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## Global tendencies of economic crimes' modification

**Abstract.** Globalization of economy has propelled the economic crimes to a global level, making them a transnational acute problem worldwide. The «economic crime» concept has been widely scientifically introduced, but still there is no clear and complete understanding of the nature, characteristics, features and classifications of the phenomenon, which reduces capacity to fight economic crime, hinders the improvement of legislation in this area.

There is no unified approach to estimation of a damage caused by economic crime in the world practice. The article summarizes the experience of scientists concerning the term and classification of economic crimes. The author provides the retrospective analysis of economic crimes orientation changes connected with development of a world social structure, analyzes the statistics of a current status of world economic crime, gives an estimation of damage caused by the crimes. The author has offered and substantiated a classification of the crimes as a basis of the criminal legislation in the sphere of economy for different states, particularly Russia. The article depicts the author's evaluation technique of a damage degree caused by economic crimes to the state.

**Keywords:** Global Economic Crime; Economic Crimes; Frauds; Digital Frauds; Monopolistic Crimes; Dummy Corporations; Falsifications

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**Тенденції модифікації економічних злочинів у світі**

**Анотація.** У статті наведено ретроспективний аналіз зміни спрямованості економічних злочинів із розвитком світового суспільного ладу. Автором проаналізовано статистику сучасного світового стану економічної злочинності, дано оцінку збитку від злочинів, запропоновано й обґрунтовано класифікацію злочинів в якості основи кримінального законодавства в сфері економіки різних країн, зокрема Росії. У статті наведено авторську методику оцінки ступеня шкоди державі від економічних злочинів.

**Ключові слова:** світова економічна злочинність; економічні злочини; шахрайство; кіберзлочин.

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**Тенденции модификации экономических преступлений в мире**

**Аннотация.** В статье приведен ретроспективный анализ изменения направленности экономических преступлений с развитием мирового общественного строя. Автором проанализирована статистика современного мирового состояния экономической преступности, дана оценка ущерба от преступлений, предложена и обоснована классификация преступлений в качестве основы уголовного законодательства в сфере экономики различных стран, в частности России. В статье приведена авторская методика оценки степени ущерба государству от экономических преступлений.

**Ключевые слова:** мировая экономическая преступность; экономические преступления; мошенничество; киберпреступление.

**1. Introduction.** Crimes are as ancient as civilized society. In Russia, punishments for such crimes as counterfeiting, evasion from payment of duties and taxes, violation of the trade rules, etc. had been introduced in the middle of XVII century. However, they started to refer to economic crimes as to a separate type of crime only at the beginning of XVIII century. As showed studies of Antonova E. Y. (1998) [1], the first attempts in this field were made by an English thinker Bernard Mandevill (1705), in his poem - «The Fable of the Bees: Or private vices, public benefits». Main thought of the poem is unexpected, - immoral activity of separate individuals serves welfare of society in general. Smith J. D. (1985) [2] in one of his works notes that Adam Smith in later researches denounced theory of Bernard Mandevill, but, nevertheless, the sense of their doctrines is to some extent similar. A. Smith (1776) considered that freedom of economic activity is the most important factor for a state's richness, and the less state interferes into economic life, the better economic develops. However, the best minds of economic theory of the age of Enlightenment could hardly assume that the principle of economic freedom can serve not the interests of society, but only personal mercenary interests of separate individuals in the detriment of state and society.

Initially, economic crimes were considered only as the property crimes. Investigating crime of the XX century, Luneev V. V. (2005) [3] specified that one of the leading French researchers in the field of economic criminal law M. Paten (1861) in his work «The general part of criminal law and criminal legislation in the

sphere of business» had noted that issues of economic crime are under-characterized in scientific sphere.

**2. Problem statement and analysis of the latest researches and publications.** Globalization of economy and availability of modern technologies has led to emerging of quantity and types of economic crimes all over the world. However, economic crime phenomenon remains underestimated and not enough taken into account by state and international regulators.

Johnson S., Kaufmann D., and Shleifer A. (1997) in their work [4] referred to a Swedish scientist Svensson B. (1987) who defined the concept of economic crime as «illegal activity, constantly and systematically carried out for the purpose of profit extraction within the scope and under cover of lawful economic activity».

Works of Edwin H. Sutherland (1960), who introduced a concept of «white-collar» (office) crime, are also dedicated to the problems of economic crime theory. He suggested economic crimes may be defined as the crimes committed by a person of respectability and high social status in the course of his occupation in interests of economic entities and/or personal interests [5].

Other authors, such as Fituni L. L. (1995), Chekmarev V. V. (1996), Yanovsky R. G. (1996) have similar with Edwin H. Sutherland views, according to which the economic crime should be considered as a set of crimes committed in the sphere of economy by a person in course of his occupation, thus, he encroaches a property and other interests of partners, consumers, competitors and the state in the mercenary purposes.

Nowadays, researchers have developed the economic crimes type classification represented in the Table 1.

Development of world economy causes new, improved types of economic crimes. Thus, at the end of XX century western experts paid the main attention to analysis of criminal activity of associations and organizations, therefore, types of economic crimes inherent to corporations were allocated. In connection with rapid informatization of society in the late 70s of XX century, cybercrimes had been included into the list of economic crimes. The next, XXI century, has been marked by crimes in the sphere of intellectual property, corruption scandals not only in management, judicial and supervising spheres, but also in sport, art and health care. Tax crimes have a special place among economic crimes. Prokoshin M. S. (2015) [8] in his research noted that abuses in the sphere of unreasonable tax benefit obtaining are the essential obstacle of Single European Market functioning. Besides, they negatively influence fair competition and interfere pumping up national budgets with tax revenues. The list of examples can be continued.

Economic crime is not new social and criminal phenomenon of our life, however it still has not been sufficiently, comprehensively and deeply studied in connection with the dynamic political, social and economic changes appearing in the world, so, the theory «is not in tune with the times». Economic crimes evolve constantly and they are more and more difficult to reveal. It is quite clear that such situation is not acceptable neither for practice of state influence (control, impact) on economic crimes, nor for scholars urged to learn its nature and modifications. Therefore, the need in introduction of uniform standard of economic crimes classification has appeared in the world society.

Criminal law science has various judgments regarding assessment of the damage caused by economic crimes. Modern legal practice estimates damage from this type of crimes as an amount of damage, inflicted to a victim (legal entities and individuals, the state). So far, there is no uniform technique of assessment of economic crimes damage degree to a state in general.

**3. The goal of this research is** to develop an economic crimes classification and an assessment technique of state damage degree caused by economic crimes.

**4. Results.** After having examined the different schools of thought findings, we can see that three main criteria are at the core of economic crimes classifications: 1) object of the offence; 2) standard of law; 3) sphere of the crime.

Criminal legislation of Russia identifies economic crimes as a separate category. Thus, the Criminal Code of the Russian Federation contains a chapter called «Crimes in the economic sphere». The chapter describes crimes in the sphere of enterprises' and individual entrepreneurs' economic activity, crimes against interests of commercial organizations' service and property crimes. Consequently, the criminal legislation of the Russian Federation does not regard computer crimes, crimes connected with execution of functions, crimes connected with infringement on property or intellectual property as economic crimes.

Let us consider the main categories of economic crimes, according to the results of the Global Economic Crimes Review. Over 5000 respondents - representatives of various organizations from more than 100 of states, took part in this research. The respondents were asked what types of economic crimes they had to face most often (Figure 1) [9; 10].

It could be concluded that, in general, situation in Russia a bit differs from the global one. However, the most common type of economic crimes the respondents faced in 2012-2014 was misappropriation of property (assets). At the same time, statistics concerning corruption varies. Thus, 58% of Russian respondents noted that they faced manifestations of bribery during the specified period. However, this activity makes only 27% worldwide. It could mean that the anticorruption measures taken in Russia have not brought the appropriate result yet. Corruption is a serious obstacle on the way to economic development of any state [11].

Tab. 1: Economic crimes classification

Authors of economic crime type	Type and sphere of economic crime
The United Nations Asia and Far East Institute for the Prevention of Crime and the Treatment of Offenders (UNAFEI) (the late 1970s)	violations of tax and financial law; corruption; violations of laws directed to regulation of market economy.
Experts of European council (1970s -1980s)	frauds; digital frauds; monopolistic crimes; dummy corporations; falsifications of documents, etc.
Kaiser G.	crimes against freedom of competition in various fields; crimes in tax and customs spheres; bribes, extortions; crimes against consumers, in the sphere of labour and environmental protection; speculations and so on.
Schneider F. [7]	crimes in bank and credit sectors; crimes in a sector of house-building and real estate; crimes in transport and tourism sectors.
Volzhenkin B. V.	crimes of officials breaking guarantee of economic activity implementation; crimes against interests of creditors; crimes in the foreign economic activity sphere; crimes in the currency sphere, etc.

Source: [6]

Economic crimes have significantly improved their structure and contents over the last 50 years and every year it becomes more difficult to reveal them. According to expert estimations, annually losses from corporate crimes in the USA exceed 200 billion USD, and losses from computer crimes - 6 billion USD. In Great Britain, computer crimes cost more than 2 million EUR a day. In France, annual losses from taxes dodges amount to more than 15 billion EUR, and in Germany - 8 billion EUR. Scale of economic crimes in the world is so high that it has become a subject of discussion of many UN organizations [12]. However, in connection with the lack of uniform global standard of economic crimes classification it is not possible to collect global data on them.

In our view, the need to establish in global society a uniform definition of economic crimes is not as considerable, as development of uniform standard of economic crimes classification in accordance with current development of economy and society.

We offer to specify the main classification features and types of economic crimes by a group sign, which is a subject who was damaged (Figure 2).

The classification could be implemented as a basis of the criminal law in the sphere of economy of various states.

As it was noted above, the assessment of damage from economic crimes not only to injured party, but also to the state in general, is one more «white spot» in the theory of economic crimes. Vitalii Reikin (2014) [13] in his article specified that creation of economic theory on violation of the law was connected with publication in 1968 of G. Becker's work «Crime and punishment: an economic approach». So, for any state the clear answers for such questions are needed: what amount of money and measure of punishment is required to ensure the efficiency of current legislation; what is the optimal proportion for revealed and unpunished crimes, etc. A damage caused by a crime is always the result of criminal activity of particular people [14, 123]. Edgar L. Feige (1968) in one of the articles [15] noted that description of a damage made by the economic crime in criminal

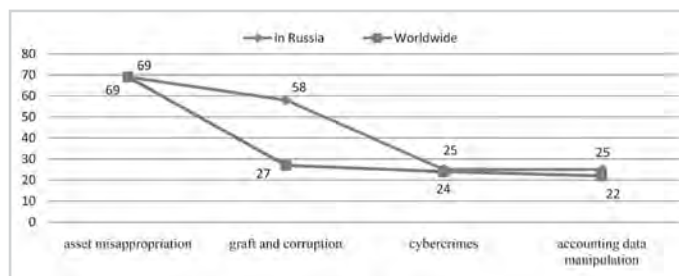


Fig. 1: Main categories of economic crimes (Russia in comparison with global tendencies) for 2012-2014, % of respondents  
Source: Compiled by the author based at [9; 10]

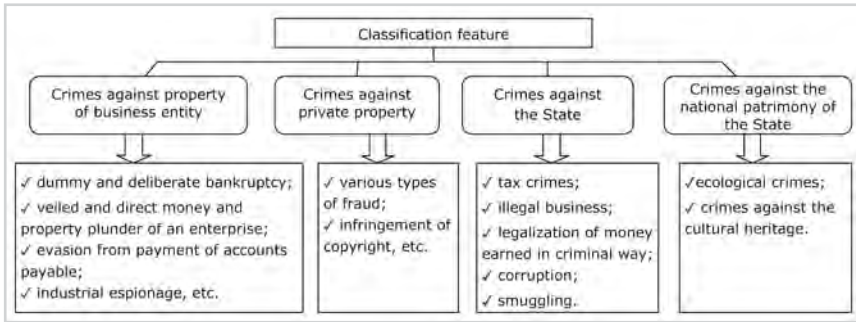


Fig. 2: Classification of economic crimes  
Source: Elaborated by the author

law standards differs. For example, in some articles of the Criminal code of the Russian Federation both nature and the extent of damage are specified, in others either nature of damage or its size marked. There are various judgments in the science of criminal law concerning determination of the damage caused by crime, in particular economic crime. There is a point of view, that it is not always possible to specify such damage directly according to criminal law standards [16, 168]. Certainly, the extent of damage has to be defined in the context of each type of crime. However, we suggest that it is possible to use the generalizing absolute indicator which estimates an extent of state damage caused by economic crimes in a currency of a state or other standard monetary units (USD, EUR, etc.). In our opinion, it is possible to regard that the proved extent of damage caused to the injured parties (individuals and legal entities, tax and customs authorities, etc.) is a tax base for tax and fees, provided by the tax law of the certain state. We offer to use average value of tax burden of an economic entity as an adjusting factor:

$$Y = \sum V * H, \tag{1}$$

where  
 $Y$  - state damage caused by economic crimes;  
 $\sum V$  - an extent of damage caused to a subject and proved during disclosure of crimes;  
 $H$  - average value of an economic entity tax burden, %

Having summarized the data of field tax audits of tax authorities of the Russian Federation for 2012-2014, we have revealed that tax burden depends on sector profile of an economic entity and varies from 4% to 40% of gross revenue of

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enterprises; average burden for the specified period doesn't exceed 10%. According to the Ministry of Internal Affairs of the Russian Federation, the damage from economic crimes amounts from 209 billion rubles to 150 billion rubles. Having applied the developed technique, in the context of Russian Market, we have found that the damage caused to the state by economic crimes has made 20,48 billion rubles in 2012, and by the end of 2014 was reduced by 20,5%. For example, the calculated extent of damage to the state in 2014 could increase the surplus of budget by 18% (see table 2).

**5. Conclusion.** Probably, the growth of economic crimes partly has become a price paid for more open and democratic society. The most important factors for raise of economic crimes, in our opinion, are falling of a living standard and, in some kind, inefficiency of law enforcement agencies and judicial system [17, 83]. Mark Twain (1901) said: «Nothing incites to money-crimes like great poverty or great wealth».

Tab. 2: Evaluation of damage caused to Russia by economic crimes

Name of indicator	2012	2013	2014	Growth rate, %	
				2012/2012	2014/2013
An extent of damage caused to a subject and proved during disclosure of crimes, billions rubles	209	187	150	89,5	80,2
Average value of an economic entity tax burden, %	9,8	9,9	9,8	x	x
State damage caused by economic crimes, billions rubles	20,48	18,5	14,7	90,3	79,5

Source: Authors' own research

Scientists and economic researchers in the past, from our point of view, had falsely considered that economy functions the more effectively the weaker state regulation is. However, it is impossible to fight against economic crimes without the help of state.

Development of uniform classification of economic crimes would be required, in order to objectively estimate the scales of world economic crimes, and to create a uniform strategy of fight against economic crimes. We offer to use the subject who was damaged as the main grouping criteria.

We underlined that to verify the amount of damage from economic crimes is not enough, as it is necessary to assess damages to a state in general. The foregoing shows that positions on determination of damage from a crime vary, and there is no uniform approach. In our mind, it is expedient to use average value of tax burden of an economic entity as an adjusting factor, while assessing the caused damage.

Thus, we see that economic crimes change dynamically as a result of development of a political and economic system of states and have significant impact on national security of any state.