The Relationship of the Shadow Economy and The Deficit of Savings at the Phase of the Economic Development in Turkey

Prof. Güneri Akalin
Istanbul Aydin University
guneriakalin@aydin.edu.tr

Abstract

The definition of the shadow economy as “market-based production of goods and services, whether legal or illegal, that escapes detection in the official estimates of GDP”. If we look at the literature related shadow economy in the underdeveloped countries; we can find such reasons for it: (i) Structural unemployment or disguised unemployment i.e. unlimited labour supply (ii) To increase the competition ability of the SME’s against the big business (iii) The struggle of the SME’s to overcome the burden of official registrations wall to enter the market. (iv) The escape of the SME’s from the costs of the taxation, regulations and social insurance premiums.

All these reasons points to the sacarcity of capital in underdeveloped economies or the factors endowment is not optimal in these economies. If there is an unlimited labour supply in a dual economy i.e. in an underdeveloped economy, there will be always unregistered labour. Hence if there is a unregistered labour, there is always a shadow or unregistered economy in an underdeveloped economy. Shortly the stock of capital is not enough, for full employment in Turkey.

Key Words: Shadow Economy, Economic Development, Deficit of Savings.