ECONOMIC TERMS AND THEIR CHARACTERISTICS

Svetlana CORCODEL, Dan CORCODEL, Artur CORCODEL*

Universitatea de Stat din Moldova,
*Universitatea Academiei de Științe a Moldovei,
*Institutul Național de Cercetări Economice

This research work is a proof of an attempt to find peculiar aspects of economic terminology as a part of the language vocabulary. It helped us understand better the process of terms evolution and their development within the framework of one specialized language. It is a kind of analysis and foreseeing of the economic terms evolution, creation, assimilation and their implementation into the actual specialized economic vocabulary. This research is a good source of information for terminologists helping them to choose what term should be used, what information and meaning it designates and when it should be used. This field needs a permanent study, because this specialized field is always in evolution that depends on the country development and progress.

Keywords: term, neologism, interpretation, lexical unit, etymology.

TERMENII ECONOMICI ŞI CARACTERISTICILE ACESTORA

Ştiinţa terminologică urmăreşte lărgirea orizontului intelectual despre termenii mai vechi, dar şi despre cei noi utilizaţi în domeniul economic. În lucrarea de faţă se face o delimitare directă a terminologiei economice, o reprezentare teoretico-practică a termenilor economici, fiind indicată utilizarea acestora în planul cel mai convenabil. Această temă a fost aleasă pentru investigaţie, deoarece s-a dovedit a fi un aspect important al limbii, autorii tratând problemele majore ce vizează termenii existenţi şi cei nou-creaţi. Materialul de studiu include evoluţia, analiza şi previziunea termenilor economici, apariţia, asimilarea, provenienţa şi implementarea acestora în vocabularul de specialitate deja existent. Tema este considerată a fi foarte actuală, înându-se cont de importanţa ei teoretică şi practică. Respectiv, se impune drept obiect de studiu multor lingvisti, terminologi şi specialişti în domeniul.

Cuvinte-cheie: termen, neologism, interpretare, unitate lexicală, etimologie.

Introduction

One of the main weaknesses of economic science, alongside its ideologisation, is its conceptual and terminological insufficiency expressed in underestimation of the complexity of the procedures of creating new and improving existing concepts, procedures of naming newly born concepts. In many cases economic concepts are used as self-evident, requiring no definition. In other cases when definitions are given, this is done from the position of common sense, casual knowledge rather than of careful use of the methods of abstraction (idealization) and classification. The result of such casual cognitive endeavor is usually imprecise, vague concepts. This leads to, sometimes substantial, losses in the process of creating economic knowledge. To add the problems emerging from the giddy naming, ‘baptizing’ of the concepts, and we will have two main explanations of those conceptual and terminological quandaries faced by our science and hindering scientific progress in our profession. And all this takes place in the climate of the lack of proper awareness of the existing difficulties.

Overview on the Research

The main purpose of this paper is to contribute to the lessening of definitional and terminological fuzziness continuously emerging from implicit, casual understanding of the basic economic concepts like economy, informal economy, shadow economy, grey and black economy etc.

A stricter, less ambiguous understanding of these and other economic concepts explored in this paper would mean, among other gains, higher quality of structurization, formalization of economic knowledge, a more precise picture of economic reality, less misunderstandings and better communication among economists and between our profession and larger public. All in all, it would lead to better conditions for accumulation of improved economic knowledge and better perspectives for economic progress. In the knowledge economy, knowledge about economy becomes, as probably never before, an essential prerequisite for the growth of wealth. Our explorations are carried out in the framework of methodological holism, which, in our view, allows avoiding the theoretical traps and inconsistencies that are characteristic of the mainstream economic thinking based on the premises of methodological individualism.
Using the term ‘anti-economy’, in fact conceptualizes some very important negative aspects of economic discussions. A partial exception is probably the workings of John McMurtry [1, p.182]. This scholar, without being informed about the existence of publications in which the concept of anti-economy is thoroughly explained. Traditionally and rightfully economic science assumes that a rational actor finds an optimal, best combination between input and outputs or, to put it in other words, between the amount of costs and goods in some cases, and in other cases economic bads. These bads bring harm to people communities; institutions and so on, reduce their viability and sometimes even threaten the very existence of these actors. Drugs, family and social violence, abuse of alcohol, terrorism, war, and corruption are only part of the wide spectrum of vices that represent irrationality, harm, and economic bads. All we said above gives ground to presume that in parallel with the concept of economy one could use the notion of anti-economy. Irrationality, harm, economic bads are the facts of life that do not fit to what we call economy [1, p.173].

Economy is a sphere of reality where actors behave rationally and in the conditions of limited resources effectively produce economic goods. There is no place in this concept for economic imprudence, waste and harmful products of our activities. But the latter precisely fit what we have just named anti-economy. If we want to explore the negative side of our activities where limited resources are used, then we have to use another procedure of abstraction. This time, as the criterion of abstraction the concept of anti-wealth should be used. It represents all sorts of economic bads; cases of damage and waste, uneconomic use of existing economic goods. In other words, anti-economy is the aspect of social reality which reflects the flow of economic bads and the uneconomic use of economic goods. The latter aspect of anti-economy requires additional explanation. Traditionally and rightfully economic science assumes that a rational actor finds an optimal, best combination between input and outputs or, to put it in other words, between the amount of costs and newly produced goods. As far as abstraction is usually an idealization as well, such idealized picture of economic activities shows the economic, rational behavior in its ideal, perfect form. Similarly we deal with other economic concepts like, for instance, perfect competition, Pareto efficiency, etc. If they are not confused with reality – in reality such ideal cases are exceptionally rare, – they are effective cognitive instruments. Knowing the definition of an ideal economic action we have an opportunity to identify the deviations from such an ideal model and thus to ascribe them to what is called anti-economy.

Deviation (digression) from the ideal model of economic behavior in the sense of a not fully effective use of existing resources implies waste of these resources, of existing wealth. If, for example, the capacity of the equipment is used by 70%, in this simplified case the 30% of unused, wasted capacity represents anti-economy. This loss is comparable with the loss inflicted by a worker who damages the equipment so that it loses 30% of its capacity. In other cases deviation from optimality happens when all allotted resources are used up. We are not informed about the existence of publications in which the concept of anti-economy is thoroughly discussed. A partial exception is probably the workings of John McMurtry [1, p.182]. This scholar, without using the term ‘anti-economy’, in fact conceptualizes some very important negative aspects of economic systems calling them ‘the death sequence of value’. These aspects fit what we named as anti-economy. In other words, he conceptualized the processes of production of economic bads and destruction of existing wealth. On the other hand, there are publications in other fields of social science where the prefix ‘anti’ is
used. For instance, the publication of George Konrad titled “Anti-Politics: An Essay” [2, p.49], but the utility gained is less than optimal. Loss of the gain or utility also represents anti-economy.

The lost amount of economic goods represents the harm but not the cost of production. GDP gap, i.e. a negative difference between the potential and the real GDP, could serve as an example of such a loss of gain on macroeconomic level. Opportunity costs in micro economy represent harm inflicted on a firm. In the literature, rather widespread is the use of the terms ‘black economy’ and ‘grey economy’. Unfortunately, they are used without an explicit explanation of their contents. Implicitly one can hold that the term ‘black economy’ reflects the negative aspects of economy and that these aspects are more negative than those connected with the term ‘grey economy’. A truly scientific exploration cannot be based on such a shaky conceptual foundation.

Having defined the concepts of economy and anti-economy we can settle this conceptual and terminological problem. Economy as it is, defined in its abstract, ideal state is ‘white economy’, i.e. there are no negative, ‘black’ elements, aspects in it, ‘black spots’ on it. If we extort, abstract from reality the rational economic behavior of economic actors in its absolute, pure forms, if we assume that these actors achieve optimal results in terms of combination of costs and benefits (utility), then the result of this abstraction will be the purely ideal, absolutely ‘white economy’. On the other side of the extreme there would be black economy. This behavior of economic actors in its absolute, pure forms, if we assume that these actors achieve optimal results we can talk of real economy as a kind of ‘grey economy’. In some cases it is almost white and in others almost totally black. At the first glance these conceptual innovations look like heresy; to this we could respond citing the motto: “Every truth is always born as heresy and dies as dogma”. A more substantial answer to the possible criticism is to show myriads of cases when the method of abstraction (idealization) is being employed. Any concept – not only of free market, market equilibrium, production possibility frontier, but even such simple notions as ‘a student’ or ‘a scientist’ – is the result of mental operation based on abstracting from reality, from certain features of the objects and subjects of this reality and creating, defining a concept which is a purified, idealized cognitive reflection of a certain aspect of reality, of a certain group of features of an individual etc. A pure, ideal scientist can exist only in our mind, in theoretical constructions. The same applies to economy, or anti-economy. A real human being is a mixture of a broad variety of features, characteristics. The real social life is a mixture of economy and anti-economy, ‘white’ and ‘black’ economy and of many other properties, attributes. Some of them will be discussed below.

Formal and underground economy - in the former parts of the article our attention was concentrated on what economy is in its ideal. Our first efforts to conceptualize the underground, shadow side of the economy come back to the last years of the Soviet system [3, p.40]. At present, another Lithuanian economist, R. Gavelis, is working in this field [4, p.117] form and how to conceptualize those facts of social life which do not square to it, deviate from this ideal and represent the negative side of economic reality.

Now let us turn to another aspect of our analysis. We are going to investigate official and unofficial sides of economic activities. Although it is a relatively young branch of economic explorations, a vast literature devoted to this issue has accumulated. Therefore it might seem that only a limited space exists for the conceptual improvement. Though limited, it does exist. Our chances to add something to the conceptual framework of the topic we tie, firstly, with the holistic approach Vis a Vis Economy and, secondly, with the earlier introduced distinction between economy and anti-economy.

In the economic profession one can encounter a great variety of terms which, usually implicitly, are attributed to the negative aspects of economic reality. ‘Underground economy’, ‘hidden economy’, ‘shadow economy’, ‘informal economy’, ‘parallel economy’, ‘unofficial economy’, ‘grey economy’, ‘black economy’, ‘illicit economy’, ‘unrecorded economy’ are the terms widely used in the economic literature, unfortunately, in many cases without a proper explanation of the content attributed by these terms.

Such terminological and conceptual disarray leads to huge cognitive losses – often we confuse discussion on terms, on the ‘names’ of the concept with discussion on the substance, on the contents of the concepts. The latter problem is more important than the procedure of ‘baptizing’, ‘christening’ of a defined concept.
Conceptual and terminological strictness has a fundamental influence on the accuracy of measuring the outcomes of economic activities taking place outside official economy or representing a circumvention of official requirements. In this respect we agree with J. Thomas who is critical of “measurement without theory” [5, p.382]. Having this in mind, we’ll begin with the conceptualization of these, usually implicitly understood, aspects of economic life. Let us begin by differentiating among five aspects of economic life. The first aspect reflects the officially regalement (regulated) economy, the second deals with non-regalement (non-regulated) economic processes, the third shows practices of non-compliance with official requirements, the fourth is related to recorded activities and the fifth to unrecorded activities. It is worthwhile to stress that the first three aspects are connected with the officialality, formality, legality of economic processes, the last two dealing with the possibility to detect and to record (to measure) different economic characteristics. That means that in fact we have to talk about two different classifications of economic phenomena.

The criterion of the first classification is relation of one or another element of economic life to officialality, formal requirements of legal authority, and the criterion of the second classification is visibility, covertness (and measurability) of an economic phenomenon. By the first criteria of the former classification we can distinguish between the economic practices that comply with the official order, that deviate from this order and that are not officially regulated by legal authorities and are an expression of the free will of economic actors. The official order requires registering our economic activities, to pay taxes, to abide by labor-capital relations regulating and other laws. But there are cases of non-compliance with official requirements: economic actors do not register their business, they avoid taxation, and they break labor and other laws, and so on. At the same time, people have a certain freedom in their activities; part of their economic life is not regulated by law or other official requirements.

One of the least regalement fields of our economic life is the household. Though even there exist some official regulations concerning relations between spouses, between parents and children, most of the decisions made in this domain are free.

After demonstrating the difference between the three aspects of economic reality connected with the criteria of formality, officialality, we can talk about the existence of three different, distinct economic concepts. Having the definitions of these concepts, we have to solve the terminological problem – to give those three concepts the appropriate names. In doing this, we have to bear in mind at least two things. First, we shouldn’t be afraid of the situation when one concept has several names. In other words, nothing is wrong if the same phenomenon is reflected by several terms. The opposite case – when one term is used to denote two different things (phenomena) – is much worse. Several names for one concept simply mean that we have several synonyms, which are useful when we want to express ourselves more eloquently, elegantly. The main caveat here is the lack of terminological discipline when one confuses terms and misuses them. We will show below how this danger becomes a reality. Instances of the use of one term to denote (“baptize”) two or more things are an obvious, blatant logical mistake – every ‘child’ must have its own separate name.

Another rule which should be observed in solving terminological issues is semantic connotation, the traditional sense connected to a given term. In other words, a term should not create misleading cognitive situations, should not distort the contents of the concept. Alas, in the field discussed in this paper there are instances of such discrepancy between the semantics carried by the term and the concept. Here we would like to stress that this threat doesn’t exist when terms are semantically neutral, i.e. when they have no clear connotation. Our emphasis on the terminological discipline is not incidental, because in a discourse devoted to the problems investigated in this article one has to detect the cognitive ‘mist’ created by the shortage of terminological order. Let us try to ‘baptize’ the first concept which reflects officially endorsed economic practices. We can choose several terms to name this concept: ‘official economy’, ‘formal economy’, ‘legal economy’, ‘licit economy’. Being the ‘names’ of the same thing, they are synonyms and are convenient to use avoiding too often the repetition of the same words in our everyday and scientific parlance. In this case there are no major conceptual and terminological misunderstandings. The picture is different when we turn to the other two concepts, which reflect, first, deviations.

Unfortunately, in the field under discussion there are instances of such terminological confusion. For example, both cases of non-compliance with formal order and unrecorded elements of economic reality are often given one name – informal economy, shadow economy, underground economy, etc. [6, p.35]. from official requirements and, second, unreglamented, unregulated economic actions. For the first group of economic
phenomena we could, rather safely, use the terms ‘illegal economy’, ‘illicit economy’, ‘underground’ economy’. All of them carry a certain sense of illegitimacy, anti-legitimacy, non-compliance with official order. The other terms such as ‘informal economy’, ‘unofficial economy’, ‘shadow economy’, ‘hidden economy’, ‘parallel’ economy’ are more ambiguous. They could be used, and are used, to reflect both cases – instances of non-compliance and unregulated activities. The term ‘informal’ could be interpreted as non-formal, beyond formal, non-legalisation and as deviant from formal. The same interpretation applies to the terms ‘unofficial’, ‘parallel’ and to a lesser extent to ‘shadow economy’. The latter carries a sense of illegitimacy. These arguments show that the practical way out of the situation is a convention among the leaders of the field to accept one or another terminological option. Without it, most of polemics will be caused by differences in terminology rather than by the essence of the problem.

Our suggestion for this future terminological convention would be as follows: the terms of shadow, informal, parallel economy should be treated as synonyms to underground, illicit, illegal economy, which reflects the aspects of noncompliance with the formal requirements of the authorities. The third group of the phenomena could be called unregulated economy represented by household, by non-governmental organizations, neighborhood activities, etc. The separate group of terms should represent the other two aspects of economic reality, namely, recorded and unrecorded elements of this reality. Here we would like to stress that hidden, difficult to record facts exist not only in the underground economy, but also in unregulated economy (household, neighborhood assistance, activities of NGOs), and even in formal economy (especially in the public sector). For denoting the unrecorded elements of economy, the terms ‘hidden economy’, ‘invisible economy’, ‘unreported economy’ is semantically suitable.

It is worthwhile to emphasize here that the term underground economy makes sense only in the presence of the clearly expressed, defined official order. Without explicitly pronounced official norms, rules, procedures there is no much sense in talking about digression from the official order. When the formal order is vague, amorphous, one faces essential difficulties in finding out which elements of our life are belonging to the underground, illicit economy. In times of wars, revolution, the formal order weakens or is almost completely destroyed. Without clear authority, without solid legal rules and strong legal and other institutions the process of demise of official order takes place. That means the disappearance of the clear cut criterion along which the identification of illicit, underground activities could be carried out. The dividing lines between legal and illegal activities blur out the sanctions, punishment for alleged non-compliance become more arbitrary, etc. Such a situation implies at least three major negative impacts on the economic life. Firstly, it M. Fleming and others define shadow economy as consisting of four components: criminal, irregular, household and informal [6, p.36]. Such a description of shadow economy raises doubts for two major reasons. On the one hand, three of four (except household) components represent one or another form of different level of illegality. The household as such represents mostly unrecorded activities but not illegality or circumvention of official order. Therefore, to put in one classification the phenomena of different origin, in our view means to violate the principles of classification. Ch. Grantham, too, describes ‘hidden economy’ in terms of its invisibility [7, p.11] disorganizes economic activities, and evokes chaos, entropy in economic systems. Secondly, it means the devaluation of formal economic order which (provided it is optimal) is a public good. Thirdly, the negative activities that lead to destruction of existing wealth and to proliferation of production of economic bads become widespread.

The other caveat should be mentioned here as well. It is important to bear in mind that formal rules, norms etc. may be to a bigger or lesser extent irrational, suboptimal. In other words, one should avoid identifying the notions of official order and good order and hence formal economy and ‘white’ economy [6, p.37]. Moreover, researchers rightly state that one of the main reasons for the emergence of underground economy is the flaws in official regulations; the more imprudent formal requirements, the higher the motivation for economic actors to withdraw from official economy to underground economy.

Conclusion
One can quite safely conclude that elements of anti-economy might be found in official, in underground and in unregulated economy. But it would be dangerous, as is often the case, to identify, especially in the domain of common sense, underground economy with anti-economy or, using another term, with black economy. As we already have shown, the concepts of economy and anti-economy reflect an independent,
different classification which should not be confused with the classification, categorization along the criteria of formality, officiality and represented in terms of official, underground and unregulated economics.

Thus, it follows that the elements of both ‘white’ and ‘black’ economy exist not only in the underground, illicit economy, but in official and unregulated economy as well, that the latter three sectors are actually grey. In some cases they are dark grey, in others – light grey. Traditionally, all these terms are used in the context of an individualistic paradigm in which economy is perceived as practically identical to market.

References:

7. GRANTHAM, Ch., WARE, J. Understanding the Hidden Economy. In: Journal of Management and Sustainability, Vol.3, no.2. Published by Canadian Center of Science and Education, Quebec, 2013, p.14, ISSN 1925-4725, E-ISSN 1925-4733

Prezentat la 02.10.2015
în cadrul Colocviului Internațional
Dialogisme et polyphonie dans les langages de spécialité –
vers une socioterminologie dynamique