

Abstract

In the academic field the informal economy is vaguely represented and most of the research is focused on developing countries with many socio-economic issues. The informal economy in the developed world, mainly the European Union and the United States of America, has a minor share in the world's informal economy, as such it is not commonly discussed among academics. Some countries around the world are actively trying to battle this sector to minimize it and thus minimize its impact on the state economy and on the individual communities. To implement more effective policies it is important to know which factors are most conducive to the prevalence of the informal economy. Finding those factors became the aim of this paper.

Owing to the fact that there is a lack of research conducted in the developed countries about the informal economy the main focus of the thesis is the geographical area of San Diego County, predominantly for its diverse demographics.

The factors are identified and analyzed in detail in chapter 4. In “Discussion” the factors are evaluated to reveal the most conducive ones. It has been determined that the most conducive factors are “burdensome regulation” and “individual preferences”. Additionally factors that influence the informal economy in San Diego County are “low monitoring and enforcement” and “high economic inequality”. The findings offered do not only have academic value but they can be used to better understand the issue of the persistent informal economy in the San Diego County, and possibly the state of California.