

PROFESSIONAL REVIEWS

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Holistic Approach for Studying the Shadow Economy: The Case of Bulgaria



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Abstract

The shadow economy is one of the most provocative areas in current research. The present article summarizes the basic theoretical issues discussed by Bulgarian sociologists to measure and explain the shadow economy in one typical post-socialist country. The brief historical review provided here illustrates that 1) the shadow economy is the most appropriate construct for explaining activities done with violations of formal rules; 2) there are four basic categories of methodological approaches for studying the scope and forms of the shadow economy; and 3) if applied correctly and in compliance with methodological rules, sociology and social survey research is capable of generating reliable and scientifically sound knowledge about the shadow economy. The current article reveals a successful attempt to design and implement a holistic research methodology for studying the shadow economy through typical instruments of sociology. The methodological experience accumulated by one Bulgarian team (2010–2015) provides solid evidence that sociology and social survey research has rich epistemological and cognitive potential for collecting empirical data about the nature and specific functions of shadow practices, as well as the incentives that drive social actors to participate in shadow activities.

Keywords: economic sociology; methodology; holistic approach; institutions; taxation; transitional economies.

Introduction

In the context of the globalizing world, the expansion of the informal economy has become increasingly clear, infiltrating all basic aspects of modern socio-economic systems. The shadow economy is one of the key types of informal economies¹. The concept of the “shadow economy” describes those economic activities that are legally permissible, but vulnerable in terms of legislation due to their violations of labor, social insurance, and health legislation, as well as their non-compliance with fiscal regulations. Depending on their degrees of social and economic development, peculiarities of national economies, and mentalities, different societies witness different forms and mechanisms of the “shadow economy.”

¹ There are at least 20 concepts for designating “activities-done-with-breaking-formal-rules.” The informal economy and the shadow economy are frequently considered to be synonyms and are implemented as cognitive equivalents. However, my theoretical and empirical studies of these specific forms of socio-economic activities have given me reason to maintain that the concept of the “informal economy” should be understood as a general term consisting of three basic sub-types: 1) the shadow economy; 2) the criminal economy and 3) household production. Of those three sub-types, the shadow economy is the one with the widest scope and the greatest number of practical manifestations (shadow practices).

In recent years, the spread of shadow economic activities has acquired a strong dimension that has provoked an increasing number of analysts to discuss the existence of “System D,” whose name stems from the French adjective *debrouillard*, meaning *inventive, resourceful, or able to get out of difficulty* [Neuwirth 2011]. The term was originally borrowed from the jargon of the Caribbean and quickly gained popularity, even among expert circles. The positive connotation of the term, in particular, is noteworthy; System D refers to the ingenuity and efforts of ordinary people to survive despite financial and political upheaval. System D is interpreted as a market that is self-liberated and that overcomes restrictions. According to expert assessments, in 2011, the System D volume of production totaled 10 trillion dollars, and it has continued to grow at a double-digit pace, despite the global financial crisis (or perhaps thanks to it!). Estimates are that, in 2020, System D will cover two-thirds of the total global labor force.

Recently, a quite intriguing article analyzed empirical data collected in 26 countries (Second round of European Social Survey). This article examined the impact of social and institutional factors on involvement in informal practices [Adriaenssens, Hendrickx 2015]. What was unique to this research was that, for the first time in the scientific world, it was clearly demonstrated that social survey research data can and should be taken into consideration in the study of informal activities.

The present article was completely inspired by the enthusiasm of the above-mentioned authors. This text intentionally disregards the specifics of research studies by economists, transitologists, and statisticians. The object of analysis here is the epistemological, cognitive, and instrumental potential of social survey research—research based on a sociological system (holistic) approach—on shadow economic activities. The presentation of sociological methods and their cognitive potential is placed in the context of a brief historical review of the theoretical reflections on the development of informal economic studies, with a strong emphasis on the contributions and specifics of research performed by Bulgarian scholars from 1990–2015. Following its exploration of the development of the notions and interpretation models of the informal economy, the current article illustrates that social survey research based on a holistic approach and the direct measurement of public opinion can produce reliable estimates and valuable, systematic, practical knowledge of the shadow economy. For this purpose, one should design a scientifically grounded research methodology based on a mixed implementation of qualitative and quantitative direct research methods. In this case, two basic conditions must be met: first, the information gathered through the social survey research must be representative in order to offer sufficient scientific grounds for the further extrapolation of empirical data to society as a system, and second, the research tools should be designed in a manner appropriate and sufficient for the survey to collect reliable empirical information.

Preliminary Methodological Notes

The discussion on the approaches and methods for measuring shadow business practices is lengthy and reflects the developing need for information (knowledge) about the status of economic developments in Europe and worldwide.

The phenomenon of the “informal sector” was first introduced by British sociologist and anthropologist Keith Hart, who, in the early 1970s, studied the economies of Kenya and Ghana [Hart 1973] and emphasized the widespread nature of the informal employment and the paradoxically low relative share of the formal economy in these two countries. Hart provoked greater interest and drew scientific attention to the specific characteristics of developing economies, including the significant role of the informal sector for the functioning of these societies.

In the 1980s, research on the informal economy expanded and entered new areas: the informal activities of countries with highly and somewhat developed economies. Surprisingly, empirical and theoretical studies

have shown that informal economic activities are a universal phenomenon, which is determined socially and presented logically in all modern societies. Initially, work on this topic was conducted by anthropologists and economists [Koch, Grupp 1971; Tanzi 1982; Frey, Weck 1983; Feige 1990; Welfens 1992; Portes 1994; Schneider 2002, 2005; 2007; 2011]; later, experts on transitology, political scientists, and sociologists joined the discussion [Grossman 1989; Koryagina 1990; Granovetter 1985; Sik 1992; Manusov 1996; Glinkina 1996; Shanin 1999; Latov 2000; 2001]. It became obvious that economic practices conducted “in the shade” are an equally distinctive feature of developed economies, developing economies and the economies of post-socialist countries. Informality is not only a part of everyday modern life, but also a universal characteristic of contemporary economies [Grossman 1989; Schneider 2002].

An analytical overview of the emergence and establishment of the topic of the informal economy as a research field reveals that, in the last two decades, shadow practices have permanently become a focus of research interest. This is evidenced by the growing number of theoretically and empirically oriented studies on the different aspects of informal economic activities. The International Labour Organization (ILO), the World Bank, the International Monetary Fund (IMF), and the Organization for Economic Cooperation and Development (OECD) have made the conducting of research on the informal economy a constant priority.

In the study of informal economic activities, four basic approaches have been used: anthropological, sociological, statistical, and macro-economic. Within these approaches, researchers have elaborated on relevant methods for measuring, studying, and explaining the shadow economic reality. Across the wide variety of methods used, three large groups of methods for measuring and studying the shadow economy emerge: indirect, direct, and model methods. These different types of methods yield different assessments, provoking serious thought (and partial mistrust) of their epistemological and instrumental potential, their limitations, and their risk of producing distorted knowledge.

An overview of the basic methodological approaches indicates that the different approaches, methods, and concepts correspond to different paradigms, which explain the specifics of the methods applied and the cognitive tasks covered by these studies. Very few studies seek deeper knowledge about society as a whole that might explain the nature of shadow economic activities. For example, most of the studies conducted within the EU are oriented toward the perspective of administrative management and are conducted in relation to the need to optimize national statistical accounts and to specify the relative share of the shadow economy within the national economies of the EU (i.e. deductions from tax revenues and the payment of national contributions to the EU budget). This is one of the important paradoxes of research on shadow economic activities. Despite the great variety of aspects and forms of shadow economies, the key efforts of most econometric measurements seek to obtain a single number: the size of the shadow sector in relation to the GDP. The search for this number has created several difficulties at the stages of both research tool design and empirical data interpretation.

Critical reflection on the traditions that exist in the approaches and methods for studying informal economic activities reveals a relatively short but intense history of processes of articulation, justification, and development of the research on informality. As reflections of anthropological observations in developing economies, studies on informal work and informal employment have recently emerged as a new subject area with vast potential. In the context of the neoclassical approach, informal economic practices are perceived as optimal responses by economic agents to high taxation and over-regulation by the state. Another approach considers the informal economy to be a response to the inadequacy of the market.

To the best of my knowledge, the most appropriate rational methodological approach for explaining informality is the institutional “key” (North Institutional Theory [North 1990]), which considers institutions to be both determinants and limitations of human behavior and offers real opportunities for operationalizing the concept

of the informal economy. One of the key categories of institutional theory is the concept of “transaction costs”, which explains the mechanisms of emergence and the implementation of informal practices in everyday business activities. Institutional direction has been further developed in the context of societies in transition and has created a conceptual basis for the elaboration of methodologies for the empirical study of informal economic activities.

The latest trends (2000 to 2016) in the measurement and explanation of informal economic practices further develop and enrich existing basic approaches and methods. However, they also offer some significant changes to the implementation of the main groups of approaches / methods, which can be explained by the changing needs for knowledge production to meet the demands of public systems management. This does not suggest a new tendency for generating different quantities of knowledge. Instead, it is the very structure of the knowledge required that has been changed, together as well as the sophistication of the methodological approaches for extracting such knowledge from “living life.” In particular, three basic measurement tendencies can be highlighted:

1. *Development and strengthening of the statistical approach.* This process is dictated by the increasing need to unify and standardize the methods of the statistical institutions of European countries in order to improve the tools and instruments available for successfully examining those economic activities that remain “invisible” to national statistics and state budgets. Logically, this approach applies the concept of the “unregistered economy.” The basic hypotheses constructed within the framework of this approach are based on the fundamental assumption that some portion of the operating economic agents create and redistribute goods without paying taxes (any or amount due) and/or excise duties, thus prejudicing the treasury, the state, and society as a whole.
2. *Improving and advancing the implementation of the modelling or econometric approach.* This approach reflects the recent (post-2002) tendency of European research to define gray practices as acts performed by legally existing operators. An important element of this definition is its clear separation of gray practices from criminalized activities (i.e., what is included in the term “criminal (black) economy”). The model approach is primarily used for measuring the values of macro or micro economic indicators, by which once can judge the level of shadow economic activities in an economy. From 2000 to 2015, the model approach has become a real challenge for both economists and statisticians. Special attention has been paid to improving the model methods of MIMIC (Multiple-Indicators-Multiple-Causes) and DYMIMIC (Dynamic Multiple-Indicators-Multiple-Causes).

The publications available suggest that the tradition of studying of the informal economy thorough model approach has been developed most successfully by Austrian economists and researchers [Schneider et al 2005: 3–4, 11; 2007: 4–6; 2011a: 2–6]. For the purposes of their measurements, Schneider and colleagues have accepted the concept of the “shadow economy” and have proven its feasibility and scientific value.

Schneider’s DYMIMIC models include the following variables: 1) percentages of direct and indirect taxes (including Social Security contributions and customs duties as a percentage of GDP); 2) burden of government regulation (index-regulated); 3) unemployment rate and GDP per capita, which, according to Schneider, can be interpreted as an indicator of the status of the “official” economy; 4) employment rate (population 18–64 years old); 5) annual GDP growth; and 6) annual increase in local currency per capita. According to Schneider, all evaluation factors variables are statistically significant, and the two tax burden variables (Social Security contributions and customs duties as a percentage of GDP) have the highest weight when calculating the amount of the “economy shadow.” The unemployment rate is considered to have the third greatest impact.

Following Schneider's understanding, it is my belief that the shadow economy is an alternative economic reality that is socially legitimated and that functions as a reflection and a "shadow" of the official, formal economy. Compared to other more widely used concepts, the construct of the "shadow economy" is the most comprehensive with respect to the measurable indicators by which we may estimate the scope of the activities conducted in violation of formal rules that remain unregistered by state statistics.

3. *Direct methods usually applied in the context of sociological approach.* Compared to the first two approaches, direct measurement methods are used for more in-depth study of various aspects of shadow practices and the establishment of causal factors, links, and dependencies. The use of questionnaire surveys and interviews, for example, facilitates the successful implementation of targeted empirical studies that help to describe the essence of the shadow economy and its basic socio-economic functions. Direct methods are considered to be especially adequate in conducting different types of empirical studies of the shadow coverage/scope of shadow practices in risk sectors (i.e., sectors that, due to their specificity, are predisposed to the highest degree of official regulations and rules violation). Modifications of direct methods are widely applied to study the opinions and perceptions of the management teams of companies/businesses with respect to the determination of factors of shadow practices, as well as to ascertain branch differences in the manifestations of the shadow economy and to accumulate ideas for approaches, policies, and measures to curb shadow economic activities.

The analysis of the recently established European practices, approaches, and methods for measuring shadow economic activity suggests that the development of approaches for measuring informal (shadow) economic activities is directly related to the need to optimize the process of collecting and processing comprehensive information about the parameters of national economies. In this context the increased development of statistical methods, which are the basis for targeted observations and assessments of the activities intentionally concealed by economic operators, seems completely logical. These observations are used to develop assessments that are later implemented to execute correction procedures in the final calculation of GDP and also serve as starting points for policy design and the construction of measures for optimizing redistribution and social solidarity mechanisms at the national level.

From an epistemological aspect, each of the approaches and methods used has both advantages and obvious instrumental shortcomings; hence, the knowledge obtained through them may be adequate to different degrees (i.e., this knowledge may deviate from the true picture). These differences in methods stem largely from the methods' reliance on different basic definitions of shadow economic activity, and the greatest variation of definitions pertains to the inclusion or non-inclusion of the "black economy" within the scope of researched shadow economic activities. Understandably, different choices concerning this issue yield different estimates. These differences in assessment methods are further enhanced through the differences in methodological approaches used to construct the research tools used to seek information via specific traits. Thus, even in the study of a single economic reality, the use of different methods yields different estimates of the size of the shadow sector.

Bulgarian Research on the Informal/Shadow Economy—Overview (1990–2000)

Basic Theoretical Trends in the Study of the Informal/Shadow Economy at the First Stage of Transformation of the Bulgarian Society (1990–2000)

The stream of Bulgarian research related to the measurement and explanation of the shadow economy that has developed in the context of European traditions has dynamically adapted its research "lens" over time to reflect the critical rethinking of basic research approaches and follow the curve of the socio-economic agenda of Bulgaria.

The first major requests for the focused study of the nature, essence, path dependency, and manifestations of shadow economic activities were made in the mid-1990s. Response studies has been conducted by not only scholars [Atanassov et al. 1994; Avramov, Antonov 1994; Minev, Zhelyazkova, Dermendzhieva 1995; Todorova 1996; Hristoskov, Shopov, Beleva 1996; Chavdarova 1996], but also a number of Bulgarian NGOs, among which the most active are the Institute for Market Economics (IME), the Center for Economic Development (CED), and the Center for the Study of Democracy (CSD). These studies illuminate different aspects of informal economic activities and launch a theoretical understanding of the expert debate on the transformation processes taking place in Bulgarian society.

Although the problems of informality in Bulgaria have become the subject of increased research interest over the country's years of transition to a market economy, one should not be left with the mistaken impression that informality in Bulgarian economic life was born through these transition processes. It could instead be argued that, since 1989, a new phase of reflection and study has arisen through survey research. A number of economic and social psychological analyses show that, though the principle of informality in Bulgarian political, economic, and social cultural life has been widely discussed, current examinations do not achieve the target level of research [Henry 1981; Genchev 1987].

In her brilliant analysis of the informal economy in Bulgaria, Chavdarova [2001] traces the historical "case" of the principle of informality and reveals its broad fluctuations in the context of the social and historical development of Bulgarian society. By taking a paradigmatic approach to the North, Chavdarova proves that informality is an inevitable and distinctive feature of Bulgarian development: "Informality springs in society primarily as an inevitable concomitant phenomenon when society more or less smoothly change its regulatory system. In an effort to survive dying actions taken unregulated forms. These forms accepted and emerging activities in an effort to impose. Informal Economy always accompanies extreme social situations because it brings the contradiction between formal rules and social norms" [Chavdarova 2001: 14]. The impossibility of complete and exhaustive development (to the extent of a natural transition to future forms of a social economic device) have repeatedly interrupted and devastated the public historical path of Bulgaria, producing a distinct pattern of development in Bulgarian society. Bulgarian society is historically focused on informality, which grows every time another interruption in development produces "a deep contradiction between formal and informal economic conventions forms" [Chavdarova 2001: 162].

As a natural product of the social and historical development of Bulgarian society, informal economic activities have achieved the status of socially "legitimated" practices [Chavdarova 2001]. Until recently, only some Bulgarian sociologists have shared this position; however, one contemporary survey shows that the social legitimacy of the informal economy is the key to understanding the massive emergence of informal activities during the years of transition and sustainable reproduction in economic life, regardless of measures implemented to curb informality [Chengelova 2013a].

An analysis of the research activities taking place during the first years of transition shows that, during this period, theoretical and conceptual research are prevalent, while empirical studies of informality are still nascent. This is understandable, since Bulgarian society is in a state of complete political, economic, and social "reformation," suggesting a need for serious theoretical effort to reflect on ongoing processes.

At this stage, the relevant explanatory schemes of the transition period have begun to be constructed. Some of the invested concepts are basic theories, while others seek to explain the various components of the socio-economic system. In parallel with elaborated theoretical reconstructions, empirical studies of informal economic activities have begun to be conducted as part of the transformative societal space.

From a sociological point of view, during the first years of transition (1990–2000) in Bulgaria, the following essential research areas were examined:

1. The need to develop explanatory schemes of the transformational processes taking place in Bulgarian society, including the redefinition of the concept of ownership, fluctuations in the industrialization of property in the context of the Bulgarian transition, fluctuations in economic power, social and economic consequences, and more. Arguments for the adoption of one or another economic policy were widespread, and the debate included economists, political scientists, sociologists, and active civic associations.
2. The disclosure of the socio-economic consequences of the changes in the structural elements of the social system and their transition into elements of everyday life of Bulgarian transformation. Special attention was paid to the conceptualization of mass unemployment and explanations of its inevitability in terms of the national transition. One of the most disturbing trends was the exogenous embeddedness of unemployment: “Imposed to the country’s economic strategy for ‘transition to a market economy’ determines massive, long-lasting and qualitatively specific unemployment. The social safety net is not likely to deal with this specific unemployment and deteriorating condition in the face of it” [Minev, Zhelyazkova, Dermendzhieva 1995: 184].
3. Serious debate was provoked by the so-called “second economy”—a relic of informality from the time of state socialism—and its new incarnations produced by the transformation of Bulgarian society [Chavdarova 1996; Hristoskov, Shopov, Beleva 1996].
4. The first of the theoretical attempts to define the continuum of the concept of the informal economy and the development of relevant circuits of empirical interpretation [Chavdarova 1996]. This process was connected to attempts to systematize the criteria for distinguishing the structural elements of informal economic activities [Todorova 1996] and the first scientifically based attempts to position the new informality in the context of the transforming society [Atanasov et al. 1994].
5. The beginning of the process for constructing explanatory/interpretational models for the functional determination of economic informality. The first interpretative models were designed to reflect the peculiarities of the Bulgarian transition: the complex organic interrelation of the transition’s socio-economic aspects, with theorizing subject to serious economic, political science, and sociological analyses. New theses that previously would have been considered heretical were expressed; however, these formed a necessary link between the conceptual schemes of a destructed totalitarian world and the new society of political and economic liberalism.
6. The profound study of a series of problems facing Bulgarian-launched entrepreneurship. It was clear that the informal economy distorted the labor market and the business environment and reduced legitimate entrepreneurs’ chances of gaining market share. Entrepreneurship was experiencing a boom, but individuals’ reasons for engaging in entrepreneurial activities differed—and, as a result, so did the socio-economic effects of these activities on the exercise of entrepreneurial behavior.
7. The beginning of studies showing that, given the peculiarities of Bulgarian industrialization (i.e., interrupted and inconsistent development) and historically developed features of national psychology, personal relationships would play a central role in the realization of labor and human potential for transforming Bulgarian society. Personal ties were also shown to have contributed to the constant conflict between informal and formal institutions in Bulgarian society [Chavdarova 2001].
8. The beginning of studies showing that, in Bulgaria, the informal model of entrepreneurship quickly adopted social legitimacy and recognition as a mass model for socially permissive behavior. In the first years of transition, everyday consciousness was caught between two extreme views: “the rich are

crooks” and “poor, unemployed people are lazy.” The very formation of these extremes is cause for serious sociological concern: “[in] general, what can be said when the two claims are considered in unity, is the inability for dialogue, disrupted social relations through their complete opposition” [Minev, Zhelyazkova, Dermendzhieva 1995: 26]. “Pandora’s Box” have been opened and disintegration processes occurred and accelerated. In response to the dispersion of political and economic power, the “glue” of society was weakened. In the face of an unfamiliar environment, individuals created circles of “trusted persons” and quickly oriented themselves towards people with an affinity for entrepreneurial action. In this context, analysts of the transition suggested that one of the peculiarities of the Bulgarian transition was the offsetting of (a lack of) rationality, in which the economic irrationality of the main economic entity (i.e., the state) was accompanied by the economic hyper-rationality of new economic entities adopting profit-seeking strategies through the introduction of new products and services [Minev, Zhelyazkova, Dermendzhieva 1995: 15].

In a strictly empirical sense, the studies presented above were conducted mainly through the implementation of variations of statistical or sociological approaches. Their results were presented in publications that say very little or nothing at all about the methodological approaches applied. Information on the research tools of the period is even more scarce, accessible only through dusty archives or the collective memories of research teams (when the material manifestations of the methods no longer exist). A final hurdle takes the form of researchers perceiving their instruments as *know-how* that should not be exposed to their general audience.

There are, therefore, grounds that this period should be regarded as a first and necessary stage of the construction and experimentation of new social technologies. During this stage, different methodologies for measuring informal practices were created and implemented. Only those methodologies relevant to transformation processes in Bulgarian society were further developed and made visible to the research community.

Survey Research Experiences in Studying the Informal/Shadow Economy (1990–2000)

The first stage of this research stream was characterized by the parallel usage of more than 10 concepts for designating activities-done-with-breaking-formal-rules. Of these concepts, two were ultimately recognized as most relevant: the concepts of the “informal economy” and the “shadow economy.” Scholars frequently used these two concepts as synonyms, making no substantial distinction in their application. However, beginning during this period and for years afterward, the concepts of the “grey economy” and the “black economy” were the most popular within everyday patterns at the social group level. It is for this reason that many researchers adopted study instruments to explore grey and black economic practices instead of the informal or shadow economy.

From a methodological perspective, it is important to note that, the first serious attempts to operationalize the basic constructs for studying the informal/shadow economy were made during the period 1990–2000. These were just the beginning; the cognitive procedures leading to the construction of empirical indicators were developed later. However, it is undeniable that, during this period, researchers from academic and non-governmental arenas were experimenting with different approaches for applying both quantitative and qualitative methods for collecting empirical data.

Analyses of the first stage of the Bulgarian practice of surveying the informal/shadow economy (1990–2000) have shown that these first years of experimenting with empirical (survey) research technologies were not very successful. Specifically, survey research technologies were dominated by more negative examples than positive models. To summarize, the following present the key shortcomings of these research attempts:

1. The social research on informal/shadow economic activities were fragmentary and narrow in scope, such that some aspects of the problem were overstressed while other no less important elements remained outside the scope of the research interest. This produced a distorted picture of the informal/shadow economy, which afterwards had serious consequences for the formulation of national priorities and the construction of a relevant institutional environment.
2. Despite attempts to conduct this type of research, there was still a serious lack of clarity concerning the expediency of the methods used to gather empirical data. One or several quantitative methods were generally applied to obtain primary data (mostly face-to-face interviews or direct fill-in questionnaire surveys). However, the informal/shadow economy is a complex phenomenon characterized by internal contradictions and can neither be comprehended as a whole nor be explained through qualitative or quantitative methods alone. The solution would have been to develop a methodologically expedient combination of these two broad categories of methods; however, unfortunately, examples of such combined approaches are rare, and methodological treatments of these approaches are entirely lacking.
3. The methods for collecting primary information were frequently applied without the necessary grounding concerning the epistemological relevance of the choice of methods. The use of various methods did not take into account the particularities and limitations of the potential sources of information, and many problems arose from the operationalization of concepts and their transformation into empirical indicators. The design of relevant research tools was problematic, as was the subsequent gathering of primary information.
4. The most serious misapplications and problems occurred when interpreting the gathered information: The chaotic terminology resulting from the use of different concepts of informal economic activity recurred with new intensity at this stage. The data were interpreted arbitrarily, the direct conclusions drawn from these data were faulty, the final conclusions drawn were extreme and scientifically unfounded, and groundless comparisons were made.

Given these serious methodological oversights, at least two questions logically arose:

1. Considering the rich methodological tradition of the science of sociology and social survey research in Bulgaria, why had such numerous and serious mistakes been made in the study of informal economic activities? To my knowledge, the problem lay, first, in the specific nature of the research subject: It was heterogeneous, contradictory, dynamically developing, and ambiguous. Secondly, while the informal/shadow economy had been quite widely addressed at the theoretical level, at this point, few methodological studies had been conducted on the complex and multiple-component procedure of constructing methodologies and methods for empirical research on informal/shadow economic activities. OECD handbooks for measuring informal labor, including informal employment, as well as some of the theoretical models developed by European researchers, served as good foundations for the development of methodologies, but they were not sufficient. Most researchers improvised, such that, in conducting their surveys, they "*learned by doing*". This shows that social survey research on informal economic behavior was still in the stage of experimentation and verification through practice. Thus, by the turn of the century, this field had been poorly elaborated with respect to methodology, and there was a lack of methodologically grounded approaches for replacing fragmentariness and guess-work with systematic and grounded research strategies.
2. Given this situation, was it possible, using the methods and research procedures of the sociological approach, to collect reliable empirical information that could enable us to describe the quantitative and qualitative parameters of the informal economic activities taking place in Bulgaria?

These and other important research questions formed the core of further developments in this specific scientific domain.

Latest Trends in Studying Informal/Shadow Economy (2000–2016)

New Highlights at Theoretical Level

The turn of the century was a landmark in Bulgarian informality research. To a large extent this was due to international research on transformation processes in Southeastern Europe, particularly Bulgaria. The construction of interpretative schemes implicitly contributed to the theoretical constructs of transitologists [Grossman 1982; Burawoy, Lukacs 1985; Burawoy, Krotov 1992; Brenner 1989; Mingione 1991; Sik 1992; Stark 1992; Frydman, Rapaczinsky 1994] and their attempts to identify the key factors explaining recent developments in post-socialist countries.

In Bulgarian sociology, over the last 16 years, new patterns for the interpretation of the shadow economy have developed mostly on a continuum of the neo-liberal, neo-classical, and neo-institutional paradigmatic approaches. Among the theories with strongest influence on models for interpreting the shadow economy, the following theories have had the greatest impact.

First, in the context of the Wallerstein world system theory [Wallerstein 1974], heated theoretical disputes have reflected the conceptualization of possible approaches for the “development of underdevelopment” (i.e., interaction between the West and the East, or between the center and the periphery). Ultimately, these debates have been extremely positive, resulting in the elaboration of smart and constructive interpretational schemes that explain informality as a result and a natural product of the transformation processes of post-socialist countries [Chavdarova 2001].

A second theoretical center consolidating contemporary research explanations lies in the interpretive schemes of David Stark [1992]. The core of his conceptual assumptions is the rational criticism of modernization theories and the justification of the appropriateness of using the term “transformation” instead of “transition from one to another order” [Chavdarova 2001: 128]. Stark is much more moderate and, through the method of comparative analysis has shown that changes in CEE are not premeditated, but, rather, the natural result of previous paths, which give each transforming society a specific socio-economic and institutional outlook.

Third, Russian sociological and economic thought of the last two decades has had a clear and strong influence on the research of informality in Bulgaria. The works of Burawoy, Radaev, Shanin, Glinkina and Barsukov have formed the central core of conceptual studies of the informal economy, offering the clearest reflections on the theoretical research of those Bulgarian scholars addressing the delicate matter of the shadow economy:

- In the context of explaining transformation processes, the Burawoy theory of involution has been recognized as the most appropriate and as having the greatest instrumental value [Burawoy, Lukacs 1985; Burawoy, Krotov 1992]. However, the Burawoy works are still relatively little known in the Bulgarian research community; therefore, we must pay tribute to Stoeva [2004], who first presented the relevance of the Burawoy approach to the new Bulgarian socio-economic reality. Stoeva shows that the concept of involution is “the key to understanding the logic processes in transforming society but also on the trajectories to which develop different sectors of the economy” [Stoeva 2004: 23]. By further developing the Burawoy model to address the peculiarities of the Bulgarian transition, Stoeva illustrates that informality is the basic principle of transformation processes in Bulgarian society. She analyzes national stages of implementing change, studying the interactions of institutions, policies, and their consequences, and reaches the conclusion that, “in its ideological form institutional

change in Bulgarian society is evolutionary targeted, but in its content it is changing in reverse order of development” [Stoeva 2004: 53]. In her theoretical study, Stoeva gives special emphasis to Northern warnings about the dangers of the mechanical introduction of economic models developed for industrialized societies to societies with different developmental paths or, even more importantly, to communities in extreme stages of development.

- Researchers studying the shadow economy have paid significant attention to the works of Radaev. In his theoretical developments, Radaev has introduced a new discourse for systematizing the ongoing economic–sociological debate. Although Radaev has positioned himself in the field of economic sociology, his conceptual works play a significant role in both the further development and strengthening of the institutional paradigm and the deployment of empirical studies of informal economic activities. Radaev critically “rereads” the North and builds a new institutional approach that explains the rules of deformatization in the Russian economy [Radaev 2001]. By rethinking the basic concepts of the new institutional economics, Radaev develops the idea of the deterministic role of institutions in economic life, operationalizes the concept of “transaction costs,” identifies the structural elements of informal rules and outlines guidelines for the study of informal practices. In terms of studying the shadow economy in Bulgaria, Radaev’s ideas have enormous heuristic potential. His proposed research schemes require minor adaptations and could be easily applied to empirical studies of the informal economy in Bulgaria.

New Developments in Social Survey Practice on the Informal/Shadow Economy in Bulgaria (2000–2016)

Recently, in studies of informal/shadow economical² practices in Bulgaria, two methodological approaches have been applied: statistical and sociological. Statisticians use a specific methodology designed for the purposes of European statistics. Such measurements have been produced since 2007, the year of Bulgaria’s accession to the European Union. The National Statistical Institute (NSI) of Bulgaria has made only one public announcement of its own shadow economy research. Specifically, in 2010, according to the NSI, the relative share of the shadow economy was approximately 10% of GDP. Though this figure has since become a subject of extensive critical discussion, the NSI has suspended the public disclosure of its further measurement of shadow practices.

However, Bulgaria has accumulated much wider research experience in directly measuring the shadow economy through social survey research. Such studies have been implemented primarily since 2000. Although these studies have been produced by very few centers and research organizations, they are considered to play a significant role in the study of national economics and shadow practices. According to the sociological research community of Bulgaria, two Bulgarian research centers have conducted surveys that meet all of the requirements of modern sociology in studying the shadow economy. The first is the Center for the Study of Democracy (CSD), which established a solid research tradition (2002 to the present) in studying activities-breaking-the-formal-rules³. The second is the Bulgarian Industrial Capital Association (BICA), which has developed a multi-stage research methodology for studying informal economic activities. Unlike the CSD, the BICA has developed a multidimensional long-term national strategy for the measurement, restriction, and prevention of the informal economy in Bulgaria. Both the CSD and the BICA studies suggest that the relative share of the shadow economy in Bulgaria has decreased from 40–42% in 2010 to 31–33% in 2014. The

² My research experience gives me every reason to argue that, when studying shadow practices, one should make a clear distinction between shadow practices in the economy and those in the political system. In this particular article, given the subject being studied, I explicitly emphasize shadow economic practices.

³ The CSD has developed a research methodology for studying hidden economy which it argues is the relevant concept for studying activities-breaking-the-rules.

social survey research of the Bulgarian shadow economy conducted by BICA (2010–2014) was designed and implemented by a team of sociologists and statisticians led by the author of the current article. Altogether, from 2010–2014, the team conducted 16 social survey research studies that can be considered unique methodological experiences related to studying the shadow economy. According to the estimates of Bulgarian employers, the shadow economy in Bulgaria decreased from 42.2% in 2010 to 32.3% in 2014. Public opinion in Bulgaria estimated the relative share of the shadow economy at 58% in 2010; however, this share significantly decreased to 31.3% in 2014.

For comparison with the BICA survey findings and to support a strong understanding of the reliability of empirical data, Schneider's parallel studies on the same topic (2002–2015) based on the MIMIC model should be mentioned. According to Schneider's annual measurements, the relative share of the shadow economy in Bulgaria is the highest among EU members and has varied from between 38 and 39% of GDP in 2003–2009 to 31% in 2012–2015. It is worth mentioning that Schneider's MIMIC measurements of the Bulgarian shadow economy and the data produced by the direct BICA social survey research yielded similar results, despite applying completely different approaches (a sociological approach in the BICA case and a MIMIC model approach in Schneider's case).

These studies clearly show that sociology through social survey research can generate reliable and scientifically sound knowledge about the shadow economy. Furthermore, while econometric studies can only produce figures concerning the relative share of the shadow economy in GDP, sociology and social survey research have much richer epistemological and cognitive potential.

Efficiency and Expediency of the Sociological Approach in the Survey Research Study of Shadow Economic Practices

The sociological approach is fundamentally different from the other mentioned approaches. By its very nature, the sociological approach goes beyond the obviousness of the facts to reveal the interwoven, empirically verifiable "grains" of truth and to reconstruct the regularities, essential characteristics, and persistent models of interaction among the subsystems of society. When applied specifically to the study of informal economic practices, this approach demonstrates great cognitive potential. The quantitative parameters of phenomena are indeed important; however, here, they are interpreted with a view to disclose the nature, the causal determination, and the specific functions of informal economic activities in the framework of the overall social economic system, as well as the incentives that drive social actors to take part in shadow activities and the socio-economic consequences of the use of shadow practices. Thus, the sociological approach both captures the picture of the phenomenon (i.e. the quantitative parameters) and interprets and enriches the ontological elements of the object of study.

While other approaches primarily use quantitative data gathered through national statistical offices, the sociological approach draw on the opinions and assessments of the participants of economic processes. One might argue that this reliance creates the main shortcoming of this approach: Since sociological research deals with opinions and value judgments, there is a risk that collected information might be distorted from the start. Such fears are not groundless; however, they apply only when violations have occurred with regard to the methodological requirements for theoretical survey design, field work, or subsequent statistical-mathematical processing of the aggregate empirical data.

The analysis of previous measurements and studies of informal/shadow economic activities demonstrates that, in order for social survey research in this field to be successful, it is necessary to precisely define the researcher's standpoint on several key issues:

1. What exactly is being studied: what should be the object of the study; what concept or concepts should be used and what are the grounds for using these particular concepts; what are the contents of these concepts; and what are the basic manifestations and measures of informal activities
2. What approaches and methods will be applied: a well-grounded choice of approaches must be made, together with a detailed description of the methods to be used for gathering primary empirical data and the methods for the statistical-mathematical processing of these data
3. What kind of information will be obtained: objective, concrete, and measurable indicators of the economic and financial activity of economic agents *or* information about the structure of social attitudes and assessments
4. How will obtained information be interpreted: the relative share of the informal economy as a percentage of the GDP will be calculated *or* the relative shares of shadow economic activities and of employers violating regulations will be ascertained

The efficiency and expediency of the sociological approach is proven by the methodological experience of one Bulgarian research team measuring and studying informal/shadow economic activities from 2010–2015. The holistic approach has been developed and applied in the framework of the project⁴ Restriction and Prevention of the Informal Economy, conducted by the BICA, in partnership with the CITUB⁵, with the financial support of the Operational Programme for Human Resource Development 2007–2013, and co-funded by the EU Social Fund and the Republic of Bulgaria.

Basic Methodological Assumptions

In the search for an optimal methodological solution, the following significant methodological assumptions have been made:

First, it is assumed that informal economic activities are universal in nature. Since such activities represent an objective characteristic of all modern societies, their existence in the economic life of changing Bulgarian society should be viewed as an objectively occurring feature. Informal practices are not sporadic, temporary conditions of societies in transformation; rather, the practice of violating official rules is the result of a new economic rationality that is a distinctive feature of today's globalizing society.

Secondly, the existence of an informal portion of the economy can be considered a function of intensified state intervention and excessive state regulation. However, even when a state's economic policy involves only moderate regulation and provides a favorable business environment, the informal sector still exists: It is typical for self-employed persons, prevalent among employed immigrants, and common among housewives and other vulnerable groups in the labor market. Hence, simply calling the informal economy a social "sore" or something "undesirable" would lead the debate in the wrong direction⁶; instead, this portion of the economy

⁴ The author of this article holds the position of "key expert sociologist" in the framework of the cited project and, in this capacity, has developed the methodological approaches described in this article for measuring the attitudes, assessments, and representations of informal economic activities in Bulgaria.

⁵ This abbreviation stands for the name of one of the biggest syndicate organisations: *Confederation of Independent Trade Unions of Bulgaria*.

⁶ Research in the last 30 years has convincingly shown that the informal economy is unavoidable; however, there are different models for interpreting the contents of the concept of informal economy, and different assessments concerning the proportion of shadow activities within the total national economies and in the world have been developed [Koch, Grupp 1971; Tanzi 1982; Frey, Weck 1983; Feige 1990; Welfens 1992; Schneider 2002; 2007]. These issues raise yet another challenge for economic science.

must be seen from a different perspective. Clearly, the informal sector plays a complex and critical role in the social-economic tissue. In Polanyi and Granovetter's terms, economic relations are inevitably built into the social structure. However, informality is an inherent property and an inner characteristic of human society: It is crucial in the construction of social groups, and, in the course of the institutionalization of norms and rules as written laws and regulations, through the adoption of conventional forms, it tends to become "socialized" and codified as part of the official code of socially desirable behavior (in all aspects: economic, political, social, moral, cultural, familial, etc.). However, informality continues to operate beneath the surface of socially acceptable behavior.

Thirdly, interpreting informal economic activities as socio-economic "ulcers," while correct, is one-sided. It is believed that when informal practices attain 40 or 50% of GDP, serious risks related to the stability of the socio-economic system arise, and the policies relevant to the pillars of social solidity suffer. However, informal economic activities also perform important social functions (as compensations, as social buffers, and as shock absorbers). Thus, from an instrumental perspective, it is more reasonable to view informal activities in all of their functional complexity. In sum, we must accept the obvious: Informality is a universal and inevitable characteristic of modern economies.

Fourthly, the beginning of the new century marked a sort of turning point in the research on informal economy in Bulgaria and, particularly, in present-day Bulgarian society. The resulting increased interest has been greatly influenced by international research on transformation processes in Southeast Europe, particularly in Bulgaria. The theoretical work of transitologists and their attempts to find a conceptual key to explain the trends have certainly contributed to the construction of schemas for interpretation [Grossman 1982; Burawoy, Lukacs 1985; Burawoy, Krotov 1992; Brenner 1989; Mingione 1991; Sik 1992; Stark 1992; Frydman, Rapaczinsky 1994]. The explanatory models are situated on a continuum of the neo-liberal, neo-classical, and neo-institutional paradigmatic approaches. The formation of the shadow sector as an implicit, in-built element of social and economic life in national economies is directly correlated to the nature and contents of the preceding path of development of the relevant countries [North 1990; Stark 1992], which explains the differences in the scope and range of manifestations of informal practices in post-socialist economies [Grossman 1982; Koryagina 1990; Manusov 1996; Glinkina 1996, 2001; Latov 2000; Radaev 2000, 2001; Chavdarova 2001; Stoeva 2009].

Fifth, an additional difficulty in defining informal economic activities stems from the fact that, in the specialized literature on the topic, there is no agreement concerning the definition of the structural purpose of informal economic activities. At first, studies on informal practices referred to an informal sector, which implied informal labor (i.e., occupations lying outside official state forms). Assuming that informal practices in their totality constitute a certain sector of the economy of a given country, this sector would have to be viewed as separate from and contrary to the officially existing economic sectors. Viewing informal economic activities as a separate sector of economic life would entail grouping together activities that cannot realistically operate under the same category (e.g., different kinds of services, small craft activities, domestic production, etc.). Thus, such an interpretation would mean collecting all informal activities into one common sector and seeing them as being opposed to all other sectors of national economy. The unifying feature of such activities could be their quality of being conducted in violation of official rules. However, even this trait does not justify putting all such activities into a common sector, for they exist in all different economic spheres and exhibit multiple and varying aspects. Therefore, from the perspective of social survey research on informal economic activities, it would be more rational to perceive these activities as forming a parallel economic reality that penetrates all spheres and sectors of social and economic life and performs specific social and economic functions (depending on the nature of the specific production, the particularities of the kinds of work done, and the types of production and exchanges duplicated).

Sixth, there is the issue of grounding the correct use of the term “shadow economy”⁷. The theoretical construct of the “shadow economy” has been elaborated and affirmed among researchers by Austrian macro-economist Schneider [2002]. The construct is generally considered to be synonymous with the terms “grey economy” and “hidden economy.” To put it quite briefly, the theoretical construct of the “shadow economy” should be understood as referring to the part of the economy that is carried out in the shadow of the law: That is, economic activities that are legally permissible and for which a legislative basis has been created (laws, sub-laws, statutes and other normative regulations), but that, in the course of their performance, have resulted in the commission of various kinds of violations. The effects of these violations are socio-economic; however, they are typically liable only to administrative penalties and are only occasionally liable to criminal prosecution. The process of carrying out shadow activities primarily involves performing activities that are legally permissible, but occasionally requires performing activities that can be prosecuted under criminal law. What is essential about these economic activities is that they are parasitic and are made possible by the deficits of the law (e.g., omissions, logical inconsistencies, the potential for ambiguous interpretation, or simply intentional “loopholes”). It is for this reason that it would be more precise to say these activities lie in the shadow of the law. Judging by the origin, nature, functions, and mechanisms of these activities, the shadow economy is an alternative economic reality that is socially legitimate and functions as a reflection and a “shadow” of the official, formal economy. The core of the shadow economy is the economy protected by political umbrellas at the highest level. This core has conventionally been called an economy of “trusted people”⁸. Compared to other more widely used terms, the construct of the “shadow economy” is the most comprehensive with respect to the measurable indicators by which we may estimate the scope of the activities that violate the formal rules and remain unregistered by state statistics. This characteristic makes the term “shadow economy” optimal for use in survey studies of economic activities pursued in parallel to the official economy. Thus, in sum, the “shadow economy” can be defined as a set of legally permissible economic activities that a) are conducted by economic entities that are either legal or exist unofficially and b) are carried out through the commission of occasional or systematic violations of the formal laws of taxation, social insurance, and healthcare.

Stages in the Construction of a Methodology for Social Survey Research on the Shadow Economy

In light of the basic methodological challenges related to the study of informal economic activities, a two-stage cognitive schema was applied to construct a methodology for survey research on the shadow economy.

First, a methodology for a holistic approach to the research of the shadow economy was designed. To begin, a theoretical model of the topic of study was elaborated: The construct of the “shadow economy” was defined and, on this basis, the topic area of the survey was determined. The approaches and methods of survey research were grounded, the relevant sources of information were identified, and the general system of empirical indicators was built. Furthermore, as elements of the general methodology, the nature and components of the research strategy for survey research on the shadow economy were grounded. At this point, the model for the specific cognitive process involved in studying the shadow economy was described, the choice of relevant

⁷ In global and European research practice, at least 25 different terms are used to designate the same informal economic activities. These terms include: informal, shadow, grey, hidden, black, colored, underground, secret, shadow, invisible, unofficial, unregistered, unregulated, marginal, double, dual, parallel, irregular, non-market, alternative, domestic, social, communal, and ex-polar.

⁸ Only some Russian scholars refer to this type of informal activities [Latov 2000; Radaev 2000], calling their collective undertaking the “rosy economy.” This term is used to designate the specific segment of economic activities that, in the course and as a result of the large-scale transformation of post-socialist regulations, have been entrusted to a small group of privileged people. In addition to acquiring exceptional rights and privileges related to access to national resources and production, these people are exempt from laws and face little to no risk of penalties; their activities are enshrouded in comfortable political and governmental protection. Scholars have debated whether these economic entities conduct only legally permissible activities (informal but legal) or whether they carry out criminal activities as well (e.g., trading in arms and strategic raw materials, the production and trafficking of drugs, human trafficking, etc.).

methods for gathering empirical data was justified, and the contents (including the elements) of the research strategy for gathering empirical information were clarified. Finally, the need for a system of interconnected control procedures—procedures that will be applied at every stage of the planned activities as mechanisms for the ongoing methodological assessment of the quality of the separate components of research activities and for the timely correction of identified discrepancies and problems related to methods, instruments, or organizational technicalities—was grounded.

The next stage elaborated the elements of the research technology for social survey research on the shadow economy. Since the chosen approach was holistic, this stage involved the construction of independent research solutions for a number of relatively independent surveys. These solutions were derived from a general theoretical and methodological basis, which was described in stage one. Furthermore, during this second stage, a further concretization of the general methodological solutions and specialized research frameworks (specialized methodologies) for each survey were developed.

For the purposes of survey research on the shadow economy, it is recommended that a combined research technology (strategy) be elaborated, to be implemented by a system of logically interconnected social surveys that are clearly subordinated and precisely defined with respect to their cognitive functions and expected empirical results. Such approach was implemented in our particular case. Each consecutive social survey build upon the preceding one in both cognitive and methodological respects. In this way, the initially constructed method components were made more precise and further developed, while the knowledge obtained about the object of study was enriched and deepened.

When speaking about mixed strategies, some key methodological issues should be taking into consideration. Mixed strategies, or mixed methods, have spread throughout research practice in the last decade. The first serious publications on so-called “mixed methods” appeared in prestigious American, Canadian, Russian, and other European periodicals⁹.

To the best of my knowledge, and keeping in mind previous methodological experience in surveying, the development of a mixed research strategy to address the needs of a concrete cognitive situation requires making preliminary methodological decisions regarding the following four general methodological issues:

1. What will be the epistemological functions of the separate research modules (surveys) of testing a theory and constructing a theory? It has traditionally been assumed that quantitative methods are more appropriate for testing existing theories (the deductive approach), while qualitative methods are more methodologically suitable for constructing new theories (the inductive approach).
2. How will the separate research modules be subordinated? Despite being placed in the framework of the same research system, these modules are realized using different methods and pursue different goals. Here, the critical decision concerns whether one of the methods for gathering data should be given priority or whether the principle of the equal standing of methods, according to which all concrete methods for gathering data are equal with regard to the knowledge sought, should be applied.

⁹ Some emblematic methodological treatments in this respect are those of Creswell [2007; 2009] and Yadov [2000]. Some authors [Creswell 2007] believe that the mixing of methods was first proposed as early as the middle of the 20th century in connection with studies in psychology [Campbell, Stanley 1963]. In modern methodological literature, a distinction is made among six general alternatives of research strategies for mixing methods: 1) Sequential Explanatory Strategy, 2) Sequential Exploratory Strategy, 3) Sequential Transformative Strategy, 4) Concurrent Triangulation Strategy, 5) Concurrent Embedded Strategy and 6) Concurrent Transformative Strategy. This matter is systematized and developed in detail in the works of Creswell [2007; 2009]. The methodological innovative quality and functional expediency of these six research strategies is beyond doubt. Each has high heuristic potential and real applicability in individual situations.

3. What will the cognitive roles of the separate research modules be? As a follow-up to the second general question, it is important to consider which modules will play the basic role and which will have supportive, verifying, complementary, or methodological roles. In the context of mixed research strategies, the subordination of the separate research modules is an essential issue. Subordination determines the organization and the successful realization of a planned study.
4. What are the instrumental and cognitive functions of the data obtained through different methods? Functions may be related to interpretation, building up, comparison, checking for discrepancies, gathering supportive proof, etc. This question is usually underestimated, and it has even been mistakenly assumed that the data themselves will prompt the answer concerning their use. However, the proper scientifically grounded approach requires a preliminary understanding of the cognitive value of the accumulated data and their clear positioning in the general logic of the study. The more complex a given study is with respect to its organization, including with respect to the number of separate modules it contains, the more critically important it is for the instrumental and cognitive function of the gathered information to be defined during the stage of constructing the research strategy. In the context of the holistic approach, it is also important to define the primary knowledge with which the study begins (i.e., the theoretical and sociological model of the object of study) and the kinds of data that are to be received at the “exit” of the study (i.e., data for the verification, building up, or enriching of existing theoretical formulations or data for the construction of a new theory)¹⁰.

When studying assessments and attitudes related to shadow economic practices, a successful research technology could be some variant of the *Sequential Exploratory Strategy*. In general, the research process of the sequential exploratory strategy begins with a qualitative study, which has primary importance for defining the object of research, increasing the precision of the conceptual apparatus and the empirical indicators, and constructing the research tools. After the data from the qualitative study are analyzed, the research tools for the quantitative survey must be built, and the fieldwork must be conducted. This research strategy is very useful for hitherto poorly investigated phenomena, for delicate topics, or for cases in which the attitudes present in public opinion are contradictory. It is not accidental that this strategy is called exploratory: The research process here moves from the initial production of a conceptual model and theoretical schema for explaining the topic of study and deducing the general manifestations, typical models, patterns of behavior, and interpretation schemas to the seeking of confirmation and proof regarding the actual distribution (quantitative accumulation) of this model in mass consciousness or behavior. The sequential exploratory strategy is widely used for elaborating tools for quantitative surveys: for testing the comprehensiveness and relevance of hypotheses and systems of empirical indicators and for testing the quality of questionnaires.

Defining the System of Social Survey Research

A successful and adequate social survey research methodology for examining the shadow economy presupposed the development and application of a system of relatively independent social surveys designed to address the following sources of primary information: 1) the population, 2) the employers, 3) the workers/employees, and 4) additional sources of information (e.g., the state administration, local government, NGOs, trade-union organizations, experts and researchers, and documents and artefacts related to the problem area).

The goal of the set of studies was to reveal the nature and the socio-economic and institutional determinants of the shadow economy in order to investigate its specific functions and manifestations within contemporary

¹⁰ The kind of knowledge obtained through social surveys is a matter for separate discussion. Two types of knowledge are distinguishable: knowledge about the survey object and methodological knowledge. The first type of knowledge contributes to the development of concepts related to the object of study, while the second is of a strictly methodological character.

socio-economic relations, and, on this basis, to identify the rational approaches that governments might take to address informal economic activities.

Although subordinated to a common goal and common vision (i.e., the object of study), each of the surveys was characterized by its own object, surveyed individuals, goals, tasks, and functions, and, in this sense, has its own distinct methodological uniqueness. This is why it was not acceptable in the concrete case to think of this as a single survey on a multiplicity of separate data sources. In the context of the adopted holistic approach and the resulting methodology for the study of the shadow economy, a coherent system of relatively independent surveys was elaborated, each of which pursues specific synergistically interconnected cognitive and methodological goals. In their unity, the separate surveys facilitated an exhaustive investigation of each of the basic characteristics of the phenomena on which they have been focused, the identification and explanation of the interactions of the structural elements of the object of study, and the factors impacting these interactions.

The system of social surveys of the shadow economy included the following independent studies:

1) A national representative social survey of the population. The object of this survey was to determine the attitudes and tolerances of the Bulgarian population regarding the forms and manifestations of the shadow economy. The subjects of the survey (i.e., the survey units) were members of the population (in this case, the population of Bulgaria aged 15+ years).

The epistemological, instrumental, and functional purpose (goal) of the survey was to measure and analyze the public attitudes, levels of tolerance, and general sensitivity towards the manifestations of the shadow economy, while concurrently testing public reactions with respect to methods of restricting and preventing this economy in Bulgarian society. In accordance with these defined goals, the survey pursued a wide range of instrumental and cognitive tasks. On one hand, it was seeking general assessments and representations of the population with respect to the manifestations of the shadow economy. It also was searching to ascertain the structure of the opinions of the population regarding the shadow economy as part of the economic life of the country (i.e., whether the shadow economy is a necessary thing or, on the contrary, a harmful phenomenon that should be gradually mastered and minimized). Since the survey aims to register sensitivity towards the shadow economy, one of the cognitive tasks was to measure the role of shadow economic practices in people's everyday lives of people and to determine the ways in which people perceive and evaluate these practices. Another important goal was to measure the degrees of involvement of the different groups of the population in the shadow economy.

2) A national social survey of employers. The objects of this survey were the representations, opinions, and assessments of employers regarding the manifestations, mechanisms, and degrees of dissemination of the shadow economy. The subjects of the study were the legally existing economic entities within the territory of the country that conduct activities in the basic sub-branches of the economy. The most general goal was to study the assessments, representations, and opinions of economic units that comprise legally functioning segments of the economic life of the country and that are directly included in the production of goods and services. These goals presuppose the achievement of a wide range of tasks that can be systematized into three general groups based on their targets:

1. Tasks related to ascertaining the general representations and evaluations of employers regarding the shadow economy. This category of tasks included assessments about the level of the shadow economy at the national, regional, and branch levels. The aim of these tasks was to ascertain the structures and contents of the attitudes, assessments, and representations of employers concerning the shadow economy as an element of the economic life of the country.

2. Tasks focused on the measurement of the behavioral aspects of the survey object. The aim here was to ascertain the degrees and forms of involvement of employers in the shadow economy, while simultaneously identifying the most widespread (typical) grey practices by branch. Special emphasis was placed on identifying the highest and lowest thresholds of tolerance of the shadow economy at the branch and regional levels.
3. Tasks related to the study of employers' attitudes towards the applied approaches and measures for restricting the manifestations of the shadow economy. The tasks were to identify the structure and stability of opinions about possible methods for reducing grey practices, to identify the role of institutions in this process, and, on this basis, to generate recommendations for possible measures for restricting and preventing the shadow economy.

The survey of employers held a central place in the study of the shadow economy. Some of this set of surveys were representative of the general population at a national scale, others were representative at the branch level, and still others were conducted using qualitative methods and with specific cognitive functions.

3) A national sample social survey of workers/employees. This survey was similarly aimed at measuring opinions, assessments, and representations regarding the shadow economy; however, it was exploring the perspective of hired labor: the workers and employees who, as part of the structure of legally operating economic units, can, in certain situations, be involved in grey economic practices. The survey objects in this case were the representations, opinions, and assessments of workers and employees regarding the manifestations, mechanisms, and degrees of dissemination of the shadow economy. The subjects of the survey were members of the population of Bulgarians aged 15+, and surveyed individuals were selected from among the body of persons who were actually employed, regardless of whether their work relations are contractual or not.

The general goal of this survey was to ascertain the degree of tolerance of workers and employees concerning the manifestations of the shadow economy; their inclusion, to date, in shadow practices; and their psychological willingness to take part in shadow practices. Consequently, the concrete tasks of the survey of workers and employees fell into the following categories:

1. Tasks for ascertaining the structure and nature of the representations, attitudes, and assessments of workers/employees regarding the nature, mechanisms, and typical manifestations of the shadow economy.
 2. Tasks related to studying the degree of inclusion and the inclusion models of hired individuals in shadow practices at the workplace (i.e., degree to which and how workers and employees from different branches take part in the grey economy). Within this group, an important cognitive task was to study the opinions of employed persons concerning the causes of shadow practices in the economy at the national and branch levels.
 3. Tasks aimed to measure workers' and employees' willingness to act against shadow economic practices. These tasks assessed the participants' degrees of tolerance of the manifestations of the shadow economy and their assessments of possible measures for restricting shadow practices.
- 4) At the stage of constructing the conceptual model for the study of the shadow economy, and as a result of two research studies conducted based on literary sources, the need to include several sub-populations of additional sources (e.g., the state administration, local government, trade-union organizations, experts, researchers, and active NGOs) has become clear. To address this need, a separate study for analyzing the shadow economy through the eyes of the organizations and structures that observe and analyze informal economic

activities and that, based on their observations, develop policies for restricting and preventing the informal economy, was designed.

The aim of this survey was on the basis of a specific institution's and researcher's understanding of the research object, to identify the quantitative and qualitative parameters of the shadow economy and to outline the areas and possible approaches to restriction and prevention of the informal economy. To accomplish this aim, the survey was fundamentally different from the other projected surveys and pursued three categories of specific tasks:

1. Tasks to distinguish the specificity of institutional (organizational) approaches to collecting information on informal economic activities.
2. Tasks to outline basic models (official and informal research models) for describing and explaining the shadow economy. These tasks include conceptual models regarding the nature of grey practices, interpretative schemas concerning the causes, mechanisms, and forms of grey practices, and systematizations and recommendations regarding ways to restrict and prevent grey practices.
3. Tasks related to identifying the basic shortcomings of the information systems and databases concerning the indicators of economic activity. These tasks were aiming to assess what modifications need to be made to the inter-organizational exchange of information to create the institutional conditions necessary to restrict shadow practices.

To my best knowledge, most social surveys on the informal economy neglect to study the opinions of the state government administration and, in some cases, focus only on expert opinions, taking these as an exclusive reference framework for the explanation of informal activities. The additional viewpoints, stances, and sources defined here added significant cognitive value, which was additionally multiplied by information drawn from basic sources of data. For instance, the representatives of the tax administration offered first-hand information regarding typical shadow violations made by different categories of taxpayers: large, middle, and small. This information, when compared with employers' information concerning degrees of obedience to fiscal regulations, acquired additional depth and suggested new explanations for employers' motivations to obey (or not obey) fiscal rules. The same was true for comparisons of information obtained from the category of researchers and experts, on one hand, and information from official state registers, on the other. These comparisons make it possible to immediately identify discrepancies in the detection and registration of shadow practices and reveal why these discrepancies occur.

5) Within the logic of activities involved in the social survey of the shadow economy, the study of previous documents and objective statistical information performed significant informational–cognitive and instrumental functions. This part of the research comprised a multi-layered process of gathering, processing, analyzing, and presenting the existing information sources, publications, research studies, and analyses of the informal economy in Bulgaria and Europe. In the context of the projected general methodology of the study of the shadow economy, these documentary units formed the “research and analysis environment.” The aim was to systematize and understand the publicly accessible analytic and statistical documentary units relevant to the period of time preceding the survey and, on this basis, to make founded theoretical assumptions concerning the nature, particularities, and typical manifestations of shadow economy practices in Bulgaria and propose recommendations for the intervention and restriction of the grey sector.

6) Another essential element of the research on the general topic of interest was the study of the legal and juridical environment in which the emergence and reproduction of shadow economic practices become possible. This is why the analysis of normative documents in Bulgaria and in Europe was considered an intrinsic

element of the process of data collection. According to the logic of the general methodology of the empirical study, these documentary units formed the “legislative environment.”

In this case, the objects of analysis were normative documents that constitute the macro and meso environments of national economic activity: laws and by-laws, regulations for their application, and decrees and rulings of specialized administration instances. The goal was, on the basis of an analysis of the fundamental legislative acts and normative documents of Bulgarian legislature, to assess the role of the legislative environment as a factor in the production and restriction of shadow economic practices in Bulgaria.

7) The research on the “governmental environment” related to the preceding element, since it aimed to ascertain the contents of the government decisions, stances, and important documents that define the policies and approaches operating in key areas of socio-economic life. The basic assumption was that any oversight (conscious or not) in relevant policies and approaches impacts the macroeconomic context and creates preconditions for the emergence of grey practices in the economic sphere. The legal–juridical environment and the governmental environment ultimately form what is usually designated as the “institutional environment.” In the context of the institutional “key” (adopted here) for interpreting informal economic practices, the institutional environment is what predetermines the nature and level of dissemination of typical grey practices.

8) Not least importantly, in the framework of the study of the general social context, the study of the media environment performed significant functions. This study was an independent instrument for gathering diverse, multi-faceted information about the media approaches to coverage of the topics related to the informal economy and the key messages addressed to the audience. This audience was consciously and purposely targeted with certain types of journalistic messages, which produced a certain kind of public opinion. This is why it was important to study the role of the media as a translator of key messages, models, and patterns related to the perception and assessment of the informal economy. The principle was to encompass at least three different time periods in order to compare the media models of coverage. These segments of time included: a period preceding the research (long enough to allow for the identification of trends), the time at the start of the research activities, and a subsequent point in time that is far enough after the start of the research to permit the measurement of trends occurring during the process of the research. Thus, three temporal reference points for comparative analysis were provided that has allowed for the measurement of, among other things, the impact of shadow economy research on the social context.

Fieldwork for implementing a described system of social surveys requires sufficient technological time, and the optimal time for implementation is four to five years. This time span is essential to the quality of implementation of the separate surveys and to ensure the registering of possible dynamic changes in the study objects. The temporal perspective of four to five years also enables the researcher to develop a detailed initial “snapshot” of the basic characteristics of the survey objects, whose changing values can subsequently be traced over time. Finally, by the end of the cycle of research activities, this time horizon will support the collection of sufficient data for comparison, for identifying current trends, and for outlining the dynamics of the separate aspects of the survey object. Thus, through rationally projecting and precisely positioning the surveys in time, a comprehensive depth of knowledge can be obtained regarding the survey objects.

It would be optimal to conduct surveys of the basic data sources during the first year of implementation of the system of surveys. Since every survey seeks to identify specific aspects and characteristics of the object and the surveyed subjects, it is important for the researcher to obtain an initial “snapshot” of the investigated reality from all key carriers of primary information. It is also desirable for the surveys to be conducted within the framework of the same social context, since any change in general context will impact the nature of the public opinions and assessments.

Conclusion

The designed set of social surveys based on the holistic approach described above was successfully implemented in Bulgaria during 2010–2014 within the framework of the project Restriction and Prevention of the Informal Economy, carried out by BICA. The surveys yielded an impressive number of empirical databases drawn from three basic sources: the adult population, the employers, and the hired employees of Bulgaria. The analysis of the data is the topic of other publications. The empirical data of the surveys¹¹ demonstrate that the realm of informal economic practices, including, in particular, the “shadow economy,” is a complexly organized subsystem of socio-economic relations that is tightly interwoven with the structure of the transforming Bulgarian society. Regardless of differences in assessments concerning the relative share of shadow economy practices, what is predominant in public opinion is the assessment model according to which, from 2010–2014, approximately one-third of economic activities in Bulgaria were carried out in violation of formal (official) rules. From a comparative European perspective, this places Bulgaria among the group of countries with the highest relative shares of shadow economy as a proportion of GDP. The survey research also reveals that Bulgaria is home to not only a high volume shadow, but also a wide range of shadow practices. The resulting annual losses to society are estimated to be 25 billion BGN. Furthermore, the research conducted using the devised research strategy confirms that the “shadow economy” is perceived as a socially legitimated and economically expedient parallel economic reality, which comprises a set of well-thought-out life strategies for not complying with, neutralizing, or adapting formal rules. In the context of the transformation processes taking place in Bulgarian society, shadow economic practices are considered a necessary socio-economic “compromise” that covers the social costs of the transition to a market economy and of the neo-liberal models of management.

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¹¹ This refers to surveys conducted within the framework of the project Restriction and Prevention of the Informal Economy from 2010–2014.

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