

## **TRUST PROBLEM AS A FACTOR OF DEEPENING CRISIS PHENOMENA IN RUSSIAN ECONOMY**

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**Keywords:** crisis of Russian economy, trust, institutional preconditions, social and economic differentiation, the social responsibility of business, administrative barriers, corruption, moral values.

In this article the author considers the influence of trust on the development of crisis phenomena in the economy of Russia. On the basis of statistical data the author shows the deterioration of trust climate in autumn 2008. The author analyzed the institutional preconditions of low level of trust in Russian economy.

World financial and economic crisis has influenced Russia as well. In the autumn of 2008 the Russian economy entered the recession phase. The decrease in industrial output was obvious. The reduction of the volumes of output in the real sector of economy was accompanied by the deterioration of other macroeconomic indicators.

The immediate causes of the crisis phenomena in the Russian economy lie on the surface. Firstly, it is excessive dependence on the world markets, next it's the one-sided structure of Russian export. According to the experts, during the period before the crisis, the growth of the Russian economy was caused mainly by the increase of the world prices for oil, gas, and the metals which are the main export goods of the country. For this reason the fall in the world demand and the prices for these goods were so painfully reflected in the condition of domestic economy.

Sharp deterioration of the world financial market became other immediate cause of crisis phenomena in the economy of Russia. The lack of liquidity of the key world financial centers stimulated the sale of foreign assets by the foreign companies and caused prompt outflow of the capital from Russia.

One more reason of crisis of the Russian economy, lying on the surface, is the insufficient level of internal demand for the domestic goods. In the recent years the domestic goods were more and more replaced with the imported ones.

It slowed down the development of the majority of branches of the Russian industry. The enterprises lost the means necessary for modernization, and were compelled to continue the manufacture of out-of-date production.

In the conditions of sharp reduction of import Russian economy was not able to compensate the losses by escalating manufacture in the domestic branches. That distinguishes the present crisis from crisis of ten years ago. In many respects it became the consequence of the loss of the industrial potential for the past ten years.

The crisis phenomena accompanying the development of the economy of Russia since the autumn of 2008 must have affected the trust climate. The variety of objective indicators testifies to its deterioration. The decrease in credit activity of the banking sector and the delay of the growth of bank deposits by autumn of 2008 in October are sufficient proof of the aggravation of the problem of trust in the Russian economy.

Financial and economic crisis also pointed to the problems of general trust in Russia, trust being the concentrated expression to reforms, business, the state, fellow citizens, their general solidarity, including the ability to operate by uniform rules, clear and transparent for all.

The reasons of modern crisis lie on the surface, but behind them there is a deeper layer of reasons. They also testify to the low level of general trust in Russia. Among these reasons A.Aganbegyan, A.Kudrin and other authors name, first of all, the absence at of the developed market funds, or "long money" - the memory pension systems, the insurance and share funds, etc. This is a direct consequence of the low level of general trust. In the phase of economic rise this problem was veiled by the positive dynamics of the basic macroeconomic indicators. In the phase of recession it was bared to the full, aggravating the crisis phenomena in the economy.

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Among the deep reasons of the severe economic crisis in Russia, A. Aganbegyan names high inflation. In the phase of recession it develops into stagflation. And it is very difficult to struggle with stagflation.

High inflation in Russia is caused by the advancing growth of budgetary expenses. High rates of budgetary expenses mean that in Russia many social problems are still extremely sharp. Therefore the state is compelled to increase its expenses at the ever advancing rates.

The solution could be the reorganization of the social sphere of Russia according to the market economy requirements that would allow to lower its dependence on budget expenses. But the reforms of social sphere the way they are carried out modern Russia, do not enjoy the confidence of the population. As a consequence, we have increasing budgetary expenses intended for the maintenance of the comprehensible level of social services and, accordingly, the preservation of high rates of inflation.

The reasons of the lack of trust in Russia are diverse. Probably, the most fundamental of them is the problem of ‘the broken contract’ which J. Stiglitz researched and which is expressed in the absence of the consent in the society concerning the rates, the character and the consequences of social and economic transformations to the Post-Soviet period.

Among the serious institutional precondition of the low level of trust in Russia are: the unequal conditions of competition, high degree of monopolization of the markets and social irresponsibility of business. One more institutional precondition of low level of trust is backwardness of the relations of social partnership in Russia. Historically Russian trade unions had no independence, and the support of the power and solving separate social problems were their core functions. As whole, the workers in our country are separated; they do not have any skills of solidarity. Therefore they do not manage to defend their own economic interests. Certainly, such position does not promote trust between businessmen and staff.

Another important institutional precondition of the low level of trust is the high level of cor-

ruption in Russia. According to the research by “INDEM” and “ROMIR monitoring” in 2005 the total market capacity of corruption services in Russia was estimated to be 320 billion dollars.

The institutional basis of corruption is superfluous administrative barriers. By A. Degtyarev and R. Malikova’s definition, administrative barriers are ‘the obstacles arising at the organization and realization of enterprise activity owing to additional bureaucratic procedures and the rules, disturbing business procedures and charging the business to overcome them by the bodies of the federal, regional and municipal management.’

Thus, for trust strengthening in the economy of Russia we need to: improve redistributive relations; have the antimonopoly law; increase the social responsibility of business; improve the relations of social partnership; restrict the bureaucracy and eliminate of administrative barriers.

There is a still deeper level of institutional preconditions to the above-mentioned problems. These are the deformations in the system of values and informal norms of behavior - the original ugly ethics of economic relations. For a considerable part of the population, including businessmen and civil servants, tolerance to corruption, readiness to bribe and circumvent formal rules are the main characteristic.

Therefore the ways of increasing the level of trust to Russian economy are connected not only with the perfection of formal institutes, but also with the statement of positive moral values and norms of behavior of the economic agents.

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