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THE SIGNIFICANCE OF HOLISTIC APPROACH APPLICATION IN THE POLITICS OF ANTI-CORRUPTIVE ACTIVITIES: THE CHALLENGES FOR SERBIA

Dr Nebojša Backović¹, Dr Safet Kurtović², mr Gordana Jovanović³

1. Prof. dr Nebojša Backović, High Economical School of Professional Studies Peć, Leposavić, Serbia, (nebbac@gmail.com)
2. Prof. dr Safet Kurtović, Faculty of Economics, Mostar, University Džemal Bijedić, Bosnia and Hercegovina (safetkurtovic@yahoo.com)
3. Mr Gordana Jovanović, High Economical School of Professional Studies Peć, Leposavić, Serbia, (lgordana78@gmail.com)

Abstract

The post-crisis world stress the ability of reform forces companies to respond to challenges from the environment. The first step is to remove the biggest social barriers to sustainable growth and development, as well as the latent causes of the crisis. High social risks (unemployment rate, poverty, inequality) are conditioned primarily growth of corruption and organized crime. In a world dominated by the neo-liberal model of capitalism, rampant corruption concerns. Corruption opens the legitimacy crisis of the current system. Rehabilitation of the consequences of the crisis requires a break with the existing neoliberal platform. Corruption can only win the battle of the reform of the institutional system. It is about the need to build inclusive institutions that create conditions for long-term and sustainable growth and development. The reform of the institutional system starts with the rehabilitation of the modern state. The active role of the state and its responsibility in eliminating corruption is a key part of the new transitional platform. The issue of morals and ethics of those in power is critical to the success of the transition. The paper discussed possible courses of action anti corruptive forces of reform in our country, given the contemporary theory and practice. Solutions to the challenges of corruption are seen from the perspective of the new-institutional perspective. Integral (holistic) approach is the strategic asset in the realisation of the anti-corruption action.

Keywords: *Integral (holistic) approach, corruption, the anti-corruption action, crisis, reforms, neo-liberal system, inclusive institutions, government,*

Introduction

In the last few years, the world has been going through a crisis, one that is deeper and obviously longer-lasting than before. Five years after the collapse of “Lehman Brothers”, the world’s economy is still barely going in the zone of low growth and high unemployment rates, inequality, destitution and corruption²¹. The fact that economic growth is still stagnating, in spite of great subventions towards the banking system and saving the interests of the powerful elites, show the systemic characters of a crisis.

Society’s deep crisis is the consequence of a neoliberal model of capitalism. Since the idea of liberalism began lording over economic theory and practice, and the deregulation of the market became the general transitional platform for conducting business activities, profit has become the only measure of success. Greed, money-grubbing, and lack of transparency serve as function for realizing the aforementioned goal. Greed for wealth endangers the sustainable growth of the world. A social-economic system that is led by greed for wealth with only profit (the elite’s rent) as its goal, and not the welfare of society as well, leads to crises and an unsustainable economic growth. A system like that encourages the growth of corruption and it collides with realized assumptions for sustainable growth and development.

There is a general consensus in theory and practice that corruption is the one that endangers the economic and societal prosperity of a nation. A corruptible society is in its core a sick society that, among other things, characterizes: distrust in institutions, violation of the existing value system, disorientation and insecurity. In the long term, a society like that destroys vital assumptions for sustainable growth and development.

The growing trend of recorded corruption scandals in the world in the last few decades is a sign of a deep crisis of the neoliberal system. Today, corruption poisons many areas of public, private, economic and political life and becomes a real cancer that metastasizing, i.e. spreading uncontrollably and threatening to engulf entire societies. There’s word of a real global pandemic with a strong influence on the growth of instability. Having in mind that, obviously, the presence of the fight against corruption on a global level holds a key position and it is first on the frontline on the international, as well as national level.

The sprouting of corruption is especially prominent in hindsight in small, open, and insufficiently competitive countries which were, in the process of transition, exposed to pressure of applying the radical neoliberal concept. In these countries, there are more and more supporters of the claim that it isn’t possible to overcome the current crisis with the existing institutional foundations of the neoliberal system. The primary goal of the reformatory powers in these countries must be removing the biggest social obstacles to sustainable growth and development, as well as the causes of the latent crisis. High social risks (unemployment, destitution, inequality) are primarily based on the growth of corruption and organized crime. High indexes of corruption perception in these countries present a signal of a deep system crisis and, at the same time, an alarm that things are rapidly changing. A cure for corruption is being looked for in the building of inclusive institutions. In that sense, we can talk about an institutional transition. An active role from the state and its responsibility for building inclusive institutions are key parts of the new transitional platform.

In accordance to the presented theses, this work is structured into four thematic parts. After the introduction, the first part contains causes which have led to the escalation of the world’s crisis and motives that encouraged the sprouting of corruption, all based on relevant sources. The second part points out the changes in the course of economic science made in a time of numerous challenged and global

21) Stiglitz, J. et al. (2010). The Stiglitz report: Reformin the international Monetary and Financial Systems in the Wake of the Global Crisis, The New Press, New York, p. 11.

risks with which the world has been faced in the last decade. Among them is endemic corruption, which stifles economic development. The third part tries to find sustainable solutions for the challenges of corruption. It points to the importance of application an integrated (holistic) approach as a strategic tool in the implementation of policy anti corruptive actions. The fourth part points out the roots of corruption in Serbia and gives advice for curbing it. The work is rounded up with conclusive considerations.

2. Current crisis, corruption and consequences

2.1 Causes of the crisis

The current crisis is, by its scope, definitely the biggest, deepest, and most complex one that the world knows. The main reasons in favor of this statement are: the depth of the disturbance, duration, and global character of the crisis²².

There are a great number of causes that have led to the crisis. Most of the influential economists talk about a crisis of moral and ethical values. Its causes are greed, money-grubbing and lack of transparency. Megalomaniac appetites for big and fast profits are, in the absence of adequate regulation, causes of numerous moral, ethical, and societal problems, whose consequences are major damage to other people, the entire social community, and future generations. The causes that have led to the crisis are directly related to the neoliberal capitalism system.

Guided by the principle of bare market logic and with the motive of uninterrupted maximizing of profit while wanting to constantly be ahead of the competition, the management of many enterprises collided with their own contribution towards social welfare (sustainable growth), emitting negative externalities, so their behavior is often classified as irresponsible (if one takes into account the long-term interest of society). It is considered that the enterprises' business dealings have been taken over by short-term dimensions and loss of vision. Focusing merely on how to maximize profit in the short term has led to the escalation of socially irresponsible behavior by the players in the market scene. It is a consequence of a deregulated economic system. The possibilities for corruption are practically innumerable in such a system. In other words, the participants in the market are giving in to corruption because the rules of the game in such a system encourage corruption. Namely, the market always prefers short-term and particularistic interests, putting aside the long-term and social ones. Because of that, only the existence of market motives can cause significant problems related to the behavior of the players on the market scene outside of any moral or ethical norms and principles. The controlling approach which subverts everything to profit reflects serious anomalies and consequences for economic and social growth. In that view, there is an illustrative example of many companies in the USA. Unlimited business egoism and greed of the players on the market in a battle for gaining profit, wealth and power, without responsibility, has largely influenced the escalation of the financial and economic crisis in the USA, which has spread to the whole world. Therefore, it was much too late when it was understood where the economic approach to social responsibility (led from a position of neoliberal arrogance), which subverts everything to profit, is leading. In the ambience of dominance of the "invisible hand of the market" everything related to achieving the aforementioned goal was allowed. It's no wonder that corruption scandals have become a common sight in such a system. Political, economic and social consequences of such behavior of the players on the market scene are clear. There is a general crisis of morals, non-readiness to invest in the future, and the social and territorial cohesion of society is undermined²³.

22) Schwab, K. (2013). Worrying prospects of the world economy, Davos, January, www.wforum.org/klaus-schwab-founder-an.

23) World economic Forum, Global Reesks 2012., www.wforum.org

Events across the world undoubtedly show that corruption occurs in all countries, although, admittedly, in differing degrees, shapes and intensities. It's enough to remember the numerous financial affairs and political scandals that have shook the planet in the last decade, and which undoubtedly point towards the corruptive behavior of the ruling elites, with their accumulation of wealth at the (harmful) expense of public interests. The greed of the business and political elite, in the conditions of a deregulated system, has contributed to the cancerous disease of a dominant social economic system in the world. Therefore, corruption hasn't been a purely national question for a long time. It has largely become a transnational problem.

In a time where the corruptive behavior of individuals and interest groups is reality, a part of our everyday happenings, objectively considered, raises many questions. For example: is the defeat of public interest at the hands of private greed of individuals and interest groups the fault of the construction of the neoliberal model of capitalism, or is the applied model biased towards a few chosen people? How is it possible that the model of neoliberal capitalism produces (increases) undeniable power for individuals which have, through irresponsible behavior towards their surroundings (the community), gained (increased) great wealth? Are the economy and society in a system like this sustainable? An adequate answer to these questions demands a good diagnosis of the problem. In academic circles, attention is pointed towards the analysis of a special group of social and economic risks that mostly restrict sustainable growth and development.

Greed, money-grubbing and lack of transparency (a ruthless and unscrupulous battle for gaining profit on the market) are the main reasons for numerous global risks with which the world is faced today. They affect the growth of a group of system risks related to illegal economy. According to the estimations of the WEF illegal economy has a part of 7-9% in the world BDP, which quantitatively takes 1.3 billion dollars²⁴. Illegal economy via money laundering, tax evasion, legalization of dirty money, corruption etc. indicates the existence of a deficit of institutional regulation on an international and national level. 2) Therefore, the model of neoliberal capitalism shows its weaknesses via: inadequate management on all levels, inefficient functioning of institutions, problems with corruptive behavior of the business and political elite (the growing trend of recorded scandals), unsuccessful regulation of the market, increasing the difference between the rich and the poor²⁵. The aforementioned risks are in the interaction. 3) The consequence of all this is that it leads to a reduction in certainty, increased transactional expenses, low (negative) incomes and recessionary trends.

In hindsight, the model of neoliberal capitalism has really showed its flaws in small, open and insufficiently competitive economies. In the countries, the growth of the economic and social risks group is closely related to the corruptive behavior of the business and political elite and choosing an institutional structure that doesn't work to satisfy the collective interests of society. The uncertainty that the choice of such a structure brings becomes a part of the risk that essentially endangers sustainable growth and development and leads to political and social instability. In such economies, looked at according to the GINI index, the concentration of wealth in the hands of the minority is especially prominent²⁶. Therefore, it's not at all surprising that, in such an institutional ambient, the public sees the reformatory processes in the area of democratic elective system as a political fight of "mafia clans", and ownership and structural reforms as theft (grand larceny). In other words, the public trust in the system's institutions is falling, and traditional moral and ethical values are dying. Once highly integrat-

24) World economic Forum, Global Reesks 2012., www.wforum.org

25) Rogof, K.. (2012). Liberal capitalism is the victim of its own success-in generating wealth for the minority instead of the majority.

26) According to the GINI index, the most dramatic increase in inequality was marked in ex-socialist countries after the transition and fatal privatization (Milanović B; "More of Less" Finance and Development, IMF, Vol. 48, No3. September 2011.). An exception when the CID in question represent some other countries, such as Brasil, Mexico, Argentine (Gasparni, L; Tornarolli, L, Recent Trends in income in equality in Latin America, *Economia*, Vol. 11. No 2.,2011., pp. 147-190)

ed, communities transform into fluid creations. This creates additional tensions, mistrust of the citizens in the government's capability to react to the numerous challenges (economic, social, moral and ethical in nature). The things in question are, therefore, the risks that essentially endanger sustainable growth and development, as well as the functioning of the social-economic system, and lead to a crisis.

If we go from the fact that, in the last 30 years with the affirmation of the neoliberal model of capitalism, profit was the only measure of success, therefore making everything allowed in regards to achieving said goal, then such a form of capitalism (immoral, wild, money-grubbing) is on the scene, and is being directly linked to corruption, i.e. the crisis of moral and ethical values. With the inevitable moral and ethical question, which is being rightfully asked, corruption is, on the other hand, also a par excellence economic question. Unemployment, low economic activity, poverty, inequality, high prices, mistrust of foreign investors and the growth of public debts, live and grow in great amounts by feeding on a common food-corruption.

2.2. The economic consequences of corruption

The causes of corruption are found in the crisis of the system's institutions. These are the key social institutions (The state, property, market), which, when placed in a destructive social-economic system, birth corruption which undermines the economic foundations of society and leads to a crisis. In that sense, it's relevant to consider key economic consequences of corruption²⁷. We'll direct attention to the ones that produce the highest risks and make an economy very vulnerable.

1) Corruption in specific market segments: the work market, goods and services market, or the money and capital market turns pretty upstanding citizens and businessmen who respect given boundaries of the law into "sheep" who lose in an unfair match with the "well connected" and the immaterial. As long as these others remain unpunished, corruption initiated more corruption over and over again through numerous abuses. Consequently, corruption blocks the developmental capabilities of a society, because it de-stimulates innovations and expense efficiency. Via its mediation it's possible to achieve business success, even though growth of quality and efficiency are left behind, by which, in the final instance, spenders are doomed to pay more, while they get a lot less. Healthy management and competition on which, historically, rests the comparative advantage and efficiency of the market system of economizing, as well as the enterprising energy of a nation, are negated by corruption.

2) Corruption becomes an obstacle to the coming of foreign investors. The uncertainty that corruption creates is incorporated into a part of the risks of the country's bonus, and affects the growth of income rates (and interest rates), as well as the growth of discount rates for all future monetary flows created in the country. For that reason, many investment projects become insufficiently cost-effective to compensate for the presence of corruption in the system. Because of that, many investors have stayed on the sidelines, and don't realize their investments and don't create new economic activity, as well as employment, in the country. Also, every piece of property they aspire to buy in the observed country, due to higher discount rates that need to compensate the uncertainty caused by corruption, affects their readiness to pay less. In high-corruption countries, potential foreign investors would rather just sell goods produces somewhere else, instead of founding enterprises and produce their goods in the country. With that, corruption directly reduces the healthy and sustainable economic growth and employment in national boundaries.

3) Corruption creates a special kind of "Renter" businessmen and monopolized economy which doesn't created new values, but redistributes existing ones. Wealth is gained "overnight", social inequalities are deepened in the society, which aren't the result of ability, but corruption. Unlike a healthy man-

27) Šoškić D., Ekonomske posledice korupcije / The economic consequences of corruption, www.politika.rs

agement which stimulates knowledge and innovation and creates a competitive economy, a management in corrupted conditions is uncompetitive and profitable only with corruption. The stepping out of national boundaries of such enterprises and economies onto an ordered international market is almost impossible. They can only go out to similar markets that are also used to corruption. "Powerful" businessmen that grew on corruption buy cheaply, but don't use them for their intended purposes. Such "businessmen" wouldn't be able to lead the market towards recovery, growth of competitiveness, and export.

4) Corruption creates monopolies, by which healthy and uncorrupted businessmen are denied business. This affects the growth of prices, raises inflation in the country and dooms citizens and spenders to pay considerably more, and gain less. That excess goes, by rule, into the pockets of participants in corruption.

5) Corruption in public enterprises very often leads to their business having losses. Due to that, these enterprises don't pay dividends to the country-their owner. At the same time, their losses are directly taken over by the state, or through state guarantees. The price, in both cases, is paid by the taxpayers-the citizens. Public enterprises, instead of rationalizing their business and removing losses, raise the prices of their products and services and with them the price of corruption. Additionally, their inefficiency is dumped on the citizens, this time not as taxpayers, but as spenders. If the prices of products and services of the public enterprises grow faster than average because of corruption, lasting years, leading to an unfavorable change in the structure of gross home products in favor of an inefficient public sector that is, by rule, uncompetitive and incapable of export. This emphasizes the macroeconomic imbalance, and the country is led to a patch of economic stagnation and increase of mortgaging.

6) Finally, corruption is also an illegal income that doesn't bring in taxes. In other words, corruption has "tax benefits" and that becomes a monetary flow in the economic system that doesn't bring income to the state treasury, which additionally emphasizes the deficit problem in the public finances.

To enable the economy to heal, a long-term growth of employment and welfare of the population, corruption must be eradicated. Sanitizing the consequences of corruption needs a break from the existing platform of neoliberal capitalism, the universal model of world order in the last three decades. An alternative to the existing platform would have to have a framework with the same transitional policy and strategy that enables the national economy to return to a patch of long-term and sustainable growth and development. Such policies and strategy would have to be focused on eliminating corruption as key obstacles to the healing of the economy.

3. Economic science before the challenges of corruption: from economics to the normative theory

Economic notion in the West, considerably earlier than the current global depression, showed that the institutional matrix of the neoliberal system leads to a series of economic and social problems. The question then is why it failed to provide adequate solutions to the first symptoms of crisis, if one has in mind that the negative signals from the environment (the growing trend of recorded scandals) due to corruptive behavior of the business and political elite were strong enough and recognizable enough even in the beginning of the first decade of this century. It is thought that the interests of one percent or 0,1% of the richest have "colored" the discussion among the academic economists²⁸.S Debates about corruptive practices, destructive speculations, non-transparent monetary flows, rent-oriented behavior of the elites, extractive institutions, poverty, inequality, have almost disappeared from the academic discourse. The basic reason is seen by Krugman in the following²⁹: a good number of the richest was making money thanks to an unregulated system; therefore, they had a direct interest in

28) Krugman, P. (2012). End this depression now, Heliks-Smederevo, Interkomerc Beograd, p. 98.

29) Ibidem, p. 92.

supporting the perseverance of the dominant conservative neoliberal academic current which didn't lean towards regulation. But that wasn't all. Defending the indefensible (their own mistakes and interests) this conservative current played a major role in undermining the efficient reaction to the current depression, with confused ignoring of the corruptive trends in the business and political practice. It's obvious that the power of money has never before in history been as unscrupulous as today its own servants up in the highest peaks of politics and science³⁰. Only ideological blindness, as well as rogue (lost) morals and ethics can explain the lost sense of pragmatism regarding the problems of the real world, which the neoliberal doctrine has pushed to the sidelines.

Keeping to Canes' logic that when the facts change, the theories change as well, thinking of solutions to the current challenges of reality, among which corruption is included, with a large dose of scientific and methodological competency of the approach to the neo-institutional paradigm. Motivated by investigating the whole of objective reality, the methodological approach that is used by this interdisciplinary doctrine is marked in literature as a holism (holistic approach). It's about an analytical frame which provided the possibility of a more complex analysis of the causes and consequences of corruptive practice. Neo-institutional economic theory, through its current directions (the theory of transactional expenses, the agency theory, and the theory of public choice) aspires to diagnose the beginning of this problem in the public and private sector and offer a solution. Finally, it's the obligation of the economy as a normative science. Therefore, for example, in the theory of public (social) choice indicates that in the absence of power limitation, public servicemen of the government behave as rational players who maximally exploit the system for their own benefit. In a non-transparent system, the abuse of public authority for private purposes, through the different forms of "rent seeking" activities, is a common occurrence. It assumes different corruptive actions towards government officials, in spite of the normative rules³¹. The founding of this problem is determined with a one-sided interest of the enterprise management's interest for profit, which also represent the driving force of the neoliberal capitalistic system. The realization of profit interest generates "rent seeking" behavior of different kinds and promotes a Machiavellian approach to business transactions. Corruption is, therefore, caused by one-sided interests of the business and political elite and a non-transparent way of running things.

In the focus of investigating this theory are institutional arrangements, which are led by collective action, that have as a goal the victory of public interests over the private greed of the elites. Opposing the spirit of cooperation and working together of the public, private and civilian sector (strength of collective action) is the egoism and greed in the battle for gaining wealth and power, one notices the deficiencies of the neoliberal capitalism and indicates social-economic effects of different institutional arrangements. The advantage goes to those who discourage corruption, uplift the development of the enterprise initiative, regulate the work of the integral (competitive) market, aid in the organization of socially responsible corporate practices and the lowering of transactional expenses, create a good legal system that ensures the fulfillment of contracts, protection of property, and therefore increasing economic and social success.

4. The framework for anti-corruptive action

4.1 Via the reform of the institutional system until the eradication of corruption

Corruption is, in literature, often defined as the abuse of a trusted public authority for personal benefit³². The abuse of public authority represents a complex social-economic phenomenon. The causes

30) Hassel, S. (2011). *Time for Outrage: Indignez-vous!*, Hachette Book Group, First North American Edition: September, p.10.

31) More about it, Rouz-Ejkerman, S. (2007). *Korupcija i vlast,uzroci, posledice i reforma*, Službeni Glasnik, Beograd, p. 21.

32) Nussbaum D., and Wilkinson P., *CORRUPTION, The A to Z Corporate Social Responsibility*, www.books.google.rs (accessed on 03.03.2013.)

for this type of corruption are undoubtedly numerous and interwoven amongst themselves³³. In this context, one that stands out is the “great corruption” which manifests at the highest level of government and includes the highest state projects (public procurements, different business contracts, concessions etc.). Not even the most developed countries are immune to this type of corruption. This type of corruption creates one additional social problem. Over time, it generates dangerous processes which result in social inertness, and, on the other hand, creates powerful and influential lobbies (rent oriented elite) which prevent, or oppose any kind of reformatory changes. That way the existing lobbies tend to preserve the existing position, and that has a degenerative influence on the system as a whole. Incentives for the health management are undermined, and according to that the foundations of a long-term and sustainable growth and development are endangered. One could conclude that this form of corruption solely intends to secure high incomes (rents) to rich individuals (tycoons) who have, in different forms of corruptive actions, financed the higher levels of state government to protect the existing institutional order. Such a social economic system, constituted “according to the interests of rich individuals” leads to political, economic and social instability. The instability of such a system is related to two problems: 1) the great discretionary power of the elites, and 2) the existence of extractive institutions³⁴. The current neoliberal system incorporates both of these problems in it. Namely, the deregulated system gives birth to a plethora of discretionary power. The more discretionary power, the stronger the incentive to fall to its temptations. On the other hand, the problem with the functioning of the neoliberal system is also related to the existence of extractive institutions. They encourage corruption, discourage innovations and the development of management. In other words, they block economic growth, lead to the rise of poverty and conflict creation. They serve the interests of the minority, the ruling elite, and hoarding of wealth at the expense of the country and the population. Therefore, deregulation as well as imprecise (inefficient) institutional regulation feed corruption excellently.

There is a different social-economic system that contributes to the victory of public interest over private greed. This form of organization is one of the models which have differently place goals and according to that the goals of different politics, strategies and institutions. The basic social-economic goal of such a system is the better quality of life for all social ranks, not just the ones on top. It is achieved by: 1) smart growth (development of an economy based on knowledge and innovation), 2) sustainable growth (encouraging intelligent investments in the public and private sectors which are aligned with the priorities and politics of sustainable growth), and 3) universal growth (encouraging an economy with high employment rates which would bring social and territorial cohesion). While realizing the defined goals, the state can't avoid the role of a directing the growth. The top priority goal of each democratic political system must be removing not only the biggest social obstacles with smart, sustainable and universal growth, but also the causes of the latent crisis. It's considered that you can only win the battle against the biggest social obstacles (corruption and organized crime) via the reform of the institutional system.

Inclusive institutions as a meta-factor of competitiveness and sustainable growth and development have become the object of interest of the reformatory powers in the post-crisis period. And so, while conceiving various reformatory models, inclusive institutions are added to the classic factors for sus-

33) In social economic literature about corruption, there are a few prominent groups of causes of corruption. These are: 1) institutional crisis (the state, property, market); 2) transition and transformation of economic and business systems (especially the process of privatization in a deregulated system as a fertile ground for corruption); 3) high degree of regulation and administrating of the state; 4) „cleptocracy“ of the state (abuse of public authorities on all levels for private purposes); 5) monopolies; 6) protectionism and other external trade instruments; 7) globalization (internationalization of business and economic activities) and with it the increased growth of illegal economy; 8) moral crisis (anomie and a crisis of conscience and responsibility) etc. Sjuzan Rouz-Ejkerman, *Ekonomija korupcije, Međunarodni zbornik, Službeni glasnik, Beograd, 2007.*

34) Acemoglu, D., Robinson, J. (2012). *Why nations fail: The origins of power prosperity nad poverty*: Kruna Publishing Group; March, p. 544.

tainable growth and development. The factors which contribute to the revitalization of economic growth and development are, therefore, not exclusively investments, but also a group of institutions (a set of regulatory and constitutive rules, politics and systems) which is tightly related to the height of transactional expenses as an important criterion for the efficiency of the economic and social system itself. The goal of these institutions is to reduce transactional expenses. The more prominent they are, the more radical reforms and more resources (intellectual, material, financial, informational) are needed for the stabilization of the ruined institutional structure with which key obstacles would be removed, and a path towards sustainable growth and development would be secured.

The quality of inclusive institutions is determined by the ability and responsibility of those who run the social-economic system (reformatory powers) to create the “rules of the game” which efficiently support the realization of long-term interests and the goals of the public, private and civilian sectors. We're talking about a platform for: 1) discouraging corruption and organized crime, 2) the prevention of growing global risks, and 3) encouraging long-term competitiveness of the national economy, sustainable growth and social welfare.

Inclusive institutions rule the motivation of the played via innovational dynamics; they affect adaptive efficiency, help players in making business decisions, help make and realize strategies and politics of socially responsible corporate management, with which the system of moral and ethical values is protected from corruptive practice.

Such a view of profiling the construction of institutions is based on the collective support of the private and civilian sectors, a set of socially responsible government initiatives, discourages corruption and encourages smart, sustainable and universal growth and development.

4.2. Eradicating corruption via the politics of socially responsible corporate management

Contrary to popular belief, corruption isn't just a negative effect related to the abuse of public authority. Enterprises are often in a situation where they can get an advantage over their competitors in business dealings via corruptive activity.

Offering enterprises obvious short-term gains, corruption de facto creates an illusion of advantage, while in reality it ruins the competition and undermines the mechanisms of the free market and healthy competition. Consequently, corruption generates uncertainty in the business sector, discourages new investments, raises the costs of doing business, undermines business ethics and prevents the possibility of long-term profitable business being conducted.

Even though the fight against corruption is mainly related to the efficiency of the function of the institutional system, companies can't ignore this problem and stay on the sidelines. Furthermore, they have a key role in creating and realizing sustainable anti-corruptive strategies.

From the mid-90s of the last century, the international community has been focused on making conventions that obligate companies to generate sustainable solutions in the battle against all forms of corruption, including extortion and bribery. For example, the UN Convention against corruption (made according to the regulations of the global deal-10 principle)³⁵ demands companies to make an integrated effort in three areas of activity: 1) strategy of internal dealing; Incorporate a policy against corruption into a codex (programme) of socially responsible corporate management; 2) strategy of external dealing; Assert results in the fight against corruption (an exchange of experiences of the socially

35) Started in 2000. The global deal and initiative of the ex-General Secretary of the UN Kofi Annan designed to influence the actions of private enterprises through the application of clusters of value principles which promote social responsibility in companies. In June 2004., the compact part of 9 principles (dedicated to human and worker rights in a living environment was expanded with a 10th principle. It's about the explicit goal related to intensifying efforts in the battle against corruption

responsible corporate practice); and 3) strategy of collective action; Joining forces with stakeholders to improve the results in the plan to eradicate corruption and high transactional expenses. It's about a sustainable collaborative activity of private, public and civilian sectors in the fight against corruption.

On the other hand, we're all witnesses of other projects being brought forth on an international and national level that are related to anti-corruptive normative regulative. For example, in the USA the congress had, after the Enron financial scandals, adopted a universal act in 2002. (the Sarbanes-Oxley Act) which regulates, in detail, every aspect of corporate management of american companies.

The New York stock exchange adopted regulations which significantly change the way of financial reporting to corporations and introduces rigorous sanctions for inaccuracies in the presented data. This all influenced many companies to make a complete revision of existing, and bringing in new, practices, politics, and programs for socially responsible corporate management.

A new approach to management is the prevention of corruption. A dominant management paradigm is changed, one which has ruled over economic theory and practice for a long time. It has incorporated in itself a market approach to SRBD (Socially Responsible Business Dealings) which was focused on how to maximize profit in the short-term. This approach caused the escalation of numerous corporate scandals with deadly consequences for long-term economic and social development. A new managerial approach to SRBD affirms the question of responsibility for enterprises, not just for realizing economic benefits in the goal hierarchy of enterprises, but also for equally important social performances. Considering that social goals generally have a strategic foundation and background, a new managerial approach to SRBD integrates economic and social values that are key to long-term sustainability of the economy and society. Creating new values begins with a deep understanding of social problems. So, for example, understanding investments in a project for anti-corruptive action from the management, as investment activities which create value for the enterprise and society (via removing obstacles to sustainable development), and not as an expense, becomes critical for advancing long-term competitive advantages. The point of the new strategic managerial approach is that the company builds principles of anti-corruptive action into the core of the business. Integrating moral, ethical, and legal principles into business processes and strategies leads to creating benefits for the enterprise, and society as a whole. It's about the new target function of an enterprise. It indicates a link between creating values, sustainable development and social progress³⁶.

Enterprises of all sizes, economic and financial boundaries, therefore, have an interest in preventing and fighting corruption, as well as showing their determination to play a key role in that fight. In other words, that means that they willingly accept guidance from the UN which relates to the fight against corruption from companies and their integration of the concept of SRBD strategy and politics as a key part.

Willing adoption of a set of principles, according to the global deal from the UN, by the companies represents a starting foundation for this codex to become a model for socially responsible corporate behavior. This way, companies send a clear signal of their devotion to ethical principles in the fight against corruption.

The question is, however, if the instruments and mechanisms, so called "soft law" had a noticeable impact on the business practice of companies the last few crisis years, having in mind that the guidance in sight of the "soft legislation of the UN" appealed to the willing integration of a set of principles into the management concept (codex) and politics of SRBD companies.

A recently published research of Transparency International in 2010 studied company practice in the fight against bribery and corruption. The report made an evaluation about the amount of transparent

36) More about it: Porter M., and Kramer M., (2011). "Creating shared value:How to reinvent Capitalism and growth", Harvard Business Review, January-February.

reporting over 500 leading companies around the world made about the fight against corruption. The results of this analysis show that only 7 out of 486 companies achieved top scores in this area, while 151 companies got a negative score³⁷.

The results of these researches created new challenges. The quest is, can corruption be eradicated via voluntary promotion of SRBD practice? The answer to this question isn't that simple. The problem here arises when the useful (interest for profit) and fair (social responsibility towards the community) are mixed. The win goes to the useful in an inadequately structured institutional system, more so if the competition uses the same, or similar, methods. Therefore, it's not uncommon to see that behind the promotion of socially responsible corporate management hides a corruptive business practice. In the last 10 years, big corporate scandals, from Arthur Andersen and Enron, to the Lehman Brothers and Siemens³⁸, were connected to companies that had a socially responsible corporate practice. The absence of obligatory transparent corporate reporting suited the blooming of a corruptive climate. It contributed to the ignoring of the codex of corporate social responsibility by the business elite, as well as ruining the credibility of companies.

It's thought that the politics of socially responsible corporate management won't bring benefits to society if the companies do business in inadequately structured, non-transparent, and corruptive institutional milieu. In such an ambient, system changes (reforms) are necessary on all levels, as well as the construction of inclusive institutions and the introduction of ethical standards to eradicate the causes of this social pandemic.

In the frame of an inclusive (economic and political) institutional system it's possible to curb corruption with voluntary promotions of the SRBD practice. Such a system encourages economic subjects to realize anti-corruptive activity within the frame of realizing socially responsible corporate strategy and politics. This is about the change in context for conducting business activities of an enterprise in a socially responsible way, i.e. the change in anatomy and physiology for the institutional system, in which the realization of new target functions of enterprises (creating divided values) is supported.

5. The roots of corruption in Serbia and ways of anti-corruptive action

Corruption is a big problem in Serbia. It stalls development, destroys the economic, social and political systems, prevents the construction of democratic institutions, negates European values, and undermines the social and territorial cohesion of society.

Corruption has a corrosive influence for Serbia's economy. In the big picture, corruption leads to the loss of national, i.e. budget money through too-expensive public spending, expensive concessions, expensive equipment and long procurement times, through easy making of debts which burdens future generations etc. The main cause is the wrong allocation of resources, an indicator of imperfection of the market and state. The general consequence of that is macroeconomic instability.

The small picture shows that corruption pushes entrepreneurs into financial crime and tax evasion. Shortly into the "economic underground" (illegal economy). Unconscientiousness in business dealings, abuse of power, dishonesty, an incorrect stance towards business partners, tax evasion, irresponsibility towards nature, buying out officers and other criminal actions are a consequence of an unquenchable thirst for hoarding wealth; simply put: greed. In conditions like that, the economy slowly slides from a traditionally transparent and legal one, towards a gray and black economy, which,

37) www.transparency.org

38) Siemens invested about 400 million euros recently into advancing politics of corporate social responsibility. However, that is a lot less money than the estimated 1 billion euros that Siemens invested in corruptive actions.

taken all together, is perfect for the growth of organized crime. In such an economy, creativity and entrepreneurship, as well as the growth of efficiency, are discouraged.

A highly-corruptive business ambience encourages the most talented people to leave their home country. This is an unprecedented economic crime. It's the biggest threat to the sustainable growth and development of smaller, open and insufficiently competitive countries, such as ours. When intellectual capital becomes the victim, i.e. the byproduct of "casinos" (speculative interests and transactions which dominate ad corruptive system) development itself is basically endangered³⁹. Serbia's vulnerability is extremely high. Table 1, in which main indicators of vulnerability are presented, shows this.

Table 1. The vulnerability of Serbia according to different parameters

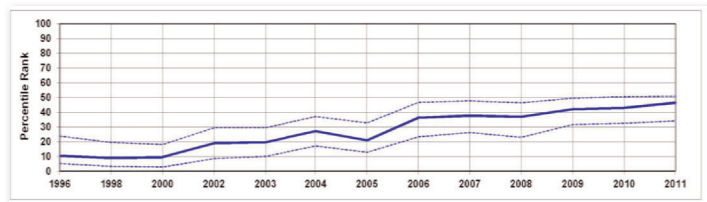
Indicators	2008.	2009.	2010.	2011.	2012.
Unemployment (in %)	14	16,6	19,2	23,7	27
Inequality (GINI index)	28,2	27,8	29,6	28,2	-
Corruption (index of perception)					
Country rank	92 (of 171)	83 (of 179)	78 (of 178)	86 (of 183)	80 (of 176)
Competitiveness					
Global competitiveness index	3,90	3,77	3,84	3,88	3,87
Country rank	85 (of 134)	93 (of 133)	96 (of 139)	95 (of 134)	95 (of 142)
Brain drain	132 (of 134)	132 (of 133)	136 (of 139)	139 (of 142)	141 (of 144)

Source: Adapted according to: Cantray Data Report for Serbia, 1996-2011., Worldwide Governance Indicators, www.info.worldbank.org, World economic Forum, Global Reesks 2012., www.wforum.org, www.transparency.org

The presented parameters are not only at a low level, but they also have an undesirable trend. The growth of unemployment, inequality, brain drain, is mostly the result of a corruptive business climate created in the past decade. Adding to that the privatization with criminal elements and we have located the main causes of the recessional and transitional problems of Serbia. Corruptive actions make privatization fatal, enterprises fall, workplaces disappear, the most talented people leave the country, and social problems grow. This is about the risks which basically endanger economic development and lead to social and political instability. An economy with such performances has no perspective. The gap in performances of these risks makes the integration with the EU seem like an almost impossible task.

Corruption in Serbia has gotten out of control in the past decade. This notion is supported by the trend on Picture 1. It's about an endemic event which encased all parts of society, because of which our country is classified as one of the highly corrupt ones.

Picture 1. Corruption in Serbia in the period between 1996-2011



Source: Cantray Data Report for Serbia, 1996-2011., Worldwide Governance Indicators, www.info.worldbank.org

There are at least three reasons which show the unsustainability of a highly corrupt economy and society. Firstly, such a model is unsustainable for economic reasons. It can't be expected for foreign capital, which came to Serbia through privatization or SDI, stays there, in ambient where endemic corruption rules, if it can't make an appropriate income from the investments. If the existing foreign capital is thinking of leaving, it's hard to believe that new foreign capital will think of coming.

Aside from being the one thing that's preventing secure and rational investing (foreign and domestic), corruption slows and debilitates development, limits exchange, trade, leads to unreasonable and wasteful use of the public budget, encourages gray economy, lowers tax sources etc. Secondly, the model is unsustainable for social reasons. In the social sense, corruption increases poverty, hits the weakest and unprotected (schooling, medical, licenses, procurements). It opens doors to organized crime and various mafias (tobacco, construction, road, pharmacist...). Thirdly, the model is unsustainable for political reasons. The consequences of corruption on the political life of a democratic society manifest through the loss of trust in the system's institutions and legal state by the citizens. It undermines democracy, because it breaks the ties of trust between the citizens and the political elite. It grinds the foundations of righteousness, and citizen equalities upon which a democratic society is based.

Especially worrying is the fact that the index of corruption perception has been increased after democratic changes. Namely, it numbered 1.3 at the end of 2000, and in the meantime, this index was significantly increased, which means that the fight against corruption in the last decade had no results.

The base source of corruption, before the democratic changes, was determined with pre-emphasized state interventionism (hypertrophied normativism) as a consequence of war and international sanctions. It's thought that during the last decade of the 20th century Serbia was dominated by "cleptocracy". An order where the state is only a tool in the hands of a rent oriented elite which serves particularistic goals and interests (maximizing personal welfare). In other words, the state is the generator of corruption in this time, and the state apparatus (the ruling elite) presents an instrument of enrichment for the members of the ruling circle. This way, the state lost credibility.

After 2000 there was optimism that the new government would be able to eliminate corruption and make a U-turn. The solutions that lead to weakening corruption were seen in the change of policy by the government that manifested in the chosen reformatory course. The neoliberal model of capitalism was the leading transitional platform in conducting economic and social reforms. A cure for "cleptocracy" was seen in deregulation, privatization, and liberalization of economic and social flows.

The changing of "cleptocracy" with new elites didn't remove nor lower the level of corruption. It actually increased it. The new government failed the test because it was included in the system from small, to high corruption. An incompetent and greedy executive government of the state combined with the non-transparent way of managing things on all levels, nurturing the unemployment and irresponsibility cult in an unordered institutionalized ambient caused the blooming of corruption on its own. On the other hand, cumbersome and inefficient state apparatus delegitimized, and made futile, every effort to form a planned strategy and politics for reform, based on the neoliberal platform, using it.

The rule is that in a society in which corruption becomes a system model and base cause of recession and transitional problems can't be removed, without changing institutions, politics, the system, as well as governmental structures.

Without a strong and clear political will to support anti-corruptive strategy on all levels, positive results in conducting reforms can't be achieved. On the other hands, the question of morals and ethics from the rulers are of key significance for the success of this strategy. Morals and ethics of the bringers of reformatory changes directly affect their reputation and credibility in the eyes of the public, which determines the success of the project they're carrying out. It seems that the actual reformatory powers have, in the last few months, succeeded in finding solutions for curbing the acute problem of cor-

ruption and show the determination to stay on that path. Under the leadership of authentic reformer leaders, the current government has managed to strongly mobilize political will (the parliament, executive government, leading political parties) for the fight against corruption.

Anti-corruptive strategy assumes changing the approach to live, work, (economy) and politics. It's not the question of changing the mentalities of the people, but the conditions that politics created with its decisions. In the economic area that means abandoning the current model of economic politics and creating conditions in which it pays off to be honest, socially responsible, hardworking, creative, innovative, and productively orientated.

By realizing the anti-corruptive development strategy, the state and its executive government can't avoid the leadership role. The state is the one who creates a context for anti-corruptive acting of players on the market scene. In that process, it's necessary to improve the working of the state system management and create a class of non-bribeable, honest, expert and responsible managers⁴⁰.

The efforts of the state executive government, however, won't be sustainable if the management of the private sector doesn't active begin participating in the state project of anti-corruptive strategy and become part of the solution, not part of the problem. In our conditions, we still don't recognize noticeable activism of the business elite (the enterprises in this plan). In other words, there are no stronger signals from the companies for actively conducting anti-corruptive politics as part of a project of socially responsible corporate management.

Anti-corruptive strategy and company politics is an important transitional device towards the construction of a socially responsible corporate practice, in which the realization of social goals isn't just some obligation on the side, but the core of every business activity. It's about the strategy of building a sustainable business, where companies, while realizing their missions, exert additional pressure on the government to more efficiently conduct its anti-corruptive strategy. The real challenge is, therefore, to make the government's anti-corruptive package aligned with the reforms in the institutional system and with the activities of companies in the realization of the strategy and politics of socially responsible management, whose anti-corruptive package is a core part of. It's the patch to eliminating economic and political obstacles towards the development of a sustainable economy, a sustainable society. From that comes the significance and affirmation of the holistic approach to this question.

Namely, the private sector needs a healthy business climate that discourages various kinds of corruption and organized crime. This climate is possible to realize through the construction of inclusive institutions adapted to authentic performances of the culture of the internal environment. In an ambience like that, the local private sector will be more motivated to take on jobs from the domain of corporate social responsibility by applying a concept that emerged in the crisis "creating shared values"⁴¹. That's why it's very important that the „visible hand of the state“ be recognized upon the construction of such a context which will secure a healthier business ambience. The context should respect the imperative of compatibility with the EU, but not to consistently follow it normatively. It's about the choice and construction of authentic institutions adapted to our vision of sustainable growth and development. Only such a reformatory agenda will lead us to an economic and social recovery and makes the negotiators in the further process of European intergations seems respectable.

40) The realisation of anti-corruptive strategy and politics rests on professional macromanagement, i.e. on capable, expert, motivated, moral and adequately paid public servicemen, which is usually called by the term „meritocracy“

6. Conclusion

This is the crisis of the neoliberal system. That universal model of world order was considered in the past decades as a general deregulation, primatization and liberalization, by which the economic growth will ensue as a natural result of market automatism and the „invisible hand“. Profit has become the base criterion for behavior in all segments of society. Such a choice of target function couldn't have been left without heavy deformations on the whole scale of social values. That system has developed greed, money-grubbing, and non-transparency. Its consequences are corruption, unemployment, inequality, and poverty. A social-economic system which has, as a consequence, the defeat of public interest over the private greed of the elites leads to a social and territorial fragmentation of society, crises, and an unsustainable growth and development.

The model for neoliberal capitalism has shown its weaknesses especially in small, open and insufficiently competitive economies. In these countries the growth of a group of economic and social risks is closely related to the corruptive behavior of the government representatives and choice of an institutional structure that doesn't work to satisfy the collective interests of society. In such a system, the abuse of power and authority for personal gain becomes a part of the risk which essentially endangers economic development and leads to a crisis.

Sanitizing the consequences of a crisis requires a break from the existing platform of the neoliberal system. An alternative reformatory policy for the framework would have to have a transitional platform which would enable the national economy to heal the economy and society, long-term employment and the welfare of the population. A policy and strategy like that would have to be: 1) focused on eliminating corruption as a key obstacle for sustainable growth and development; and 2) sensitive to the level of construction of the institutions. The crisis has solidified stances of those who think that there is no smart, sustainable, and universal growth without dedication to the reformatory powers for an answer to these questions.

The main cause of recessionary and transitional problems of Serbia is corruption. Serbia's problem is that it has become the system. You can't fight a systemic corruption with long-term nor short-term goals, or political repression, or national legislation, let alone "political Hollywood spectacles". You can only win against systemic corruption via the reform of the institutional system, so that all the parts of the national regulatory system (procedures, laws, institutions) have built-in "stable fail safes". They are invisibly built in by the creators of the new social-economic system, through the construction of inclusive institutions, adapted for authentic performances of the culture of the internal environment. It's about an area of fortifying the management, reformatory credibility of the state, which is a necessary condition of building an orderly institutional milieu. It's recognized by achieved results in six basic areas, which are: 1) noticeable political responsibility of the carrier of rule which receives the confirmation in public (thanks to the determination to persevere in an anti-corruptive battle and much more); 2) noticeable activism of the private sector in the realization of the strategy and politics of socially responsibly business dealings; 3) the reformed state institutions (respecting the autonomies of the executive, court, and legislative government); 4) the active participation of the civilian sector in the public life and a recognizable contribution of the independent media towards reporting about the public and private sectors (which don't have common points with tabloid reporting); 5) efficiency of economic institutions which contribute to the creating of a successful economic private sector; and 6) consistent, synchronized, and harmonized economic and social changes, without the ideologization of western institutional standards.

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