
ECONOMIC SAFETY

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ECONOMIC ASPECTS OF CORRUPTION AND BUSINESS SECURITY

ABSTRACT. The problem of corruption follows the development of human civilization at all stages. Today corruption is inherent in all states, with no exceptions. In the modern world and in Russia as well, corruption has taken on proportions incomparable with any previous period. The scale of corruption, the sphere of its distribution and the character of its consequences on the one hand, greatly influence the condition, development and safety of any economic system; and on the another hand, it serves as an objective indicator of the wellbeing of the public system and its security. Today there is every reason to prove the invasion by corruption of the economy. All types of economic relations account for corruption. An economization of corruption has taken place, which should be considered a serious threat to national security, to its social and economic institutions, economic subjects, entrepreneurship and business, as the basic elements of the market economy. This article is devoted to consideration of the problems stated above.

KEY WORDS. Corruption, shadow economics, economization, business, security.

The problem of corruption follows every stage of development of human civilization. Corruption, as well as the State itself, has always existed in one form or another. In theory, its existence and development gain importance at the stage of singling out administrative functions in social and economic life. At this stage, it becomes possible for an official (administrator) to control resources and make decisions not for the sake of the State or a company but for his own benefits.

It can be argued that corruption, in general terms, as a socio-economic category, denotes the relations between officials and individual persons concerning means of taking advantage of official powers in one's personal interests at the expense of a third party (the society, the State, the company).

Traditionally, however, corruption is seen as a moral rather than a legal category. Only in the 1970s was corruption treated as an economic category in the theory of high status rent, says S.P. Yuhachev [1]. The author presents the following definition:

«Corruption is the economic relation resulting from unbalanced economic interests between actors, when one of the actors using his powers as the high status, forces the other actor to transfer all or a part of tangible or intangible assets.»

The nature of corruption, as N.P. Kupreshenko states it [2], is the commitment of actions which lead to imbalance in the equality of rights and freedoms of economic activity, to default in the performance of obligations by the State to maintain fair competition.

The term «corruption» may be understood in at least three meanings, i.e. as a social notion, as an illegal phenomenon or as a politico-economic notion.

In daily life, the notion of «corruption» is most often used in the sense of a negative social phenomenon. Thus corruption is understood as criminal activity in politics, state administration, judicial proceedings, foreign trade and other areas in which officials use their power and authority for the sake of personal gain.

Today corruption is inherent in any modern Government without exception. In the modern world including Russia, corruption has taken on proportions incomparable with any previous period. Corruption, the scales and sphere of its distribution and the character of its consequences on the one hand, make essential its impact on the condition, development and safety of any economic system; while on the other hand, it serves as an objective indicator of wellbeing of the public system and its safety.

The process of corruption presents especial risks in the political, economic, legal and social spheres of public life. Corruption has become one of the most dangerous factors of public life, destructively influencing the national security of the State in general and its economic security in particular.

Corruption is sometimes called a «social plague», an epidemic which is covering all modern states, large and small, wealthy and poor. This dangerous disease has taken acute forms in our country [3].

Over the past decade, the problem of corruption in Russia has become much more complex. Corruption has lost its original criminal status, it has become so to speak «legalized» and even common practice. With its significant impact on political, economic and social life, it is threatening the development of the Russian State, and has thus acquired the status of «public enemy No. 1».

The proportions, character and dynamics of corruption are the result of the general political, social and economic problems of the country. It always increases when a country undergoes not only another period of reform, not just a period of modernization, but radical breaking of public, state, economic, social and other foundations. It is not surprising that it follows general patterns, including negative ones.

Most experts agree on the fact that the main reason for high corruption is the deficiency of political systems, which should guarantee internal and external means of restraint.

Some foreign economists express an extremely concise definition of the main causes of corruption by the following formula [4]: Corruption = monopoly + freedom of action (abuse of power) - liability (responsibility).

It should be noted that today in Russia, there are specific causes of corruption: high secrecy in government agencies, an awkward reporting system, underdeveloped and inadequate legislation, inefficient government institutions, weakness of civil society and other factors.

It should be emphasized that today one of the main problems connected with corruption is the absence of a systematic approach to its liquidation. Thus, an effective national strategy to resist corruption does still not exist. As a result, the reasons which cause corruption and conditions favorable to it are not eliminated.

Many authors believe that in Russia today, corruption has become a systematic factor that has a negative impact on the consistent development of society and is a real threat to the functioning of the public administration, supremacy of law, democracy, human rights and social justice.

For example, as V. Mosaic points out [3], in Russia at the beginning of the third millennium, corruption has become the main obstacle to political, economic and spiritual renaissance. In fact, having become a part of the state system, an integral part of the relationship between the State and oligarchic business, corruption has led to monstrous imbalances in the system of state institutions. Corruption has become the main obstacle in the way of reforms and any restructuring: a real threat to national security.

The spread of globalization and rapid development of market relations in the Russian Federation stipulate changes in existing threats, and the appearance of new ones, to economic security. Among them, according to A. L. Edelev [5], are first of all, the most dangerous threat of corruption, which is evident in all aspects of economics and management. Corruption has acquired the features of a complex threat to the economic security of the state.

Corruption as a complex threat to economic security is an illegal shadow economy, closely interrelated with other social institutions — politics, economy and culture.

Today there is every reason to state the following. First of all, the existence of institutional corruption, as a system of governmental administration when making decisions, as a rule, is connected not only with the duties of an official, but also with his personal interests.

Secondly, a rather stable market for the services of public officials and other administrators has been established, with a certain user value and certain prices (the amount of bribes, the so-called «payoffs» or «kickbacks»), related to various corrupt situations.

Thirdly, a new term, namely «standards for payoff», has come into usage. «A standard payoff» is the bottom line of a bribe in percent, which supposedly officials are not ashamed to trade with another person, as a rule, a business person while negotiating a favorable treatment or conditions.

As real-life experience and numerous studies prove, the largest amount of «payoffs» (corruption charges) goes to the executive power.

Fourthly, the Russian business environment is characterized by the significant role of informal components in the interaction between governmental and business

organizations within the business community. It is reflected in the actual presence and dominance of informal phenomena of «payoff», corruption in matters of entering into state and municipal contracts, tenders for the sale of state property, access to production facilities and municipal infrastructure. [6]

In other words, today in Russian society there is a «special procedure» of handling various issues, i.e. the «economics of payoff».

Probably it is no exaggeration to state, as A. Bashkatova points it [7], that the rules of «payoffs» and illegal distribution of money regulate all spheres of Russian «economics». It is not only administrators and executives who work for their own gains, but employees who have access to budgets in public or private firms. According to the Director General of the «Contour Components» company, the Russian tax and economic system operates in a way which makes business activity formally illegal for almost every entrepreneur.

Most authors in the consideration of corruption tend to single out its economic function, thus stating that it is the most common form of corruption, along with political corruption.

Nowadays there is no generally accepted definition of corruption. However, certain authors express their ideas concerning the phenomenon.

For example, I.V. Bezrukov [8] defines economic corruption as bribery (receiving, promising, offering, giving a bribe or extortion of bribes), also any other illegal use of the public status of an administrator for the sake of gaining profit, both for the administrator and for any other person, against governmental protection of economic interests of citizens, legal persons, society or the State. Bribery includes illegal providing of such benefits regardless of direct commitment of an official in a transaction.

Corruption as a criminal phenomenon is primarily connected with the economy and economic processes in general, and with financial and commodity flows in particular. The same can be said about economic corruption, which in its concentrated form incorporates a variety of crimes and leads to the destruction of the economy or its one-sided development, transformation of the government management system into an instrument of private economic needs.

Thus, a kind of criminal triad (shadow economy — organized crime — economic and political corruption) is formed. It serves to build a criminal society and a criminal State, and thus is extremely dangerous for individuals, society, and the State.

These circumstances, according to A. A. Makarov and V.M. Chuprova [9], allow the conclusion that at the present stage of economic development, interpenetration of corruption and the economy has occurred, and to a great degree economic relations tend to account for the factor of corruption. Economic corruption has appeared, and this term now characterizes the degree of dependence of the economy on corruption and the degree of corruption in the economy.

The above-mentioned activity creates a positive feedback loop between corruption and the shadow economy (economization of corruption occurs), which creates a threat

to the sustainable development of the national economy. The estimated impact of the economization of corruption may be as follows [10]:

- decrease in efficiency and competence of the authorities of state administration, decline of authority of the government at domestic and international levels;
- general fall in investments and low economic rating of Russia;
- increase in economic costs, unsustainable economic development;
- unfair competition and poor market development;
- irregular distribution of national resources, poor social-psychological condition of the population;
- ineffectiveness of law-enforcement system and judicial system.

The most important factors of economic corruption are the following phenomena: extremely high level of division of population by income level, including in the economic cycle the practice of laundering money obtained from illegal activity; large proportion of the shadow economy, excessively high taxes for business entities.

The rapid intrusion of corruption in nearly all areas of modern society promotes diversity of types of economic corruption, which cause considerable losses to the State and society, as points out S.P. Yuhachev. Yuhachev presents a diagram of typology of economic corruption (Fig. 1) [1].

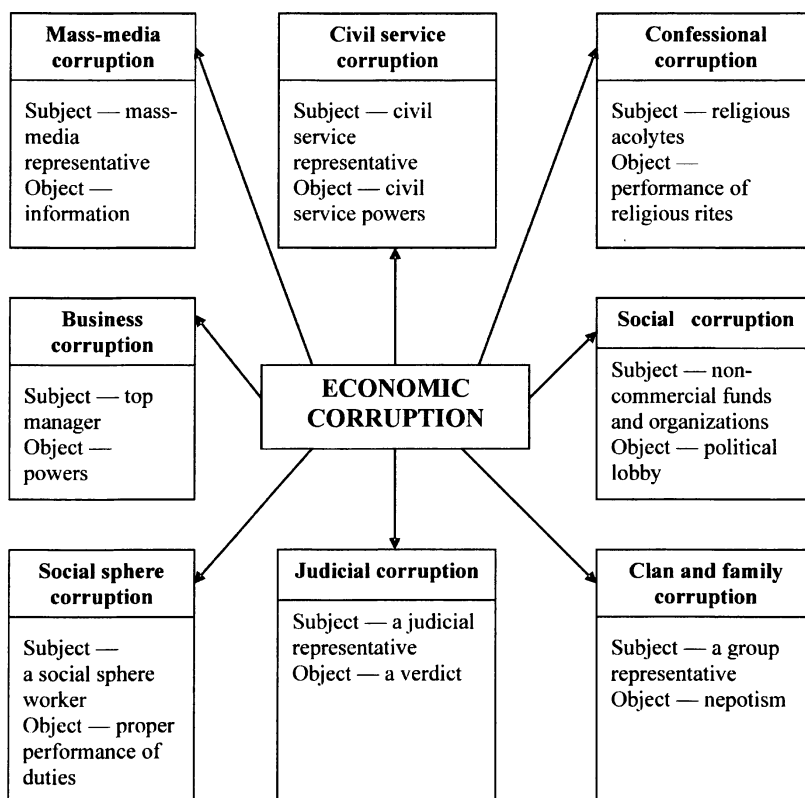


Fig. 1. Typology of economic corruption

All the above gives grounds to assert that the economization of corruption is a serious threat to national security, to social and economic institutions, to business and economic activities.

Business security plays a special role in the national security complex. It appeared as a new type of security with the development of market relations. Its impact on national security is becoming crucial, while business security is considered as the most important condition for sustainable economic development.

The condition of the economy of the country is defined by the development of business activity and, above all, by stable and secure business at the enterprise level.

This brings into focus the task of providing safety for the economic activity of business enterprises. The resolution of the task, in turn, creates conditions for sustainable business development in all varieties of business forms and processes.

The security of business entities can be seen as a complex systemic concept, which includes its related components (parts): economic, technological and social security of business activity of enterprises (companies and organizations). That is, a systematic approach to the analysis and forecast of business and economic security (for example, at the level of an individual enterprise) can be presented in the form of interconnectedness of economic, technological and social types of security.

Due to this, we may speak about economical, technological, social security including certain groups of evaluation criteria.

Economic security of a business entity can be treated as a derivative of the economic efficiency of its market activity. Accordingly, the basic functions of economic security can be defined as the sustaining and expansion of the market of consumption of products and services, and financial support of businesses.

Processes of structural and institutional deformation in the economic, social, political and cultural life of Russia are having the most significant influence on the establishment of economic security for businesses.

A significant influence on both the development and security of business in a particular region is caused by its relevant external environment. It is defined as a combination of factors contributing to or complicating sustainable and safe operation of business in the region.

In other words, we may speak of two groups of factors in the business environment, the first is a positive one which contributes to business development and the second is a negative one which complicates it. The negative are called factors of risk due to their inherent threats.

First of all, the second group of factors includes the existence of corrupted structures in the economics of the region, the degree of activity and influence of these structures on business entities of the region, and the degree of merging of the shadow economy into state and law-enforcement bodies.

Each of these factors can be considered as a measure of a certain type of economic corruption, and at the same time as the argument specifying the value of the function,

when the function is the integral index of the aggregate impact of all factors on the economization of corruption in general, for example, in the region.

The estimated value of the integral index, calculated for example, with the method of expert evaluation, to some extent enables us to make judgments about the extent of the danger threatening businesses.

Our analysis of the nature and content of corruption as well as conditions and development of merging corruption into the economics and analysis of business security problems leads us to conclude that urgent measures must be taken by the State in order to improve state anti-corruption policy as the foundation for business and business security in Russia.

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