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Information Subsystem of Shadow Economy Deactivation

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Abstract

The article presents information subsystem of shadow economy deactivation aimed at minimizing negative effects caused by its reproduction. In Russia, as well as in other countries, efficient implementation of the suggested system of shadow economy deactivation can be ensured by the developed information subsystem.

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1. Introduction

Foreign investors consider Russia to be a country with high corruption (in 2013 – the 127th place among 175 countries) (<http://www.transparency.org.ru/indeks-vospriiatia-korruptcii/blog>) and a substantial shadow sector of economy accounting on average for 46% (Schneider, 2009) in GDP from 1999 to 2006. The influence of shadow factors on business life is getting so significant that the contradiction between legal and shadow structures manifests itself practically in all living environments of the society.

For every country it is a dilemma to achieve an optimum balance between the development of legal economy sector and the existence of shadow sector. On the one hand, governmental actions trigger reproduction of shadow economy. On the other hand, government must minimize its scale. If, having this dilemma, it is impossible to eliminate contradictions of economic relations between legal and shadow economy, then shadow activity must be regulated.

In the circumstances, it is an important and urgent issue to outline the direction to weaken shadow activity, i.e. to develop ways for its deactivation in Russian economy.

2. Information content of shadow economy deactivation system

We turn now to the system of shadow economy deactivation. Firstly, we consider shadow economy deactivation

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as a process dealing with the conditions intensifying shadow economic relations between agents. These relations are conditioned by the interests of economic agents, i.e. their economic benefit maximization. This process will allow rooting out reasons breeding its reproduction rather than consequences. Secondly, the principle of the process mechanism is a gradual shrink of the shadow sector to the level safe for the national economy. Thirdly, note that deals are accomplished mainly with corruption schemes. Therefore, the mechanism of weakening shadow activity must be based on their disruption.

Foreign practice study of the deactivation system implementation shows that, alongside with the subsystem of a mechanism weakening shadow activity, this system must include the subsystem of institutions realizing it and the subsystem of deactivation information support maintaining integrity of the system deactivation and its efficiency. Generalization of foreign experience on the development of information system aimed at disrupting corrupt relations, allows suggesting the main elements of the single mechanism of shadow economy deactivation for Russian society: 1) legislative framework; 2) measures against reproduction of maximizing economic benefit in the shadow sector of economy through corrupt relations; 3) information support of shadow economy deactivation (information on the results of applying punitive and preventive measures to fight corruption). The presented elements of the shadow economy deactivation mechanism enable to complicate running shady business, thus spurring legal business.

It must be noted, that the countries where the information support subsystem is developed and integrated into the national system of shadow economy weakening (deactivation), successfully disrupt conditions of the corrupt relationships existence. Consequently, actual corruption in these countries (Singapore, New Zealand, Finland, the USA, Japan, China) is minimal. High corruption in Russia proves the inefficiency of deactivation mechanism implementation.

The necessity of the information content in the deactivation system is conditioned by the fact that economic agents, colluding (having corrupt relations) with supervising bodies, conferred with powers, falsify information to maximize economic benefit.

Therefore, information asymmetry, firstly, prevents government from destroying corrupt relationships. Secondly, it enables corruptionists conceal from the society their opportunist behavior, exhibiting itself in withdrawal and use of legal resources to maximize profit in the shadow sector. Consequently, development of common information space for shadow economy deactivation institutions is the basis for disrupting corrupt relations. Common information space will not only improve efficiency of information use and data reliability but will also encourage detection of persons, falsifying information being involved in corrupt relations.

Since information disclosure results in reducing its falsification, it increases the expenses for running shadow business, thus debasing corruption. It must be noted that to ensure information disclosure and transparency, to improve the quality of public services provided for business, many countries develop electronic government. Therefore, dependence between information support of deactivation and corruption level in the society was determined. Countries with the lowest corruption are the leaders in developing electronic government. In countries developing the system of deactivation information support, anti-corruption rules and norms are efficiently exercised by national and international institutional environment.

To our mind, information subsystem, supplementing the existing Russian system of shadow economy deactivation, will, firstly, ensure minimizing information falsification, which is a favorable condition for corruption reproduction. Secondly, it will create incentives for changing behavioral models of economic agents in the course of maximizing their economic benefit in the legal sector of economy.

Involving various non-governmental organizations, regulating a set of punitive and preventive measures, destroying corruptive relations, in the institutional environment of shadow economy deactivation of legislative and executive bodies, can minimize market information asymmetry and manage their execution.

Development of national system of shadow economy deactivation must be aimed at creating common information space; collaborative and coordinated work of governmental, law-enforcement and non-governmental bodies. It is necessary to use and develop electronic government as the center link integrating the existing information systems of certain structures, providing them with current information. This institution, in particular, presents a new form of governmental authority working arrangement. Due to extensive application of

communication-information technologies it provides for individuals and businesses a whole new efficiency and facilities for obtaining public services and information on the results of public sector activities. Within its framework all existing information exchange systems between shadow economy deactivation institutions can be generated. Firstly, between the state and the citizen; secondly, between the state and non-governmental organizations; thirdly, between the citizen and non-governmental organizations (Figure 1).

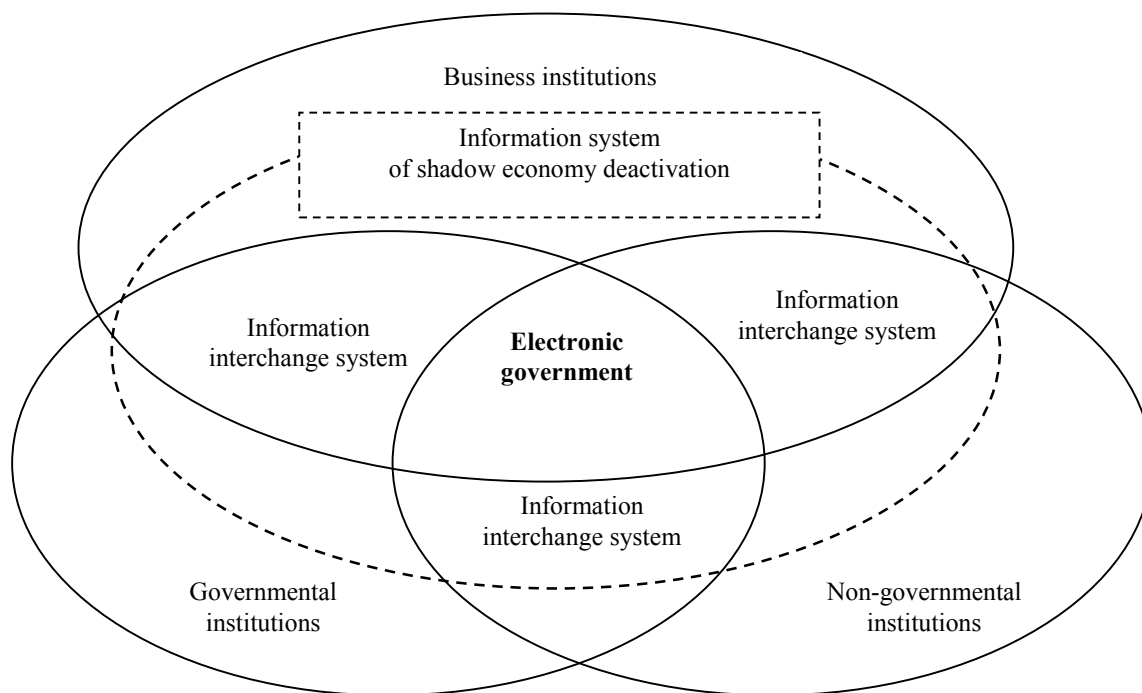


Fig. 1. Scheme of creating common information space for shadow economy deactivation on the basis of electronic government

Electronic government assigns an interaction algorithm between all representatives of deactivation system institutions concerning data collection, processing and interchange. This institution enables to eliminate information asymmetry factors (incompleteness, unreliability, information protection).

Entering information into database of independent control reports of all deactivation institutions will enable objective assessment of promoting measures for disrupting corruptive relations. Thus, feasibility of information falsification on the part of certain officials and businessmen will be reduced. Besides, it will stop handling information on the quality of the services provided.

If one of the institutions intentionally falsifies information on its activity, governing institutions impose sanctions, such as entering in the list of bad faith agents, fines and prosecution.

Necessity to generate a list of bad faith economic agents, intentionally passing false information on legal and shadow operation, is conditioned by the fact that it signals of their untrustworthiness. Therefore, if an economic agent is concerned about maximizing economic benefit, this instrument is an incentive for running legal business. Let us turn to the advantages of developing this institution as the central link of the information system of shadow economy deactivation. Deactivation institutions work consolidated by electronic government will endanger the economic agents engaged in corrupt relations. They will be detected beyond time limitation for bribes, cuts and other law violations. Moreover, this institution will force social reproduction agents work hard, responsibly, and proficiently, not falsifying information on their activity. Development of electronic government institution will

enable improve efficiency of executive bodies, quality and accessibility of public services without being involved in corrupt relations. Consequently, shadow business appeal will decrease, while legal business activity of economic agents will increase.

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