

THE UNDERGROUND ECONOMY AND MONEY LAUNDERING, ECONOMICALLY DESTABILIZE FACTORS, BANKING BUT ALSO SOCIAL

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Abstract: The desire of each of us is to earn as much money in good faith to achieve the goals which we intend to. But this depends on several factors, such as training, ability, experience and luck sometimes. Part of the money you earn is taken over by the state as taxes without providing a direct counterpart to this, making the individual property or the operator to reduce and thus can not even achieve the objectives and fully or partially fulfilled. What is very difficult to separate from one part of the revenue that is rightfully seek to evade the payment of taxes due, or using imperfections of the law or breach of it, and when this is done, are necessary even methods of demonstration to prevent illicit origins of money obtained.

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PhD scientific documentation on thinking and action of those individuals or organized crime networks that try to use or successfully using techniques and methods of money laundering and even terrorist financing, in terms of theoretical, methodological, legislative and comparing the experience of European countries with international experience in the area, which focused on issues related to domestic and international methods of circumventing the law, have created a solid basis for formulating the necessary theoretical and practical assumptions necessary to diagnose, prevent and combat these negative aspects .

End of millennium presents us special scale of economic activities taking place in highly developed states of Europe, America and Asia. International economic relations know an unprecedented dynamism, new states are integrated and economic systems.

It is beyond of all doubts that in this area the economy forever initiate, developed and complete an impressive number of illegal businesses, which make up what, very often, the phenomenon is known as business crime.

Fraud adversely affecting the economy as a whole, causing huge financial losses, weakens social stability, threatening the democratic structures, causes loss of

confidence in the economic system, corrupt and undermine economic and social institutions.

Concerned about business crime, the international community to examine causality and its effects, and recommended member States to adopt concrete measures to limit its. The diversity of laws, coupled with socio-economic features derived from development stages of European countries and other states, were virtually impossible to prepare a precise definition of business crime.

It is the place to mention here the two dimensions of business crime:

- the national dimension, ie the amount of crime in criminal law or criminal specific country, occurring within the economic and financial system and not behave or not include the element;

- international dimension, namely the amount of crimes that are committed and completed with the participation of foreign elements (persons, companies, corporations, banks, etc.).

The two dimensions were not or will not have a static character. Today is obvious criminal type of business internationalization. In the most stunning cases of smuggling, fiscal evasion, drug trafficking, illegal export-import operations, the partnership has developed and continuously improved for murder. Alcohol or tobacco smuggling, drug and weapons trafficking should not be designed without the participation of businessmen placed over all meridians and parallels of the globe.

One of the major findings of this committee relates to the fact that business crime is, in general very least sought, investigated and researched. However, much less than traditional crime, where there is immediate interest of the citizen and microcommunities for protection of their fundamental values (life, health, property, etc.). Consequently, it is impossible to quantify, to measure the exact size of business crime, especially in its international component. But not only the international component of this phenomenon is difficult to quantify. This component may not be correct or even approximately quantified as long as the national component, the inner affairs of the crime itself is a great unknown, a total estimate, far from reality.

It is axiomatic that criminal activity in business is not carried out and completed in sight. Throughout the world there is a striking amount of illegal acts, combinations and arrangements in the criminal underground of society, the intelligence area penetrate very difficult to grasp and really see what happens

Need to combat money laundering arises from the fact that use of banking and financial mechanisms for processing of illicit funds into licit assets lead to undermining the authority and credibility of all state institution and the banking system.

The process of money laundering affect demand for cash, interest rate and exchange rate, causing inflationary effects. Financial institutions involved in money laundering scandals lose good reputation in the market, and discourages honest investors away.

On the other hand, criminals can invest in sectors of the economy where assets can then be used as a means of money laundering.

There is the risk of "clean money" to become the engine of the economy and impose their own rules, which equates to undermine or even cancellation debtor state activity and mafia- like rule.

Besides affecting the content and form of the national economy, money laundering and other adverse effects occur, such as deterioration of social morality,

generating corruption, widening violence, illegal concentration of wealth, hampering international image.

At the same time, increased integration of global financial systems and removing barriers to free movement of capital had increased ease with which money derived from crime can be washed and complicated tracking more borders.

To find the most effective means to combat this scourge, we consider it necessary to seek and analyze the causes and conditions facilitating the commission of acts of money laundering. Thus, between those cases that can generate and encourage acts of money laundering we notes:

- transnationalization of the largest banks and groups in corporations and holding companies;

- Impact of product improvements particularly computer technology and electronic transmission of information in finance and banking;

- faulty application of company registration procedures, which encourages the establishment of companies "ghost" by accepting more of the registered establishment in one apartment, based on false rental agreements;

- underline also the negative role of tax havens, used successfully by some Romanian companies by illegally exporting currency under cover consultancy contracts or export counterfeit goods at undervalued prices reflected in its accounts by year record significant losses year;

- The extent of cash transactions, employers amounts in national coin and very high currency through bank accounts belonging to individuals and legal persons, are, largely provided favorable money laundering, but it is difficult to follow because of frequent disruption of financial flows;

- The existence of serious shortcomings in the proceedings of the National Trade Register Office, which does not provide its own data base checks, pre-registration, which allows illegal registration of several companies in the legal form of limited liability company of behalf of single individuals;

- All of loopholes in tax and financial system, officials in this area not keep records of companies operating in territorial range of competence, control or cooperate with the Financial Guard, Fraud Investigation Service and foreign direct and migration issues, to determine the legality of their operation and reliability of tax payment obligations to the state budget and the opportunity to stay in Romania of foreign associations;

- the financial and tax bodies do not have rigorous verification of reality collection amounts of WATT paid;

- The existence of gaps in proceedings before the National Trade Register Office and in the registration particulars on which firms transfer is made without prior checking of debt to the state budget situation, the terms of disposal firms should be made of the judge hearing the National Trade Register Office only on the parties to the certificates issued by the competent tax office, the full payment of tax obligations to the state budget;

- Corruption of officials of various institutions, thereby making a list of the causes and conditions favorable, not exhaustive, the list can continue.

Economy, the resilience and regenerative power to define, is a serious competitor for the real economy, which can be characterized, to a certain extent, the

immobility and inertia. Develop a program to combat the underground economy involves reshaping the real economy to determine its immunity to certain manifestations of the economy, but also to ensure the permeability of those activities that can be absorbed.

Implement a program to combat the underground economy¹ is an action that requires an understanding of seemingly divergent phenomena and especially the relations between them. Thus, studies have emerged following relevant criteria:

1. Identification of concrete forms in which economy is manifesting, tax evasion trial weight in each activity, starting simultaneously from known theoretical issues and concrete way how to identify and understand its features

2. Identifying specific causes economy is equally important objective, because in this situation lie behind the causes of universal valid cases are features which need careful understanding. Thus, although a reasonable average tax burden suggests, in principle, to identify priority orientation of other causes of economy, a screening for groups of activities, can show the existence of marginal rates that could influence the behavior of taxpayers. The situation is valid for analyzing the intensity of regulation, where there may be significant distortion behind regulations and rules, considered individually, for purpose for which they were developed.

3. Review each situation with economic methods and ensure the appropriate balance between incentives and coercion, knowing that they are exclusively legal reference to the number of crimes detected, and the damages caused by these proposals tightening of coercive measures. Meanwhile, excessive taxation, possibly associated with red tape, based on a cumbersome and changing legislation, collective culpability determined taxpayers (like consolation "... You still find me something wrong ...") and response their part, tend to withdraw from business or for abandonment of lawful behavior and shift within the economy.

Without questioning the need for legal compliance and prosecute infringements, an important part of activities within the area economy benefits from this employment because of the rigidity of certain provisions, and one of the objectives should be to identify those activities and their conversion.

Policies to tackle economy

In our opinion, the best policy option to combat tax evasion that would be applied, should not seek to interfere with the real economy and cause a positive reaction to a segment of the economy.

Attempts to influence the evolution of a phenomenon requires action on its causes, the tax burden is considered a primary economic factor. Complexity that characterizes the society as a whole, make this measure into practice is difficult, and an inspiration in the everyday behavior of individuals tax tangent to suggest possible actions that could accompany anarchy when the tax burden would be reduced substantially. Thus, the time elapsed since the adoption of the measure and the effective entry into force, would be accompanied by a blockage total budgetary revenues as taxpayers tended to by various methods licit or illicit transfer tax liability at a time chargeability period after applying the new provisions. The ultimate objective of reducing fiscal pressure, the increase of budget revenues as a result of reduction and

¹ Adrian Cucu, economy, Editura Bren, Bucharest, 2003, p. 152.

conversion of economy, will depend on the level proposed by the decreasing ratio of taxation, economy correlated with volume expected to be absorbed.

Evaluation of favorable results, we determined that these measures can only be achieved in time, looking at the dynamics of licensing activities, licensing, filing tax returns, complaints and appeals to the measures provided a result of the controls and in particular increasing budgetary revenues. In practice, reducing the tax burden and reducing the intensity of regulations may be introduced gradually in combination with other actions that, in principle, should strengthen their effects.

Creating artificial financial and commercial circuits underlie most of the actions of fraud can be countered by: fraud can be countered by:

- Imposing a reasonable minimum permissible capital creation of a company;

- Request the establishment of a company when the evidence of the existence of a suitable business premises to be conducted or, where appropriate, those that demonstrate adequate financial resources work to be performed;

- Impose a limitation period of inactivity of a newly established company;

- Enabling the company to achieve on a renewal or a public form to confirm this;

- Interconnection of databases of commercial and facilitate access to all the traders concerned.

These measures may limit the number of companies that can be established without a clear purpose, apparently, some of which are subsequently used for important transactions underground. Also, smuggling is an important component of fraud control in addition to assuming its traditional borders surveillance, detailed examination of the goods transported concurrently with the individual obligation to goods market in the country by marking the State language and explicit deposit manufacturer, importer's country of origin.

Methods to combat these activities have a significant impact and scope are related to those in tackling unemployment and creating jobs stable, adequately paid employment by:

- Organization of training courses tailored to market requirements and actual a highly practical;

- Prevent illegal immigration which has the effect of labor market distortions and create an environment particularly favorable extremely illegal labor recruitment;

The category of information exchange can be incorporated provisions governing double taxation² agreements concluded between states, because they set and some measures to avoid tax evasion. The transition from bilateral cooperation to achieve comprehensive action plans, cross, detaliarea and transparency of all revenues, with direct or indirect participation of groups of states embodied in the development and signing of agreements, treaties and international agreements, has meant an important qualitative leap.

Tax evasion must be addressed from the perspective of Directives that define the methods defined integrated equity resulting collection of VAT and taxes on production and imports. Evading taxes and social insurance premiums include the

² Julian VACAREL - The taxes in the EU and Romania ", INCE, 2001, p. 87.

presentation by the tax authorities or social security, the figures are falsified or contain omissions and failure to pay taxes and gain from the compulsory social insurance.

Law consists of the following European Union regulations and directives:

- Council Directive 77/799/EEC of 19 December 1977 bilateral assistance given by the competent authorities of Member States, in direct taxation;
- Council Directive 77/1070/CEE;
- Council Directive 83/130/CEE on the approximation of the composition of GDP according to market prices;
- 89/1553/CEE Council Directive on integrated standards for own funds from tax collection;
- Council Directive 93/454/CEE on the definition of taxes on production and imports;
- Council Directive 94/168/CEE on implementing measures;
- 218/92/CEE Council Regulation on administrative cooperation in the field of indirect taxation (VAT);
- Commission Decision. 98/527/CE the national accounts treatment of VAT fraud in the accounting records;
- European Parliament Council Regulation no. 2516/2000/CE of November 7, 2000;
- Council Resolution of 10 February 1975 on Community measures to be taken to combat tax evasion and theft;

EU legislation considers legislation to prevent tax evasion and theft as a separate section of chapter tax separately from general principles, direct taxation, indirect taxation and other taxes. Prevention is one of the main objectives of EU tax policy, which has established a specialized structure of the European Commission, European Anti-Fraud Office (OLAF). Highest prevention efforts focused on integrating the tax system to better fight against tax evasion and theft. In order to enhance administrative cooperation in the field of VAT, the Commission established a single legal framework which provides clear and binding rules governing cooperation between Member States.

The legal framework above provides direct contact between specific services bilateral assistance and exchange of information, streamlining and increasing the pace of cooperation. Also, the main innovation for Information Exchange System improvements VIES-VAT was to provide:

- Establishment of an electronic database;
- Automatic notification to all Member States the total value of all intra-Community goods belonging to the taxpayers identified in the Member States, with relevant identification numbers of VAT.

To found a genuine *acquis* on taxation and to constantly improve the provisions, in order to further enhance economic efficiency in the EU, has developed a multi-annual Community action. It is *Fiscalis* program in 2007, "Program for improving the domestic tax during 2003-2007, which is where they found the basic principles and rules to streamline the operations of tax systems on the market.

Based on projections arising from the *acquis* requirements and position papers, Romania has a very busy agenda on the efficient operation of all these laws and institutions involved in fiscal control, both the implementation and administration. Has fiscal control and discipline meant to spread among taxpayers, on the statements of

taxes, and to halt, control and eliminate tax evasion, using specialized structures at central and local.

Means by which government forces to act on the economy are not negligible: budget, taxes, currency, credit. In total, the government levies represent 30-50% of national output in most developed countries. Fiscal policies, budgetary and monetary rule are to reach correct market flows on income distribution, labor use and increased production. In most cases, cyclical policies (in response to the occurrence of unforeseen events, hindering development and external growth expected in terms of price stability) associated taxation and public expenditure on monetary policy and cyclical variations in policy direction of government in power.

Under EU law requirements for taking on the fight against economic and financial crime tax³ reform requires a comprehensive and stable flow of public expenditure, public expenditure oriented objectives and planned by the same system (the large corporations). An equitable distribution of income requires that they be covered by a highly progressive tax structure - a tax structure that reflects the public interest with fairness, and not planned or reward system which is composed tehnosstructurilor. Such targeting of spending and taxes in line exactly with the requirements of stabilization policy⁴.

Lack of organized and coordinated action at European and even world would reduce your chances of effectively preventing and combating organized crime.

In conclusion, Romania can not afford to raise capital through money laundering dirty method, but must strive to adapt their legislation to the provisions of international documents, with which to expand cooperation and to strike relentlessly and all forms of crime which have infiltrated and try to paralyze the Romanian economy.

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³ Paul Fudulu, Lucian Albu, Stroe Adrian Baboi-Studies Impact Assessment Process for Pre-Accession, Romania, Requirements for acquisition of EU legislation on combating economic and financial crime, 2002, p. 124.

⁴ Tatiana Mosteanu, S. Dinu - tax reform in Romania, EDP Bucharest, 1999, p. 93

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