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SOME ASPECTS OF THE BEHAVIOUR OF INFORMAL ECONOMY

The problems inherent to the informal economy are dealt and analysed by representatives of various institutions. They are focused by scientists, syndicate leaders, politicians and even by the actors therein. Due to the interrelation between the informal economy and the human factor behaviour an answer should be given to various issues concerning the formal facts and the informal truths about the personality, the motivations for involvement and the conditions, creating a suitable environment for the “gray” economy. The concept of the informal economy as a function of human factor behaviour enables the revelation of the importance of the system of values to motivate a specific conduct. The established link between the informal economy and various forms of behaviour and market discrepancies makes it possible to look for compatible methods and instruments to restrict it.

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Formal and Informal Economy and Formal Facts and Informal Truths

The effective functioning of the socio-economic system relates to the establishment of specific forms of regulation both of the relations between various individuals and groups and between economic entities. Each regulation is related to specific prescripts of binding nature. In this light they are of formal nature and are practically provided for by the legislation. The set of binding standards of behaviour of individuals, groups and economic entities forms the formal facts that provide for the attainment of various objectives set for the socio-economic system. The deviations from the rules of formal facts can be based on various reasons and form the set of the informal truths. The relative nature of truth may affect differently the individuals, the groups and the economic entities. In this light from a legal point of view objective reality and objective truth may differ, which is a discrepancy between formal facts and informal truths. The consideration of informal economy as a relation of formal facts allows for its characterization both in relation to the regulative mechanisms of the socio-economic system and to the behaviour of human factor.

Generally, the concept of informal economy covers deviations from the legislation in force. These deviations can be motivated both by the pursuit of personal and group gain and to provide for specific benefits to companies, organizations and institutions. The problems of informal economy were discussed for the first time at a scientific forum in our country in 2001. The following three zones were outlined at the conference, attended by scientists, representatives of businesses, local government institutions, the executive and the legislature¹:

¹ Conference on the topic: “The Grey Economy in Bulgaria: Why it Exists and What to Do?” Sofia, 25-26 October 2001.

- Economy which produces, supplies and sells criminal goods. This is the so-called "black" or "criminal" economy;
- "Gray" economy, which covers the whole register of a market – from the unregistered to the registered one, and evades paying social security contributions and taxes;
- Informal "jar" economy, which represents the whole culture of barter economy and goods exchange.

What is common for the three zones is the violation of legislation, i.e. the state imposes certain rules through various institutions and the human factor that must implement them behaves differently in practice. Thus a system of informal truths is established, that constitute the base of the informal economy. The concept informal economy actually covers all the three zones, discussed at the above scientific forum ("criminal" economy, "grey" economy and "jar" economy).

The more the informal truths in a socio-economic system are, the less effectively formal facts function. It is not possible for the legislation to meet in the same way the interests of the economic entities or individuals and groups. This means that there will always be prerequisites for its violation. The causes for the informal economy can be classified in two groups:

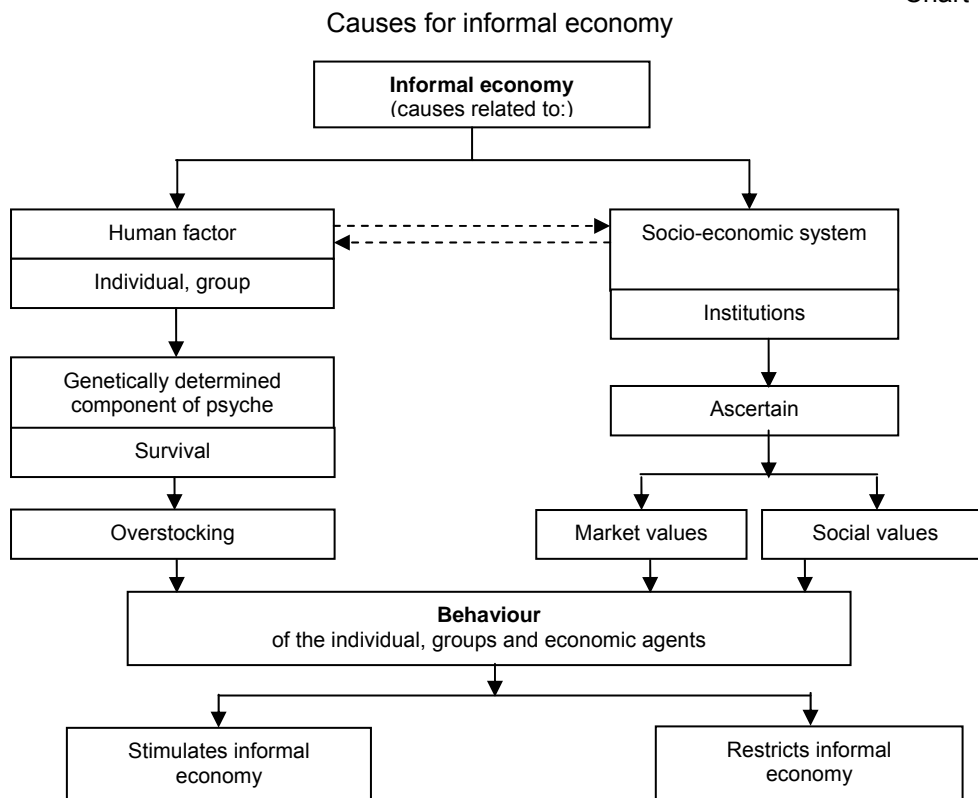
First group – genetically inherent in man. The desire to survive is determined in human psyche and that leads man to secure himself in various directions. One of them is overstocking. Ancient philosophers (Seneca) support the view that nature has provided for all that man needs for his existence. Man suffers because of the surplus. The direction of human efforts to overstocking often leads to collision with formal facts (laws, regulations, instructions, etc.) which is a step to the informal economy. The total human effort to provide for a higher degree of security (overstocking) results in a specific competition to survive, which in turn improves the mechanisms through which the informal economy integrates into the socio-economic system.

Second group – this group covers reasons, related to the socio-economic system. In practice, these are the institutions. They are established legally and their function is based on certain normative basis. Institutions can promote both market and social values. In the first case, competition and the pursuit of wealth are stimulated, in the second – mutual assistance, solidarity and justice. Of course, both cases embody models of behaviour of two socio-economic systems – capitalist and socialist. The first is closer to human nature, while the second is more social, but restricting entrepreneurial initiatives. The actual problem here is to what extent market and social values are compatible. Without taking a position on the proportion of overlap of these values, we can declare with certainty that the absence of social values stimulates the informal economy. And it is due to the resultant excessive accumulation of wealth under the conditions of competition, entailing uncontrolled use of resources, violation of legislation, the use of power resource for personal and group gain, and other. Or informal economy is a result of the impossibility to meet market expectations of various market agents. In this light market has been overrated as a regulator of the social and economic relations. The

attempts to find ways and mechanisms to evade market rules means that in the pursuit of accumulation of more capital a part of market agents form informal truths that do not correspond to the formal facts.

The relation of the two groups of causes for informal economy can be systemized as follows:

Chart 1



The relation between human factor and the socio-economic system as a cause for the informal economy is a two-way one. On the one hand, institutions impose certain forms of mandatory behaviour which ascertain market or social values to a different degree. On the other hand, the socio-economic system of the democratic societies itself is a result of a particular individual or respectively group choice, depending on certain motivation factors. Thus once ascertained in a democratic way, the socio-economic system influences the behaviour of human factor and in practice it legitimates the system itself. From this point of view the informal economy is a deviation from a certain model of management, legitimated by the institutions of the socio-economic system. In this sense, the causes can be generated by the very institutions – powers not corresponding to the real needs,

dubbed powers or established institutions of powers not adequately applicable to the economic or social reality. However, the institutional causes do not give an idea of the entire pattern without accounting for the causes due to the human factor. Even if the institutional structure is a very good one and the powers completely correspond to the needs, if the people through whom the authorities exercise these powers are of immoral behaviour this will become a serious problem and will stimulate the informal economy. Through its behaviour human factor can provoke the informal economy. Since the entire economic process can be considered as a result of behaviour, the deviations from it are informal truths that are motivated in people and groups in a different way. That means that people have different desires, needs and opportunities, but the pursuit of acquiring and accumulating capital is characteristic to some or other degree of all.

While human behaviour can provoke informal pursuit of personal and group gain, institutions are those that under given circumstances can generate the informal economy. Established by legislation, they can produce various effects over time. In this light such effects as non-issuing of documents as required by law, avoiding declaring actual income, declaration of lower price of contracted real estate, etc. may also be a result of institutional shortcomings. Or the legislative acts on which their functions are based as formal facts allows for the emergence of informal truths motivated as behaviour of various individuals and groups in different ways. Thus, institutions can, in case of certain omissions or contradictory legal decisions, generate the informal economy.

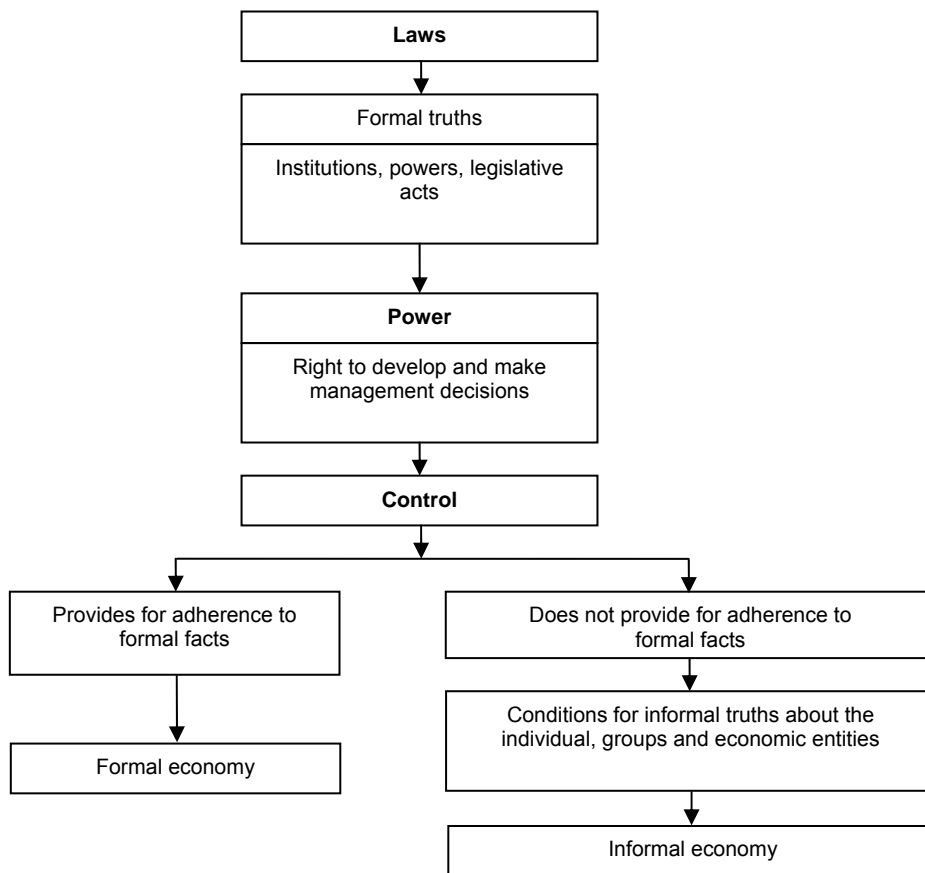
In terms of structure of the management process the informal economy may be provoked along the entire chain – institutions, subject of management, object of management. At each level the human factor behaviour can occur through various informal truths, which in one degree or another are forms of the informal economy. It is necessary to consider the content of the informal truths rather than to deny their existence. The issue here is the balance between the informal truths that generate positive behaviour and the ones that are associated with negative behaviour. We should also account for the fact that the very formal facts such as internal and external regulations may have flaws and imperfections. It is in such cases that certain economic activities can be defined as the informal economy, because of the human factor behaviour dictated by the informal truths accepted as grounds to act. The analysis of the same may allow making important management decisions to change legislation.

At every given moment the available capital is an exact value. This is valid both for a single business entity and globally. The informal economy is related to the participation of individuals, groups and businesses in its redistribution. This allows for defining different forms of informal actions such as corrupt behaviour, breaches of legislation, manipulative conduct and use of power resources. The informal economy is associated with formal power, too. Without its support a lot of large-scale criminal schemes would not be successful. In this connection it can be concluded that the size of the informal economy apart from the purely behaviour

factors depends on the level of authority that ensures it. The connection between power, the formal and the informal economy can be traced on the diagram below:

Chart 2

Connection between power, the formal and the informal economy



Power ensures the practical implementation of certain policy. If the institutional structure of the socio-economic system is not properly developed and the legislative acts are contradictory and do not correspond to the economic and the social situation, power as a regulatory tool will not be able to fulfill its role successfully. This is because it will be hard to determine the amount of power the subjects of management will need and the respective motivation that will ensure maximum compliance with the formal facts. Both insufficient and excess powers are equally dangerous in an effort to impose certain behaviour on the managed

objects. Thus power, as a function of the conducted policy is exercised in an ineffective way, which creates favourable conditions for the informal economy. Adding the disincentive of the managers in these cases it is quite natural to expect speeding up of these processes. Thus the informal economy can be an effect of the conducted informal policy.

As it was already stated, the informal economy can be provoked along the entire chain of the management process – institutions – subject of management – object of management. Related to power are both the subject of management having the right to make managerial decisions, and the very management of the implementation of the decisions. The bureaucratization of the management process, especially in its administrative part, provides for a favourable environment for the establishment of corrupt relationships. Most often this is related to two specific resources – time and information. They are used in a subjective way, but they can also objectively influence specific results. In this sense their use can be related both to the formal and the informal economy. It is not rare when, in order to save time and evade bureaucratic barriers to business as well as to gain beforehand information about forthcoming normative changes or about competitors, money is allocated from formal economy for solving the pending problems in an informal way.

Thus the complicated document environment, the pile of rules, often obscure and of short life-span, coerce the entrepreneurs into developing a system of informal truths, by which in practice they circumvent formal facts. This way, due to purely bureaucratic reasons, the formal economy “feeds” the informal one. The inflow of cash from the former to the latter very often is done following elaborated arrangements difficult to detect by control agencies. Apart from evasion of taxes, fees, social security contributions and other amounts due to the budget, a very dangerous moment is the inflow of cash from the informal economy. “The persistent functioning under the conditions of the grey economy is only a step aside from the black economy and it is very easy to shift from selling contraband goods to selling drugs, people, etc. Thus grey economy can very easy acquire black behaviour, if it is fed with cash from the criminal economy.”²

The attitude to the informal economy is contradictory. On the one hand the opinion is formed in public space that this is an utterly negative phenomenon, but there are also other opinions that it is inevitable and that it even has some positive effects, especially in time of crisis. Since the informal economy is both unacceptable and inevitable, it is necessary to develop a single policy regarding it, of clearly defined drawbacks and dangers but also accounting for its positive effects. The total razing of the grey economy would be as dangerous as its uncontrolled expansion. This is especially valid for the different sectors of economy in view of the crisis state of the formal economy. The use of a selective approach to the informal economy means to attack with priority the “black” or the “criminal” economies, that endanger not only the stability of economy in general, but also

² Conference on the topic: The Grey Economy in Bulgaria: Why it Exists and What to Do?..., 2001.

very often the life of people. It is particularly important to control as well the exchange of cash flows between the different varieties of the informal economy.

The fight against the informal economy is a very delicate subject. It engages politicians, trade unions, public organizations, as well as businesspeople. This calls for seeking an answer to the question how far is the fight against the informal economy effective, to avoid the paradox the efforts to overcome it in terms of resources, organization, time and gathering information to exceed as a result the damage caused by the informal economy itself.

One of the main shortcomings of the fight against the informal economy is the symptomatic approach. It turns out when applying it, that it is possible the drain of resources and time for eliminations of the symptoms to "eat up" the potential for detecting and solving the actual problems. The effect of removal of symptoms is achieved more quickly, but it is transient. While the effect of resolving the problem is slower, but more lasting. This requires a balance of the efforts to what extent to treat the symptom and from what stage to address the problem in combating the informal economy.

The informal economy is related to the formal, i.e. something is produced as a commodity or a service and then is used in the informal arrangements or something exists as a formal administrative requirement to seek ways of circumventing it. Thus the deviations from the formal facts are defined as informal truths, respectively informal economy. The issue, actually, is not in the registration of deviations, but in seeking the causes for them. Tax or social security evasion, bribing of officials is only a consequence of much more complex processes that occur in the socio-economic system. If they fail to be diagnosed or solved as a problem, the symptomatic effects from uncovering various violations will only justify the efforts and resources invested in an operating order, without giving a strategic solution to the problem. Of course, efforts to combat the informal economy in an operating order are necessary, because without them the sustainability of the economic system would be seriously disturbed. In this respect priorities have to be set in order to mainstream efforts in strictly specified directions. Strategically, however, the decisions made should be related to the reasons of the informal economy. Its advantages related to the fact that it offsets the shocks arising in the formal economy, especially in times of crises and that it provides means of existence for many people do not mean that these processes should be stimulated. In this light we have to seek mechanisms and incentives for "bringing into light" of the informal economy. Sanctions and the fear of penalty surely do not solve the problem. Even more – this creates preconditions for elaboration of the forms of existence of informal economic relations. Restrictions may have a symptomatic effect and only to a certain level of use. Their misuse can be detected when despite them the informal economy expands its scope.

The solving of the problems, related to the main causes of the informal economy – the behaviour of the human factor and the socio-economic system (the institutions), requires systematic efforts over time, not an ad hoc approach. With

regard to the human factor, efforts can be made in two directions – on the one hand, to find forms and methods for enhancement and activation of the moral potential, and on the other, to develop long-lasting rules and technology of behaviour. Because various institutions in human development relate to morality, its evaluation at a given moment is a result of the past. In this sense, it is difficult to compensate for certain deficiencies in the historical time of the formation of human personality. Therefore, clear rules, that explicitly state the rights and the responsibilities as well as the effective administrative control can to a great extent help to compensate for certain shortcomings of institutions in the formation of the value system of the individual in historical time.

The socio-economic system through its institutional structure in practice provides for the normative prescripts for individual and group behaviour, while in historic plan at different stages of human evolution forms given values. Whether they are mostly market or social values will reflect on the behaviour of human factor. In democratic societies the right to choose and the desire to survive under market conditions calls for the development of sense of competition, accumulation of capital and to certain degree egoism. Definitely in such environment the individual, the groups and the economic entities breed the drive to breach formal facts in order to survive on the market. Thus informal truths are formed and they motivate behavior different from the normatively prescripts, which virtually is informal economy. Where in the various sectors of economy such behaviour occurs, what, how many the deviations respectively breaches are and how they are manifested determines the type of the informal economy. This also determines what resources and time will be devoted to combating it. In this respect it is necessary to have certain priorities. The monitoring and the serious control efforts have to be concentrated on the top levels where the biggest turnovers of the informal economy are achieved. The expense of considerable time and effort on the lowest levels apart from not being effective very often can be disincentive to potential entrepreneurial incentives in the formal economy using already accrued capital. At these levels it is more important to develop clear rules for leaving the informal economy dedicated to justice and the desire of the state to enhance this process. In this respect the state policy to simplify the documentary environment which is a potential source of corruption is of extreme importance. The elimination of many bureaucratic barriers which require compulsory certification of documents without being of substantial importance, or of the requirements to take out from institutions licenses for certain activities which do not enhance in any way the very activities over time, would increase the motivation not to enter the informal economy, while persuading the ones that already are a part of it to leave it.

Suitable environment for the informal economy is also created when there is lack of continuity in the conducted economic policy in various sectors of the economy. To a large extent this is associated with the mandate principle. Because a lot of economic processes in the economy need relatively longer periods of time, very often they take more than four years. If major institutional changes are carried

out after such a period of time or priorities for some sectors of economy change, a suitable environment for the informal economy is created. Moreover, it can be transferred into the social sphere where the legal and the institutional vacuum can be used for individual and group gain. Therefore the national economy must have firm strategic priorities that are not subject to mandates and policy changes in the different sectors of the economy. To this end apart from the expertise of teams of various specialists, scientists, syndicates, there must be political agreement to set these priorities.

Despite the different causes of the informal economy and its forms of manifestation, if we try to find the prime source that undoubtedly leads to the behaviour of the individual and groups, motivated by certain reasons and manifested in different ways. This is valid not only for the participants in the informal economy; with the same degree it is valid for those who secure it by using power to a different degree. Thus purely human and group relations come to the surface. In this sense, it is clear that the informal economy can be viewed as a function of the human factor behaviour within the socio-economic system.

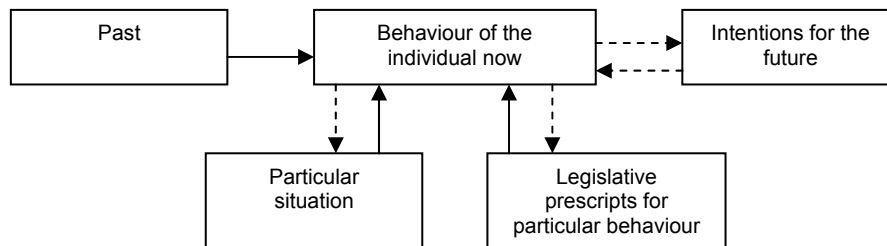
The Informal Economy – a Function of Human Factor Behaviour

The desire to survive is genetically inherent in man. Through the urge – aggressive and sex, to a certain stage the reactions of people are similar to the reactions of animals. The urge energy accumulates internal tension which is to be released through active behaviour – action. Detention of action is the beginning of thinking and there start the differences between people and animals. Human survival is related to different situations – problem, extreme, crisis, etc. The individual behaves differently in the different situations – in some cases the dominating desire is for personal survival, in other – for survival of the group. How an individual will react depends on many factors, but determinant among them are the basic values, i.e. those values that have been permanently fixed and are stable over time.

A significant role in the formation of the system of values of the individual plays mainly the family and the institutions of the socio-economic system. What the behaviour of the individual is at a point of time depends on three main factors – the past, the characteristics of the present situation and the intentions for the future. Two of these can be practically assessed – the present situation and the past, but what can be actually influenced is the behaviour of the individual in the particular situation. However, this behaviour is a resultant value both of the past and the intentions for the future. In this sense, in the same situation, people will behave differently, because they are of different backgrounds and have different intentions for the future. Thus different people will have different attitude to the prescripts of the institutions concerning specific behaviour as well as they can behave differently. The relation between the behaviour of an individual now and the intentions for the future can be presented as follows:

Chart 3

Relation between the behaviour of the individual now and the past and the intentions for the future



The past of every person is a result of the impact of the social environment (especially family) and of the currently existing institutions. If the behaviour prescribed by the regulations of the various institutions treats everybody in the same way and is equally binding on every person, we can expect the same behaviour of all people. However, it is not so due to various reasons. First of all is social environment – family, circle of friends, etc. They are different for different people and in this sense they will form different values in them. The values, formed by the family are especially lasting and likely to become basic values. Thus the formal facts of the legal framework are accepted in a different way and every single person builds their own informal truth for them. Then, of no less importance for the behaviour of the individual now, is the way he or she pictures their future through the legal requirements for the present behaviour of the respective institutions. This can also be a motive for building various informal truths about the behaviour now, because different people also have different ideas for the future. So it can turn out that in the same group or unit people of different values and motivation who also have developed different systems of informal truths about the formal facts as prescribed by the institutions behaviour have to work together.

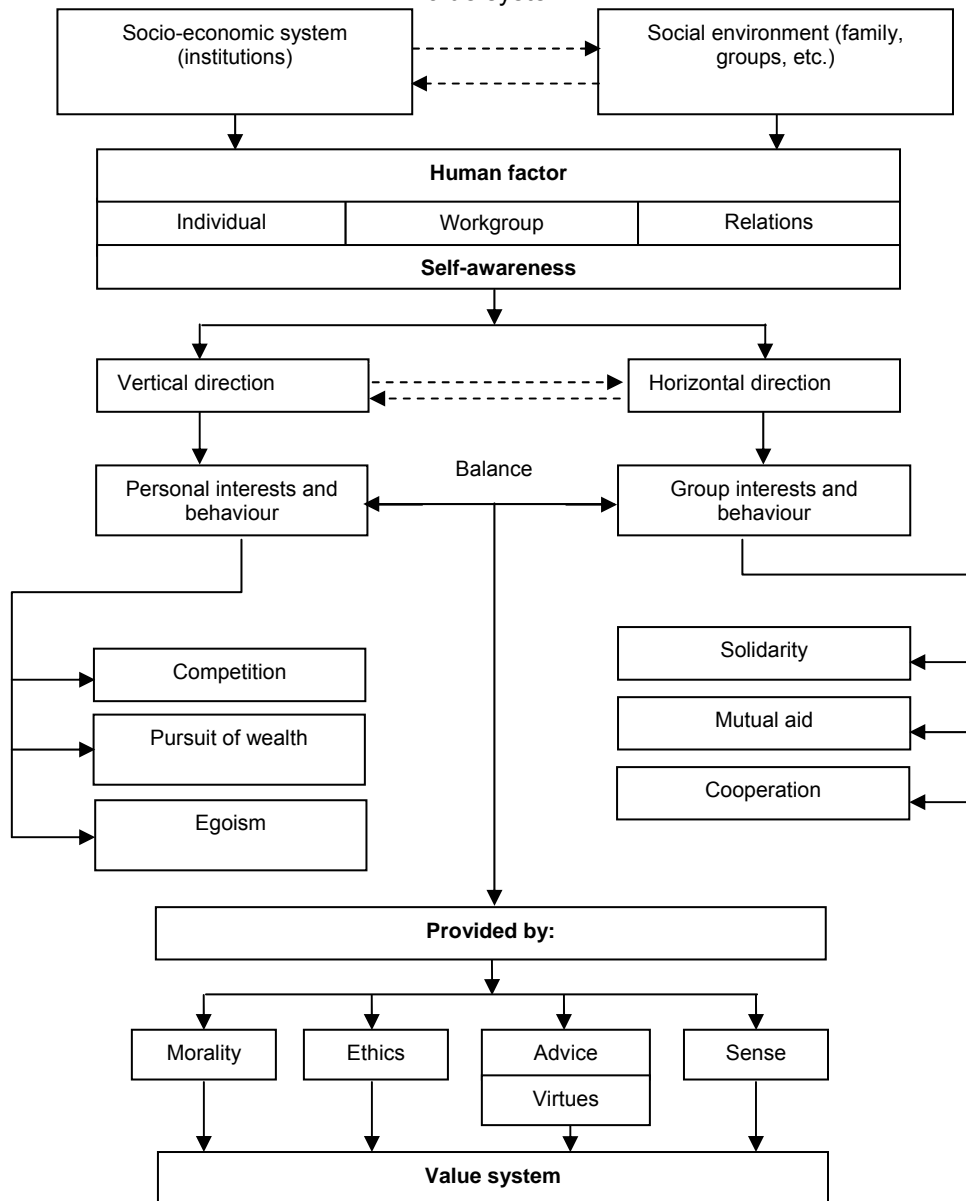
If institutions and regulations have the necessary potential for an effective management process, then its real existence depends on personal potential. Qualities, fundamental for personal potential regardless of the nature of the corporate activity, respectively organization, can be defined as basic. Such are: professionalism; motivation; consistent and constructively directed will for action; desire for self-fulfillment through personal and corporate success; corporate/company identity; ability to provoke positive activity; teamwork qualities.³

The above seven individual qualities are formulated as a result of extensive consultations of the author with employers, managers and other stakeholders to form full personal potential of each job.

³ Kamenov, K. Management Process and Management Behaviour. Veliko Tarnovo: Abagar Publishing House, 2009, p. 295, 296.

Chart 4

Factors, modeling the behaviour of the individual and their relation to the value system



An individual shows his or her personal potential over time. In this context, as a social and productive unit he or she is a function of time. These seven basic qualities of personality are directly related to the organization and action in time at every workplace, in every team. Moreover, these qualities are defined differently in every individual and developed to a different level, which means that one group or a team includes individuals of different basic qualities. For example, it is possible good specialists but of not enough motivation to build a system of informal truths with which successfully to circumvent the formal facts of the regulations prescribed by the institutions. In such a situation other rules for economic activity can also be developed, varying to a different degree from the formal ones. In this sense, it is difficult to define without an in-depth analysis what exactly motivates the informal economy. Whether these are limited opportunities for deployment of entrepreneurial initiatives or the excessive and unnecessary pedantry in the use of the formal facts of the legislation resulting in complicated documentary environment that generates corruption, and even lack of professionalism in the control activity. Obviously, the reasons can be different but what unites them is that there exists an informal economy as a result of the behaviour of the human factor. The main factors modeling this behaviour are the socio-economic environment through institutions and the social environment. Their relation to the value system of the individual can be traced on the chart 4.

People adapt to the system of binding regulations of the institutions to survive. In this respect the socio-economic system models their behaviour and observing given regulations they legitimate the system itself. The ones that cannot adapt do not survive. Whether the promotion of competition or of cooperation the priority will be, depends on the formal facts that the socio-economic system prescribes as behaviour. The variance of the individual, the groups or the economic entities means to build as counteraction to them a system of informal truths that are respectively associated with other forms of behaviour. When it is relevant to economy its informal side manifests itself. What the scope of the informal economy will be in the various sectors of the economy depends on the scope of the system of informal truths which arise as a counterpoint to the formal facts.

The mandatory prescripts of the institutions for behaviour of the individual, groups and economic entities, refract through these values that are embedded in every individual from the social environment (family, friend circles, etc.). If the discrepancies with these of the institutions are insignificant, it is natural that the circle of the informal truths will be narrowed. Otherwise, it will expand reaching serious deviations from the normative prescriptions of the institutions which in the economy means growth of the relative share of the informal economy in its varieties. What is peculiar in this case is that such values as mutual assistance, cooperation and others which result from the horizontal direction of the development of self-awareness of human factor and affect group interests and behaviour may become organized economic crime. Admittedly this largely depends on the formal facts that institutions prescribe as a mandatory form of behavior of the individual, groups and economic entities on the one hand, and the

values they motivate, on the other. If they are competition, pursuit of wealth, selfishness, etc., individual and organized resistance can be expressed as a form of behaviour in the informal economy. Thus, it can be inferred that there must be a balance between the market and the social values in the realization of personal interests and behaviour and collective interests and behaviour. Extremes in both directions mean “wild capitalism” or socialism.

The role of the market as a regulator of economic relations between economic entities requires an assessment of the behaviour of the human factor. This is because in the words of the father of the German economic miracle Ludwig Erhard, the psychological factor is essential for economic development. Informal economy as a function of the behaviour of the human factor can be linked to the way of correspondence between marketing intentions and market realization.

The concept *marketing intentions* includes three components - desires, needs and opportunities of the human factor. The desire for something is rather a state of mind for its acquisition. Needs (objective and subjective) can be regarded as a conscious desire motivated by certain behaviour. Namely the desires and the needs of the human factor can be regarded as a key motive for economic activity.

The desire as a sense of acquisition of something is related to emotion. The need not always coincides with desire: there may be needs without a related desire. For example, the restrictions in times of crisis, the observance of strict rules at public places, and in person the imposition of restrictions on one's lifestyle or keeping to certain rules of behaviour in the everyday life, etc. It is best when the desires match the needs. Discrepancies can be summarized in the following areas:

a) Objective desires – subjective needs – in this case the desires result from stable emotional state of the individual but needs reduce to self-awareness of the person depending on the specific situations. In this sense they may deviate from the desires. Because these are thought models that are differently structured in the mind of the individual, different behaviour can be expected;

b) Desires are greater, needs are smaller – in this case emotion prevents the reasonable discretion of situations, which forms pursuit to gain more acquisitions than really needed. Such behaviour is usually formed in the individual when comparative models that purely emotionally stimulate greater desires than the actual specific needs are built in their mind. It is virtually an attitude to certain acquisitions that as a form of passive behaviour exists only in human mind, but has a potential for possible active behavior;

c) Desires are smaller and the needs are greater – because desires are on top of needs in this case there is self-limitation of personal desires, which may be due to various reasons. Ranging from education and lifestyle of the individual through the personal philosophy of life to consciousness and reason which under certain circumstances require formation of such thought models. This can justify the existence of this option.

Desires of the individual are a matter of values, education and self-awareness. If only one of the three variables, education, is altered – values and self-awareness will

also alter in the long run. This means that desires can be modeled through education so that they are accepted as needs. Moreover, the third component of marketing intentions, opportunities, should always be taken in mind. The discrepancy between desires and needs can be defined in two ways:

a) Desires outweigh opportunities – the extent to which there is a discrepancy can become a motive for informal behaviour of individuals which is the basis of the informal economy. The lack of opportunities to meet the desires within the framework of formal facts may give rise to building informal truths in the mind of the individual, respectively the groups, which enacted as behaviour are a violation of the legal framework as prescribed mandatory economic behaviour. So the drive to meet desires that outweigh opportunities can become a stimulus for starting or participating in informal economic activity of the individual. This form of discrepancy between desires and opportunities can also have its advantages. They are associated with those cases when greater desires stimulate positive changes of the individual to increase the potential, respectively the opportunities. Development and progress are based on this. However, violation of the limit to which there is a stimulating effect of desire for a positive change can result in lasting negative emotional state of individuals the release of which is sought through active behaviour in the informal economy. Thus by violating the regulations the individual seeks to satisfy desires that considerably outweigh opportunities.

b) Opportunities outweigh desires – in this case there are greater opportunities than desires, which can be either due to still unconscious desires or to restrictions based on various reasons (personal philosophy of life, waiting for the right time, etc.). This option can result in leveling of opportunities and desires provoked by the circumstances, and even in outweighing them. This is not alien to human nature, but such behaviour is always based on given reasons.

It is wrong to evaluate the behaviour of an individual without taking the circumstances into account. To seek the causality means to find and analyse the causes behind the particular behaviour. The desire to attack the behaviour of the individual and the group for violations related to the informal economy is to spend time and resource that will provide for the effect of the symptom, but virtually will not resolve the problem. The expansion of structures and institutions which perform such functions as a priority can lead to complexity and bureaucratization of the process of impact on the various forms of participation of the individual and the group in the informal economy. The approach, which differs from the above, has to be related to the desire to shape, to educate the desires of the individual. However, this is a priority of other institutions and above all of the family. Psychologists have found out that the internal insecurity of man as a subconscious feeling, breeds negative emotion. This very emotion mobilizes negative energy for the survival of the individual and most often it is contrary to the rules. The economic uncertainty of the individual and the fear of the vagueness of the future, are a reason to build their own system of informal truths. Thus, circumstances can change the principles that were the basis of the economic behaviour of the individual. The inference that

can be drawn is that the positive and the negative expectations create the respective thought models that are tested in the mind. Therefore, education and provision of an economic and social environment that stimulate positive thinking is extremely useful for reducing the informal truths and pooling of individuals around positive changes, ensuring the development of the formal economy.

The chain of dependencies of desires, needs and opportunities, defined as marketing intentions, is materialized through *market realization*. It includes not only needs as a component of marketing intentions, but also consumption, income and money. What links the marketing intentions and the market realization is needs. They are the foundation of human activity. From purely market point of view the growth of the needs and their variety stimulates the economic growth. Different people have different values. Virtually it is not possible to meet all needs. The reasons are also different, but they are mainly related to personal potential – general culture, knowledge and skills, teamwork opportunities, etc. The meeting of the needs of the socio-economic system should be consistent with the created income. Otherwise its sustainability will be disturbed. Any income is associated with labour or available capital or combination of both, and money is the universal equivalent of total income to needs. Needs as a kind of good have a price expressed in money. In fact, the transfer of one variable of the system of marketing intentions to the system of the market realization activates real economic behaviour. This is how needs become a factor that provokes demand respectively supply on the market. The transformation of needs into consumption requires income of the individual, the group or the business entity. Thus, income and money intensify relations of demand and supply on the one hand and consumption, on the other.

Depending on the level of correspondence of needs and income, the individual can have different economic behaviour.⁴ Aside from the case of satisfied needs when the needs and income match, the discrepancy is in two directions: *first*, smaller needs – higher income. In this case, behaviour can be explained by temporization for more favourable market conditions; *second*, needs exceed income. Depending on the degree of mismatch the human factor may have different behaviour – reduction of consumption, activity to earn the needed income, which can occur both in the formal and in the informal economy. The pursuit of faster and higher income often orients market participants to behaviour related to violation of formal facts – in terms of tax evasion, non-payment of fees, insurance and others.

An important mismatch, when symptoms of the informal economy occur, is between consumption and money. Or in this case there may be consumption using cash which exceeds real income to some extent or other. So based on the pursuit of egoistic interests, individuals, groups and economic entities can build informal

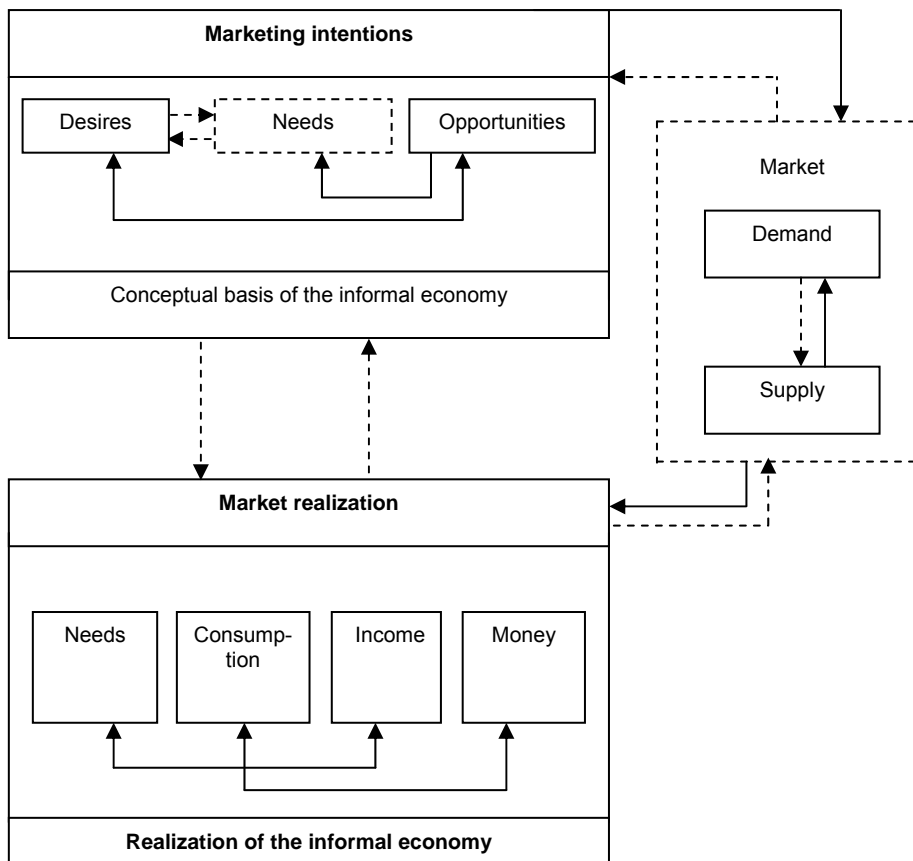
⁴ See *Kamenov, K.* Institutional and Behavioural Basis of the Crisis and Bankruptcy. Veliko Tarnovo: Abagar Publishing House, 2009, p. 6 and 7.

economic relations which can effect particular results in various areas of the informal economy. Of course, in the various sectors of the economy the opportunities for informal economic behaviour are not the same. It is more likely to happen in these sectors that are subject to frequent structural changes or to changes in the internal or external regulations. Not irrelevant in this case is the noxious political interest in one sector of the economy or another.

The relation between marketing intentions, market realization and the market can be subject to analysis from different perspectives. What is important for the informal economy is the discrepancy between the components of the system of marketing intentions, the system of the market realization and the market itself. The analysis of these discrepancies can be presented as follows:

Chart 5

Relation and Possible Discrepancies between Marketing Intentions, Market Realization and Market



Important for the informal economy are not only discrepancies between the components of marketing intentions and market realization but also between them and the market itself. For example marketing intentions are influenced by market conditions. If at a moment there is a mismatch between desires and opportunities, on the one hand and demand and supply, on the other, this may provoke ideas for development of informal activities of various nature. For example, to induce demand or supply not covered by the market. Since these discrepancies have arisen in the terms of the formal economy it is natural to seek informal ways of their regulation. So ideas are born for the development of informal economic relations which in time can be transformed into "gray" economy. These processes are activated particularly in times of economic and financial crisis. Also various market suggestions and speculations can spring out on the conceptual level and they relate to desires, needs and opportunities of the individual, the group and the business entities. In fact, marketing intentions are a form of an attitude to the market and as passive behaviour they may be provoked by various situations in different ways so that they are transferred into active behaviour. It is at this level where ideas for ways to evade taxes, how to use drawbacks of regulation and to seek political protection are formed.

The relation between the realization of the informal economy and the market is substantial in terms of the opportunity to find recognition for its results. Whether these results are goods, services or information, if there is no market the existence of the informal economy is pointless. Otherwise nobody would have produced criminal goods, would not have taken the risk to violate regulations and evade taxes, excise and duties, because the results of these actions will have no market recognition. The types of discrepancies, related to marketing intentions and market can be summarized as follows:

Table

Types of discrepancies as a result of the informal economy

No	Type of discrepancies	Where does it occur?
1	Discrepancy in the marketing intentions.	It is realized in the mind of the individual and it is related to the emotional state, education and with the system of values as a whole.
2	Discrepancy in the market realization.	It occurs in the real sector.
3	Discrepancy between the marketing intentions and the market.	It is on conceptual basis.
4	Discrepancy between market realization and the market.	It occurs in the real sector.

Every individual can find enough reasons to stray from the formal facts. Very often the reasons arise in very particular situations. In this sense a person is different at the different times and if we do not account for this it will be very difficult to assess the behaviour of an individual or groups in terms of history of facts.

Moreover, the absence of change is also a matter of behaviour in a particular situation. What is the most often attacked in the fight against the informal economy are the manifestations of deviations from the formal facts. Moreover, in the minds of the subjects its results can be designated in a way that is far short from the most important requirement – to resolve the problems in the strategic plan. Thus the operating results from solving specific problems may mislead not only the participants in this fight but also the public opinion when what is desired is taken for real. In order to achieve positive results in the strategic plan, the fight against the informal economy should begin on the conceptual level – these are the discrepancies between the marketing intentions, on the one hand, and between them and the market – on the other. The fact that the economic process is a consequence of the behaviour of the human factor is sufficient grounds to seek tools and approaches for directing this behaviour for positive changes in the formal economy. It is therefore a matter of education and values how far the desires spread, where the limit of reasonable needs lies, and how to search for reserves to increase capacity. If this is not provided for in practice but unlimited time and resources are expended on eliminating the symptoms, the potential for detecting and solving the real problems is "eaten up" because what lies on the surface is not their core. So the effects of impact on discrepancies mostly related to market realization can only be taken as symptomatic. True and lasting results in time are achieved when the problems related to the human factor are solved on conceptual basis which means to model (educate) desires so that needs are rationalized.

In conclusion we may say that when all technical, technological and legislative reserves to combat the informal economy are exhausted, what remains is to address the human factor. Unless it is not too late.

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