

HELLENIC REPUBLIC

HELLENIC CHAMBER OF HOTELS

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SHADOW ECONOMY IN GREECE: A REVALUATION

This study is not the continuation of the previously published study regarding shadow economy. The study was prompted by a recently published survey of the Foundation for Economic and Industrial Research by N. Tatsos et al. attempting to estimate the magnitude of the shadow economy in Greece. For 1984, the shadow economy in Greece was estimated to reach 33,6% of total economy, whereas an earlier estimation with the same method calculated it to 27,8%. There is a strong indication that N. Tatsos et al. overestimate the size of the current shadow economy it was calculated with the revised by 23,4% GDP.

There are serious reasons for rejecting the fact that the size of shadow economy in Greece is increasing over time. Structural changes are taking place in the economy, which significantly reduce both tax evasion and the not statistically recorded economic activity. Also informatics in the public sector and particularly in the tax services has increased the chances of locating offenders and has accordingly increased the rate of statistical recorded financial transactions. The results of econometric models are irrational as they indicate that shadow economy develops faster than the formal economy and in a way that in a few decades the shadow economy will be as large as the formal economy!

The present study examined the robustness and suitability of the model used by Tatsos et al. in measuring the size of the shadow economy and questioned its results by using a simple empirical model. It did not intend to evaluate and judge a specific survey, which in any case enriches the relevant bibliography. The aim was to oppose to such methodological approaches, considering the great risks they enclose for economic policy and to highlight that the best approach for measuring the shadow economy is by using the National Accounts Method. This is the most appropriate and reliable method for intra-sectoral defining the problem and indicate the proper policy for controlling and eventually eliminating it.