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BACHELOR THESIS

**Corruption and lobbying in contemporary Russia:
primary causes and proposes of basic measures of
combating.**

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Prohlášení

Prohlašuji, že jsem bakalářskou práci vypracovala samostatně a použila pouze uvedené prameny a literaturu

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Abstrakt

Práce se bude zabývat vlivem korupce a lobbingu na ekonomickou a politickou situaci. Je to aktuální téma, obzvláště v souvislosti se zeměmi bývalého Sovětského svazu. Cílem práce je prozkoumat vývoj korupce a lobbingu (proč a jak vznikají), jejich důsledky na ekonomiku státu (na příkladě Ruska). Doufám, že se mi podaří navrhnout některá doporučení, která by mohla v zápase s korupčními aktivitami pomoci.

Abstract

The paper will concern the impact of corruption and lobbying to the economic and political situation. It's a hot topic, especially in connection with the countries of the former Soviet Union. The aim is to explore the development of corruption and lobbying (why and how they arise), their effects on the economy of the state (at example of Russia). I hope that I can propose some recommendations that can help in the fight against corrupt activities.

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Introduction

Corruption is a form of lobbying economic interests. This phenomenon occurs in the economy of each country, but its level is very different. Countries which are in transition period are particularly prone to corruption, for example it takes place in former Soviet bloc countries. For such states is typically prevailing of corruption in the economic and political life at all levels. This socially dangerous phenomenon attracted increasing attention because corruption is destroying the democratic foundations of society, creates obstacles to economic progress. Corruption gives unequal access of people to material and social benefits, breaks down the moral foundations of society: people no longer believe in the political power of the state, cannot rely on their basic rights and freedoms.

The aim of this work is to study and analyze corruption in the broadest sense. For a deep understanding of the phenomenon, introducing the concept of lobbying as such, methods and mechanisms used to ensure its implementation. This will help understand the causes of corruption and inner nature - a complex and contradictory phenomenon. First, I remind some basic definitions of the phenomenon and explore its historical development. Then, for better understanding the mechanism of corruption, I will put the basic model of its formation and functioning.

In the next two chapters I will focus on exploring the causes of corruption and suggest basic ways to tackle it. Corruption is a phenomenon unique to each country, its causes and consequences can vary from state to state. This is related to historical development, peculiarities of the economic and political system, the specific features typical of the mentality of a nation, even religions plays a role. For the above reason it is impossible to examine in detail the corruption in the world. Therefore, I focus solely on Russia as a state with an interesting and controversial history, which belongs to one of the most corrupt countries in the world. (See Appendix 1)

My goal will be to explore the causes of corruption, how the transition from socialism to a market economy today influenced the development of corruption. What is the international position of Russia, how corruption affects welfare of state.

Contemporary Russia's large problem is illegal participation of public officials in business. This phenomenon is taking root since the late 20th century, when there was a period of privatization and the Yeltsin era, when in fact the bureaucrats were allowed to participate in business. All major companies have been divided between the small groups of persons who are still profiting at it. However, as there is currently a direct involvement of bureaucracy in business illegally, new forms of this phenomenon is being creating, which provide a favorable

environment for the development of corrupt relationships. In this regard, a very important problem is the legal regulation of lobbying activities; without them principles of sequential separation of power and property cannot be realized.

Also, my goal is to explore some basic methods of fighting corruption in Russia following a set of causes. Indeed, corruption is like a disease, it cannot fully heal until you know the real reasons it has provoked. I will bring the role of government, media and the public in the fight against corruption.

The government must first start a fight, but corruption is so established itself in the system, its elimination cannot be successful till people individually for themselves decide they want to live in a state of law and human rights. That is a very important role of the media, without television, radio, magazines and newspapers we can know what is happening in the world around us. Everyone doesn't have juridical and economic education to correct evaluation of the situation. That is why we need media that are independent of any political party that does not reflect any interest, which are corrected to be informed of the actual situation. Unfortunately, for it needs to be more daring, because the legal system and judiciary are so subject to corruption of the conflict become the party of those who brings more benefits.

As mentioned earlier, corruption in Russia is present in all layers of society and government. In the minds of people is a certain "expectation of corruption" that is, they rely on the fact that everyone else is willing to pay a bribe to get benefits. Therefore, each market agent is also ready to pay a bribe, because otherwise he will suffer loss. This situation can be viewed from the perspective of game theory as a one-round game. Even if the agent is confident in the integrity of the rest market agents, he prefers to pay a bribe and get the benefit, so the question is about the economic profitability of corruption, because if an honest business would be more advantageous than the use of corrupt activities, all market agents have refused to pay bribes.

The same applies to games with an unknown end. Indeed, while the costs of bribery does not exceed the economic benefits from it, will be in each round at least one of the agents, who wants to break the rules of fair play, respectively, in subsequent rounds will be joined by other members, because they also want to increase their profits.

So, one of the tools in the fight against corruption may be reducing the economic benefits of bribery for both sides, an increase of revenue from honest businesses as well as reducing corruption expectations of people, because even if for a businessman not to bribe is more profitable, but he expects the competition that they will be corrupt, he would prefer to pay bribes to avoid large losses than if the benefits will go to competitors.

Thus, to begin the process of refraction of the consciousness of people is very important to try as closely as possible to identify statistics crimes of corruption, what it is very difficult, because most of them are latent. It may be necessary to promote a system of informing on corrupt misconduct and attempts of blackmail. In any case, it can somehow convey to the public the real situation, which is carefully concealed. With greater transparency in government there is less scope for covert action, respectively, for corruption.

However, this is only one side of battle, on the other hand are very important efforts of the government, because without institutional changes can not budge that old cumbersome state apparatus. Perhaps it should be taken a course at a certain optimization of the system, when only the most efficient and competitive structure will remain in power. After all, every year in Russia, the state apparatus is growing, creating new structures and institutions, often duplicating each other, but they provide no useful purpose. It is a vicious circle, to control the old institutions are creating more and more new of them, which leads to an increase in paperwork and a lack of real action.

The problem of the lack of concrete action began to show up more frequently in Russia. In recent years are acting a lot of different control services, and instead of actually perform its function, the majority of supervisors is trying to find some-what inconsistency with the rules to get a reward for a signed paper. It characterizes the government in general, everything is so mired in the papers and reports which do not have real value, so can't be seen that the rest of the world develops and Russia hanging on the spot.

Therefore, the situation in the country ripe for change, but as has been said, it should be a complex of measures aimed at all areas of society.

In this paper I have attempted to present a model to fight corruption, of course, it's no question about its complete vanish, but perhaps the proposed measures can help significantly reduce the level of corruption in Russia. Based on these reasons in the second chapter, this model is adapted to the specific conditions of modern Russia, but it is impossible to say with precision the extent to which these measures can be successful, because in practice it is much more complicated and confusing, and sometimes, as has become a tradition in our country, in making these or other laws the government is guided not by the interests of the country or the public, and the interests of specific individuals.

I would like to believe that after all Russia will choose a course to upgrade the whole system and succeed in this endeavor. After all, mineral reserves are not infinite and need to find another niche in the global economy, the more a country with such a great intellectual and economic potential.

2. Lobbying and corruption: the basic concepts and contexts.

With the adoption of the new Constitution of the Russian Federation of December 12, 1993 and update on its basis of Russian legislation will come into force new political institutions that are well developed, researched and have great experience in Western Europe and the USA. These include elections, the parliamentary system; the institutions authorized representatives of the authorities, the Commissioner for Human Rights in the Russian Federation and others.

As a result of sharp transformation of the foundations of the state and society emerged unique environment for the creation of millions of estates. It is in these circumstances, a new type of active lobbyists, which means pressure on the authorities became involved in the distribution of highly profitable resources - through their export of raw materials licenses, participation in voucher privatization, the shares auctions, etc.

As a result of hard lobbying in the transition economies new market relations were established most of today's Russian estates.

The formation of oligarchs in Russia and its matching with the authority at a certain stage of its development has led to the inevitable confrontation between the bureaucratic government and big business. Proclaimed in the starting period of adjustment of the individual freedom in economics and in all other spheres of human activity has been implemented in the absence of established state rules, in an atmosphere of omnipotence of money and almost unlimited bureaucratic and murderous tyranny. This has led to illegitimate forms of advocacy on behalf of big business in government. At the same time strengthening state power, based primarily on administrative resources, exacerbated the conflict between business and government. The only Possibility to judge these conflicts - a legitimate mechanism for their time solutions, determines the rules of the game. One important step in this direction should be the enactment of the legal regulation of lobbying activities in Russia.¹

Nowadays conflict between the government and business is becoming protracted. Businessmen having a great asset, and can have some leverage to influence the decision-making within government agencies. Until recently, big business in Russia was beneficial to play without rules, in accordance with established techniques in certain circles, the shadow of lobbying. Oligarchs, possessing impressive physical resources, have used their ability to create their own political platforms, and can adjust the rules established by the authorities. But the political

¹ Kalamanova N.V. State - Politics - Business: The Transformation of relations in modern Russia // Bulletin of Peoples' Friendship University. - Series: Politics. - 2007. - № 4. - p. 16-26.

struggle - not an inheritance business, as it relates to the unmanaged risk. Big business the very logic of its development is interested in a transparent non-corrupt country, political stability, unchanging rules and regulations of state regulation of economy, conflict-free coexistence of different strata of society.²

However, to eliminate the possibility to solve their problems on the "special" circumstances, resorting to methods shadow lobbying, representatives of big business is not easy. Work on the institutionalized rules and have an equal chance at defending their interests in power means for many of oligarchic structures loss super profit positions in business. This also explains the unpopularity among the majority of big businessmen the idea of legal regulation of lobbying. Similarly, and private structures, obeying its own bureaucratic nature, are slow to introduce legal limits its relations with the business. However, the rules of civilized society development dictate the need for responsible policies in the relationship of government, business and society. In the pact between government, business and society should be outlined clear and strong mutual commitment, solidarity and personal responsibility for the adoption and implementation of certain decisions, legitimate ways and means of achieving the objectives. Resolution of the conflict in the relationship business and government is intended to serve, in particular, the law on the legal regulation of lobbying in Russia.

The solution to this problem has become a long-term nature, which hampers economic growth of the country and restricts the freedom to develop business. Time of game without rules passed. Russia has entered a new phase in the formation of civil society, declared a policy of distance from the power of big business and politics, fighting against corruption in governmental bodies. It is need new approaches to the formation of business and government.

1.1. Lobbying

Lobbying is an integral part of the organization of a modern democratic society and should try to use its capabilities with a maximum benefit for social progress. There are two opposite approaches to the essence of lobbying: on the one side it is regarded as a mechanism for mediating between the public and the state, on the other side as a mechanism to manipulate the actions of the members of the legislative and executive powers to advance the interests of certain

² Lyubimov A.P. The history of lobbying in Russia, Moscow, 2005

financial-industrial groups and corporations. For this work is important lobbying in the second mean.

To begin, consider some definitions of lobbying.

1.1.1. *Definitions of lobbying*

In today's global understanding of lobbying is a special system and practice of realization of the interests of individual organizations and various community groups through a targeted impact on the legislative and executive bodies of state power.³

The most widespread lobbying received in the market economy and a mature civil society, the liberal economic and political system. Russia is in transition and strives to develop their social and economic institutions including institution of lobbying. The activities of lobbyists primarily aimed at economic targets, so the problem of legal regulation of lobbying affects direct to the business and enterprise structures.

Consider a more detailed definition, which is presented in the textbook by Orlov:

By lobbying understood system managed social influence (pressure and influence) to the person representing the decision-making centers (the objects of lobbying), which affect the interests of the organization or its external environment.⁴

Distinguish between object, target and subject of lobbying.

Objects of lobbying are the legislative and executive bodies, departments of management, control and supervisory functions of the state, public and international organizations.

Targets of lobbying are the most likely legislative solutions, property and the right to dispose of its right to license quotas and permits, state orders, tax incentives and preferences.

The subject of lobbying may be an organization, group of persons, the management of public or political structure that has an interest in making certain decisions in the objects of lobbying.

Lobbying involves pressure on legislators and officials, and in the absence of legal regulation of lobbying practices influence may be illegal. That's why in Russia's reality lobby is

³ Basics of PR, text book / E. Galumov. - Moscow: Annals of XXI, 2004, p.324.

⁴ Introduction to Communication Management/ Text book A.S. Orlov - Moscow: Gardariki, 2005, p 269-270.

firmly established as a half-criminal activity. All attempts to adopt a law on lobbying are unsuccessful.

Very popular in Russia nowadays is definition of a lobbyist given by V. Zorin,⁵ "lobbyist is an agent company that has to, using bribery, cheating, bribing and treating lunch officials, extorting from them lucrative government contracts, benefits and concessions."

In the minds of the people lobbying is directly linked to corruption, bribery and fraud, and probably will take much time before these two concepts can be separated from each other in the economic life of Russia.

1.1.2. *Classification forms of lobbyism*

In this section we consider the methods by which lobbyists seek the adoption of certain decisions.

1.1.2.1. Inside vs. outside lobbying⁶

- Communication through the use of informal contacts (inside lobby). In mediating this form of communication is a person with technology "Know how" + "Know who". Such kind of communication uses the institutional pressure groups acting inside of the political system. For many social groups outside the political system, such kind of communication is actually disabled.

- Communication carried out through the introduction of the media imaging (outside lobbying). The pressure on universities of political power materializes by forming suitable for a public interest group representation in the media. But the problem is that in most cases, the available media are under state control.

1.1.2.2. Forms of lobbying activities⁷

⁵ V. Zorin, *Uncrowned king of America*, Political Literature Publishing House, Moscow, 1968, p 264.

⁶ Latham E. *The Group Basis of Politics: Notes for a Theory* - *American Political Science Review* 46 (June 1992): p. 382-397

⁷ Kucherov A. L. *Legal regulation of lobbying activities in the RF / state and local governments: the system, experience and perspectives*. Moscow, 1998, p. 45

- Information contacts, as a form of lobbying are in following ways: oral, written, electronic and other information contacts. Information as an instrument of action on public bodies can be transmitted directly, specifically to the addressee, and indirectly, through the media disk imaging.

- Pressure, as a form of lobbying, realized by these ways: civic engagement, when public organizations, groups of citizens or individuals specifically apply to the bodies of state power, affirming the need for (cancellation) of certain decisions. It may be mass-meetings, demonstrations and other actions aimed at putting pressure on organs of state power; criminal pressure, blackmail and danger.

- Exchange or transaction as a form of lobbying is carried out as a transaction (exchange) between lobbyists and people working in government or in organizations that take a specific role in the power of, for example, such as the influential socio-political movement or party. Lobbyists can give material goods, often only in monetary terms as specified official or political leader, and indirectly, through the sponsorship of election campaigns, or provide social and other support for the career of any political or public figure.

1.1.2.3. Forms of lobbying by A.P. Lybimov⁸

1. Parliamentary lobbying (by deputies with the assistance of the concerned public or government officials).

2. Political bargaining, which represent a form of realizing the interests in resolving the political contradictions in the form of compromise.

3. Shadow informal agreements; have received unprecedented development in Russia. Shadow mechanisms of pressure are very effective in terms of political fickleness.

4. Campaign for handling public presentation through the media in mobilizing public (public education campaigns, proactive public events). If it comes to pressure, the purpose of such campaigns is to ensure public support to other requirements, and in providing a psychological effect on the recipients or intermediaries.

Despite the status, many senior officials in Russia are engaged in lobbying activities. Regional leaders seek to optimal alignment of the relations of the regions with the center, as well as lobbying for economic development projects related to their regions. Also the heads of major public organizations (such as the Association of Russian Banks or Chamber of Commerce of the

⁸ Lybimov A.P.: Lobbying as a socio-legal institution, Moscow, 1998, p. 30.

Russian Federation) and the number of deputies of the Federal Assembly in spite of their social status is lobbying in favor of certain interest groups.

Thus, lobbying in Russia has spread to all levels of government, although there is no legal basis for regulation of this phenomenon, which is the scope for illegal activities.⁹

1.1.3. *Problem of legal regulation of lobbying in modern Russia.*

Currently in Russia there is no developed legislation that would provide guarantees for civil society representation and protection of legitimate interests in the legislative and executive bodies of state power.

In fact, lobbying today is located out of the legal framework. An early draft federal law regulating lobbying in the federal bodies of state power has been withdrawn by the State Duma in April 2004.

Another feature of the Russian lobby is that it is carried out without relying on public opinion. For example, one of the essential questions of development of the country is Russia's accession to the WTO, discussions on this topic do not have public resonance and are solely at the government level, where, respectively, and the unfolding of lobbying activities. Representatives of the exporting industries are actively lobbying for membership, because this step will be followed by profitable for them to liberalize foreign trade relations. On the other hand, representatives of importers industry are not very interested in the growth of competition in domestic markets and lobbied for a delay of entry. The rate of entry of Russia and the WTO is determined by lobbying capacities of these groups. As a result of this struggle the WTO accession process has been going on since 1993 and has not yet been completed.

That is, when making the legislature of any regulatory decisions are not estimated the economic costs, gains and losses, but the lobbying capacity of various stakeholder groups.

Lack of lobbying rules also creates additional opportunities for corrupting federal, regional and local authorities, prevents realization of the legitimate interests of small associations, small and medium-sized businesses, as well as individual citizens.

There is also no effective system of legal constraints and financial controls relating to revenues and expenditures of funds of political parties and social movements, which creates prerequisites for the hidden manipulation and also for the laundering of "dirty" money through electoral campaigns.

Thus the word "lobbying" and "lobbying activities" are firmly rooted in the Russian reality as a purely negative.

⁹ More at Lobbying: how it is done in Russia, http://www.lobbying.ru/content/sections/articleid_807_linkid_64.html.

2.1. Corruption

All states have government officials who control the redistribution of valuable benefits and the imposition of onerous costs. Individuals and firms may be willing to pay to officials to obtain some privileges in this process. Payments are corrupt if they are illegally made to public agents with the goal of obtaining a benefit or avoiding a cost. Corruption is a symptom that something has gone wrong in the management of the state.¹⁰

In the literature there are distinguished three basic means of corruption:¹¹

- **Bribery**: is usually hidden, and prove this illegal transaction is almost impossible. The laws of many countries consider bribery like a criminal offense but yet a common definition of this concept doesn't exist.

In this paper I will present a classification of payments that can be attributed to bribes¹²:

As first there are payments to officials-extortionists for services. These include for example: paying customs officer, threatening to delay passage of goods, gifts to government employees who hold a visa as long as he does not receive the necessary compensation, and return bribe, when part of a bribe paid to the briber returns as a reward for cooperation.

As second there are payments to government officials to enlist their good will and commitment to create favorable treatment in the future.

As third there are payments to officials in order to promote the adoption of necessary decisions, approval of the transaction or order, which are necessary to the firm.

There are many motives for bribes; the major are to ensure the start of business, elimination of competitors, facilitating access to public services, product registration and permission for construction work.

- **Extortion** defined as the illegal demands for money or property through intimidation of officials and individuals in their personal interests.¹³

- **Corrupt practice** defined as solution of business problems through the use of unlawful methods, (such as a war of compromising with the press) as well as the legalization of income through commercial banks.

Corruption gets most prevalent when the society and the state bureaucracy turn into special corporate social strata, endowed with wide powers. In this case, the more divisions in

¹⁰ Corruption and government: causes, consequences and reform / Suzan Rose-Ackerman, Cambridge University press, 1999, p. 9.

¹¹ International economic organizations: Regulation of global economic ties and business / J.H. Gerchikova. - Moscow: Konsaltbankir, 2000, p. 367-370.

¹² Emerging standards of international trade and investment : multinational codes and corporate conduct / edited by Seymour J. Rubin and Gary Clyde Hufbauer, N.J., 1983, p. 34.

¹³ International economic organizations: Regulation of global economic ties and business / J.H. Gerchikova. - Moscow: Konsaltbankir, 2000, p. 370.

society, the less possible to control the activities of the bureaucracy, the more opportunities for the replacement of the public interest by private interests of specific representatives of the bureaucracy.

In this context, the problem of bureaucracy considered by K. Marx in work "The 18th Brumaire of Louis Bonaparte" he wrote "with less cohesive social and class forces in society, the stronger the power of the bureaucracy, so that the overall political influence of the bureaucracy is inversely proportional to maturity and strength of the main social classes that make up the state."

More about a problem of immaturity of civil society in the next chapter, now we turn to the definition of corruption.

1.2.1. *Definitions of corruption.*

The formal definition of corruption UN sounds like "abuse of public power to benefit for personal purposes."¹⁴

However, it can be given a few more complete definitions; such corruption can be considered as rent for the monopoly position of public officials.¹⁵

A. Dolgova, defines corruption as "a social phenomenon, characterized by bribery - corruption of public or other employees and on this basis using them for personal, narrow- group or corporate interests by official duty privileges and associated with them authority and capabilities."¹⁶

V.V. Luneev considers corruption as a "socio-legal or criminal phenomenon, which encompasses a number of crimes of abuse of public office and other officials the authority to obtain financial or other benefits for personal, third persons or groups purposes".¹⁷

At the project of the Federal Law "On Combating Corruption" from 1997, in Article 2 the corruption is defined as "non-statutory adoption of economic and non-economic benefits and advantages of the persons authorized to perform public functions, or persons equated to them, using his status and related opportunities, as well as bribery of such persons by the wrongful provision of physical and legal persons mentioned benefits and advantages."¹⁸

¹⁴ Bogdanov, Kalinin, Corruption in Russia: Socio-economic and legal aspects, Moscow, Academy of Sciences, 2001, p. 43.

¹⁵ Shihata I. bribe as rent for the monopoly position of officials, Clean Hands, 1999, p. 32.

¹⁶ Criminology. Textbook for high schools, A.I. Dolgova, Moscow, 2005, p. 501.

¹⁷ Luneev V.V. Corruption in Russia// Government and a Law 2007, № 11, p. 20.

¹⁸ Full text at <http://www.transparency.org.ru/center/index.asp>

Very interesting and metaphorical definition gives Kirpichnikov "Corruption is the corrosion of power. As rust corrodes metal, corruption is destroying the state apparatus and erodes the moral foundations of society. Level of corruption is like a kind of thermometer for society, the rate of its moral status and the ability of the state apparatus to solve problems not in their own interests, but in the public interest. Just as for the metal corrosion fatigue means lowering the limit of its endurance, society tired of corruption means lowering its resistance."¹⁹

New institutional approach to the definition of corruption defines it as "a variety of opportunistic behavior officer, arising due to the high level of asymmetry of information between citizens (principals) and bureaucrats (agents)." So citizens have limited opportunities to control bureaucrats. But officials on the contrary have more complete information, and even interested in strengthening asymmetry information between them and the citizens.²⁰

In the book by Vashchekin N.P.²¹ Corruption is described as a situation when an official accepts a unlawful decision which gives some benefits of any other party (example: the firm receiving public order contrary to the juridical procedure), and the official will receives unlawful remuneration for this.

This situation has the following features:

- decision violates the law or unwritten social norms,
- partners have mutual agreement,
- both sides get illegal benefits and advantages
- all participants in the transaction are trying to hide their actions.

There may also comes a situation where the official, required by law to take a definite decision regarding to some question (for example, issuing licenses for the opening of business) creates for these illegal barriers than forcing the client to give a bribe, what often happens.

1.2.2. *Major areas of corruption in Russia.*

In Russia, nowadays are formed fields of widespread corruption, for example:²²

¹⁹ Kirpichnikov A.I.: Bribery and corruption in Russia, St. Petersburg, 1997, p.17.

²⁰ Corruption as an obstacle to modernization : (institutional approach) / L. Grigoriev, M. Ovchinnikov Economic issues. 2008. - № 2, p. 45.

²¹ Vashchekin, NP Security of Business: A manual for high schools / N.P. Vashchekin, M.I. Dzliev, A.D. Ursula. - 2 ed., Ext. and revised. - Moscow: Economics, 2002, p. 259-260.

²² Corruption and its development in Russia V.P. Gavrilov/ / Federalism. - 2008. - № 2., p. 151-152

Customs Service: the border crossing of prohibited goods, the return of confiscated goods and currency, reduction of customs duties, customs fees unreasonable delay.

Law Enforcement: excitation and cessation of criminal cases, the lack of legal punishment for offenses of varying severity.

Judiciary: a biased review of the case: the adoption of illegal decisions.

Tax authorities: tax exemption, due to competition check and stop production.

Traffic police: unjustified granting driver's licenses, the lack of punishment for violators of traffic rules,

Medical Organizations: purchase of equipment and drugs at reduced prices, issuance of false medical certificates.

It is also very popular with corruption in high education, where candidate for the money can matriculate high school without competition and then gets good grades.

But the main areas of the same corrupt enrichment remain public expenditures; they include investment projects, extra budgetary accounts as well as government procurement, which typically involve the selection of the best offers from multiple on the basis of competition. But sometimes the officer can ensure victory in the competition seller, who promised the greatest benefit from the transaction. This situation is described below in the proposed model of corrupt relationships.

1.2.3. *The basic model of corruption*

For better understanding the phenomenon of corruption consider the basic model of bribery.²³ In this model assumed government contracting model and competition between market structures (firms) trying to bribe a bureaucrat to obtain a government contract. It is expected that a bureaucrat and business-briber could be punished for accepting a bribe, bear moral and material damage. It is expected that the government wants to buy some goods that can be delivered by one of the competing firms. These companies supply products, which can vary in quality and price.

Three cases are analyzed.

²³ „The economics of corruption”, Suzan Rose-Ackerman, Journal of public economy 4(1975), p 187-201

1. Government preferences for goods are precisely formulated and there are many sellers compete among themselves in order to obtain the contract. It is possible that
 - The product is the same for all firms;
 - The product is different.
2. Government preferences are not precisely formulated (vague) and many companies competing for the contract.
3. Government preferences are not precisely formulated, and only one company wants to reach agreement (bilateral monopoly).

In my work for understanding the mechanisms of corruption in Russia will be enough to consider only first two cases, because the third option is quite complicated and less common.

Model was presented by Susan Rose-Ackermann in their work "economics of corruption" („The economics of corruption”, Suzan Rose-Ackerman, Journal of public economy 4(1975), p 187-201) and still is quite simple and effective mechanism which can reduce the profitability from corrupt deals.

The model studied the conditions under which the agreement will be received, the size of the bribe required for a contract under certain assumptions about the behavior of participants.

Consider a model of insider transactions in the **first situation** Note that in the case of identical goods, any deviation from socially useful decisions bureaucrat is easily avoided. Firstly, if exist a private market and there are no cost advantages in selling large quantities to one purchaser the company does not make sense to bribe officials, because they can sell the goods at private market price. If no private market exists, in this case bribes can be eliminated by using sealed bids to choose the contractor with the bids make public after the low bidder has been determined.

If the goods are different and reduce costs after the contract is significant, or the product is not sold on the private market, the firm has an incentive to bribe officials. In this case, all firms sell identical products in terms of a combination of price - quality, because all firms will try to get on the same par with the dominant vendor. Therefore, bureaucrat can choose any one from competitors, because all solutions are the same for government benefit. In this situation, companies can try to get a contract through bribery. It is assumed that the bureaucrat organizes bribe market, truthfully tells every new seller about existing offers.

G - gain of official

π_i - profit of seller i

$$G(X^i) = X^i - J(X^i) - R(X^i)$$

$$\pi_i(X^i) = p^i q - X^i - T^i - D^i(X^i) - N^i(X^i)$$

X^i - the size of the total bribes paid by seller of i ;

p^i - the unit price of the product seller i ;

q - quantity of product demanded by the state;

$J(X^i)$ - expected penalty for the bureaucrat. $J(X^i) \geq 0$;

$R(X^i)$ - the moral costs to the bureaucrat in taking bribes X^i , in monetary terms, $R(X^i) \geq 0$;

T^i - total costs of production q units to the seller i ;

$D^i(X^i)$ - expected penalty for seller $D^i \geq 0$;

$N^i(X^i)$ - the moral costs to the seller when bribery X^i in monetary terms, $N^i \geq 0$.

The value of $J(X^i)$, reflecting the expected fine for bureaucrats, can be determined by multiplying the average fine levied on conviction to a joint probability of arrest and conviction. A similar procedure can be used to determine the expected penalty for the seller $D^i(X^i)$.

The set of bribes acceptable to the official includes all those that $X^i > J(X^i) + R(X^i)$. Four cases are considered here.

(1) No bribes are acceptable.

(2) No bribes are acceptable because, for example, $J(X^i) + R(X^i) < 0$ and $J(0) + R(0) = 0$.

(3) All bribes less than some maximum will be acceptable but anything larger will fail because marginal moral costs and/or marginal expected penalties increase as X^i increases.

(4) Bribes greater than or equal to some minimum bribe will be acceptable because, for example,

$$J(X) + R(X) \leq 0 \text{ and } J(0) + R(0) = 0.$$

Consider, first, the more likely case (4), where any bribe greater than some X^{min} is acceptable.

If several firms are willing to bribe and each firm's selling price, p^i , and product characteristics are fixed, each supplier has a feasible set of bribes that it will pay rather than lose the contract. This set includes all X^i such that:

$$X^i \leq P^i q - T^i - D^i(X^i) - N^i(X^i)$$

Thus, in order for any bribe to be feasible, it is necessary for $p^i q - T^i > 0$. This means that, unless every firm in the market is corrupt, the potentially corrupt firm must be earning excess profits either because it is more efficient than the marginal firm or because barriers to entry generate monopoly profits for all firms. For every seller i we can now find the maximum feasible bribe: X_{0i} , where equality $X^i \leq P^i q - T^i - D^i(X^i) - N^i(X^i)$ holds. If maximum bribe X_{0m} is at least the same as minimum acceptable bribe for official then firm m will get the contract. The successful firm will be the one with the largest gap between revenue and the sum of production and moral costs at X_{i0} .

In the case of **vagueness of preferences** the model is complicated by the introduction of another parameter: Y^i -level of quality. The price increase or decrease in the quality of the product simply increases the probability of punishment participants in the transaction. It is assumed that

$$J = J(P^i, Y^i, X^i), J^p \geq 0, J^y \leq 0, J^x \geq 0, J(0, Y^i, X^i) = 0$$

$$D = D(P^i, Y^i, X^i), D^p \geq 0, D^y \leq 0, D^x \geq 0, D(0, Y^i, X^i) = 0$$

It is now possible that firms will be willing to bribe even if they earn zero excess profits in the absence of bribery, because the higher prices they receive may overcome the additional moral and arrest costs.

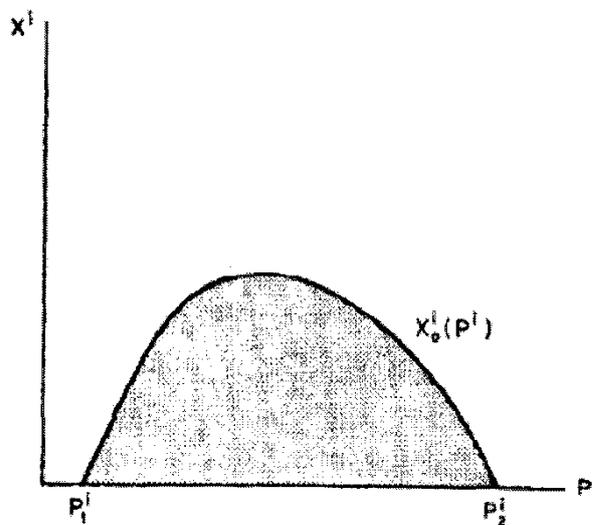


Figure 1, source „The economics of corruption”, Suzan Rose-Ackerman, Journal of public economy № 4(1975), p 192.

Assuming that each firm i has a different fixed Y^i and that each can vary p^i , then for any firm i the feasible set of bribes includes those for which total 'profits' are greater than or equal to zero,

$$0 \leq P^i q - T^i - X^i - D^i(P^i, Y^i, X^i) - N^i(X^i)$$

Letting the function $X_0^i(p^i)$ represent the price-bribe combinations that yield zero profits for each firm, the shaded area and the function $X(p)$ represent one possible form for a firm's feasible set.

Thus, the model presents us permissible values of bribes when corrupt practices are economically beneficial for both sides. As we can see, many factors play a role. For example, an increase in moral costs - that is, if participation in corrupt practices will be recognized as something contrary to morality, the chance of corruption is reduced. The same effect has, and increased risk of disclosure of the crime. Generally, there are many potential factors that could affect the detection of corruption crimes. It's like improving the legal system, greater freedom of the media as well as encouraging snitching. The specific measures and suggestions how this can be done are being considered in the chapter three.

In general, this model can be quite successfully applied in practice, if the only problem is economic, that is, if all participants in the transaction have only financial interest. However, in conditions of Russian reality, the problem of corruption is so deep and has a systemic nature, that the application of this model, which aims to eliminate benefit from the corrupt deal, does not solve the problem. There are many other political, moral and legal factors that influence such extent of corruption. These factors will be considered in the next chapter.

1.2.4. *Consequences of Corruption*

At this section I will attempt to answer the question: What are the risks of corruption? What effect has corrupt practices on the polity and the life of a particular consumer? Most strongly corruption affected at economic, political and social areas of society.²⁴

Economic consequences

- Growing of the scale of shadow economy, which leads to decrease in tax revenue and reduce budget. As a consequence, the state loses financial levers of

²⁴ Vashchekin, NP Security of Business: A manual for high schools / N.P. Vashchekin, M.I. Dzljev, A.D. Ursula. - 2 ed., Ext. and revised. - Moscow: Economics, 2002, p. 262-264.

economic management, exacerbated social problems due to failure budget obligations.

- Violating of the competitive market mechanisms, because the winner is not someone who is competitive, but the one who was able to get benefits in exchange for bribes. This reduces the efficiency of the market and discredits the ideas of market competition.
- Hampering of the emergence of efficient private owners. This is primarily due to irregularities in the privatization, which also reduces the efficiency of the market.
- Inefficiently using of budgetary funds, particularly in the allocation of government contracts and loans. This further exacerbates the fiscal problems of the country.
- Prices are rising due to corrupt "overhead" in the end the consumer suffers. For example Moscow Government University economists have estimated that the total costs associated with barriers (such as bribes to officials) raise the price of goods in the market by about 10%.²⁵
- Loosing of the confidence of market agents in the ability of authorities to establish and comply fair rules of the market game. Deteriorating investment climate and, consequently, does not solve problems of overcoming the decline in production and updating of fixed assets.
- Expand the scale of corruption in non-government organizations (for businesses, enterprises, social organizations), which leads to a decrease in their performance.

Social consequences

- Diverting of huge funds destined for social development. Thereby exacerbated the budget crisis i.e. reduced the ability of power to solve social problems.

²⁵ Corruption - a threat to economic security and the state : scientific and practical publication / development topics, comments, explanations and recommendations of docent of Finance Academy under the Russian Federation Government N.A. Pimenov, [Edited and compiled by: T. Alexander Gavrilov, M. I. Pososhkov]. - Moscow: Russian Newspaper, 2009, p.18.

- Growing income inequality i.e. wealth of minorities against the poverty of the vast majority of the population. Corruption supports an unfair and unjust redistribution of resources in favor of narrow oligarchic groups at the expense of the most vulnerable in society.
- Discrediting of the right as the main instrument for regulating state and the society. In the public mind is formed idea of the helplessness of the citizens as to the crime, and in the face of power.
- Corruption of law enforcement contributes to organized crime. It is spliced with corrupt officials and groups of entrepreneurs, growing even more with access to political power and acquisition opportunities for money laundering.
- Increasing of social tensions in society that's beat on the economy and threatening political stability in the country

Political consequences

- Shifts of the policy objectives of national development to ensure dominate of oligarchic groups.
- Declining of trust in government and growing estrangement from the society endangers any good beginnings of power.
- Decreasing of the country's prestige in the international arena, growing threat to its economic and political exclusion.
- Reducing of the political competition. Citizens are disillusioned with the values of democracy, there is a threat the expansion of democratic institutions.
- Increases the risk of collapse of the nascent democracy of common scenarios for the arrival of the dictatorship on a wave of anti-corruption.

As we can see the consequences of corruption is much broader and deeper than just the value of bribes (the price paid by private individuals or businesses to corrupt officials or politicians). Moreover the actual loss from corruption far exceeds those which can be calculated on the basis of a relatively small number of detected corruption acts and finished investigations.

2. Causes and features of corruption in modern Russia.

Corruption, its scale, specificity and dynamics is a consequence of the general political, social and economic problems. Growth of corruption is always notes on the stage of the reform of the state. Russia at this period of radical break of the moral, public and economic foundations, so it is not surprising that the country should go by the general laws of social development, including the growth of corruption.

2.1 . Apical and local corruption: the incidence and characteristics.

Specialists distinguish two fundamentally different types of corruption in Russia there is apical and local corruption²⁶. Apical corruption includes politicians, senior bureaucrats and involves decisions that have a high price. Local corruption extended to the middle and lower levels and is associated with a permanent, routine interaction between officials and citizens.

Apical corruption exists because the state interferes in private and public life. The problem is that the state is obliged to implement this intervention effectively and in sufficient but not excessive amounts. In this case, corruption is a signal indicating the unnecessary and inefficient government actions that enable dishonest officials to profit by using his official position. As already mentioned, Russian economy goes through a period of change, a new sphere of activity, to which with great difficulty adapting public institutions. The following are the main areas of activity in which widespread apical corruption.

1. Privatization of state property. The privatization almost in all countries of the world is a serious source of corruption. In Russia, this situation was compounded by large-scale privatization and the weakness of monitoring its progress. At the level of public policy there is a tendency of hiding the scale of this redistribution of wealth. Even official estimates of the size of the privatized assets are very different. According to official figures from late 1992, public property was estimated at about \$ 3 trillion rubles, but the amount was not complete, e.g. it does not conclude the value of land, forests, minerals, and its own armed forces, which several times exceed that figure.

²⁶ Vashchekin, NP Security of Business: A manual for high schools / N.P. Vashchekin, M.I. Dзлиев, A.D. Ursula. - 2 ed., added and revised. - Moscow: Economics, 2002, p. 268-278.

At the process of privatization still in the initial stages about 30% of all orders contained violations of existing legislation. For example: inclusion of the officials in a number of shareholders. The most common violations in the privatization are appropriation of funds and bribery. Almost in half of Russian regions officials engaged in privatization were brought to criminal responsibility. However, it should be added many cases do not fall under the direct criminal responsibility, such as evaluation of privatized objects at low prices, manipulation of tender conditions, purchase business by officials through their proxies.

2. Budgetary allocations. According to expert estimates almost half the acts on granting of state loans or budgetary allocations is accompanied by a bribe. It supported by the imperfect tax system, at which money is collected in the regions and then go to the federal budget and at the end returned to the regions in the form of transfers. Favorable ground for corruption is unrealizable budget, which allows officials to decide who will stay underpaid and who will receive money before, and who later. Because of underfunding is being creating new extra-budgetary funds of various departments, which also offers ground for corruption.
3. State contracts and purchases. This is the most common source of apical corruption. According to experts the losses from corruption at this area are more than 30% of total budget expenditures.²⁷ Decision-making mechanism in this case, I specifically consider in Chapter 1.2.2, so here it is not going to repeat.
4. Granting exclusive rights and privileges. Here corruption is carried out in the field of export and import taxes, licensing, and so on. This category also include such economic benefits as deferred tax payments, granting benefits to borrowers budget, the extension of credit agreements, granting of state guarantees, fiscal preferences realized through the development budget.
5. Banking. Corrupt acts are carried out in virtually obscene substantial privatization of the state banking sector. Creating a system of authorized banks, which had

²⁷ A. Kuznetsov, J. R. Silinskaya, A. Khomutov Russian and foreign legislation measures to combat corruption (<http://law.vl.ru/law/corrupt/chapter1.html#5>).

management of transfer of budgetary resources in highly inflationary conditions, was for them a source of immense profit. Under these conditions, corruption flourished. Cooperation between officials and the commercial banks constantly improves and was transferred from the traditional envelopes to allocate concessional loans and overvalued interest on deposits.

6. Buying votes at election time. The voter has a constitutional resource, which is called authority. These authorities it delegates elected people through the ballot. The voter transfers his powers to those who can present his or her interests, which is a public recognition of the norm. In the case of buying votes the electorate and the candidate enter into a transaction which resulted at voter violation of social norm and receiving money or other benefits, and the candidate violation of the election laws and buying source of power.

7. Corruption in state organizations. It is based on the fact that the employee of commercial or public organization has the opportunity to dispose of not belonging to his resources. While these resources are not state property, the employee must follow the statutory objectives of the organization. If he doesn't do so, it becomes possible illegal enrichment by actions that violate the interests of the organization in favor of the other party. Typical example: credits received from commercial banks for projects which aim is to withdraw the money and disappear.

Local corruption in Russia extends into all spheres of life, in which an ordinary citizen faced with the need to apply to the state, or vice versa state harass on citizen. Main areas of distribution of local corruption in Russia are listed below.

1. Housing and public utilities. This is the most corrupt sector in the opinion of the population. This is due to many different securities, instruments and conditions sometimes contradictory that necessary to comply. Moreover, legislation and forms of documents change frequently, and people just easier to pay than to spend time and nerves.

2. Law enforcement agencies. In recent years, among a quarter prosecuted for corruption are law enforcement officers. Substantially this is the traffic police.

For example, in Moscow, a bribe in connection with getting rid of the penalties for driving in drunken condition is from 100 to 300 dollars depending on the brand of car.²⁸

In addition to the toll citizens often pay bribes to law enforcement authorities when issuing driver's licenses, permits storage of firearms, etc.

3. Taxes and customs duties. The most promising areas in petty corruption. Surveys of Russian entrepreneurs showed that among them there are practically no people who at least once did not give a bribe customs officials.
4. Conscription. Russia has so far survived the mandatory conscription. Majority of young people don't desire to go to army. According to preliminary estimates, more than half of those released from the draft have done so through bribery.

2.2. Moral and psychological foundations of society.

Majority of government officials are sooner or later face the circumstances in which they first must make a choice: accept or reject corrupt decision. The temptation of corruption is particularly high in situation of low wages, sense of personal insecurity and injustice in promotions. Therefore, the motive for official remains at his official position is the ability to take some extra money from bribes. Despite measures taken to combat corruption, the risk of misconduct is not comparable with those material advantages which has official as a result of his actions.²⁹

An important feature of socio-psychological climate that promotes corruption is a *double moral standard*.³⁰

²⁸ Corruption - a threat to economic security and the state : scientific and practical publication / development topics, comments, explanations and recommendations of docent of Finance Academy under the Russia Government N.A. Pimenov, [Edited and compiled by: T. Alexander Gavrillov, M. I. Pososhkov]. - Moscow: Russian Newspaper, 2009, p.18.

²⁹ Shamkhalov, Felix Imiraslanovich. State and the economy: basic interaction : a textbook for university students, students majoring in Management / Felix Shamkhalov; [Comp. names. and the subject. op. I.U. Sagitova]. - Moscow: Economics, 2000. p. 215.

³⁰ Vashchekin, NP Security of Business: A manual for high schools / N.P. Vashchekin, M.I. Dzliev, A.D. Ursula. - 2 ed., Ext. and revised. - Moscow: Economics, 2002, p. 265-266.

On the one hand corruption, especially apical, is considered socially unacceptable. This is strongly supported by everyday morality, by media and by the political practice of using an anti-corruption theme.

On the other hand, corruption, mostly local, is accepted like part of everyday life. For example, it revealed that in Russia roughly 10% of all income small and medium businesses spent on corrupt deals. While the initial phase costs are significantly higher. Registration of enterprise requires permissions from about 50 officials.³¹ Entrepreneurs who are familiar with this bureaucracy believe that the most effective way to solve their problems is to find approaches to the right people in power. Many of them believe that it is impossible to separate legitimate from illegitimate business, or that all business transactions contain determine degree of illegality. In such circumstances, a bribe, which gives the desired solution to the problem, is perceived as the norm, and assistance in obtaining the necessary license or public order is considered as a moral obligation.

It still exist zone almost closed to the law enforcement agencies fighting corruption. In recent years distinctions between norm and deviation are decreasing. It is easier in situations where no established clear technology management, decision-making when blurred authority and the area of reference.

Next challenge of Russian bureaucracy is *following the outdated, but still acting traditions and cultural stereotypes*. For example, under the old system there was a special sort of securities that allow conversion of formalized power capital into the economic capital. This practice was maintained in all branches and levels of government and with great difficulty is living out now.³²

Such effect is caused by the coexistence of old and new stereotypes in administrative behavior. The Soviet system allowed legally transferring power to the personal comfort and illegally in private capital. But it categorically barred the way back. You could get a shadow impact, but could not legally receive real power for money.

Normally democracy allows the conversion of economic capital into the power (for example through the election), but prevents transferring of powerful capital into economic.

³¹ Corruption - a threat to economic security and the state: scientific and practical publication / development topics, comments, explanations and recommendations of docent of Finance Academy under the Russian Federation Government NA Pimenov, [Edited and compiled by: T. Alexander Gavrilov, M. I. Pososhkov]. - Moscow: Russian Newspaper, 2009, p.19.

³² Vashchekin, NP Security of Business: A manual for high schools / N.P. Vashchekin, M.I. Dzljev, A.D. Ursula. - 2 ed., Ext. and revised. - Moscow: Economics, 2002, p. 265-266.

Underdevelopment of legal consciousness of the population is generated by party arbitrariness rooted under Soviet system. Poor use of laws and regulations, lack of culture and traditions of using the law lead to the fact that resistance to local corruption almost doesn't exist, which is extremely dangerous because of creating a favorable psychological background for the existence of other forms of corruption.³³

Contemporary practice of *imperfect using the media* to prevent and combat corruption of the bureaucracy is a compromise action paid by political and economic rival rather than fight against corruption. Russian feature, which can characterize this process, called "the effect of a goose"³⁴ or a persistent rejection by the government of the principle of compulsory retirement official, who cannot or does not want, for whatever reasons, to present reasonable evidence of his innocence to corruption. As shown by numerous examples, even well-trained information attacks on corrupt senior officials did not provide sufficient reason to send such an official to resign or to prosecute. Russian public opinion used to the fact that the officer-businessman "feeding" through access to budgetary resources - is a lesser evil than a government official directly solicited bribes from citizens. Paradoxical nature of this socio-psychological phenomenon is explained by the fact that a large plunderer cost of money is less annoying citizens who do not have direct contact with them than the small bribes, extorting small amounts on a daily basis with him personally.

All of the above leads to the *weakness of civil society as a whole*. Separation of society from government takes place. A democratic state can solve its problems only in cooperation with civil society institutions. The decline of socio-economic situation of citizens which always accompanies the initial stages of modernization cause disappointment, coming to replace the expectations all of it contributed to the alienation of society from the power and isolation of government. Meanwhile, corruption (local and apical) cannot be defeated without the efforts of public organizations.

2.3. Inefficiency of government institutions³⁵

Extremely dangerous to society is *penetration of corruption into law enforcement agencies* and merging the corrupt elements of the state apparatus with economic crime. For

³³ Vashchekin, NP Security of Business: A manual for high schools / N.P. Vashchekin, M.I. Dzljev, A.D. Ursula. - 2 ed., Ext. and revised. - Moscow: Economics, 2002, p. 275-278.

³⁴ Corruption. Law. Responsibility S.V. Maksimov. - Ed. 2th, revised. and add. - Moscow: YurInfoR, 2008. P 63-65.

³⁵ Vashchekin, NP Security of Business: A manual for high schools / N.P. Vashchekin, M.I. Dzljev, A.D. Ursula. - 2 ed., Ext. and revised. - Moscow: Economics, 2002, p. 264-279.

today's Russia it has become a daily occurrence. For example, created teams earning money on the collapse of the criminal cases or organized pressure law enforcement to competitors in the commercial area.

The main struggle against corruption is usually works at local level. In the middle and upper echelons of power are often officials act with impunity under cover of his office or parliamentary immunity. The fact is that in accordance with the laws of the Russian Federation *parliament delegates and other elective persons have immunity from criminal prosecution*. Thus, in many cases investigation was terminated because person under investigation participated in elections and won them. Due to non-normative order charge is almost impossible to institute criminal proceedings against a judge. Numerous challenges stand in the way the indictment and other state employees, including executives of state enterprises.

Among those who are not necessarily accountable for their actions are also managers of the banking system with a large share of public capital.

Ambiguity and vagueness of administrative rules make corruption difficult to prove, especially since the bribe is now increasingly becoming more complex than just a transfer of money.

Bribes now are more lucrative business than manufacturing activities. The main reason is the scale of the redistributed wealth and the nature of the privatization process. Russia is a country of enormous potential and innumerable resources. The distribution of wealth in terms of legal uncertainty has allowed this grow of corruption.

Imperfect legal system in modern Russia also contributes to the rapid growth of corruption.

The weakness of the judicial system is one of the major problems of transition. In the USSR, the courts have worked under pressure from party officials were often a cover in cases related to corruption. Party system of total surveillance teaches people to seek protection in party organizations rather than at the courts. After the collapse of the system in its place formed the legal gap is not filled until now. Therefore, in opposing corruption, civil litigation is almost never used.

Absence of administrative justice, which does not allow unloading of the criminal and civil proceedings of cases on administrative violations that complicates solution of task set that

merges with corruption. In fact, administrative justice was substituted by pressure from the party that took various forms, including in the form of institutions of party control.

2.4. Merging of the bureaucracy and the business as the most dangerous corruption factor of the Russian economy.

In this case, a merging of the bureaucracy and the business is understood as direct (open or covert) illegal participation of officials (persons holding government position, state and municipal employees) in the business.³⁶

This phenomenon appears in the economy when officials begin illegally use their power and opportunities for direct engagement in business.

In so-called "Yeltsin era," this practice was very popular among senior officials, which allow them on a contractual basis to represent the interests of the state in boards of directors for a fee.³⁷ Thus, hundreds of officials enter into the management of organizations legally.³⁸ Most of those who in the nineties have held senior positions in the Russian authorities have become successful entrepreneurs in the period staying in power. To the greatest extent it relates to those who held major posts in the management of traffic of hydrocarbons, banking and finance as well as management of the economy as a whole.

Below consider basic forms of merging of business and bureaucracy which are widely spread in modern Russia.³⁹

Establishing of new enterprises (mainly through relatives and in-laws), or equity participation in the establishment of new enterprises.

Obtaining a commercial organization, or shares in its authorized capital as payment for services (waiver of criminal prosecution or to audit the organization of a criminal or administrative prosecution of competitors, the provision of public procurement contract without competition and etc).

³⁶ Corruption. Law. Responsibility S.V. Maksimov. - Ed. 2th, revised. and added. - Moscow: YurInfoR, 2008.p. 55

³⁷ Modern problems of anti-corruption: law and criminological aspects, A.L. Karabanov, S.K. Melkin. - Moscow: Wolters Kluwer, 2010, p 152

³⁸ Authorized by a presidential decree of November 16, 1992 № 1392 "On measures to implement an industrial policy of privatization of state enterprises"

³⁹ Corruption. Law. Responsibility S.V. Maksimov. - Ed. 2th, revised. and added. - Moscow: YurInfoR, 2008.p.56-63

State raiding is the capture of control over a commercial entity by officials (including the imposition of their managers, receiving shares in the share capital through relatives and in-laws), using also such practice as falsification of documents, bribing judges and bailiffs.

The essence of the raid is to create conditions under which the legal owner of the company is forced to give up his ownership of it in favor of any other person.⁴⁰

State raiding can be easily masqueraded as a policy of de-privatization in strategic sectors of the economy and under the new policy of nationalization, aimed to improving the management of state property through conversions, state and municipal unitary enterprises into joint stock companies.

Pressure methods used are different from the outwardly legitimate to explicitly violent and criminal. Government raiders have considerable powers to conduct the following campaigns by using of budgetary funds and government resources:

- Organize an explosion of public indignation against the owners of any object property through the media;
- Inspire false appeal to the supervisory and law enforcement agencies from disgruntled citizens;
- Carry out inspection companies sacrifice on the part of such agencies;
- To encourage the making of decisions about the initiation of criminal and administrative cases;
- Ensure the flow of lawsuits against the company, the victim and her rightful owners;
- Provide effective pressure on judges and bailiffs.

One of the most common tools of state raids is to hold shareholders' meetings, which elected the new leadership of the company without the involvement of the former main owner.

Establishing of funds which provide a mix of attractive financial resources to finance various projects in which officials have personal interest. Until recently there were spread funds relating to various law enforcement agencies which supposed to accumulate assets for entrepreneurs seeking to obtain guarantees against infringement.

⁴⁰ Faenson M.I., Pimanova A.A. Raiding (unfriendly capture). The practice of modern Russia. Moscow, Alfa Press, 2007, p 9

Establishing of coordinating and advisory organizations related to government agencies, consisting of representatives from the business. These structures operate on the principle of club, which ensures the club members elected the actual and formal advantages in obtaining state and municipal orders.

Another form of merging state and business are "*state-roofs*" when a group of officials (law enforcement and regulatory agencies) for a bribe secures a ward of the subject (individual enterprises) from various criminal threats from organized crime groups, hostile takeovers by competitors and illegal intervention in economic activities from supervisors and law enforcement agencies. Despite that "*state-roofs*" in the classic sense is not a form of direct management of the enterprise, the size of deductions from business income for the benefit of officials can be judged on its actual role. For example, when the charges on the content of "*public roof*" spent more than half the company's profit, officials have become de facto owners of the business.

According to above-mentioned follows that at the present time Russian high-ranking official are often both a major owner and entrepreneur. The essence of the trend is not to strengthen the state's role as the principal owner and entrepreneur, but in strengthening the presence of illegally enriching bureaucracy in the economy. Perhaps this is the main threat to the prospects for Russia's economic development and the formation of free and competitive enterprise.

3. Key measures to combat corruption.

3.1 International framework.

The international community plays an important role in the fight against corruption. In this section we consider some examples and observations to combat corruption in some successful countries, as well as review the activities and basis of the fight by the international community. Several observations can be useful in the realities of Russian life, and the application of foreign experience can lead to positive dynamics of the process.

3.1.1. Foreign experience of combating corruption.

Here we consider some interesting points to monitor and control corrupt practices used in different countries. Perhaps some of the principles can be successfully applied in Russia.

For example, in *Sweden*, corruption flourished until the mid 19th century. One consequence of modernization of the country has become a complex of measures aimed increasing moral standard between government employees. Since then, government regulation is increasingly concerned households than firms, and was based primarily on incentives (through taxes, exemptions and subsidies), not on prohibitions and permissions. Access to internal government documents was opened, and established an independent and effective judiciary. Simultaneously, the Swedish parliament and government have set high ethical standards for administrators and began to seek their execution. The main Swedish Anti-Corruption Initiatives are Swedish Export Credits Guarantee Board, Swedish Export Credit Corporation (PUBL), Sida – Combating Corruption in Development Cooperation, Swedfund International AB and Swedish Trade Council. All of these organizations have a zero-tolerance policy on corruption, which means that do not accept corruption within its own ranks or in cooperation with external partners.⁴¹

Just a few years, integrity has become a social norm of behavior bureaucracy. Salaries of senior officials at the beginning of workers' earnings exceeded 10 times, but then fell to a double value.⁴² Such success has been achieved on the one hand by increasing of regular salaries of government officials and by setting of high moral standards (for example, a person found guilty of corruption is very much spoil his reputation and will have problems with finding a job)⁴³. That is, the risk of being caught in corruption has increased several times, as well as the penalties have been toughened. As a consequence of these transformations officers have to refuse corrupt practices.

Singapore, like Sweden is currently one of the countries with the low level of corruption, but at the time when it gets independence in 1965, corruption was extremely high. But system of measures was adopted, including regulation of the actions of officials, simplify of bureaucratic procedures, close supervision over the observance of high ethical standards. The central unit was independent office to investigate cases of corruption, in which citizens could make complaints about public officials and to claim damages. At the same time was toughen legislation, increased independence of the judiciary (set higher wages, and the privileged status of judges), introduced economic sanctions for the bribery of or refusal to participate in anti-corruption investigations. Strict measures for corrupt employees of public services get into force.

⁴¹ <http://www.business-anti-corruption.com/anti-corruption-initiatives/partner-initiatives/sweden/>.

⁴² Lindbeck A. Swedish lessons for post-socialist countries/ Institute for internal Economic Studies. Seminar paper № 645, Stockholm, 1998.

⁴³ Corruption: National and international means to counter Gilevskaya M.A., <http://ex-jure.ru/law/news.php?newsid=874>.

These actions combined with an increase in salaries of officials and rising of qualification of administrative personnel.⁴⁴

However, Singapore's strategy to combat corruption is very difficult applied in other states. The city-state of Singapore has certain historical, economical and geographical conditions, which are unique to it; however, it is possible to highlight some tips that could be used successfully in other states. This is the political will in the highest circles of power, the creation of an independent agency to monitor corruption and reduce the incentive to commit corrupt acts.

In *Israel*, besides the basic steps was introduced system of "defined duplication of monitoring" for possible corruption practice. It is implemented by governmental organizations, special police institution and the Office of State Control, which has independence from government. These organizations were investigating possible corruption point, and if found shall inform the investigating authorities. Moreover, the information obtained must necessarily be brought into the public.

As a result of these measures, corruption is almost absent in Israel, rate of corruption crimes brought to the court no more than 5%, but the reputation of a man implicated in a corruption scandal is extremely undesirable.⁴⁵

In general, it is typical for *Canada* too. Criminal Code of Canada equates bribery to a violation of the Constitution and the act of treason. A criminal penalty imposed to recipient of bribe as well as to person gives it. Rules of constitutional law of Canada directed against the dependence of Parliament from both business and against the use of the deputies of official position for personal gain.⁴⁶

Of course, not all of the above measures to control corruption may be applied in Russia, not all can be effective, but international experience shows that corruption can be overcome; we need only consider it as a serious problem for the further development of the state. It requires far-reaching measures covering all sectors of society and the institutional approach to solving the problem.

⁴⁴ Singapore strategy of fighting corruption (<http://www.crime.vl.ru/docs/books/book/d3/3.html>).

⁴⁵ Corruption - a threat to economic security and the state : scientific and practical publication / development topics, comments, explanations and recommendations of docent of Finance Academy under the Russian Federation Government NA Pimenov, [Edited and compiled by: T. Alexander Gavrilov, M. I. Pososhkov]. - Moscow: Russian Newspaper, 2009, p.92-93

⁴⁶ Corruption - a threat to economic security and the state : scientific and practical publication / development topics, comments, explanations and recommendations of docent of Finance Academy under the Russian Federation Government NA Pimenov, [Edited and compiled by: T. Alexander Gavrilov, M. I. Pososhkov]. - Moscow: Russian Newspaper, 2009, p.93-94

3.1.2. *International cooperation in the fight against corruption.*

Russia is part of the world community and a member of many international organizations, so we cannot ignore the basic declarations and covenants adopted by the major international associations, as well as problems of their ratification in the Russian context.

In this part we describe the activities of major international organizations to combat corruption. It should be noted that the main areas of fighting are⁴⁷

- adoption of unilateral commitments at the national level;
- declaration of voluntary commitments by individual firms;
- creation of appropriate models for national legislation against corruption;
- certification of firms and their overseas offices to prevent illegal payments;
- development of appropriate codes of conduct, which should include measures against corruption;
- international agreement to fight corruption.

The main international organization leading the fight against corruption is the *United Nations*. Following organizations are engaged into issues of bribery and corruption in the UN:

1. UN General Assembly - adopted a resolution on combating corruption and documents based on it.
2. Secretary-General of the United Nations - on behalf of the General Assembly, prepares reports, performs the instructions and recommendations on issues of corruption.
3. The Economic and Social Council (ECOSOC) - prepare draft resolutions on the fight against corruption, and encourages them to adopt the General Assembly
4. Group of Experts of Corruption - holds meetings of experts on these issues.
5. Commission on Crime Prevention and Criminal Justice, assists in the implementation of UN resolutions, collects information from the competent international, regional and non-governmental organizations about international efforts to combat corruption and bribery, is responsible for paying bribes to public officials in other States in international commercial transactions, also discussed at its sessions the questions about the measures taken by States to implement the resolutions.

The UN is actively working on identifying and combating corruption crimes. As fundamental resolution to fight corruption can be considered resolution 3514 of 15 December 1975 “MEASURES AGAINST CORRUPT PRACTICES OF TRANSNATIONAL AND OTHER CORPORATIONS, THEIR INTERMEDIARIES AND OTHERS INVOLVED”. The

⁴⁷ International economic organizations: Regulation of global economic ties and business / J.H. Gerchikova. - Moscow: Konsaltbankir, 2000, p. 370-371

resolution condemned all forms of corruption, including bribery by transnational and other corporations, their intermediaries and other actors involved in the violation of laws and regulations in host countries, the General Assembly reaffirmed the right of any State to adopt legislation to investigate, take appropriate legal action under with their national laws and regulations, against such corrupt practices.

The most productive period for the UN in matters of corruption is 1995-1997, when was adopted the most significant documents that list below.⁴⁸

Resolution 1995/14 of 24 July 1995 “ACTION AGAINST CORRUPTION”. General Assembly called upon Member States to coordinated form of criminal liability on bribery of public officials of another state in international commercial transactions and to encourage states to implement programmatic activities to deter, prevent and combat bribery and corruption on the basis of:

- diminishing institutional barriers through the development of integrated management systems and promoting legal reforms in line with their fundamental legal principles in both public and private sectors,
- promoting the role of citizens in the development of transparent and accountable governance,
- supporting the active participation of NGOs in identifying, planning and implementing initiatives that promote ethical standards and practices in both public and commercial operations
- providing necessary training and technical assistance to other States to develop and implement standards of good governance, in particular, accountability and transparency, legitimate commercial and financial conduct and other measures to combat corruption.

Resolution 50/225 of 19 April 1996 “PUBLIC ADMINISTRATION AND DEVELOPMENT”⁴⁹ in which each member State invited to submit a report on measures taken to implement the UN Declaration against corruption and bribery in international business transactions, such as provisions relating to the determination of criminal liability, effective sanctions, developing codes of conduct in the field of entrepreneurial activity, illicit enrichment, mutual legal assistance and bank secrecy provisions, development of national strategies and policies to combat corruption.

⁴⁸ International economic organizations: Regulation of global economic ties and business / J.H. Gerchikova. - Moscow: Konsaltbankir, 2000, p. 372-375

⁴⁹ See appendix 2.

Resolution 51/59 of 12 December 1996 “ACTION AGAINST CORRUPTION”⁵⁰. In this resolution, the General Assembly urged all governments of UN member states to cooperate to prevent corruption, including bribery, as well as to use this resolution as a tool by which they must be guided in their efforts to combat corruption.

Resolution 51/191 of 16 December 1996 “UNITED NATIONS DECLARATION AGAINST CORRUPTION AND BRIBERY IN INTERNATIONAL COMMERCIAL TRANSACTIONS”⁵¹. In which UN member states pledged to ratify the international convention against corruption, and regularly consider issues of corruption and bribery in international transactions.

A second international organization that deals with corruption issues is the *Organization for Economic Cooperation and Development*. It develops projects of criminal liability for bribery of foreign public officials in international business transactions. Document called "OECD Guidelines for Multinational Enterprises" ⁵² was developed. Chapter 6 of this document is devoted to the fight against bribery, it says “Enterprises should not, directly or indirectly, offer, promise, give, or demand a bribe or other undue advantage to obtain or retain business or other improper advantage. Nor should enterprises be solicited or expected to render a bribe or other undue advantage.”

There were also recommendations on giving special significance on civil, commercial and administrative measures to prevent corruption, such as storage protocols, and settlement documents. On the basis of these recommendations was founded special committee aimed at achieving these principles.

Other organization which has active participation in issues of corruption is the International Chamber of Commerce, expressing the interests of businessmen from different countries. International Chamber of Commerce developed a system of rules in the form of a report "Extortion and bribery in commercial transactions."⁵³ These rules act as a voluntary commitment in the rejection of bribery and extortion as well as taking measures to ensure fair competition. These measures are, for example, increasing the responsibility of enterprises and officials, the tightening of national legislation against corruption, maintaining the necessary accountability, the rejection of secret accounts. These rules do not have direct legal effect, but their adoption may raise the standards of honesty in international transactions as well as helping to resist extortion or unfair competition. These rules are an example of proper trade practices.

⁵⁰ See appendix 4.

⁵¹ See appendix 3.

⁵² <http://www.oecd.org/dataoecd/56/36/1922428.pdf>

⁵³ Extortion and Bribery in Business Transactions. Report adopted by the 131th Session of the Council of the ICC-1997 International Chamber of Commerce, p. 7-16.

Upon ratification of international standards should be remembered that, by itself ratification is not enough for mandatory action on the territory of Russia international anti-corruption standards. This is possible only after the adoption of a package of laws to ensure implementation of such standards, as well as when comparing the terms used in the national criminal code and international treaties.

At present the Russian Federation is a member of the UN and is committed to accelerating the integration process as the World Trade Organization and other organizations of world community. However, it is not possible without compliance with the rules of conduct, such as strict adherence to the decisions legally binding status, the following recommendations and conclusions of the study of international organizations.

3.2. Institutional reforms: four strategies for development.

As mentioned in the previous chapter, corruption in Russia has expanded to almost all levels of government and society and there are different mechanisms of its functioning. Therefore, it would be wrong to assume that the reduction and removal of this dangerous economic phenomenon can be achieved by using of just one common strategy. Therefore for further analysis will be useful to mention four strategies that occurs in the literature more often.

In terms of institutions key moment is implementation of mechanisms that regulate the process of institutional design (i.e., the "rules for manufacturing rules").⁵⁴ As these mechanisms can perform regulatory impact assessment, under which the selection of the most effective solutions based on the analysis of comparative advantage and weaknesses of the other options of institutional change. These arrangements also allow us to alleviate the problem of creating inefficient institutions. Then, the regulatory impact assessment suggests support for the "principle of complicity", that is registration of the views of recipients and the expert community to the relevant rule. Using this principle as part of institutional planning at all levels of government contributes to limit corruption and also prevents the creation of institutions that provide official opportunities for opportunistic behavior. Here, the important role played by civil society institutions, various business associations and their bargaining power.

The only possibility to detect latent cases of corrupt activities is to create conditions for transmission of a signal from one part of corrupt transactions (usually the briber). This presupposes the existence of supervisory agency which suppresses corrupt practices. Practice of establishment of such supervisory institutions under the de facto lack of power in no

⁵⁴ Corruption as an obstacle to modernization: (institutional approach) / A. Grigoriev, M. Ovchinnikov Questions of economy. - 2008. - № 2. - p. 55.

accountability to civil society leads to an additional turn of corruption.⁵⁵ Creating an effective supervisory authority facilitates the formation of credible commitments sanctions.

It is very important to identify which community groups are willing to fight corruption.⁵⁶ Obvious is natural anti-corruption stance of the intellectual elite, the poor and middle classes, small and medium enterprises. Situation of the regional authorities is complicated because they are constantly forced to lobby of their interests. They are interested in leading of fight against federal corruption, while local corruption brings them income. Even more difficult is position of big enterprises, which are less affected by administrative corruption, but is unlikely to abandon impact on public choice in their own interests. Big enterprises are objectively interested in a good state apparatus, but traditionally have advantages in solving their problems and do not indicate a great desire to abandon them in favor of competing groups. Federal bureaucracy and the political class will always perform at words against corruption, but their effectiveness of fighting is limited due to constant pressure of interest groups and the use of existing methods for career growth.

In the process of creating of any schemes to combat corruption is very important to political, business and bureaucratic elite to develop a persistent belief that corruption is a negative factor in global competition that slow economic development, modernization and integration of state into the global community.

Further turn to the examination of four anti-corruption strategies presented in the paper "Corruption as an obstacle to modernization" by M. Ovchinnikov⁵⁷.

3.2.1. *Strategy of "rentier"*⁵⁸ implies increasing public expenditure in social sector, public administration and focuses on supporting the poorest segment of the population. In other words, there is some kind of exchange of institutional reforms into improve of the welfare of the population, forming a broad coalition, based on the stability of growth associated with raw materials supplied.

Choice of measures to combat corruption will be in favor of law enforcement steps, a byproduct of that - creating the conditions for applying double standards. It could transform the fight against corruption in the mechanism to ensure the loyalty that is implemented through the carrot and stick. Insufficient attention to the institutions that regulate decision-making and relationships between state and society will not deter corruption. Incentive for political elites to

⁵⁵ Usher D. Education as a Deterrent to Crime// The Canadian Journal of Economics 1997. Vol 30 No2, p 367-384

⁵⁶ Grigoriev L.M. Conflicts of interests and coalitions, Contra 2007, No 9, p. 114.

⁵⁷ Corruption as an obstacle to modernization: (institutional approach) / A. Grigoriev, M. Ovchinnikov Questions of economy. - 2008. - № 2. - p. 57-60.

⁵⁸ Fr. „rent“.

fight against corrupt practices is developing of mechanisms that limit the implementation process and the reproduction of ineffective institutions, which are weak nowadays. Therefore, the probability of using the structures of civil society in implementing the principle of participation and control over the expenditure of budgetary funds is very small.

Lack of public control over the effectiveness and efficiency of expenditure in the field of public administration reform leads to at least to two negative consequences.⁵⁹ First, the choice of spending priorities can be given by opportunities to benefit from corrupt activities. In this case, it depends on the bargaining power of existing coalitions within the state and is exposed to outsiders trying to influence, that significantly increases the outgoings of functioning state apparatus. Second, the implementation of effective solutions in the public sector reform slows down, because insiders may associate it with a decrease in illegal benefits. Then the process turns into an imitation of reforms, accompanied by a division of resources between outsiders and insiders, and corruption limits the ability of state modernization.

In such circumstances, will be distributed apical corruption. In the case of public sector reform is traced the impact of corruption on the process of strategic decision-making, as well as local solutions to the choice of contractor in the division of public resources. In other words, there can take place a gradual institutionalization of corruption and it's rooting in the economic minds of individuals as the standard model of behavior.

3.2.2. *Strategy of "mobilization"*. As in the previous case, this strategy would increase the share of public expenditure in GDP. However, unlike the strategy of "rentier" it focuses on different social groups.

Increasing costs in selected priority sectors of the economy can on the one hand maintain a steady flow of public expenditure, and the on other hand are able to influence global processes. At the same time grand investing in high-tech industries can trigger the growth of corruption and also reduce the institutional reforms and the level of wages of budget.

If we look at the impact of corruption on economic growth, implementing of this strategy can be dangerous because in fact it is difficult to provide strategic effectiveness while choosing of areas of budget spending. At the initial stage, this choice may be under the influence of powerful interest groups. Under the cover of slogans about the need to modernize the country it is possible unbalancing in the structure of expenditures at the expense of infrastructure and human capital that will negatively affect the long-term growth prospects.

⁵⁹ Milgrom P. Employment Contracts, Influence Activities and Efficient Organizational Design// Journal of Political Economy. 1988, Vol. 96. P. 46-60.

Another danger is in the growing influence of government policy on selected sectors of the economy, which may gradually spread to all others. This will lead to excessive economic regulation and a new jump of apical corruption. Resulting in increased overhead and reduced the level of competition.

3.2.3. *Strategy of "modernization."* This strategy suggests foreground large-scale institutional reforms aimed at creating mechanisms to establish and maintain effective institutions providing an enabling environment for economic growth. This strategy worsens the conditions for corruption.

Some community groups interested in preserving the rent relations and have the ability to block the adoption of effective solutions will hamper the fight against corruption relevant to them. However, these same groups may be interested in reducing corruption outside the scope of their activities. Therefore, the level of corruption will be determined by efficiency of the following mechanisms: the formation of credible commitments and the threats, the assessment of regulatory impact, the interaction of state and civil society that provides for monitoring the effectiveness and efficiency of budgetary expenditures.

Implementation of this strategy is possible only by successive institutional reforms aimed at reducing the areas of discretionary actions of officials, the development of public control over the state, creating an enabling environment for small and medium business, industrial and business infrastructure.

3.2.4. *Strategy of "inertia".* This strategy represents a different combination of elements of the strategies discussed above, but not in a systematic manner because there are no mechanisms to identify and promote priority. Under these conditions the old state apparatus continues to operate which uses familiar decision-making mechanisms, which put doubt on the adoption of effective institutional reform.

Prospects of corruption in Russia depend on the choice of strategic directions of development of the country. If there are observed variations on the strategy from "rentier" to "modernize" on the current political circumstances the growth of corruption cannot follow. When creating an optimal mechanism aimed at deterring violations of formal rules, the emphasis should be placed primarily on the fight against apical corruption.

3.3. Anti-Corruption Model.

In the second chapter, I tried to formulate the main reasons of the high level of corruption in Russia. On the basis of the foregoing, it can be concluded that actions to reduce corruption need on the one hand a well-thought-out system of law, taking into account the interests of the citizens and on the other hand should be a mechanism that would be brought into action not by the will of individual officials, but is based on letter of the law. In this case requires such anti-corruption legislative model, which would be based on some automated entire process of self-organized control of corruption as well as the causes and conditions.⁶⁰

Since the early 90's of the twenty century the idea of a universal legal instrument against corruption has been worked many times. Such instrument should be able to combine several branches of law rules and helps to create a legitimate basis for the fight against corruption and give it a systematic character.

The first official draft law on combating corruption was adopted by the Supreme Soviet of the RSFSR (1993), then twice (1995.1997) adopted and approved by the respective chambers of the Federal Assembly of Russia. Every time this document was deflected by President of the Russian Federation on different grounds. The last time the draft law rejected as contrary to the legislative system of the Russian Federation.

Finally, the State Duma approved the Law № 273-F3 "On Combating Corruption"⁶¹ on 28 December 2008. It highlights the concerted efforts of state and society in the fight against corruption, the need for political will on the part of the executive, legislative and judicial powers. In particular, the law calls for the creation of a specialized body to combat corruption.

The Act promotes the adoption and strengthening of measures aimed at more effective prevention of corruption and acts related to corruption.

Since the additional income and shadow are essential and necessary part of the revenue officials which have freed themselves from moral principles, the law assumes officials to declare their assets and income and propose of developing a code of conduct for public officials and ensure its compliance with the disciplinary action.

As has been repeatedly mentioned, the problem of corruption is systemic. That is, people, government officials, and all economic agents of the society used to the presence of corruption in everyday life. Thus there is certain corrupt expectation with respect to other agents of the market. If we consider the phenomenon of corruption in terms of game theory, where each party tries to increase its own profits, then the rejection of corrupt activity is unnatural because it

⁶⁰ Convention of The Council of Europe and the Russian Federation, a collection of papers, Moscow, 2000, p 289-290.

⁶¹ Full text at <http://document.kremlin.ru/doc.asp?ID=49786>

bears an economic loss. Thus, honest business can be profitable only in the situation of absence of corruption expectations.

Thus, it is necessary to consider a range of measures affecting the economic, political, moral and ethical foundations of society, what will be done in the following systemic model of fighting corruption.

The figure shows the corresponding model.

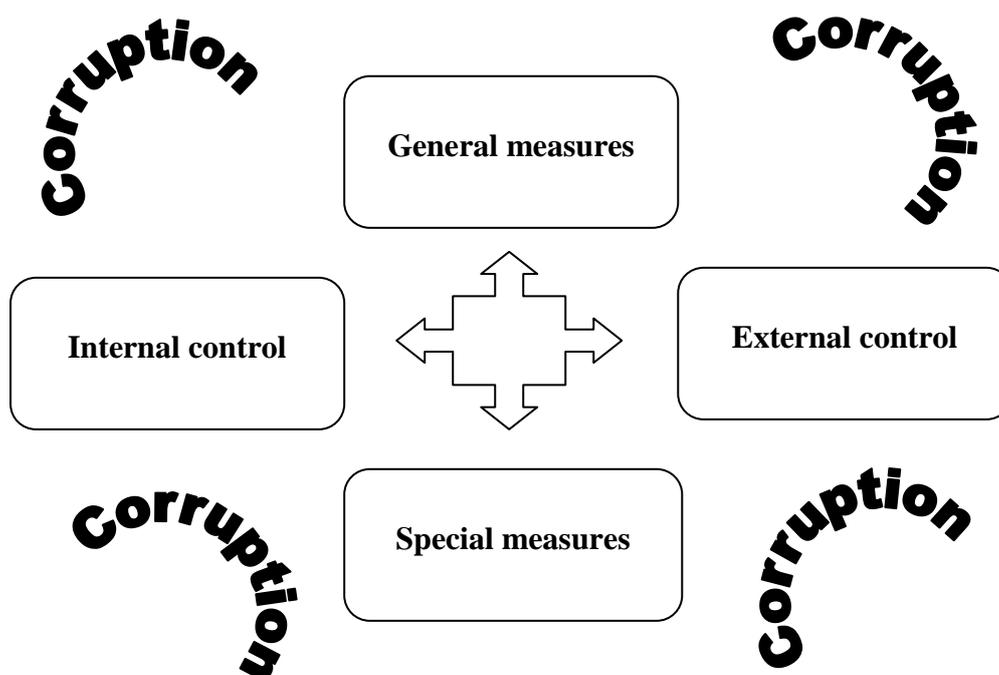


Figure 2: Model of combating corruption, source: “Modern problems of anti-corruption: law and criminological aspects”, A.L. Karabanov, S.K. Melkin. - Moscow: Wolters Kluwer, 2010, p 143

Below consider in detail all elements of this anti-corruption model.

3.3.1. *Internal control*

Internal control includes mechanisms and incentives that exist in the apparatus of governance, such as clear performance standards officials of their responsibilities and strict supervision over each official. To provide control often assigns special bodies that operate autonomously. For example, law enforcement agencies are often obeys to the Chief Executive, as well as the bureaucracy, but at the same time retains considerable independence.⁶²

⁶² Problems of the criminal law to combat crime, the collection, Moscow, 2006, p 59

Departmental anti-corruption programs can contain a set of measures that are generated depending on the goals and specifics of particular departments. A list of such measures may include in particular:⁶³

- The introduction of the practice of periodic transfer of officials for a new job within the agency or a similar job in another department (cost of retraining is less losses from corruption);

- Enhanced monitoring and subordinate officials by introducing a special control schemes and the shift in emphasis from formal control to control of appropriation of actions of the subordinate to goal;

- Strengthening of measures of responsibility for delays when dealing with citizens;

- Reduction of deficit access to public services;

- Provision of a special mode of operation of offices far citizens' and the introduction of technologies that accelerate the work.

One of the main tasks of the development and implementation of departmental anti-corruption programs is to develop measures to control vertical corruption (between officials of different ranks).

3.3.2. *External control.*

External control includes mechanisms that have a high degree of independence from the executive power. Independent judicial system under which official which violates the law can be easily and efficiently found guilty dramatically reduces attractiveness of corruption. An important role in the external control of corruption at bureaucratic apparatus plays freedom of speech and the media.

External control is typical for countries with market economies and liberal democracy.⁶⁴ This is due to the fact that the implementation of the normal functioning of markets need clear rules and mechanisms to ensure implementation of commitments, including an effective legal system to ensure a healthy competitive environment. Liberal democracy achieves their goals by developed electoral system, the rule of law, separation of powers. All of these political institutions are the mechanisms of external control over corruption.

Permanent agency to combat corruption must become executive body for the implementation of the anticorruption program, which should be provided with maximum

⁶³ Modern problems of anti-corruption: law and criminological aspects, A.L. Karabanov, S.K. Melkin. - Moscow: Wolters Kluwer, 2010, p 143-144

⁶⁴ Kozonov E.Y. Corruption: the origins and ways of overcoming, Moscow, 2006, p 46-50

independence. This is possible if its establishment and operation will be regulated by law and the head of the agency will be approved by parliament and president.⁶⁵

Agency goals:

- 1) Development of specific projects under the Anti-Corruption Program;
- 2) Representation in government bodies, implementing internal anti-corruption program;
- 3) Data collection and analysis of corruption in the country, the study of government and administrative procedures in terms of corruption;
- 4) Examination of regulations in their propensity for corruption;
- 5) Adoption and review of complaints relating to alleged corrupt practices, advising individuals and organizations on how to combat and curb corruption;
- 6) The introduction of investigations into all attributed or perceived corruption violations, cases of extortion and blackmail, abuse of power for selfish purposes in accordance with the rules and procedures established by law;
- 7) Participation in integrated teams to investigate the most important cases of corruption;
- 8) Establishment of a legal protection for victims of corruption and blackmail, including the institution of a "hotline";
- 9) Inform the public about the progress of anti-corruption program;
- 10) Organization of interactions with civil society in combating corruption.

It is important that the working methods of such a body served as a model of what should be implemented as the realization of the anticorruption program: transparency, competition, high level of professionalism in the administrative work.

Active participation of the society to fight corruption can be ensured the creation of the Public Agency to combat corruption, which would include representatives of the most important non-governmental organizations involved in combating corruption. The main functions of the agency might be, for example: the coordination of activities of political organizations, public oversight over the implementation of the anticorruption program as well as work with the society.

Creating such structure is a prerequisite for successful implementation of the anticorruption program.

3.3.3. *General measures*

⁶⁵ Modern problems of anti-corruption: law and criminological aspects, A.L. Karabanov, S.K. Melkin. - Moscow: Wolters Kluwer, 2010, p 145-146

General measures are any legal, economic, psychological, organizational measures aimed at reducing the scope for corruption.

Such measures should provide comprehensive and objective information to the public about the legal life of the community, and the need to address the following objectives:

- Adequately reflection in the media of legal activity;
- Education of respect for the law and its practical application;
- Formation of an active civil position in the population to protect their rights and freedoms;
- Unbiased report about law enforcement measures.

This can only be achieved by ensuring maximum openness and accessibility of general information as well as information about the state and law enforcement action.

Of the variety of principles and ideas to combat corruption include the following areas:⁶⁶

- Measures that increase the difficulty of committing crime;
- Measures that increase the risk when committing crime;
- Measures that reduce the profitability of bribe.

Measures raising the difficulty of committing corrupt crime include: a thorough system of checking staff in employment, limitation of powers, strict requirement of transparency and publicity of the decisions, accountability of public employees, regular rotation of officials, a ban on participation of official at events in which he has financial interest.

Measures that increase the risk when committing crimes: open media access to relevant information, planned and unannounced inspections and audits, mandatory declaration of the property officer and his close, personal responsibility for making decisions, the organization's own security service, support individuals exposing corruption and also provide international extradition of persons implicated in corruption crimes.

Measures that reduce the profitability of the crime are, for example: the introduction of fair pay for officials, their mandatory removal from office in the identification of involvement in corrupt dealings, the abolition of official immunity.

It's necessary to simplify the procedure for prosecution of persons using the current immunity, as well as amendments to the legislation on the status of deputies, judges and prosecutors, providing for overcoming the immunity of such persons, if there is credible

⁶⁶ Corruption: political, economic, organizational and legal problems. V. Lunev // State and Law. - 2000. - № 4. - p. 99 - 111.

information that they have committed illegal actions. This would allow imposing criminal liability to such persons.

In addition, restrictions of participation in the elections should be introduced into federal and regional legislation related to representatives convicted of premeditated crimes.

3.3.4. *Special measures*

Special measures of combating corruption can be divided into three groups - special legal measures, special organization measures and special financial measures. Consider these groups separately.

SPECIAL LEGAL MEASURES

As noted in Chapter Two, main legal problem is the ambiguity and vagueness of the laws and regulations. Mean to reduce the entropy of the legal complex can be transition from relatively certain sanctions (such as deprivation of liberty from two to ten years with confiscation of property or without confiscation or a fine of one hundred to seven hundred minimal wages) to use absolutely certain sanctions (imprisonment for two years).⁶⁷

Another trend to reduce legal ambiguity over the issue of corruption is the legal definition of the concept of corruption and corruption offence. Such definitions should include exhaustive lists of corruption-related offenses on the basis of which may be an inadequate system of statistical records and to delineate the competence of law enforcement agencies are authorized to fight corruption.

Then, legislation of the Russian Federation has no clear definition of public official. It's necessary to specify this concept to solve the question of the possibility of prosecution for the ministerial offense. Criminal Code of 1996 sharply narrowed the scope of persons subject to liability for bribe. Employees of state enterprises, including directors and other executives, as well as experts and organizations are not recognized by officials.

Therefore, in order to improve public policies to combat corruption, the inclusion in the Criminal Code, such as additions:⁶⁸

- Recognition by officials of heads of state and municipal enterprises, as well as state representatives in a public company;

⁶⁷ Corruption. Law. Responsibility S.V. Maksimov. - 2th ed., revised. and add. - Moscow: YurInfoR, 2008, p. 76-78.

⁶⁸ Modern problems of anti-corruption: law and criminological aspects, A.L. Karabanov, S.K. Melkin. - Moscow: Wolters Kluwer, 2010, p 152

- Establishing a separate liability of officers and civil employee for business;
- Establishing liability for unauthorized using of transfers from the federal budget or deliberate delay of social benefits;
- Establishing liability for the using of extra budgetary funds and loans for purposes other than the Fund's regulations.

Also one of the most important legal measures to combat corruption is an institution of administrative proceedings, which in Russia is currently absent. Administrative cases are solved in civil proceedings, which affects the congestion at the courts of general practices and reduce their productivity. It's necessary to enter a segregated system of administrative justice.

The concept of administrative justice encompasses:

- 1) A system of bodies which are charged with resolving administrative cases;
- 2) A special kind of justice;
- 3) Type of judicial review.

According to Professor Starilov under the administration of justice should be understood as a system of judicial (or quasi-judicial) bodies addressing administrative actions brought on claims of citizens in violation of the actions or decisions of public authorities and local self-government or certain public (municipal) employees of the rights and freedoms.⁶⁹

Professor Panova restricts the concept of administrative justice complaints of citizens for acts of officers and executive authorities only in court.⁷⁰

However, it should be noted that most researchers circumvent problems such as establishing a separate liability for administrative violations committed by state authorities and local self-government and disciplinary proceedings as a form of administrative proceedings.⁷¹

During 20 century in Russia has been creating preconditions for the emergence of a system of administrative justice, but still concrete decision has not been accepted. Professor Maksimov in his book "Corruption, law, responsibility"⁷² considers three options for the development of a system of administrative justice in contemporary Russia.

1. Giving separate function of justice in administrative cases the courts of general jurisdiction without creating a system of special administrative courts. It should be taken into account that the allocations within the general courts of specialized formulations cause considerable difficulties both economic and institutional nature, associated with congestion of courts of general practice.

⁶⁹ Starilov Y.N. Institutions of administrative law, Moscow, 1999, p. 201

⁷⁰ Government and Law, 2001, №10, p 14.

⁷¹ Pankratov V. From the disciplinary action to the disciplinary proceedings, the Russian Justice, 2004, № 3, p 47-50.

⁷² Corruption. Law. Responsibility S.V. Maksimov. - 2th ed., revised. and add. - Moscow: YurInfoR, 2008, p. 86-101.

Implementation of this option of the development of administrative justice system can be fulfilled without the adoption of a separate federal constitutional law on administrative matters. However, may be needed to amend the federal constitutional law on the judiciary, the Constitutional Court on arbitration courts and military courts to clearly define the roles of the various courts to settle administrative cases.

2. Creating a relatively independent subsystem of administrative courts.

Development of administrative justice system under this scenario implies the adoption of separate law, such federal constitutional law "On Administrative Courts in the Russian Federation", adopted 22 November 2000 and is no longer considered. According to the bill in the system of administrative courts was supposed to allocate five sections 1) justices of the peace, 2) inter-district judge, 3) College of Administrative Cases of courts of the subjects of the Russian Federation 4) the district courts whose jurisdiction extends to several subjects of the Russian Federation, 5) the judicial bench of the Supreme Court of the Russian Federation in administrative matters.

To implement this option, the development of administrative justice system will require an additional not less than 3000 judges, 500 administrative courts of first instance, 21 district court of appeal and the board of review of administrative affairs in the Russian Supreme Court. It is assumed that work on the formation of administrative justice will be done in two stages. In the first phase will be formed by the district court and the judicial collegiums on Administrative Cases in the courts of the subjects of the Russian Federation and the Supreme Court of the Russian Federation. At the second stage is planned to create inter-district administrative courts. Adoption of such a law as would require an amendment to the federal constitutional laws and the judicial system.

3. Creating a combined system of judicial and extra-judicial (quasi-judicial) review of administrative conflicts.

This version of the system of administrative justice allow either adoption of a single law on the system of government to resolve administrative conflicts and the adoption of a separate law on the administrative courts and the preservation of status quo in the legislative regulation of public authorities, for administrative affairs.

Establish a system of administrative courts should be preceded by a single resolution of the order of consideration of administrative cases, the introduction of a unified system of misconduct and disciplinary action as well as a unified system of rules of conduct for public officials and municipal employees.

The most promising direction of development of the system of administrative justice in the Russian Federation is the establishment in the overall judicial system with respect to separate

categories of administrative courts. The introduction of administrative courts should not abolish the existing order of-court resolution of conflicts of administrative bodies of legislative, executive and control branches.

SPECIAL ORGANIZATION MEASURES

Special place among the measures against corruption take principles of the tracing, freezing, seizure and confiscation of illegally obtained money as well as measures to monitor the financial health officials and control over state finances. These measures include:⁷³

1. Enactment of the priority declaration of income, expenditure and property businesses and individuals who participated in the privatization of state property.
2. Mandatory annual publication of information about the financial situation and income status of civil servants.
3. Mandatory publication of the annual budgets of the top state authorities of the Russian Federation.

Among other arrangements may be called

- Creation of mechanism to determine and maintain the strength of the state apparatus, depending on the population of the Russian Federation
- Establishment of federal and regional registers of persons involved in corruption, which by law are restricted to the replacement of posts in state or municipal service.
- Simplify the tax system.

All of the above represents an obstacle for illegal payments as well as their eaten in secret to the public that is an obstacle to corrupt practices.

SPECIAL FINANCIAL MEASURES

Finally, we consider measures that potentially reduce the profitability of corrupt transactions and the risk of disclosure of financial crimes.

1. Restriction of cash circulation, all transfers of large payments to the banks.
2. Improving the system of accounting, auditing and monitoring in accordance with international standards.

⁷³ Modern problems of anti-corruption: law and criminological aspects, A.L. Karabanov, S.K. Melkin. - Moscow: Wolters Kluwer, 2010, p 157-158

3. Broader and unimpeded access by law enforcement to information constituting bank secrecy.
4. Measures that increase government regulation of foreign trade control the export of non-ferrous metals, petroleum products and raw materials of strategic purpose.
5. The increase in wages of officials.

However, it should be noted that the risk from engaging in corrupt acts is determined not only by the value of wages, which the official may lose as a major source of income in case of dismissal, but also economic and social guarantees (e.g. pension). If in the case found guilty of unlawful actions of officials will lose not only his position, but all social guarantees, the economic risk is increased significantly. Thus, the economic benefit of committing crimes of corruption is significantly reduced with an incentive to take bribes.

At the conclusion of this chapter it can be noticed that significantly reduce of the level of corruption in Russia is possible only with the use of a whole system of measures affecting all sectors of society, from the very top of the legislative and executive powers, to every citizen.

It is important to remember that Russia is a member of the international community, but the image of a corrupt country increases the transaction costs in the world of global competition for businesses, citizens and the state as a whole. According to this, in order to become a full member of the international community and not finally become a raw materials exporter, it is necessary to choose a course to complete modernization of the country and to eliminate corruption as one of the main negative factors. Maybe for this can help the measures proposed in this paper.

Conclusion

Corruption is a major problem of contemporary Russia. In this study, it is considered as a form of shadow lobbying of economic interests. The practice shows that at foreign countries, lobbying is a feedback of the public with the state, when a lobbyist himself does not pursue any economic interest. In most countries there are special laws that restrict lobbying, but lobbying in Russia is closely linked to criminal organizations and corruption, because there is not any legislation regulating the activities of lobbying organizations. Thus, the corrupt relations in Russia are guided by pushing the interests of certain influential institutions.

The paper shows the basic model of corruption, which tells us how the actual acts of corruption carried out and what decisions should be taken as the briber and the recipient of a bribe as well as the conditions under which the transaction will be carried out.

Then I studied corruption in Russia, as a country with a flourishing corruption. As a task I set to examine the main problems of the modern system in Russia as well as the conditions that cause of great corruption of public officials. I have also studied the public attitude towards corruption; it appears that people are very tolerant of its various manifestations.

There are a lot of causes of corruption in modern Russia and in this paper I have tried to highlight the major ones. Of course, the important role played by economic transformation of society from a centrally planned regime to a market economy. Period of political instability, unequal division of state property at privatization - have all led to the division of society, the impoverishment of ordinary people. Plus, the old bureaucratic system proved to be very viable and could survive all the shocks, however, brought with it all vestiges of the socialist system, such as secrecy and lack of control over the power authority, which is a very fertile ground for corruption. Left and the old system of various tests, only now instead of arrest, they use blackmail and extortion.

The development of bureaucracy and paperwork, too, only reinforces rooting corrupt relationship, because the average person, when faced with a mountain of different papers and declarations that he should fill out and bring them to the appropriate authorities simply prefer to pay a certain amount and had it done with no problems.

However, it is impossible to determine exactly the true scale of the corruption cases because data are not available, this phenomenon relates to the shadow part of economic relations. Russian anti-corruption services are unfortunately unable to reveal the majority of corruption cases. And

when still goes to court, most receive the lowest penalty, because the laws are extremely vague and allow greater freedom of choice of a judge who may also have its benefits.

Large role in the fight against corruption is played by media and information accessibility. However, in Russia in the mainstream media refer to a particular political party, and then only express the interests of specific groups of people. And indeed the medial war is being waged at the highest level, having no contact with society.

The weakness of the media as well as the absence of legal regulation of lobbying are the reasons for the lack of control over the state apparatus. This situation leads to the spread of such dangerous phenomena as merging of the bureaucracy and business structures. This practice is now illegal in Russia, but officials are finding many ways to circumvent the law and to be in part of a business. Expose them to this activity is difficult because there are many loopholes in law that help offenders to remain unconvicted and earn millions. And it was also related to privatization, when a huge state property was divided between a small number of people who were then in power, most of whom were prominent businessmen, staying in office and continuing to defend the interests of the business.

Legal basis of Russian society is very weak, as noted above, and laws are made primarily in the interests of specific political or economic groups, depending on their power in government. Thus, grand corruption is widespread in contemporary Russian state apparatus.

The legal framework of Russian society is very weak, and laws are made primarily in the interests of specific political or economic groups, depending on their power.

As we said there is a lower level of corruption, such as local government and even in everyday life we encounter it everywhere - hospitals, schools, colleges. The problem of low wages cost of employees who are looking for any additional ways of generating income. Thus, ordinary people are already accustomed to that you do not pay will not achieve anything and just cannot imagine what could be different.

As mentioned in Chapter 2 and the lower reaches and grand corruption is firmly rooted in everyday life as an ordinary citizen, and many officials and therefore to reduce the rampant corruption requires a whole system of measures. May need to turn to the experience of other states, successfully overcome corruption, some observations can help to develop its own plan to combat. Very important ratification of international agreements, but should also provide mechanisms to bring them into action.

Russia itself has an unsuccessful experience in the legal regulation of corrupt activities - perhaps the laws are approved, but their implementation into practice is not followed.

In this paper we propose a system of measures that can possibly help reduce the level of corruption in the Russian Federation. The method of "dotty kicks" that have specific laws and measures cannot help the country to choose a course focused on the destroying of corruption and the transition to new and effective institutions. The only way Russia can ensure its rightful place in the world economic community.

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