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DOI: <https://doi.org/10.36059/978-966-397-254-1-15>

CORRUPTION: IMPACT ON SOCIETY AND THE ECONOMY

The problems of corruption interaction in Ukrainian society today have reached the level of a global phenomenon, when corruption in the country forms a certain system of socio-economic relations, closely intertwined.

Corruption increases when there is a desire to obtain economic rent through the political process, that is the state regulation of various spheres of economic life. Taking this principle as a basis, representatives of bureaucracy, politics, business and all interested groups try to subordinate state authority to private interests, which leads to "privatization of the state". This turns corruption into a systemic factor that affects all spheres of society.

That is why it is necessary to develop and implement effective socio-economic strategies to combat corruption at all levels of socio-economic organization.

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.

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.

A significant amount of economic research on the phenomenon of corruption emphasizes the existence of close relationship between high levels of corruption in society and disproportionately high incomes of a small group of people and growing poverty of the majority of population [8].

We share the view of R. Klitgaard, who for decades studied the phenomenon of corruption [6, 7] and describes the propensity to corruption as a formula that includes low risk, moderate punishment and high profits:

Corruption = Monopoly + Freedom of action – Accountability.

From a functional point of view, corruption can be described as:

- 1) the use of state power in personal interests;
- 2) general concept that reflects a significant number of different types of behaviour, including outright theft (when public funds or public property are used by officials for their enrichment) and personal interest (when a corrupt official receives personal financial gain as a result of the decisions he makes, within the performance of official duties).

Researchers determine that today corruption exists in various sectors of the economy of many countries and is one of the main factors hindering their development [5]. Thus, the corruption component of economic activity is a dangerous problem and requires a detailed assessment of a number of interactions (especially in the public sector) from the standpoint of the existing corruption component.

The following main signs of corruption can be identified:

- mutual agreement of the participants in the action;
- existence of mutual obligations;
- obtaining certain benefits for both parties;
- making a decision that violates the law or contradicts moral standards;
- conscious subordination of public interests to personal gain;
- both sides try to hide their actions.

Analysing the negative impact of corruption on economic growth, it should first be noted that this applies to medium and large businesses, as well as public investment, when there is a serious excess of project value due to the fact that participants in corrupt relations receive as income a portion of budget funds. This is a negative factor even when the program is successfully implemented, because in this case the income of corrupt officials is provided by honest taxpayers, which is the main and dangerous side effect of corruption [1; 3].

A number of experts note the following negative consequences of corruption:

- weakening the role of the law;
- reducing the confidence of economic agents in the state;

- slowdown in economic growth;
- increasing social inequality;
- decrease in business activity;
- deterioration of the investment climate [2; 6; 8].

Thus, it can be argued that the consequence of corruption is formation of unproductive patterns of behaviour of both public sector and business structures, as corruption causes restrictions on competition, slowing down the pace and quality of economic growth.

At the same time, there is an increase in demand for corrupt services, which indicates that such patterns of behaviour are becoming more common among economic agents, especially in countries with undeveloped markets. The main reason is that corruption allows for higher incomes compared to legal forms of doing business. All this weakens the incentives to invest in the real sector of the economy. This is extremely important for the Ukrainian economy in terms of unstable macroeconomic forecast, when the number of budget problems is steadily growing.

According to the IMF, the annual amount of bribes in the world is 2 trillion US dollars. In 2013, the European Commission estimated the annual losses of the economy from corruption in EU member states at about 120 billion euros [9].

The phenomenon of corruption in Ukraine reflects the internal contradictions of the socio-economic system of the country. Moreover, it should be noted that corruption in Ukraine arises and reproduces in specific conditions. At the same time, the close link between corruption and the shadow economy is quite obvious: without illegal transactions and tax evasion, a large part of the business (especially small ones) would not be able to pay bribes and "rewards".

According to many scholars, corruption was the cause and consequence of the functioning of the shadow economy, which led to significant property differentiation of society, declining morality and degradation of socio-political life [1; 4].

The corruption component is present today in both the corporate and private sectors of the economy. Corruptors do not obey the regulatory rules that are set for market participants (or successfully manipulate them). They take certain risks, abusing their position, knowing that the negative consequences of their decisions will be paid for by taxpayers. The status granted to a corrupt official provides him with economic immunity in society.

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.

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 117th out of 180 [9].

Procrastination with the real punishment of bribe-takers, as well as the increase in corruption component in relations between business and government do not allow Ukraine to take a decisive step forward in terms of CPI. And nine years after the Revolution of Dignity, Ukraine remains the most corrupt country in Europe. The conditions for long-term business are difficult. The main reasons are corrupt protectionism and merging of political and business interests.

Ukraine has not overcome the limit of "corruption shame", remaining in the club of totally corrupt states.

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