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CORRUPTION: INVESTIGATION OF THE ESSENCE, FACTORS AND SOCIO-ECONOMIC CONSEQUENCES

Corruption and the shadow economy accompany the development of any state, regardless of its socio-economic, political, social structure. For example, the first mention of the struggle against corruption dates back to the second half of the 24th century B.C. (Sumerian city-state Lagash).

Corruption came with the emergence of the state. Bribery as a crime involving severe punishment is mentioned in the Code of Hammurabi (2200 BC). Despite the fact that in the early stages of its development, human society considered corruption a social evil, in some countries the attitude to it was relatively loyal, and in some countries corruption was even legalized.

According to chroniclers, bribes appeared in ancient Russia, and immediately evoked a decisive counteraction. By the 18th century officials in Russia lived on so-called «feeding» or «offerings». In Soviet times, corruption manifested itself in the form of status rent, which could be used primarily by the party nomenklatura.

At the current stage of development of the Ukrainian state, corruption has become a systemic socio-economic phenomenon.

However, traditionally corruption was seen primarily as moral, then as legal, and only in the 1970s corruption began to be studied as an economic category within the theory of rent [1]. Corrupt economic relations develop when the economic interests of an entity that has the potential to obtain a status rent cannot be satisfied within the current rules and restrictions.

In the modern economic literature, the most common approaches are those in which corruption is seen as:

- a form of economic behaviour chosen from an existing (available) set of alternatives;
- any actions of an individual, government agency, private company that violate the law or undermine trust in it for profit or other gain;
- use of official position and public funds to improve the personal well-being and well-being of the family and close relatives.

Table 1

Main approaches to the interpretation of corruption as a concept

Concept	Summary
Rationalist approach (crime economics)	The individual weighs all the costs and benefits of the criminal actions and rationally decides to commit a crime if the expected usefulness of such actions is higher than if it remained law-abiding and spent personal time and resources in another way.
Theory of rent-oriented behaviour	Economic rent – payment for resources above the maximum value of opportunity costs in the non-monopoly use of these resources. Rent-oriented behavior – efforts aimed at government intervention in the market allocation of resources in order to appropriate the artificially created income in the form of rent. Corruption is understood as a form of illegal rent-oriented behavior.
Institutional approach	Corruption is a contractual interaction between economic agents in order to abuse a position for private gain.
Model «Principal – agent»	Corruption exists due to the asymmetry of information and the high cost of monitoring the activities of an agent-official.
Theory of opportunistic behaviour	Corruption is a special case of opportunistic behavior
Classical liberalism	Corruption as a "failure of the state" and as a "failure of the market", as a "public anti-good" that harms all members of society (negative externalities)

One of the main manifestations of corruption is the formation of corrupt rents. The term «rent» is widely used in economic theory and

is applied to factors of production – labour, land, capital. Formation of rent is associated with owning a scarce resource and having a limited supply. Such a resource for corrupt officials at various levels of government is access to public resources (including investment and financial resources) [2]. Systemic corruption has the ability to guarantee businesses receiving governmental or municipal orders, thus providing a stable source of funding for its business activities (through a successful tender, participation in a program or a specific investment project). Corruption often deliberately creates barriers to business, artificially limiting its supply and depriving it of significant benefits. These circumstances can be compared with the situation, which in economic theory is defined as the formation of monopoly profits or monopoly rents.

The existence of systemic corruption can be compared to the conditions of a closed monopoly, barriers, regulations, political lobbies. A closed monopoly guarantees a net economic profit, which in this case turns into a corrupt rent. The amount of corrupt rents depends, on the one hand, on the «market price» of contracts awarded to businesses by the authorities, on the other hand, they are affected by the amount of costs associated with finding corrupt rents. In this case, the costs of a closed monopoly include court fees, which arise due to a number of circumstances caused by the «dissatisfaction» of private business, maintenance of lobbyists of various branches of government.

In Ukraine, corruption, according to research, has become systemic and has become an independent political force. It is now characterized by the following features: a) public policy is directly dictated by the private interests of persons in power, close to power, or able to influence power; b) additional and shadow incomes form the basis and necessary part of the income of officials; c) corrupt behavior has become the norm of economic and legal culture; d) the executive power actively uses «shadow» forms of income mobilization and stimulation [3].

Significant growth in the shadow economy began in 2013, with a further increase in the shadow sector due to price and devaluation shocks, escalation of the military conflict and Covid-19.

Corruption has become a system-forming factor in the process of merging the functions of private business and public administration. The fact that both government and business are involved in corruption makes the struggle against corruption an extremely difficult area of public policy [4].

Specific factors that determine the nature of the development of corrupt economic relations in modern Ukraine, on the one hand, are conditioned by historical heritage (tolerant attitude in society to corruption combined with low legal literacy; the existence in Ukraine of informal «spontaneous» civil society, which has more significant influence than the Western models of civic institutions introduced into Ukrainian practice; a wide range of discretionary powers of officials), and on the other hand, are due to socio-economic realities of Ukrainian society (scale of shadow economy; inefficiency of formal institutions; high level of social inequality; low level of non-cash payment prevalence, unsatisfactory conditions for the realization of economic interests of civil servants of different levels).

The negative economic consequences of corruption in the modern economic literature include the following: a) growth of the shadow economy in terms of reducing tax revenues of budgets of all levels; b) loss of confidence of economic entities in the ability of the government to determine and ensure the rules of the market; c) reducing the effectiveness of competitive market mechanisms and discrediting market competition; d) price increase through corruption overheads which are transferred to buyers; e) irrational use of budget funds in the distribution of state and municipal orders, benefits, guarantees, subsidies [5].

Reproduction of corruption causes the following social consequences: discrediting the legal regulator of interaction between the state and society; diversion of significant resources from the state budget to social development; growing social instability in society; increasing economic and political risks of business organization, which worsen Ukraine's investment rating in the world.

Currently, Ukraine's Corruption Perceptions Index (CPI) has deteriorated and is 32 points out of 100, which is 1 points less than

last year. According to Transparency International, in The Global Corruption Barometer 2021, Ukraine ranks 122th out of 180 positions. Last year, the country was ranked 1117th out of 180 [6].

Algorithm for successful counteraction by the state and society to corruption and shadow economic relations include:

- 1) legitimate elite of society and the state;
- 2) ideals and moral attitudes, adequate to society and its progressive development, must be implanted in the public consciousness;
- 3) improvement of transparent relations of society, including in the field of economy, giving them a powerful impetus to sustainable progressive development;
- 4) reforming the regulatory framework of the state for bringing it in line with ideals and moral attitudes, on the one hand, and real life, including economic, on the other;
- 5) weakening of the shadow sphere of society, shadow sphere of the economy;
- 6) weakening of shadow elites and shadow centres of power;
- 7) elimination of the roots of the shadow and criminal spheres of society, including economic.

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