

Measuring the Unregistered Economy in Post-Communist Transformation

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This paper is an essay on the social limits of using existing estimation methods in post-communist societies. It is but a first attempt to ponder a little on the problems of measuring the volume of unregistered economic activity in the post-communist era. First I shall offer a simple working definition of the unregistered economy with a special focus on the baseline of the paper, the measurement of the “real” GDP. In the following section – as a starting point of the analysis – I shall introduce some findings on the volume of the unregistered economy in the communist economies. Then I shall briefly summarize the main features of the existing methods of estimating the scope of the unregistered economy. In the fourth section I shall focus on the characteristics of the communist and post-communist economies and their impact on the application of different measurement tools. In the fifth section I shall put forward some arguments as to why the attempt to measure the magnitude of unregistered transactions is crucial in post-communist countries and explain why so many are false attempts. Finally, I shall propose a method for increasing the reliability of estimating the scope of the unregistered economy.

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