

JEL CLASSIFICATION: O17

THE THEORY OF CORRUPTION IN THE KLEPTOCRATIC ECONOMY

Robert F. PUSTOVIIT

Doctor of Science in Economics, Professor, Cherkassy Institute of Banking of the University of Banking of the National Bank of Ukraine (Kyiv)

Summary. The nature of corruption as a fundamental factor of kleptocratic economy is investigated. Theoretical models of corrupt behavior are analyzed on the base of theoretical conceptions

of monopolistic and oligopolistic markets. Factors of the corrupt influence on the functioning of the kleptocratic type of the economic system are determined.

Key words: *kleptocratic economy, corruption, models of corrupt behavior.*

Corruption is determined as a destructive system, in the relation to existing formal institutions and generally accepted morality, social-economic relation system, which is characterized by using official powers in order to get material and(or) not material advantages. «State capturing» is when state government is made private by current political and economic groups, power-coercive authorities and administrative resources of which are directed to the seizure of natural resources, the main flow of financial funds, public and private property and property of the most profitable economic assets (both in public and private sectors) and also the most powerful means of spreading information, they are the final configuration of corruption.

In the «occupied» state, which is defined as a state of kleptocratic economy, political and economic corruption gain systematical character and become the basis for the functioning of the state, by displacing competition and contributing to the formation of monopolies, which are subordinated to the current groups in political, economic, information and some other spheres of the society and the state being.

In general, nowadays investigation of the corruption in economic sphere is rather localized, though quite effective. As a rule, investigations are focused on the institutional model called «principal–agents», which analyze relationship between higher levels of public powers and agents-officials, who get corruption benefits from individuals, interested in some

governmental preferences. That is why the aim of the proposed research is to make a complex analysis of corruption factors, which are characterized as systematical, and state economy is up to definition of kleptocracy.

Within the proposed article the particular problem on ground of theoretical concepts of monopoly and oligopolistic markets, where potential corrupt has controlled ownership of state assets in their distribution, is investigated.

As analysis demonstrated, models of corrupt behavior are conceptually similar, and differ only by marginal income level government entity. The investigation also showed that the overall situation in the country deteriorates considerably if kleptocracy ruler is so weak that he could not remove corrupt officials in the region or even in formally controlled government. In that case economy of the country is marked by the model of «independent monopolists» with their own corrupt schemes and devastating consequences for the whole economy.

It is possible to minimize corruption with the use of such factors as: when there is effective apparatus of control in the disposal of the government; if there are few current corruption pseudo-elite; when society is uniform and cohesive, that allows information on cases of bribery quickly to spread. The ability of authorities to punish those officials who are charged with bribery excessive even in a kleptocratic economy can be also added.

References

1. Hevelin L. (2001) Kleptokratija. Sotsial'no-politicheskoe izmerenje korrupsiji v nehativnoj ekonomike [Kleptocracy. The socio-political di-

mension of corruption in a negative economy]. M.: Izdatel'stvo «Humanytarij».

2. Nisnevich Yu., Stukal D. (2012) Mnoholikaja korruptsija i ejo izmerenija v issledovanijakh mezhdunarodnykh orhanizatsij i mezhdunarodnykh ot-noshenijj [The many faces of corruption and its mea-surement in the study of international organizations and international relations]. *Mirovajja ehkonomika*, 3, 83–90.
3. Predborskii V. (2005) Detinizatsiia ehkonomi-ki v konteksti transformatsiinykh protsesiv. Pytannia teorii ta metodolohii [Shadow Economy in the con-text of the transformation processes. Problems in the theory and methodology]. K.: Kondor.
4. Fomina M. (2012) Koruptsiia i tinova ehko-nomika: politekonomichnyi aspekt [Corruption and the shadow economy: political economy dimension]. Donetsk : DonNUET.
5. Dluhopols'kii O., Ivashuk P. (2012) Suchas-ni pohliady na koruptsiuu ta minimizatsiuu jii ne-hatyvnoho vplyvu na ehkonomiku Ukrainy [Cur-rent views on corruption and minimize its negative impact on the economy of Ukraine]. *Ehkonomika Ukrainy*, 9, 13–24.
6. Bloom B. (2014) Criminalizing Cleptocracy? The ICC as Viable Tool in the Fight Against Grand Corruptions . *American University International Law Review*, 29, 3, P. 628–656.
7. Helmke G., Livitsky S. (2004) Informal Institu-tions and Comparative Politics: A research Agenda. *Perspective of Politics*, 2, 4, P. 725–740.
8. Campos J. E., Pradhan S. (2007) The Many Faces of Corruption. Washington: The International Bank of Reconstruction and the World Bank.
9. Chen X. (2010) Theory of Divide-and-Rule: Kleptocracy and its Breakdown. Paper University of Warwick, June, P. 1–57.
10. Shleifer A., Vishny W. (1993) Corruption. *The Quarterly Journal of Economics*, 108, 3, P. 599–617.
11. McCubbins M., Schwartz T. (1984) Congres-sional Oversight Overlooked: Police Patrols versus Fire Alarms. *American Journal of Political Science*, 28, P. 165–179.
12. Zaostrovtssev A. (2009) Teorii grupp interesov [Theory of interest groups]. *Finansy i biznes*, 1, P. 6–24.
13. Norht D., Wallis J., Weingast B. (2011) Nasili-je i sotsial'nyje porjadki. Kontseptual'nyje ramki dlja interpretatsyi pismennoj istorii chelovechest-va [Violence and Social Orders. A Conceptual Framework for Interpreting Recorded Human History]. M.: Izd. Instytuta Hajjdara.