

**CORRUPTION AND ILLEGAL ECONOMIC PRACTICES
AS THEY ARE REFLECTED IN EVERYDAY LIFE AND
SOCIAL CONSCIOUSNESS IN RUSSIA**

Lev Timofeev

Centre of Research on Illegal Economic Systems
(Russian State University for Humanities)
Moscow (**Ietim@rsuh.ru**).

It is quite probable that in the nearest decades the hopes for establishing a democratic system and a civic society in Russia will fail to be realised. The criminal groupings that grow rapidly in political influence and acquire increasing public prominence pose a serious threat to the immature Russian democracy. Even conservative estimates indicate that up to 50% of the Russian economy operates in the sphere of shadow relationships, outside the reach of tax authorities, outside governmental or public control, and hence under the direct control of the criminal community.

The criminal community aspires to direct the activities of the legal authorities. Bribes are tending increasingly to become a powerful instrument in the political decision-making process in Russia. Corruption is spreading throughout the very institutions whose purpose it is to control crime and ensure state and public security, that is, the police, the courts, the customs, the border guards and even the armed forces. Many experts agree that it was precisely the criminal oil businessmen and drug dealers who contributed to the onset of the wars in Chechnya and Tadjikistan.

Experts claim that every legal entity and every household in Russia is involved, to a varying degree, in illegal financial transactions. The very notions of legal and illegal are getting quite blurred and uncertain both in the economics and everyday life and public opinion of Russian society at large. It is this uncertainty of the social criteria which the public consciousness and every Russian citizen in his/her daily activities rely on that has become the object of the research included in the project "The effects of the shadow economics, criminal-controlled business and organised crime on the social structure and political decision-making process in Russia". The project has been launched by the Centre of Research on the Illegal Economic Systems (CERIES) of the Russian State University for Humanities with the financial support of The John D. and Catherine T. MacArthur Foundation.

In the first stage of the research, which was concluded only a few days before the beginning of this conference, we did a thorough sociological study that was aimed to find out in what way corruption incidents, tax-dodging and other phenomena of the shadow economics were reflected in the public opinion and also how they were influencing the behavioural choice of a common Russian citizen, including his/her electoral preferences. Using the methods of worked out in the Centre, The Russian State Centre of Public Opinion Research questioned 1800 respondents in all regions of the country (a representative sampling). In addition to the all-Russian survey a number of sociological interviews in three rural regions were done: in the south of Rostov, in the centre of Rjasan and in the north of Archangelsk districts. In the disposal of CERIES there was also an extensive data base on corruption, organised crime and drug dealing which embraces all the spheres of the economics and social life in all the regions of Russia without exception.

Starting the research we proceeded on the assumption that involvement in the illegal economics had become an everyday reality for each Russian citizen and therefore it could not but determine the norms of cultural, ideological and daily legal relations and create as well a strong social impulse for the raising political influence of shadow business leaders. In general our hypothesis has been confirmed... In this report only some subjects of our research are described and only primary results are given.

1. *Individual economic behaviour and corruption*

We understand corruption as private trading of public property rights which a tradesman/woman has received access to owing to his/her post in public service. In Russia wide-sweeping corruption is rooted exactly in the present historical situation when the property rights system declared by the communist regime (though invalid de facto in the last years) was consigned to the past, while the system based on the constitutional right for private property, though legally proclaimed, lacks proper defence on the part of the state authorities. The nature of corruption reveals itself most distinctively in economics where the precise fixation of property rights is an essential condition for market mechanism normal functioning.

In our research we are not concerned with the activities of major economic units; "the shadow component of their activities has been rather extensively studied recently by Russian economists and sociologists"¹. While in some cases we have deviated to studying small agricultural production units, our attention has been mainly focussed on the household of a modern Russian and we are especially interested in what way the facts of corruption together with illegal economic practices are reflected in the consciousness of those who are involved in these practices and of those who are "just onlookers".

It is quite significant that among fifty villagers interviewed by us in some regions of Russia and differing considerably in occupation, earnings and standard of living, we have found nobody who doesn't come across the facts of corruption and illegal economic practices nearly every day. The distribution of parcels of land, the distribution of budget allocations, the re-distribution of technical equipment - all these actions are accompanied by intensive dealings in the administrative services shadow market where bureaucratic resolutions are bought and sold. And each of them has its own price. As a young village teacher in the Rostov region puts it: "Some get things cheap and some pay all the whole of it".

The administrative services market, which formed the core of illegal economic practices under the communist regime, continues to exist, though its contents have been somewhat changing. Here is, for example, the opinion of the above mentioned young woman who judging by her age could not be well aware of the administrative relations in the Soviet epoch - of how she sees the relationship between the district authorities and the manager of the local agricultural co-operative: "The old connections have been preserved. The chief of our ACC (Agricultural Company, which is formally a co-operative but actually is ruled exclusively by its chief) was the kolchose chief before that. When the kolchose broke up into a number of ACCs, he became the manager of one of them. He had kept

¹ See: Cosals, L., Rivkina, R. "Sociological Study of the Transition to Market in Russia"? Moscow, 1998; Polterovich, V.M., "The Facts of Corruption" in " Economics and Mathematical Methods", vol. 34, num. 3, p. 30; Radaev, V. "The Formation of New Russian Markets: Transaction Costs.

some old connections, that's why his ACC is on a roll. And the other two ACCs fell apart because they had no connections and therefore no help... This manager asks for credits and gets them, but the others are refused... But it's not that easy for the manager of our ACC, the head of the district administration keeps him in control. The administration head finds out through his people what the crops have been, how much the workers have been given, how much of what has been held back, that is, hidden. And then he uses this information just to have the manager in leash... He (the manager) holds back some part of the crops to sell it for cash and he doesn't share that cash with the administration bosses. But when the administration is giving credits, the manager is reminded of his tricks, so nothing doing - he has to obey the administration. How big the credits are and how they are spent - we don't know, but the manager has got children, may be they get something from their dad."

The fact that the bureaucratic (administrative) market has survived up to these days testifies that the total corruption system has emerged not only because the property relations have not been properly instituted yet, but also because this system is a powerful instrument for making corporative profit. Bureaucrats, who cover up for each other, act openly and fearlessly - for everybody to watch. It is well known how much this or that official costs. And this knowledge has long ago stopped bothering the public opinion though the awareness of corruption in all the power structures is widely spread. A Russian citizen is sure that power belongs to thieves and bribe takers. 53% answering the question "Which authoritative structure do you think is the most corrupted and most involved in illegal business?" say that all the organs of power are equally rotten, and only 1.3% believe the authorities are altogether free of corruption.

There was also the following question: "Representatives of which structures do you readily associate with bribes, extortion, racket, tax-dodging, illegal production and other factors of shadow economics?" It has turned out that exactly those people whose duty is to defend law and order from criminal invasion, - that is, people who work in militia, security services, public prosecution, tax inspections, - are considered by the majority the biggest "risk group" in the respect of illegal practices; more than the third of the respondents claim corruption in one or all the above mentioned organs of law and order.

Generally speaking the image of corrupted militia - interfering in economic activities of people with purpose of bribery - is one of the strongest social notions existing in Russian public consciousness. The militiamen are often ranked on a par with patent gangsters. In particular this notion appears practically in all the interviews when the respondents' individual economic activities based on household resources is discussed. For example, here what a farmer from the Rostov region tells about his trips to other places to sell his vegetables: "Sometime I take my wife with me. But almost always I go with an acquaintance of mine; he is driving his car, I'm driving mine. It is done for security and of course for more fun. But it is unwise to go in a big company, because then you'd be spotted at once and it would more difficult to be lost among other people." "And what are you afraid of?" asks the interviewer. "Of everybody - cops, thugs, bosses of all sorts... As soon as you get out of your district you are stopped and checked at every bridge, at every entry to any town. The road police do that, "gaishniki" or what's their name, "guibebeshniki". They have the gall to ask now for some gasoline, now for tomatoes. You've got a lot, they say.

Criminal tyranny executed by all kinds of authoritative structures and directed towards the people who are developing productive activities based on their household resources is most expressively described in the story of an amateur beekeeper from Volgograd Region. This evidence so

exhaustingly depicts the systematic character of corruption in modern Russia that it deserves to be given here without abbreviations:

"Honey! Vodka! Bucks! It's awful to think how many officials and all sorts of supervising people stick to honey! Just to sell your own honey you have to get about two dozens written permissions and a great many other papers. In spring, for example, I (and every beekeeper) must invite a vet to examine the bee garden. Inviting of a vet means driving him to the bee garden, then driving him home, and that the arrangement is fixed on the hours convenient to the vet... Then before putting the bees out on the field I visit the agronomist in charge to offer my services in pollination in order to boost agricultural productivity. The agronomist puts on airs. I promise to treat him to honey. He is slowly giving up. "But what would the chief say?" I promise to treat the chief as well...

After that I load the beehives in the car and drive them to the chosen place in the field. At each road police post I hear the same yell: "Stop! Show your vet's permission to cross the border of a district, town or region!" Then they want to see my trailer's registration number. Beekeepers' trailers are of a special kind, we make them ourselves, and according to the rules they are not subjected to registration. But the road police tend "to forget" about it. Again I bail out my trailer for a pot of honey... Mind you, during the season I make quite a dozen of such trips.

And what's going on in the field? Racketeers come to the bee garden as to a warehouse. "Honey! Vodka! Bucks!" they shout. And on the market? Again I have to pay for special honey testing, for the trading space for the baggage room... Just to get a quality certificate in the Medical Sanitary Service I pour off each flask half a liter of honey - to be tested...

That's why honey is so expensive and the number of beekeepers is getting smaller and smaller.
Five years ago there were 1 800 of us in Dserzsinsky region and now at least than half a hundred.

Tooupikin, V.,
an amateur beekeeper, Volgograd.

Corruption in the power structures not only deprives a citizen of legal defence but also make him/her accommodate to the existing circumstances. This process of accommodation means actually a peculiar sort of *criminalisation of the public consciousness*. Its essence shows itself most distinctively when a question of guarantees for justice and security arises.

During the all-Russian survey we asked the respondents: "If either state or local authorities while solving your problem have come to a resolution which you think unjust, what is the most effective way to restore justice and cancel this resolution?" Among the proposed variants the most popular answer (24.5 %) was "I don't know any effective ways". At the same time the opportunity to sue the organs of power (which is acknowledged by 19.3 %) in public opinion is not much more productive than the possibility to ask some influential friends for help or even to apply for the

support of criminal authorities (these methods of restoring justice, which under no circumstances can be called legal, are kept in mind by 19.4 % of the respondents - 13.9 and 5.5 % correspondingly).

The answers to the question "If, God forbids, there is a threat to your property or a threat of physical violation, what kind of defence you would think the most effective?" Make the situation even more clear. In this case less than a half of the respondents (44.7 %) are going to seek defence from militia, public prosecution or FSC, while to a considerable number of the respondents (28.4 % the help of friends and relations seems more reliable, and one of ten people prefers altogether to apply to criminal authorities.

In a lot of everyday situations the criminal authorities appear to act more effectively than the officials (including the militia). That can be proved with a typical episode told by the already known to us Rostov farmer. Coming to the market to sell vegetables he encounters local gangsters.

"At last I'm at the market. I'm still looking for a parking place and they've already spotted you. Usually they send to the talks some young saps aged 18 or 20. Not long ago I was in Tver. Two guys - well dressed, with normal faces, -not gangster-like, - come to me and ask: "Are you going to stay long here?" "Until I'm finished", I answer. "You'll get bored", they say "may be we'll arrange it so that nobody is offended. Sell us your veggies for this price and you are free to go back to your Kislyakovka". And I tell them: "I bought those veggies in Kislyakovka for the same price and brought them here". They: "Then you've got to share the money. Don't you know that everybody does it?" Me : "To share with two, babies?" Then they begin to press me: "Do you know Jura the Nail?" "The one who was killed last year?" I ask. They got angry but we went on talking back to one another. "Jura the Nail keeps everything here under his control. If you are so smart, you'll go back with your car on your shoulders." What could it mean? They could pierce the tires. Or throw a brick on the front glass. Once they poured mechanical oil on my acquaintance's car and promised to burn it up. Nothing doing - you have to hand out Sometimes when those "market hosts" are gone, militiamen run up to you and start bubbling about registration and all that. I tell them: "Ask the Nail why I've come here and for how long. I pay him for that. " Well, the cops hang around for a while and then turn to somebody else. You can be sure they'll get their money or a bag full of food".

So this is the story of how our respondent is learning to behave in existing circumstances with minimal losses - and not without a success.

3. *Corrupted social guarantees*

In the time of the communist regime free medical assistance was thought to be one of the most important "achievements of the Soviet power". In fact there was a well-developed system of presents, gifts or even bribes to a doctor; and only in the limits of this system you could hope to receive the least bit qualified medical help together with the services of all sorts of nurses. Now the free medical assistance is formally replaced by the obligatory medical insurance. But the reality is

quite different. Now a bribe (or in this case some kind of illegal fee) given to a doctor for more thorough treatment of a sick person is not infrequent.

In the all-Russian survey we posed the following question: "Did you (or your relations, friends, acquaintances) pay or give "presents" to doctors and medical staff in a state hospital (polyclinic) for the services which were to be received free?" Almost half of the answers (49.4%) reveal that people pay to a doctor and medical staff more or less regularly.

The commonness of such practice is confirmed by the interviews in the rural districts. Here is what we heard from a 48 -years old farmer who lives in Rostov region: "We get medical insurance policies in ROFOMS, we send some money to them. But we try not to get ill, because you have to pay for medical care as well. For each visit to a doctor. Last year I got a little sick and I was hesitating whether to go to a doctor - you've got to have the money... You pay personally to a doctor if you want to be treated attentively. In a regional hospital where I was examined they took both the money and the vegetables which I had brought there."

The sphere of higher learning as well as medical care, is reflected in the social consciousness as no less (if not more) corruptive. In particular we asked our respondents: "Who do you think has the best chances to get free higher education: those who have a thorough school education? Those whose parents have means to hire a private teacher? Those whose parents will give a bribe? Those who have influential relations or friends?" The absolute majority (54 %) believes that the most reliable instrument in this case is bribe. Also the most part of the respondents (51 %) consider friends and family connections as highly effective. Thorough education received in various ways grants fewer guarantees for getting higher education and hence fewer chances for a good starting position in life and future success.

People deprived of an opportunity to receive qualified services on a regular basis tend to "privatise" a service on a level of personal contacts – either in a form of a bribe or a fee in cash. The results of the survey reveal in particular that only a quarter of all the respondents pay a bill, or a cheque, or use a credit card while giving the payment for such private services as car and washing machine repairing, apartment decoration, building services and others. Meanwhile 37 % of the respondents pay to the workers which they have hired in cash.

As to a sad funeral service it appears to be considerably corrupted. The author of this report has to confess that a few months ago he himself had to bribe the manager of the nearest to the author's home cemetery in order to avoid the trouble of burying a relation on a far away and desolate city cemetery. Exactly this very personal situation have made us ask our respondents if those of them who were obliged to attend a funeral in the recent years had to pay directly to the cemetery staff in order to ensure a proper ceremony. It turned out that two thirds of those who had to bury friends or relations during the last years had done the same thing.

4. Pragmatic approach to the problem of corruption and other economic crimes

Though the absolute majority of our respondents (85.8 %) believe that elimination of corruption and other illegal economic practices is either the most important or one of the most important social targets, we may suppose that people are not always fully aware of what it is all about. May be they rather follow "the informational fashion than produce their own deep understanding of the problem. At least only a third of the respondents (34.1 %) base their judgement on their own experience, while the majority (64.6%) admit that they have been informed about this problem by mass media, and 42.2

% have acquired the information from friends and relations. The question: "Have you come across the facts of corruption, bribery, extortion and other mercenary illegal practices in recent years?" was answered negatively by 58.1 % of the respondents. The number of those who have encountered corruption in person on more or less regular basis has amounted to 37.3 %. It may seem that these figures do not testify to the all-embracing corruption presence. But we believe that the figures should be treated carefully, because it is more likely that they reveal not as much the real spread of corruption as the adaptation of a troubled consciousness to the manifestations of corrupt behaviour and loss of vigorous perception of such manifestations. For example, those who claim that they have not encountered with above mentioned negative practices, have bribed in some way a doctor or medical staff (40 %) and pay in cash for some services directly to the servicemen in violation of the legal procedure.

In public opinion the very notion of corruption and other economic crimes is associated rather with the authorities' activities than with an everyday behaviour of a common person. In this aspect the notion of corruption belongs to a great extent to a sphere of myth and politics. Though this political mythologising is relevant only until it comes to the private interests of a reflecting subject. As soon as an opportunity "to try on the situation" arises, condemnation becomes less total and more uncertain. The most mild opinions we got from our respondents concerned the problem of tax dodging.

In the all-Russian survey we posed a few questions concerning various forms of tax dodging. We learnt in particular that 52% of the respondents condemned industry production managers who avoided paying taxes and only 21.8 % (which is however rather a high figure) understood and approved of them. In the same time, when we asked about ordinary citizens who were tax dodging, only 33 % of the respondents were ready to blame them while 42.8 % understood and approved of their position. The further - the worse. The most labile opinion which we got in our survey concerned those managers who, though were tax dodging, did it with a purpose to strengthen their employees financial situation. Only 30.6 % condemned these managers, 44.5 % understood and approved of them. And finally the heights of pragmatism were displayed when the respondents were asked to express their opinion of those managers who beside the salary fixed in a payroll pay their employees in cash which may include hard currency. Only 22.3 % of the respondents had the heart to blame these altruists, while they were understood and approved by 47 %.

Such evident tolerance towards the violation of legal norms in case it promises some profit brings about the problem of a political choice conditioned by corruption and illegal economic practices.

5. *Temptation by shadow and nation-wide voting for crime*

Not without some hesitations we had decided to ask people in plain words if they assumed a possibility of their personal participation in shadow activities. We had been hesitating because we had some doubts about the truthfulness of answers. But as it turned out our doubts were groundless. We asked the respondents where they would prefer to work – in a place which managers are connected with illegal business or in a place where such connections do not exist. Besides the variants of the answers covered only participation or non-participation in shadow activities; the possibility of any personal risk was excluded. So that was a test in law obedience and not in

capability and readiness to risk one's life. The variants of the answers about preferable working place were as following: a place where the managers are not at all connected with illegal business; a place where the managers may be connected with illegal business, as long as I'm not concerned; and finally, I don't care if the managers are connected with illegal business, even if I'm personally involved - as long as there is not a threat of imprisonment and I'm well - paid.

We should say at once that the most unpopular was the second prompt: the managers may be connected with illegal business, as long as I'm not concerned. It was chosen by only 11.2 % of the respondents. But the choice of Russians between the principal non- participation in illegal business and the readiness to take part in it (without the risk of imprisonment) seems much more interesting. A high readiness to put up with criminal structures not only in thought but in deed was demonstrated by 27.8 % of the respondents. While less than a half (41.4%) refuse to deal with criminals.

There is one more reliable test which permits to find out if people are sincerely against corruption and shadow economics or they tend to adapt to criminal reality and to gain something of it: This test is simple: its aim is find out if a person agrees to support corruptive and illegal businessmen in case there is no personal risk and some gain is possible. In 1998 in Nizsny Novgorod the mayor elections were won by Andrej Klimentjev who at that time was under investigation. He was incriminated in a number of economic violations. Many people in Nizsny Novgorod believed that criminality which they had voted to power would do them good. They were offered a test in law respect and they failed it, at least those of them who had voted for Klimentjev and whose voices had been enough for him to win.

We decided to repeat this test in our survey, and this time not in a town but on an all-Russian scale. The respondents were proposed to answer the question: " Could they, participating in local administration head elections, vote for a candidate who is a well-known shadow businessman or is closely connected to criminal structures?" The respondents were offered to choose between the three variants of answers: (1) I could vote for this candidate in any case; (2) I could vote for him if I were sure that he would make the life better; (3) I would not vote for him under any circumstances.

The results show that the Russian criminals have quite a favourable political perspective: though 46.4 % would not vote for them under any circumstances, still 32. 1 % of voters - respondents are ready to support an obviously criminal candidate if he could give them hope for a better life; and 6.1 % are ready to support criminals in principal and whole- heartedly without any previous conditions.

Finishing my short report I'm not going to make any extensive conclusions. Our work has just begun and a thorough analysis of the acquired results is in store for us. However the figures taken from the surface of the research results without their cross analysis are quite eloquent and give enough information for deliberating about the society and law order conditions in Russia. At same time I would consider it a mistake to create an image of Russia as of a unique criminal reservation. I believe that it would be interesting and useful to pose the same questions which we have posed to people in Russia to the inhabitants of some countries. It is possible that comparative analysis would show that the tendency which is revealing today in Russia may be detected on a global scale. With the hope that such researches would be done I'm finishing my short report.