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Shadow Economy as Heritage of the Totalitarian Past: Scientists Papers Review

The issue of the shadow economy functioning in Ukraine is of multi aspect nature. The phantom sector affects considerably all spheres of the state economy, social processes and determines economic crime.

The root of corruption and organized crime goes back to the Soviet time. During the 1960–1980s Communist authorities were taken out of the law enforcement supervision. The state economy was put into the environment, which stimulated the development of the shadow economy, creating especially comfortable conditions for bribery and theft to flourish. All this led to the formation of organized economic crime as dangerous social realities.

The transition period characterized by the establishment of basic market relations in legal economy, redistribution of property, increasing influence of macroeconomic factors culminated in qualitative transformation of organized criminal groups, their further «specialization», clear differentiation into «basic» and «economic» elements, improvement of logistics and material background, integration into legal business through commerce.

Concentration of criminal assets affected the personnel policy causing the replacement of party officials by leaders of powerful oligarch financial groups. Relative economic stability of oligarch business is defined by its double nature: legal and shadow. Clans of former party elite and oligarch structures supported by criminal and commercial resources tried to take hold economic and political leadership under conditions of deep democratic transformation in the independent state.

The development of the shadow sector inevitably leads to the infiltration of corruption into the legislative process –the business of unique structure is formed on a specific stage of this process fed by inflation, disproportionate exchange of resources between market players, redistribution and appropriation of property, constant population impoverishment.

Keywords: shadow economy; phantom economy; underground economy; organized economic crime; corruption; financial fraud.