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The interconnection and mutual dependence between politics and the economy: a special type of economic crime

Abstract

One of the features of all transition countries, which is also expressed in our country, is the level of identification between the political and the financial elites, where politicians often become the richest business leaders and vice versa. Interconnection and the mutual dependence of politics and the economy during the economic transition in Serbia is present to the extent that it allows individuals who have prominent positions in government, or tremendous economic power in society, to get away with numerous criminal offences which represent the very core of economic crime. It requires the existence of a clearly-expressed political will to prevent the spread of abuse in this area, as well as long-term and permanent preventive and repressive measures. The importance of economic development, the complexity of relationships within an organisation and its management, and the operation of an economy in transition oblige all of us to devote special attention to these issues; in this article, we have tried to contribute to this process.

Keywords: economic crime, political power, Serbia, corruption, conflict of interest, transition, public office, effective sanctions, public morality, institutional weakness, state tolerance, criminality

Introduction

Politics has a significant importance for the functioning of every economy and *vice versa*; politics cannot be run without the economy. Wherever there is power and control, there is interconnection between politics and the economy, which is inevitable in companies, in the areas of their association and within the state. Monopolies in the sphere of the economy always produce monopolies in the sphere of politics, which hides the great threat of the easy conversion of all of this into one of the previously seen forms of totalitarianism. The economy and politics are, most often, two sides of the same phenomenon which we might term ‘social power’. When people gain money then, if they wish, they may quite easily gain political power and influence, which allows them to affect the economy of a society, either directly or indirectly, in the way they make use of that power (Mrvić-Petrović and Ćirić, 2004: 152).

In contemporary society, links among the world of legal and illegal business and the world of politics are becoming very tight, and often it is difficult to distinguish who is the politician and who the mobster or, even, the representative of the business community (Mrvić-Petrović and Ćirić, 2004: 24). Therefore, it is important to draw attention to the interests of economic crime lying in contact with the state or the holders of

its offices, and this is exactly an illustration of the dependence of economic crime on politics and the economy in a country. This interest stems from the easiest and the quickest profits being those that are made by the state.

On the one hand, countries are becoming poorer and more indebted, while the world of economic and organised crime is becoming richer, more powerful and with 'extra money'; and, on the other hand, the increasing intertwining of legal and illegal business due to the complexity and the speed of business financial transactions represents an interest basis for the inter-connection between politics and the world of economic and organised crime (Simeunović, 2001: 163).

Money and politics have always been connected and intertwined; and they have regularly been in an unusual conjunction in the struggle for supremacy (Kulundzic, 1968: 749). Power, politics and money always go hand-in-hand and that triangle frequently becomes a 'Bermuda Triangle' where people easily lose their compass and their orientation in time and space, forgetting the most elementary norms of morality and scruples, which is why diverse forms of social pathology come to the fore (Mrvić-Petrović and Ćirić, 2004: 5). A form of illustration of this statement (which obviously is not limited to modern times) can be found in the example of the perspective on Serbian society contained in the political testament of Archibald Rudolf Reiss named *Ecoutez les Serbes!*

Your man, the peasant, unspoiled by the influence of powerful and professional politicians, is not corruptible. Intelligence is from the least important official with or without a diploma up to the Minister. Since the war (up to 1928), I have seen at least fifty ministers and, with rare exceptions, they all got rich. Your politicians are almighty. Politics interferes in everything and operates everywhere. If there is a certain place in the government, whether important or moderate, nevertheless, the choice is not made according to the merits of the candidates, but political connections. Politicians want to have people from their own party among the officials, since an official, due to the influence and power he has, must bring the votes of his subordinates. And if public opinion was upset by seeing some cases of the most obvious corruption, politicians would create a commission of inquiry that had never given any results because 'wolves do not eat each other'. (Reiss, 2004: 21)

A similar observation may also be found by the Serbian jurist and political sociologist, Slobodan Jovanović, who published *A contribution to the study of the Serbian national character* originally in 1964, in which he supplied a description of the half-intellectual, a category of people who dominate public life in Serbia:

This is a man who finished school regularly, maybe even very successfully, but in terms of cultural and moral education has gained almost nothing. The political ambition of a half-intellectual is not political in fact, because it consists only of the fact that a man gets rich with the help of politics. He does not know of any higher or more general goals. Only when a half-intellectual reaches the pinnacle of political success, is it evident that he is morally stunted.

Leaving aside whether these findings can be applied in the present conditions, what is indisputable is that cases of abuse (which are usually more than obvious) by people who have economic and political power indicate that power is something that has to be

restricted, simply because too much power in the hands of an individual inevitably leads to abuse (Tanjević, 2011).

Corruption and conflicts of interest as a way of linking politics and the economy

If we bear in mind that the interest of the world of economic crime in the political functioning of the state is undoubted, since it implies the control of all particular state functions and represents a channel of power for the influences of each of them, this indicates that the main mechanism for the takeover of these functions is corruption. A large number of authors who study and research this phenomenon tend to believe that public service lies at its centre, so corruption may also be defined as:

A behaviour which is a deviation from the normal conduct of public obligation for personal or other benefit; it is a violation of norms in order to achieve personal interests. (Open Society Institute, 2002: 24)

However, this does not mean that corruption is not possible in connection with the exercise of powers that are not public. Therefore, it is often pointed out that corruption is a criminal behaviour in which bestowed power is abused in order to obtain personal benefits (Ignjatović, 2008: 153).

At this point, we will retain the notion of political corruption, considering that this type involves a coming together between the holders of economic and political power, and opens the way for a major abuse of public functions on the one hand; and the smooth, rapid and enormous enrichment of individuals close to the government, on the other. At the same time, with the help of corruption, criminals acquire prestige and power, and expand their profits, in striving towards their ultimate goal, i.e. the assumption of control over the entire financial and economic system. In fact, the most dangerous forms of crime in Serbia during the period of transition are carried out by members of the social elite, regardless of whether these are people from the world of 'business' or from that of politics. Affairs with no clear beginning or ending have been recorded in our public life for years; those whose actors have been people with a 'white collar' (Tanjević, 2010). Indeed, the public has been deprived of much information about those processes which have been run against the perpetrators of criminal affairs.¹ We can also speak within the same framework about media manipulation, through which the focus of public opinion has been directed to specific cases; that is, through which the attention of the public was lost when the interests of the 'elite' had been satisfied.

1 Let us remember certain affairs like 'Sartid', 'National Savings', 'sugar affair', 'VIP lounge', 'Prince Milos', and many others, which were on the covers of many newspapers and were then completely forgotten. Especially interesting was the affair in 2007, when two very important men in the political and public life of Serbia, Čedomir Jovanović and Miroslav Mišković, came to prominence. They accused each other of very serious crimes, but the public was deprived of information about what had happened and whether anything went on to happen subsequently. See: www.blic.rs/Vesti/Tema-Dana/20469/Miskovic-je-u-panici-zbog-rasprave-o-monopolu-Delte [last accessed 22 April 2013].

Examples from the field of public finance, the judiciary and other branches of government, health care, education, sports, industry, etc. show how much these processes are complex and incorporated into all aspects of the domestic economic and political system. A sudden ‘capture’ of high-ranking officials with large amounts of cash of uncertain origin; inexplicably fast or slow court proceedings against certain individuals and groups; the many suspiciously-concluded and terminated privatisation tenders; corruption scandals in institutions of higher education; examples of the incompatibility of public functions with management positions in companies; trade mandated because of the way that public functions are distributed; lobbying against the laws on sports and such like – all these are clear indicators of the activity of high social circles in the criminal sphere.

It also explains why most such activities remain unknown or go unpunished, and how come our crime statistics simply do not comprehend such acts. Thus, it is clear that these are socially-powerful people whose responsibility is only spoken about when they are deprived of that same power by political will, and where both prosecution and conviction for their crimes are always difficult and sanctions uncertain (Tanjević, 2012). This is why only the ‘small fish’ stay in the social control net – that is, cashiers, clerks and accountants and the like – while ‘powerful directors’ remain outside. And here, we are in danger of the dichotomy identified by Sutherland of:

The one who steals \$5 goes to jail and someone who steals \$5m is promoted as capable, successful, hard-working, smart businessman, financier. (Sutherland, 1963: 565)

Simultaneously, the public is manipulated by selected (dis)information, placed in a controlled media, and all from the same centres of economic and political power. This effectively closes the ability of the citizens to influence the course of events in any way, either by starting an appropriate procedure, or through political will exercised at the polls.

However, all of these do not point to the conclusion that such problems are related only to countries with weak institutions. The cycle of transition from economy to politics and from politics to the economy is a phenomenon that overcomes socio-political systems in transition. World events suggest that such a thing is also immanent in highly-developed systems (Soskic, 2004: 40).² However, in transition countries, including our own, the result of many factors – such as a higher level of distrust of citizens in the country’s structures; inefficient administration; lower standards of living; and the like – is that the phenomenon of the transition from the economic to the political, and *vice versa*, is much more visible than when it comes to developed countries.

2 A series of financial scandals are associated with former US President Clinton, from the White-water affair to the receiving of cash donations for the needs of the Democratic Party from dubious sources. Also, the company of the Bush family was in business relations with Arab countries for decades, although seemingly there has been a public campaign which has created animosity towards Islamic countries as the guardians of international terrorism. In Italy, a number of prominent politicians have been involved in corruption scandals, but the most characteristic example is the example of Italian Prime Minister Berlusconi.

In our country, it is almost impossible to separate out sectors of the economy in which the leading companies are not run by senior party officials. This is supported by examples from the field of banking, financial intermediation, insurance, wholesale trade, the pharmaceutical industry, media and health care. Therefore, a question as to whether someone entered first the economy and then politics, or the other way around, becomes almost rhetorical.

Furthermore, a characteristic of all transition countries, which is also expressed in our country, is the identification between the political and the financial elites, in which politicians become the richest business leaders and *vice versa*. In this way, the political process is turning away from the democratic route, because it is the business community which is running certain segments of the state politics. According to Fatić:

The financial elite in failed transitions control the authorities in an obvious way so that they even appear in places reserved for ministers and the head of government. Gradually a social climate of tolerance to these cases of political corruption is created and the society sinks into an irreversible status of a failed country. (Fatić, 2009: 30)

In developed countries, there is a rule that financial oligarchies enter politics in order to preserve their economic interests whereas, in Serbia, we get the impression that one enters politics in order to become rich, so the rule ‘Where there is power, there is corruption too’ comes to the fore. Additionally, unlike developed democratic countries where competition for jobs as consultants to the most senior state officials is announced in tender exercises, in our country such roles are filled ‘on a friendly basis’. These people often have no experience in these matters, or this is their first job. In fact, it is more than obvious that each set of governments in our country brings its own people, no matter how professional they are. They are usually presented to the public as ‘experts’ in certain areas but, unfortunately, such ‘experts’ are not well-known to the public for their expertise in a certain area, but much more likely for some scandals in which they have been involved. This inevitably leads to the question as to whether people do politics for the sake of the general interest, or to achieve some of their own personal or private interests (Tanjević, 2011: 29).

We could even simplify this question: if we start from the assumption that politicians do not act on their own behalf, but on behalf of the state, and thus in the name of the citizens, and that they may be expected to perform their duties responsibly, efficiently, competently and with no reflection of their private interests and attitudes, how many of them could we safely say correspond with the description given above? If it is obvious that political involvement is a very profitable occupation, the conclusion is that the question of moral quality is a personal issue and that it will depend on the individual as regards how power and money will be used. And then it is logical to expect that those political entities that care about the citizens and who work for the sake of the public (general) interest, and those who have political and moral responsibility and who want to build a positive image so they could win the next election or maintain their current position, might behave exactly as described above; that is, for the sake of the common good, interests and benefits.

However, we often get the impression that the common social, moral and professional good is fighting a losing battle with personal, selfish and greedy attitudes. This

also implies that, if a political individual at the beginning of their career has €10 000 in savings and then, at the end of their mandate, those savings are a few hundred times bigger, we must ask how that much money could be saved if it is known that, for example, the average salary of a minister is about €1 000 per month. At this point, it is justified to suspect that this wealth has been acquired in a suspicious manner which must be highlighted and in respect of whose consequences responsibility must be taken.³

Unfortunately, we have witnessed that almost no politician in such cases has been held criminally responsible, only politically or morally, or that they are compelled to suffer no more than the condemnation of the opposition or of the public (Tanjević, 2012). This has proved to be insufficient, because most politicians are aware that they will not last long, or maybe they will not ever be in the same position again, and that is why their political reputation and image are less important to them than their personal enrichment.

Ultimately, special danger is posed in that, in terms of universal immorality and crises in the value and normative system, abuses by the holders of political and economic power become socially-accepted models of behaviour. This is understandable because political leaders, as well as other public figures in general, have a great impact on the level of understanding of the majority of the population. If there are examples of corruption and immorality among the political and social leadership which remain unpunished, then it is not surprising that people tend to admire those who have ‘got wealthy’ due to their political affiliation, or their social and economic power. On the other hand, citizens, living in such poverty and the erosion of moral society, do not believe they can have any influence on the punishment of those who abuse their position and, therefore, do not respond to visible abuse, or tend to follow their example, believing that, in this way, they will gain wealth, get a good position or job, resolve problems related to their living conditions, etc.

At this point, we need to draw attention to another phenomenon that is related to the abuse of power by public officials, and that is the appearance of conflicts of interest. It is clear that what is public and what is private are two opposites, and that their intertwining almost always represents the cause of corruption and crime. In a situation of conflict between public and private interests, the basis or the cause of the conflict is always associated with the attempt to carry out a greater, more important interest, and so the bigger interest becomes the private (the individual or the group) instead of the public – which is the one that should be the priority. A typical example is a situation where a public servant (official) uses certain public (government) operations to ensure profits or other benefits for a private company which he or she owns, or which was owned by a spouse or other family member. It is not unknown for some members of the government of Serbia also to have been directors of major social, public or private

3 This refers to the *Kolesar* affair, where the question was indeed from where that much money in the account of a young man had come.

companies.⁴ In this way, a privileged monopoly position for those companies has been created, on the basis of which they have been provided with the most profitable contracts.

What is evident is that the conflict of interest and the accumulation of functions are two closely-related phenomena. Of course, a particular question arises as to whether someone who is a minister and who has, at the same time, several other functions can perform all such duties properly and responsibly. In fact, the only important thing here is actually that a minister can be selected for a certain function because of the 'relationships', prestige and authority he or she carries which might be very helpful (Mrvić-Petrović and Ćirić, 2004, p.55).

The Constitutional Court of Serbia has considered this particular issue and found that the provision of Article 29, paragraph 3 of the Law on Amendments to the Anti-Corruption Agency Law is unconstitutional. Specifically, the provisions of Article 29, paragraph 1 and 2 of this Law provided that an officer who was conducting several public functions on 1 January 2010, and did not decide which one to continue to perform by 1 April, must inform the Agency which offices will be performed no later than 1 September 2010. However, the legislator set down an exception to these basic rules according to which the issue of potential conflicts of interest of such 'caught up' officials might be resolved. Through the rejected provisions of Article 29, paragraph 3, it was allowed that an official, exceptionally, may continue to perform one public function, and also other public functions to which he or she was elected directly by the citizens, as well as public functions which he or she is obliged to perform by the law and other regulations, regardless of what kind of public function it is and without any obligation to notify the Agency of it. The Court concluded that this decision varies from the general rules established in respect of all those who are elected to public office from the date of the implementation of the Anti-Corruption Agency Law, which violated the principle of equality of all before the Law and the Constitution, established in Article 21 paragraph 1 of the Constitution. The Constitutional Court established its proposed assessment on the view that all those who perform public functions are in the same legal situation, regardless of whether they gained official status before or after the implementation of the Law; therefore, the rules on the prevention of conflicts of interest must be applied equally to all of them.⁵

However, we do need to point out here that this decision came into effect only two months after the date of the decision, even though the deadline for its publication in the *Official Gazette* was thirty days.⁶ This is unacceptable because it has allowed officials to perform their functions freely in the meantime. Another question is why the

4 For instance, Zoran Janjušević, security advisor to the former Prime Minister of Serbia, Zoran Đinđić, was mentioned in connection with the shipyard 'Belgrade', in which he was a bankruptcy trustee. He was the owner of companies which were engaged in the same activities as the shipyard, and was also a member of the Board of Yugoslav river shipping, and he was, consequently, acting in spite of an apparent conflict of interest.

5 For further information, see: <http://www.ustavni.sud.rs/page/view/149-101464/saopstenje-sa-28-redovne-sednice-ustavnog-suda-odrzane-7-jula-2011-godine-kojom-je-predsedavao-dr-dragisa-slijepcevic-predsednik-ustavnog-suda> [last accessed 22 April 2013].

6 *Official Gazette* of RS No. 66/2011.

legislator even allowed the possibility that individuals might continue to act in spite of conflicts of interest and that the Constitutional Court should be approached on that issue. Finally, is it at all necessary that the Constitutional Court adjudicates on something that is morally unacceptable? The whole situation says that, in our country, there is not the strong political will actually to prevent conflicts of interest.

Furthermore, most of the officials did not give up their functions immediately on the decision of the Constitutional Court but were waiting for it to be published in the *Official Gazette*.

Therefore, we can conclude that, given the presence of the earlier Law on conflicts of interest in carrying out public functions, and now that the Anti-Corruption Agency Law includes specific legal solutions – both of which should contribute to preventing conflicts of interest and possible abuse in performing public roles- the problems in this sphere are primarily of a moral character. What frequently happens in our country is still rare in other countries because there is an unwritten ethical rule that says ‘We do not do that’. In order to reach a situation in which the greatest number of citizens think in a ‘We do not do that’ manner, many more and various punitive measures will have to be taken. Additionally, much time will have to pass before we start observing things in a different way, i.e. where those members of the government who ignore the general moral rule are punished by voter-citizens (Mrvić-Petrović and Ćirić, 2004: 180).

Conclusion

Transition, as a form of change in the social, economic and political system, called anarchy among people, is a period that has served mostly all types of crime. Disorganised, or insufficiently organised, industrial relations in transition countries contributes in particular to the development of economic crime. In our country, this is enhanced further if we take into account the circumstances to which Serbia has been exposed (and still is). United Nations sanctions, bombing undertaken by NATO forces and the making of conditions for political reasons which have hindered Serbia’s approach to European economic integration, are just some of the reasons which made further economic development even harder in the past two decades. The blockade of all legal trade flows simply ‘forced’ the state to tolerate irregular activities being undertaken among economic and financial enterprises and the citizens at large as a means of providing the basic conditions for their survival. The crisis in the value and normative system appeared as a consequence of these changes, where there was not a clear distinction between socially acceptable and unacceptable behaviour in the economy.

Consequently, it is obvious that the change from socialism into capitalism in our society was perceived most sharply, other than the changes at the political level, in the field of the economy. Governing economic positions have been, and remain, in close connection with the political power. Meanwhile, in spite of the changes in the political sphere, in conditions of impoverishment and the deterioration of the economy and the tightness of the market due to the effects of sanctions, the interconnection of the economy and political power was similarly manifested. Thus, for example, not everyone who has sufficient capital could take a leading position on the market, but the one who was collaborating with the parties in power could certainly do so.

When it comes to legislation relating to the prevention and suppression of economic crime, we cannot say that Serbia has not adopted legal solutions that should ensure an efficient fight against abuse by the holders of economic and political power; but how it works in practice is a completely new question. There was a very interesting observation presented by Čedomir Čupić, who was asked: ‘How do you explain the fact that the same people who brought a law now do not want to apply it?’ and he replied:

That is despotic behaviour – the law does not apply to me, but to those under me. Besides we are talking about a difficult manipulation here – you bring a law to show European democratic norms, and then you resist its implementation.

And here we come to the paradoxical situation that, in our country, we have a sufficient number of regulations that control this area and a sufficient number of the different agencies, authorities and commissions that should deal with the implementation of the law in practice; and yet examples of economic crimes are becoming more obvious and more common, while cases of punishment, detection and prosecution of the perpetrators of these acts are rather rare. And that is why it is not unrealistic to ask ourselves why all these laws, agencies, commissions and authorities are there, if charges against people who have the political and economic power and who, for the most part, commit the offences in the field of economic crime are, in general, not laid.

This brings us back to the beginning and to the core of the problem which we pointed out in this article which is that, in our country, there has been no political will to apply the adopted laws consistently and indiscriminately in practice. Therefore, it is necessary to investigate and prosecute all cases of abuse carried out by the holders of economic and political power because only when we apply the law will criminal sanctions look not like empty warnings but as a threat backed by an authority that is capable of realising it.

At the same time, a climate in society would then be created that sends a message to all citizens, especially the younger generations, that crime is not profitable and that it is always severely punished. Only in that way can we hope and believe that the unwritten moral principle of ‘We do not do that’ will start to prevail in the minds of the citizens.

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