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**‘Parasitical’ economic relations in the transitional economies:  
aggravations in the conditions of economic crisis**

**Abstract**

*Sharp increase of crime and wide-spread corruption has become one of the most conspicuous features of the Russian society in transition. The bulk of shadow economy including its criminal and corrupted components is sized by Russian experts up to 40% GDP. At the beginning of 1990s the extortion racket (the systematic robbery of businessmen) was widely in use; over the last five years the corrupt practices are gaining the advantage. Many sociologists estimate the current situation in the Russian society as critical while using the term ‘system corruption’ to characterize it (the latter understood as corruption that have pervaded all the levels of social system and become an integral part of the system of government). In our paper we consider the economic banditry (racketeering) and system corruption as a form of parasitical (negative) economic relationship that lock out normal economic development through the deformation of the market relationship and systematic withdrawal of the considerable amount of social product. At the same time the specifics of our point of view would be making the parallel between the criminal-corruptive and some ‘archaic’ (primordial, pre-class, early class) economic relationships, which, in the situation of radical socio-economic transformation, are being brought back to life. Under the conditions of economic crisis the parasitical economic relationships characteristic of most developing countries as well as countries with transitional economies (countries of so-called ‘peripheral capitalism’) prove to block the effectiveness of struggle with emerged economic and social menaces; they are the phenomena worsening the economic crisis.*

**Economic crisis and public expectations**

The world economic crisis has led to a sharp change in social-economic policy of many developed and developing countries. Anticrisis programs are oriented first of all on stimulating the small and middle business because primarily

here new jobs are created and it is possible to mitigate the problem of rising unemployment.

The economic crisis in Russia turned out to be deep and still did not reach its bottom point. The official forecast of GDP in 2009 is minus 13-15%. Many enterprises are closed and many people have lost their jobs.

Under these conditions the Russian population expected from the government the development of serious program for getting out of the crisis and sanating the economy. But the country's leadership has directed main efforts and resources for saving the biggest companies affiliated with the state. The measures for supporting the middle and small business were not developed. Moreover, the negative tendency has manifested of increased corruptional pressure on business.

The rise of criminality and corruption is often considered as characteristic feature of Russia's social situation in the beginning of the 1990ies. Then forecasts were made that these negative phenomena would disappear to the extent of transition to capitalism. But these forecasts have failed.

In the beginning of the 1990ies the major pressure on business were made by organized criminality in the form of racketeering. The activity of these criminal groups was not controlled by the state. The freedom of business was officially declared by the government but in reality the development of business was restricted by these negative conditions. Each businessperson was coerced to give a part of his profit to racketeers that is in close analogy with archaic form of tribute. Thus, this part of the profit was not invested in production development.

### **New social and economic facets of bureaucracies in Russia**

With Putin's advent to power in 2000 the process began of gradual ousting of criminal groups from the economy. Primarily one could have the impression that law and order triumph and business now has the possibility of free development. But this was an illusion. The place of criminal groups was taken by state officials, law enforcement bodies, national security services, tax-collecting agencies, various inspections and other state organizations. Instead of defending business and property rights as it happens in developed countries the state in Russia has become a major barrier for the development of the small and middle business. Using their administrative resources of creating rules and instructions, giving licenses, making checks and so on state officials create impossible conditions for business and therewith extort bribes from entrepreneurs. Thus, businesspeople are coerced to give a part of their profit to these "new racketeers". Moreover, they cannot find defense in courts because all the courts in Russia are totally controlled by the state and almost always take decisions in its favor. In Putin's time top officials often are at the same time members of the boards of big corporations and use their position to lobby the interests of these corporations. The most negative influence this situation has on the small and middle business. With the beginning of the crisis the corruptional pressure of state officials has even increased.

In contemporary social science those phenomena are usually conceptualized in legal and moral terms without any relation to political economy. They are usually considered as temporary and not having system character. However, many experts now suggest that corruption in Russia has become system forming factor in the sense that any level of Russia's economic system cannot properly function without it. The seriousness of the problem has been recently recognized by the President Medvedev. He even proposed an anticorruption program but experts are skeptical about its effectiveness. The problem is that the burden of fighting corruption is laid on state officials who are corrupted themselves. The mutual guarantee system existing among state officials will make any real measures impossible. The only sane solution would imply the aid of civil society but Russia's state power is afraid of attracting civil society to fight corruption because this would be a danger to the existing political regime itself. The social-economic system described has not been formed in Russia accidentally.

We propose a theoretical model of explaining the logics of its formation in Russia.

We consider the system gangsterism (racketeering) and the system corruption in Russia as two forms of parasitical economic relations that lock out normal economic development through the deformation of market relations and systematic withdrawal of the considerable amount of social product. At the same time the specificity of our point of view is in making the parallel between the criminal-corruptive and some 'archaic' (primordial, pre-class, early class) economic relations, which, in the situation of radical socio-economic transformation, are being brought back to life.

### **Karl Marx lost and regained: contemporary forms of exploitation**

In his time K. Marx substantiated the idea that any private property society (slave-owning, feudal, capitalist) is based on exploitation taken place in the process of production by means of appropriation of surplus product. But in the twentieth century economic ethnologists and historians have discovered many additional forms of exploitation. Their specificity consists in the fact that they function not in the process of production but when the added product already is at the disposal of owner. Using violence (overt or masked) specific social groups withdraw a part of product from owners. Because this is done on regular basis we can talk about specific economic relations and specific forms of exploitation. Such forms of exploitation are widely spread in history. It is important that they always have a parasitical character and are additional to a dominant mode of production. Here we have a complex symbiotic order characteristic of many transitive and developing societies.

Because here capitalist relations are brought from outside they are combined with pre-capitalist economic relations. Some pre-capitalist relations have been described by Marx. However additional forms of exploitation have become a subject of economic analysis only recently. One of these forms is the so called

Asiatic mode of production. Its specificity consists in the fact that all the means of production are in collective property of the state apparatus as a whole. It is important to stress that this property has nothing to do with socialist one. This kind of society, like capitalist one, is based on exploitation but in this case exploiters are represented not as single persons, but as a whole corporation. Exactly this mode of production was dominant in the USSR and many other developing countries. This fact has been clearly demonstrated by Yury Semionov, a known Russian historian, who called this mode of production “politarianism” or “neopolitarianism” (from the Greek “politia” – the state). Consequently, in contemporary Russia we can observe not a transition from socialism to capitalism but something very different – the transition from neopolitarianism to peripheral capitalism. In this new symbiotic system the elements of politarianism survive in the form of systemic corruption and extra-economic coercion.

This situation blocks the economic development because, as sociological studies show, illegal incomes obtained from corruption are not invested in the country’s economy but are deposited in Western banks, spent on expensive realty or wasted on conspicuous consumption. According to official General Procurator’s Office’s data, the sum total of bribes in Russia in 2006 was estimated as \$240 billion when the GDP in 2005 was \$290 billion. So this situation may be indirectly beneficial to some financial, land-owning and industrial circles in the West that may partly explain a rather inactive position of the West in supporting democracy in Russia.

Thus, the economic crisis in Russia is aggravated by existing parasitical economic relations and situation of forming peripheral capitalism.