israilov's scientific work are the development of corruption, the separation of the population into rich and poor layers, an increase in inflation, a deterioration in working conditions, and in general, a slowdown in economic growth. The International Monetary Fund (IMF) as well as the Institute for Economic Affairs, however, state that the hidden economy poses threats to economic security in 7 directions:

*Table 1.1 Threats to economic security caused by the shadow economy*

<b>Threats to economic security</b>	Loss of taxable income
	Fall in efficiency
	Inadequate protection of workers
	Unhealthy competition
	Distortion of economic indicators
	Distrust of institutions
	Crime

O.Meleshko used econometric models to assess the impact of the financial security (economic security sector)ka of the clandestine economy, finding that it could cause serious damage to monetary and fiscal stability . H.Mishchuk, on the other hand, concluded that a clandestine economy would cause social problems, including an increase in poverty, as well as homelessness . If A.Ermoshina saw a violation of normal economic relations , the greatest threat that could arise due to a hidden economy, S.Melkov took the issue more seriously and put forward the idea that a secret economy creates favorable conditions for terrorism . In general, in the first group of approaches, the threats that can arise as a result of a hidden economy are studied not only from the point of view of economic, but also from the point of view of social and national security in general. The second group of approaches, on the other hand, sees the influence of the covert economy not as a threat, but as a "negative effect". But in content they will earn almost the same meaning. Including A.A.Dakhadadaeva and S.A.Chernovas As a negative consequence of the clandestine economy, the have shown a reduction in the country's budget funds, as a result of which there is an overload of official business representatives in the country, an increase in corruption, a decrease in control over the turnover of financial funds, the influx of capital into offshore territories, an increase in negative.

Some of the opinions of the authors were expressed by The Economist scientist D. Svetkov's approach It fits perfectly. The scientist believes that the most negative effect of the hidden economy, which should be paid attention to, is that it leads to a decrease in the efficiency of the tax system. Because while official business representatives pay part of their income as taxes to the state, rather clandestine economic activities hide taxes and other mandatory payments that must be paid to the state in exchange for cashing in money and bribing officials. The influence of the hidden economy was studied by G.S.Vechkanov in both positive and negative aspects. In particular, dwell on the positive aspects of the hidden economy, interpreting it as follows:

- the presence of clandestine production causes increased competition between enterprises in the country; - provides an opportunity for those who are employed to earn additional income;
- leads to a reduction in the number of unemployed in the country.

The scientist characterizes the threats that the hidden economy can pose in relation to the country's economic security as follows.

- cuts state budget revenues;
- leads to a decrease in the income of the subjects of the economy, who are obedient to the law; - reduces the level of efficiency of macroeconomic policy;
- leads to the deformation of the economy system;
- worsens the investment environment;
- the law-abiding taxpayer worsens the environment of the subjects of the economy;
- harms the national interests of the country and its economic security.

A. Timchenko has outlined several objective and subjective aspects that make hidden economics possible. In particular, the author is seen as one of the main reasons for the emergence of a hidden economy as insufficient satisfaction of consumer requirements. This situation leads to the emergence of hidden trade in the market of goods and services as a factor affecting the emergence of a hidden economy. Another influencing factor is seen as the seller's desire for sole power in the market. That is, a monopoly seller seeks to establish his desired price in the market. In this regard, the monopolist manufacturer tries to set a market price in order to establish its dominance in the market, seeking not to put the producers of its goods and services in this market, but in agreement with the existing ones. A.K. Bekryashev, I.P. Belozerovs studied the socio-economic consequences of hidden and criminal economic activity, stating that today the hidden and criminal economy is considered as an element of the economic system. In their opinion, along with the negative aspects of the hidden economy, they touched on the existence of its positive aspects. In particular, in some cases, the presence of a hidden economy has a positive effect on the economic growth of the country. In particular, the excessive regulation of the economy by the state, especially in the planned economy, is such that any hidden economic activity, despite the illegal activity in society, is directed to the production of some kind of work, service or goods, which in this case serves to increase the country's GDP to a certain extent. So, A.K. Bekryashev, I.P. Belozerov, A. Jalilov and in support of the scientific conclusions of the A. Timchenko, it is advisable to analyze the threats of the hidden economy to the economic security of the country in the following areas. In the field of taxation - the hidden economy exerts its negative influence on the tax policy of the country. In particular, the fall of taxes and other mandatory payments, which, as a result of clandestine economic activity, should fall into budget revenues, or will lead to a low fall in revenues of the established perspective.

As a result of a certain degree of tax avoidance of entities operating in the economy or the concealment of their taxable sphere, the fact that they cause irregularities in the distribution of taxes in the tax sphere leads to an overload of tax burdens to certain slaughterhouses and organizations. This situation will also stimulate legal taxpayers to reduce their tax activity in illegal ways, to differentiate income.

In the field of macroeconomic policy - negatively affects the effectiveness of the macroeconomic policy of the state. That is, such problems as the formation of annual budget revenues by the country, as well as promising plans for their distribution, the failure to fulfill state programs, the lack of funds to finance the established plans.

In the field of state budget policy - the occurrence of deformalization situations in the budget system. That is, the process of planning the income, as well as the part of expenses of the country's annual budget, is planned directly according to the formation of the part of the income of the budget, such as receipts, taxes, payments to the budget. The high volume of the hidden economy in the country, as well as its increase, will lead to a significant decrease in the budget's indicators set in

relation to the plan for the revenue part, and this is considered as a factor affecting the deformation of budget revenues.

In the monetary sphere-in the hidden economy, the increase in monetary funds is seen as a negative factor affecting the monetary policy of the country. The increase in the non-bank turnover of cash funds, which is a treatment in a secret economy, leads to the occurrence of excess extents in the country's banks in relation to cash. This, in turn, is considered as a factor that artificially causes inflation in the country. That is, as a result of the non-circulation of cash in banks, it leads to the untimely payment of payments, such as monthly salaries of employees operating in state organizations, social benefits, pension payments. In order to solve these problems, the state is forced to issue money masses in addition to circulation.

In the economic-social sphere-the lack of cash funds in the country increases the distrust of the population of the country in relation to the economic-social policy pursued by the state. The insufficient social protection of the population of the country, especially the low-income population, can be due to various social dissatisfaction of the population in society, and in some cases, to the tension of the social situation, for reasons that provoke social outbursts in society.

In the field of investment - the increase in the indicators of the hidden economy, it also negatively affects the investment environment of the country. That is, there is a first when foreign investors plan to invest in which country, they carefully study such processes as the economic environment in that country, the state of the hidden economy there, corruption, inflation, the investiture policy of the state. The main goal of investors is-income. This means that when the investment made by the investor is completely sure to justify himself, he will invest his own investment in this country. And the opposite will be true in those qualifications in which the hidden economy has developed.

In the field of regulation of market mechanisms - the hidden economy also exerts its negative influence on market mechanisms. In particular, the influence of the market on the price policy of competition and labor efficiency is evident in the price policy offered by a hidden manufacturer and a legitimate manufacturer by producing a homogeneous product. That is, the income that hidden production entities earn due to the fact that the costs of production recognition (works, services) offered are lower than those of legal producers, which means that the chances of earning income due to the scarcity of expenses in it will be higher. Another of the negative aspects of this situation is observed in the transition of skilled workers from organizations engaged in legal economic activity in some cases to enterprises and organizations engaged in clandestine economic activity.

The reason is that while the former pays taxes and other fees from his income at work, the income he earns from the next place in return for not paying taxes and other fees set by the state will be higher. From a criminalistic point of view, the increase in the volume of the hidden economy in the country poses a risk of increased crime in the fields of organized crime and corrupt schemes, the development of illegal lobbying groups, and crime in the sectors of the economy. The participation of such groups in the process of distribution and redistribution of budgetary funds is seen as factors that negatively affect the effectiveness of macroeconomic policies. Organized crime by its nature is considered borderline ignorant-that is, it can be said that it stands side by side with transnational crime. In this case, the increased activity of organized criminal groups can ultimately cause the state's sovereignty in the formal sense only to continue to exist, in some cases if large amounts of arms, human trafficking, narcotics were illegally imported into the country by these criminal groups, leading to the loss of state sovereignty in a Real state. This can be seen especially in the case of the countries of North Africa or the Arab world, in particular, Syria. These circumstances lead to the limitation of the country's legal investments, which can be imported by foreign countries, to the emergence of certain obstacles in international economic relations.

In addition, the accumulation of a very large amount of foreign exchange funds found behind various criminal activities by organized criminal groups in the country leads to the emergence of

discrepancies in the rate of state banks, in which the monetary unit of the country is relative to the monetary unit of other states. The main goal of organized criminal groups is also actions aimed at finding income in direct or indirect criminal ways. 2001 of the UN General Assembly in this regard 8 January "UN against Transnational Organized Crime Cited in convention 55/25. Criminalization of the economy leads to an increase in additional costs associated with the provision of inspection and security at the objects of the economy. This creates a certain decrease in the amount of money that should be directed to the social spheres. (an example of this is the creation of additional state units aimed at preventing cybercrime in the economic sphere in the financial policy, state law enforcement, tax, banking systems). In addition to the negative aspects of the hidden economy, for economically underdeveloped countries, it also has its beneficial sides in a certain sense. In particular, when the official economy of the country does not have the opportunity to employ citizens, the fact that citizens operate in certain sectors of the clandestine economy is considered beneficial to both the state and citizens. In this regard, the national wealth created by clandestine economic activity to some extent occupies a place in the country's GDP. On the other hand, it helps to provide citizens with a certain level of employment. This has a positive effect on preventing various kinds of protests, social outbursts caused by unemployment in the community. In addition, the income of the population found as a result of the hidden economy serves to some extent to improve the solvency of the population. It should be noted that when thinking about the beneficial side of the hidden economy, income from criminal or organized criminal activity is not provided. As a conclusion, it can be said that the country-wide growth of the hidden economy, above all, leads to the derailment of the state's financial and credit and Budget Policy, the extra-bank circulation of cash funds in the country. This in turn is considered as one of the reasons for the non-payment of various taxes, fees, duties and other payments paid to the state budget, the lack of cash funds in banks. The lack of cash funds in the country, in turn, leads to the fact that monthly wages, benefits, pensions and other social payments that must be given to the population by the state are not paid on time. In addition to circulation by the state, it creates the need to issue non-commodity funds. If the increase in the circulation of funds that are not supplied with goods causes, above all, inflation, then as a result of this, material and commodity assets in the market create conditions for an unreasonable increase in the prices of the services provided.

This transformation of the social situation in the country, together with the reduction of the purchasing power of the national currency, officially adopted by the state in society, is also the reason for the violation of its saving function. Such situations can arouse distrust among the population regarding the economic reforms being carried out by the state. In addition, the insufficient assessment of the scale of the hidden economy at the national level is assessed as a threat to the economic security of the state, stable functioning of the economic system, when determining the directions of the country's main macroeconomic policy, calculating indicators such as industry, investment, Social Protection, monetary, finance, tax, import, foreign economic activity, Real income of the population, solvency.

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