

DEFINITION OF CORRUPTION

- ▶ Corruption is often defined as the abuse of public power for private purpose.
- ▶ Corruption has become a global problem, and it affects almost every aspect of social life and specially economy.
- ▶ The world of economy is a world of interests. Every party that partakes in that world follows its own. Corruption is a shortcut to achieving that goal.

Economy and Corruption

- ▶ The impact of corruption on the economy has been investigated by a number of international institutions such as The World Bank, European Bank for Reconstruction and Development, and Transparency International.
- ▶ What is common to all these researches is the high economic cost of corruption.

Economic costs of corruption:

- ▶ Negative impact on investment and growth.
- ▶ Negative impact on development of private sector.
- ▶ Increase in administrative costs.
- ▶ Impact on the public sector (increase in the number of employees and high costs).
- ▶ Decrease in the quality of goods and services.
- ▶ The rising rates of poverty.
- ▶ Organized crime.
- ▶ Weakening government credibility.

Corruption in the market of labor goods and services

- ▶ solid citizens and businessmen do not participate in the market

- ▶ paralysis of the development potential of the society, discouraging innovation and cost efficiency

- ▶ No healthy entrepreneurship and competition

- ▶ comparative advantage and efficiency of the market system does not exist

- ▶ entrepreneurial energy of a nation is destroyed

CORRUPTION AND MONOPOLIZED ECONOMY

- ▶ corruption contributes in creating of monopolized economy ↓
- ▶ healthy entrepreneurs are prevented from business ↓
- ▶ prices are raised ↓
- ▶ impact on inflation in the country ↓
- ▶ consumers pay more and get less ↓
- ▶ surplus goes to participants in corruption

How corruption affects ordinary citizens through economy

- ▶ Corruption through statutory companies:
- Corruption means company in debts.
- Because of debts owner (the state) is losing, rather than gaining money.
- No profit equals no paycheck for the workers.
- No profit equals not paying back loans to creditors, which means higher interest rates and more expenses.
- Usually, the biggest creditor is the Country.
- No profit also means troubles with paying taxes.
- The company shuts down due to the bad choices given by the corruption of the few, rather than company best interests.

