

Eurasian Studies in Business and Economics 8/2

Series Editors: Mehmet Huseyin Bilgin · Hakan Danis

Mehmet Huseyin Bilgin

Hakan Danis

Ender Demir

Ugur Can *Editors*

Eurasian Economic Perspectives

Proceedings of the 20th Eurasia
Business and Economics Society
Conference - Vol. 2



Springer

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Series editors

Mehmet Huseyin Bilgin, Istanbul, Turkey

Hakan Danis, San Francisco, CA, USA

Representing

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Mehmet Huseyin Bilgin • Hakan Danis •
Ender Demir • Ugur Can
Editors

Eurasian Economic Perspectives

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and Economics Society Conference - Vol. 2

Editors

Mehmet Huseyin Bilgin
Faculty of Political Sciences
Istanbul Medeniyet University
Istanbul, Turkey

Hakan Danis
MUFG Union Bank
San Francisco, California, USA

Ender Demir
Faculty of Tourism
Istanbul Medeniyet University
Istanbul, Turkey

Ugur Can
Eurasia Business & Economic Society
Fatih, Istanbul, Turkey

The authors of individual papers are responsible for technical, content, and linguistic correctness.

ISSN 2364-5067 ISSN 2364-5075 (electronic)
Eurasian Studies in Business and Economics
ISBN 978-3-319-67915-0 ISBN 978-3-319-67916-7 (eBook)
<https://doi.org/10.1007/978-3-319-67916-7>

Library of Congress Control Number: 2017956268

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Printed on acid-free paper

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The registered company is Springer International Publishing AG
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

Preface

This is the eighth issue of the Springer's series *Eurasian Studies in Business and Economics*, which is the official book series of the Eurasia Business and Economics Society (EBES, <http://www.ebesweb.org>). The issue is divided into two volumes, and this volume includes selected papers in the field of business that were presented at the 20th EBES Conference. The conference was held on September 28–30, 2016, at the IFM—Real Estate and Facility Management at TU Wien in Vienna, Austria, with the support of Istanbul Economic Research Association. Prof. John Rust from Georgetown University, USA, and Prof. Alexander Redlein from Vienna University of Technology, Austria, joined the conference as keynote speakers. All accepted papers for this volume went through a peer-review process and benefited from the comments made during the conference as well.

During the conference, participants had many productive discussions and exchanges that contributed to the success of the conference where 261 papers by 420 colleagues from 60 countries were presented. In addition to publication opportunities in EBES journals (*Eurasian Business Review* and *Eurasian Economic Review*, which are also published by Springer), conference participants were given opportunity to submit their full papers for this volume.

Theoretical and empirical papers in the series cover diverse areas of business, economics, and finance from many different countries, providing a valuable opportunity to researchers, professionals, and students to catch up with the most recent studies in a diverse set of fields across many countries and regions.

The aim of the EBES conferences is to bring together scientists from business, finance, and economics fields, attract original research papers, and provide them publication opportunities. This volume covers a wide variety of topics in the field of business and provides empirical results from many different countries and regions

that are less investigated in the existing literature. The main business fields represented in this volume are:

- (i) PUBLIC ECONOMICS
- (ii) REGIONAL STUDIES
- (iii) GROWTH AND DEVELOPMENT
- (iv) INEQUALITY

Although the papers in this issue may provide empirical results for a specific country or regions, we believe that the readers would have an opportunity to catch up with the most recent studies in a diverse set of fields across many countries and regions and empirical support for the existing literature. In addition, the findings from these papers could be valid for similar economies or regions.

On behalf of the Series Editors, Volume Editors, and EBES officers, I would like to thank all presenters, participants, board members, and the keynote speaker, and we are looking forward to seeing you at the upcoming EBES conferences.

Istanbul, Turkey

Ender Demir

Eurasia Business and Economics Society (EBES)

EBES is a scholarly association for scholars involved in the practice and study of economics, finance, and business worldwide. EBES was founded in 2008 with the purpose of not only promoting academic research in the field of business and economics but also encouraging the intellectual development of scholars. In spite of the term “Eurasia,” the scope should be understood in its broadest terms as having a global emphasis.

EBES aims to bring worldwide researchers and professionals together through organizing conferences and publishing academic journals and increase economics, finance, and business knowledge through academic discussions. To reach its goal, EBES benefits from its executive and advisory boards which consist of well-known academicians from all around the world. Every year, with the inclusion of new members, our executive and advisory boards became more diverse and influential. I would like to thank them for their support.

EBES conferences and journals are open to all economics, finance, and business scholars and professionals around the world. Any scholar or professional interested in economics, finance, and business is welcome to attend EBES conferences. Since 2012, EBES has been organizing three conferences every year. Since our first conference, around 9132 colleagues from 92 different countries have joined our conferences and 5240 academic papers have been presented. Also, in a very short period of time, *EBES has reached 1713 members from 84 countries*.

Since 2011, EBES has been publishing two academic journals. One of those journals, *Eurasian Business Review—EABR*, is in the fields of industry and business, and the other one, *Eurasian Economic Review—EAER*, is in the fields of economics and finance. Both journals are published thrice a year, and we are committed to having both journals included in SSCI as soon as possible. Both journals have been published by *Springer* since 2014 and are currently indexed in *Scopus*, the *Emerging Sources Citation Index* (Thomson Reuters), *EconLit*, *Google Scholar*, *EBSCO*, *ProQuest*, *ABI/INFORM*, *Business Source*, *International Bibliography of the Social Sciences (IBSS)*, *OCLC*, *Research Papers in Economics (RePEc)*, *Summon by ProQuest*, and *TOC Premier*.

Furthermore, since 2014 Springer has started to publish a new conference proceedings series (*Eurasian Studies in Business and Economics*) which includes selected papers from the EBES conferences. Also, the 10th, 11th, 12th, 13th, 14th, 15th, and 17th EBES Conference Proceedings have already been accepted for inclusion in the Thomson Reuters' *Conference Proceedings Citation Index*. The 16th, 18th, and subsequent conference proceedings are in progress.

On behalf of the EBES officers, I sincerely thank you for your participation and look forward to seeing you at our future conferences. In order to improve our future conferences, we welcome your comments and suggestions. Our success is only possible with your valuable feedback and support.

With my very best wishes,

Jonathan Batten, PhD
President

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Manuela Tvaronavičienė, PhD, *Vilnius Gediminas Technical University*, Lithuania

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List of Contributors

Adam P. Balcerzak Department of Economics, Nicolaus Copernicus University in Torun, Toruń, Poland

Rajinder Singh Bawa University School of Business, Chandigarh University, Punjab, India

George Berulava P. Gugushvili Institute of Economics, I. Javakhishvili Tbilisi State University, Tbilisi, Georgia

Angela Besana Department of Economics, Business and Law, IULM University, Milan, Italy

Sebastian Bobowski Department of International Economic Relations, Wrocław University of Economics, Wrocław, Poland

University of Wrocław, Wrocław, Poland

Joanna Brzezińska Chair of Criminal Law, University of Wrocław, Wrocław, Poland

Mamucevska Daniela Faculty of Economics – Skopje, University “Ss. Cyril and Methodius”, Skopje, Republic of Macedonia

Mallika Das Department of Business & Tourism, Mount Saint Vincent University, Halifax, Canada

Paweł Dobrzanski Department of Mathematical Economics, University of Economics in Wrocław, Wrocław, Poland

Magdaléna Drastichová Department of Regional and Environmental Economics, VŠB-Technical University of Ostrava, Ostrava, Czech Republic

Toshitaka Fukihara School of Social Informatics, Aoyama Gakuin University, Sagami-hara, Japan

Teimuraz Gogokhia P. Gugushvili Institute of Economics, I. Javakhishvili Tbilisi State University, Tbilisi, Georgia

Jan Gola University of Wrocław, Wrocław, Poland

Liudmila A. Guzikova Graduate School of Public Administration and Financial Management, Peter the Great St. Petersburg Polytechnic University, St. Petersburg, Russian Federation

Marcin Haberla Institute of Marketing, Department of Marketing Research, Wrocław University of Economics, Wrocław, Poland

Krzysztof Horubski Public Economic Law, University of Wrocław, Wrocław, Poland

Azimzhan Khitakhunov Department of Economics, Al-Farabi Kazakh National University, Almaty, Kazakhstan

Rajiv Khosla Faculty of Business Economics, University School of Business, Chandigarh University, Punjab, India

Ljubica Kostovska Faculty of Economics, Ss. Cyril & Methodius University, Skopje, Republic of Macedonia

Egle Krinickiene Faculty of Economics and Business, Mykolas Romeris University, Vilnius, Lithuania

Aleksandra Kuźmińska-Haberla Department of Marketing Management, Institute of Marketing, Wrocław University of Economics, Wrocław, Poland

Tatyana Kudasheva Department of Economics, Al-Farabi Kazakh National University, Almaty, Kazakhstan

Dusan Litva Department of Microeconomics, University of Economics, Prague, Czech Republic

Katarzyna Maj-Waśniowska Department of Local Finance, Cracow University of Economics, Kraków, Poland

Edyta Marcinkiewicz Department of Management, Lodz University of Technology, Lodz, Poland

Ireneusz Miciuła Department of Financial Management, University of Szczecin, Szczecin, Poland

Bulat Mukhamediyev Department of Economics, Al-Farabi Kazakh National University, Almaty, Kazakhstan

Nikolovska Natalija Faculty of Economics – Skopje, University “Ss. Cyril and Methodius”, Skopje, Republic of Macedonia

Katarzyna Owsiak Local Finance Department/Faculty of Finance, Cracow University of Economics, Cracow, Poland

Michał Bernard Pietrzak Department of Econometrics and Statistics, Nicolaus Copernicus University in Torun, Toruń, Poland

Ekaterina V. Plotnikova Graduate School of Public Administration and Financial Management, Peter the Great St. Petersburg Polytechnic University, St. Petersburg, Russian Federation

Ona Gražina Rakauskienė Economics and Finance Management Faculty, Mykolas Romeris University, Vilnius, Lithuania

Remzije Rakipi Faculty of Business and Economics, South East European University, Tetovo, Republic of Macedonia

Vaida Servetkienė Economics and Finance Management Faculty, Mykolas Romeris University, Vilnius, Lithuania

Wojciech Szydło Institute of Civil Law, Faculty of Law, Administration and Economics, University of Wrocław, Wrocław, Poland

Jelena Tast Faculty of Economics, Ss. Cyril & Methodius University, Skopje, Republic of Macedonia

E. Wanda George Department of Business & Tourism, Mount Saint Vincent University, Halifax, Canada

Part I
Public Economics

Corruption in France: Characteristics of the Phenomenon and Statistical Data

Joanna Brzezińska

Abstract The aim of the study is to analyse the phenomenon of corruption in France that remains one of the most modern pathologies associated with the globalization process in the economy. Its development is currently determined by huge growth of international transactions. Corruption affects individuals acting on behalf of any organisation that may make beneficial economic decisions in exchange for obtaining material or personal benefits, or the promise of receiving them for making a particular decision. It is therefore always a violation of the performance of duties falling within the scope of one's work. One of the most dangerous dimensions of corruption is currently known as great corruption, which relates to economic and political elites. This article will present organisations, whose objective is to combat corruption in France (Central Service for the Prevention of Corruption—SCPC) and the estimated scale of corruption, which is constantly increasing. According to statistical data, there are 150–200 cases of convictions due to corruption recorded each year, but the real figure for this pathology is much higher, indicating clearly insufficient tightness of the law on economic regulations in this area.

Keywords Corruption • Pathology of the economy • Statistical data

1 Introduction

Corruption is referred to in France as one of the largest, most serious and most spectacular economic plagues (Ambroise-Castérot 2008; Delmas-Marty and Manacorda 1997; Zanoto 2002). Broadly speaking, it means all manifestations of demoralisation, or destruction, as well as violations of applicable moral rules. In French doctrine the phenomenon is sometimes characterised as embezzlement or trade in one's function, and it therefore constitutes a violation of obligations resulting from one's position. As Quéméner underlines: “corruption is defined as behaviour, through which a person performing a particular public or private

J. Brzezińska (✉)

Chair of Criminal Law, University of Wrocław, Wrocław, Poland

e-mail: joanna.brzezinska@uw.edu.pl

function assigned to them, seeks or accepts a gift, offer or promise, given the fulfilment, delay or omission of behaviour directly or indirectly encompassed by the scope of executed obligations” (Quéméner 2015, p. 211). Roux (2015), in turn, highlights that corruption is an illegal pact or agreement, on the basis of which a public officer conducts an activity, resulting from their function or mandate, receiving any benefit in return. Due to the omnipresent nature of the phenomenon of corruption, the French law distinguishes the following basic categories of entities, among which the frequency of corruption remains the highest: (1) judges, assessors, experts, (2) public officers, (3) doctors, (4) employees, (5) sportsmen (Cornu 2007; Belloir 2013; Cadiet 2004). And although the discussion below concerns all the aforesaid occupations, the most common form of corruption is corruption of officials (Lascoumpes 2010; Dolling 2001; Cartier-Bresson 2015).

2 Definition of Corruption

The French criminal law distinguishes two basic forms of corruption: active and passive corruption (Lopez and Tzitzis 2004). When defining passive corruption, one should think of a corrupt activity from the perspective of a corrupted party that does a favour as opposed to active corruption perceived from the perspective of a corrupting party that offers a bribe. The specified dependency is best presented by the figure below:

A corrupt activity is an offence that obligatorily requires active participation of two entities, a party that makes an illegal offer on one part, and a party that accepts the offer on the other part (Fig. 1). Depending on the perspective from which the fulfilment of the attributes of the discussed offence is seen, there are different forms of the offence itself (active or passive corruption) (Rassat and Roujou de Boubée 2008).

The active corruption is “intrigues, through which a third party receives or seeks to receive gifts or promises from a person performing a public function, which (the promises) that person fulfils, delaying or preventing an activity resulting from that person’s function to eventually facilitate the performance of that activity by an appointed person” (Lepage et al. 2015). Passive corruption, in turn, involves using a

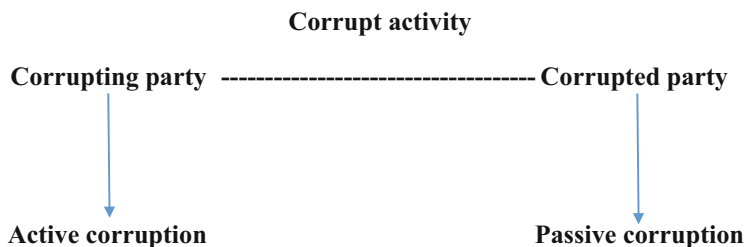


Fig. 1 Act of corruption. Source: Own source

public function by a person performing that function by accepting gifts, promises or benefits, given the execution or inhibition of activities related to the performance of the said function. Certain similarities that occur between active and passive corruption offences result in the presence of common constituting elements in their structure, which may lead to the situation, in which both forms of the offence are treated interchangeably (Cartier and Mauro 2000).

Taking into account the fact that the phenomenon of corruption becomes international, the necessity of protection of not only the internal national market against the phenomenon remains fully justified. The implication of this state of affairs is that France has implemented complex ways of responding to the concerned pathology, both externally (internationally) and under the national law. From the perspective of economic conditions, due to the necessity to combat certain unfair competition practices, which increased under the French law in the second half of the 1990s, it became necessary to adopt appropriate international regulations, whose purpose was to eliminate those practices. As the regulations were being implemented, France, in Brussels, acceded the Convention against corruption, ratifying it on 26 May 1997. At the same time, the adoption of the Convention provisions contributed to the introduction (on the basis of the Act of 30 June 2000) of the provision of article 435 – 1 (and subsequent provisions) to the French Criminal Code (Code Penal), which satisfied the undertaken international obligations. On the basis of the indicated regulation, a corrupt activity committed by an EU official, an official of another EU Member State, a public official or an official of the European Committee, Court of Justice or Court of Auditors (Rassat and Roujou de Boubée 2008; Meny 1993) was penalised. However, the indicated regulations were not complete as they prevented combating corrupt activities committed by official of non-EU States. It was the Act of 13 November 2007 (Ambroise-Castérot 2008) that eliminated the legal gaps, which emerged as a result of the ratification of formerly binding regulations: the Council of Europe Convention of 27 January 1999 and Merida Convention of 31 October 2003. The legislator concluded that entities established on the basis of the Treaty on European Union were to be considered entities of the international public law and subject to the following provisions: article 435 – 1 C.P to 435 – 4 Criminal Code (Code Penal), penalising corruption and trade in influence, in both active and passive form (Didier 2000).

The offence of corruption under the French criminal law, in turn, is penalised under several provisions. Hence, the regulation is of a very complex nature. First of all, the French legislator decided to distinguish the offence of corruption of officers in article 432 – 11 Criminal Code (Code Penal 2015a, b). This provision refers exclusively to the corrupt activities committed by public officials. In article 433 – 1 Criminal Code (Criminal Code 2015a, b), in turn, the criminal code provides for penalisation of active corruption committed by individuals, considering that they are persons performing public functions. Moreover, article 434 – 9 Criminal Code (Code Penal) provides for the necessity to penalise corruption committed by a judge or any other person, who has been entrusted with duties lying within the scope of judicial power (arbitrator, expert, conciliator, mediator) (Segonds 2008). This

catalogue of provisions is additionally supplemented by the regulations of the Act n. 2005 – 750 of 4 July 2005, eventually repealing special provisions of the labour code related to corruption committed by employees of private enterprises (Lepage et al. 2015).

Looking at all the code regulations indicated above, it should be emphasized that under the French criminal law the most complex structure remains with the offence of active corruption. There are two forms of the offence: the first, extremely important one, concerns public officials and officers, while the second one refers to corruption in the private sector and concerns particular individuals. This duality of the indicated regulation facilitates public awareness of economic threats and serious economic losses induced by the characterised pathology.

A closer analysis of the structure of the provision penalising active corruption of officials proves that it is comprised of several essential elements, resulting in its complexity. Pursuant to article 433 – 1 of the French Criminal code (Code Penal 2015a, b) active corruption is an offence that involves adopting certain behaviour by any person, who illegally, directly or indirectly, makes a proposal, which involves the execution of any offers, promises, gifts or benefits, to a person that executes public power or carries out their mission in public service or executes public mandate, for that person or someone else:

- if the indicated person adopts or refrain from adopting, or if the person adopted or refrained from adopting behaviour, which results from the function that person performs, or their mission or mandate, or (if) such behaviour was facilitated, given the performed function, mission or mandate,
- if the indicated person overuses or used to overuse their real or anticipated influence, given the possibility of exercising power or performing tasks and entitlements resulting from one's position in terms of distinctions, positions, titles or any other favourable resolution.

In reality, a corrupt activity involves the transfer of goods or performance of diverse activities intended to help achieve beneficial, for the corrupting party, resolutions. Nevertheless, it usually involves giving specific financial benefits: money, cheques or objects. Furthermore, a corrupt activity may not only be intended to help increase assets (delivery of goods), but it may also involve decreasing liabilities (e.g. paying off a debt), or even fulfilling obligations on preferential terms (atypical economic conditions of order fulfilment) (Lepage et al. 2015).

Committing the offence of active corruption requires that the conclusion of an agreement entered into by a corrupting party, before undertaking any beneficial activities by an official, is proved. Thus, such an agreement, from time perspective, must precede all benefits, which may result from the corrupting party's activities. The discussed offence has a formal nature, which means that an offer made by a corrupting party does not have to be accepted, yet it has to be made (Chopin 2005).

As it has been noted before, active corruption may accompany not only officers, but may also be present in the private sector. On the basis of the Act n. 2005 – 750 of 4 July 2005 (Act n. 2005 – 750 of 4 July 2005), including the provisions of

the Council framework decision of 23 July 2003 (on combating corruption in the private sector) into the internal French law, the provisions of articles 445 – 1 to 445 – 4 Criminal Code (Code Penal), penalising the offence of corruption committed by persons not performing public functions, have been introduced to the criminal code. While aiming to determine, who is an offender, it should be pointed out that it is a person, who performs, as part of their vocational or social activity, a managerial function or executes work for a natural person, legal person or any other entity (Lepage et al. 2015).

The sanctions envisaged in the French criminal code that apply to the offence of active corruption of officers are extremely severe. A natural person is subject to the penalty of deprivation of liberty of 10 years and a fine in the amount of 1 million euros, which may be doubled, given the benefits an offender obtained as a result of the offence. Identical sanctions apply to European and foreign officers (article 432 – 11 and article 433 – 1 of Criminal Code 2015a, b). Apart from imposing principal penalties on an offender, additional penalties may be imposed such as: deprivation of public, civil and family rights, prohibition from exercising a particular public function, vocational or social activity, during which the offence has been committed (for the period of 5 years). Additionally, a court may disqualify the offender from conducting commercial or industrial activities, or running, administering, managing or controlling an industrial enterprise or a commercial company, or even order to confiscate the sums or objects accepted by the offender, excluding those to be returned.

In case of legal persons, criminal liability has been regulated in a specific way and amounts to five times the fine imposed on natural persons. This sanction may be supplemented by appropriate additional penalties. When it comes to active corruption in the private sector, a court may impose the penalty of deprivation of liberty of 5 years and a fine in the amount of 500 thousand euros, which may be doubled in case of obtaining benefits from the committed offence. Additional penalties may be imposed in accordance with the rules envisaged in relations to active corruption in the public sector.

3 Organisations, Whose Objective Is to Combat Corruption

Due to the significance of the threat of corruption, certain activities are being continuously undertaken in France. Their main purpose is to minimise the adverse effect of corruption on the national economy. For that purpose numerous initiatives are undertaken, which are aimed at creating organisations preventing all manifestations of corruption not only in the public sector but also in the private one. Among them the most important are: Central Service for the Prevention of Corruption (Service Central de Prevention de la Corruption), TRACFIN, General Directorate for Competition Policy, Consumer Affairs and Fraud Control, as well as Public

Finances Directorate General (DGFIP) and Inspectorate General of Finances (IGF) (Rozès 1995).

One of the most important French anti-corruption units is the Central Service for the Prevention of Corruption established on 29 January 1993 (on the basis of the act no. 93 – 122) (Act n. 93 – 122 of 29 January 1993). One of its essential tasks is to increase the level of transparency of economic life and state procedures. In order to reach the set objectives, the authority collects all information necessary for the detection and prevention of all manifestations of active or passive corruption committed by persons performing public functions or entities involved in illegal interests or activities, which are targeted against the proper execution of procedures resulting from the public procurement law. Moreover, the Central Service conducts activities aimed at combating corruption among non-governmental organisations, companies and local communities (Badie 2015). It collects statistical data concerning offences committed by public officers and local government officials. It keeps statistics concerning all manifestations of corrupt behaviour, kept by specialised organisations such as: Transparency International France (TI France), SHERPA, ANTICOR, as well as by scientific organisations: CNRS, CEVIPOF or enterprises, or authorities specialised in combating the analysed pathology (e.g. Police records). It is worth emphasizing that the Central Service remains in France an example of an organisation that is engaged in most comprehensive corruption prevention. What is important, due to its broad-based activity (anti-corruption actions, raising public awareness of economic and business threats, data collection, analyses of the frequency of the offence, studies on the mechanisms that potentiate pro-corrupt behaviour among both government and local government politicians), the discussed phenomenon of corruption may be thoroughly studied (starting from the causes of its occurrence and ending with the mechanisms of its execution), while effective methods of combat with corruption may be determined (Badie 2015).

Yet another important organisation, which supports the Central Service for the Prevention of Corruption in the combat with corruption in France, is the Unit for intelligence processing and action against illicit financial networks (TRACFIN 2015). Its fundamental objective is to inform representatives of the Ministry of Finance about all manifestations of organised crime (e.g. money laundering, financing terrorism or money forgery, etc.). It also supports the activities of the Central Service in the combat with corruption, which resulted in compiling “Guidelines on the detection of suspicious financial transactions associated with corruption” (Guide-Aide 2014) in 2014, which was published in an electronic version on the websites of the Ministry of Justice and Economy. Additionally, in 2014 TRACFIN conducted a study at French prosecutor’s offices, aimed at indicating offences most tightly connected with money laundering. Corruption was indicated as many as ten times (per 17 audited offices).

Furthermore, among French institutions, whose task is to control the legality of financial operations and to indicate cases of offences, which may result from their violations, there are such institutions as: General Directorate for Competition Policy, Consumer Affairs and Fraud Control, Public Finances Directorate General

(DGFIP) and Inspectorate General of Finances (IGF). The tasks of the aforesaid institutions encompass exercising control, conducting audits, preparing recommendations for state economic and financial organisations. As part of their competencies they also, but to a lesser degree, undertake activities aimed at preventing all manifestations of behaviour, which may determine the activation of corruption mechanisms, and detect this category of offences that have already been committed (Badie 2015).

4 Corruption According to Statistics

The Corruption Perceptions Index drawn up each year by Transparency International (Heidenheimer 2009) remains the most important ranking of the level of corruption in particular countries. The ranking shows corruption perceptions by financial analysts, businessmen, and representatives of the financial sector. A country can get a score on the scale between 100 and 0 points (the higher the number of points, the lower the corruption). France scored its highest number of points (the lowest crime level) in 2005, when it was ranked the 18th, and for nearly 7 years now it has been ranked in the first half of the third ten of all the countries, finishing 23rd (Fig. 2).

While looking at the frequency of the offence of corruption in France (Fig. 3), it should be stressed out that its level is subject to slight changes. During the consecutive 3 years (2011–2013), the number of detected cases of passive



Fig. 2 Corruption perceptions index for France in the years 2002–2015. Source: Transparency International (2016)

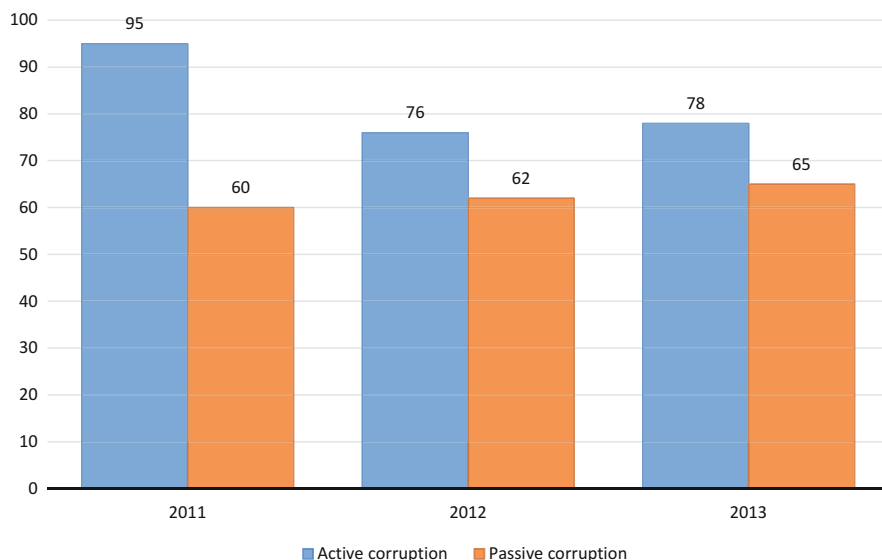


Fig. 3 The number of detected offences of corruption in France in the years 2011–2013. Source: Service Central de Prevention de la Corruption (2014)

corruption remained at the same level (60 in 2011, 62 in 2012 and 65 in 2013). On the other hand, when it comes to active corruption, a moderate decreasing trend can be observed (from 95 cases in 2011 to 78 in 2013). It should also be emphasized that, taking into account the statistical data presented below, among cases of corruption in France, active corruption clearly prevails.

A closer analysis of the corrupt activity of the French proves that there are several public sectors most vulnerable to its occurrence. It should be noted that the research conducted in the French society proves (Bolzette 1996; Meny 1993) that corruption develops most often among politicians, businessmen and financial analysts as well as among entrepreneurs, media representatives and public officers and officials (Fig. 4). However, the most advanced level of the phenomenon can be observed among representatives of political parties and persons having serious financial resources at their disposal. Thus, corruption develops particularly well where political and financial influences collide.

Figure 5 shows in turn the number of persons convicted for corruption in France in the years 2003–2013. It should be underlined that the highest volatility of convictions for the offence in question was noted between the year 2007 and 2011, in which 103 and 160 persons were convicted respectively. In the years 2012–2013 the number of convictions amounted to 140 cases and did not exhibit an increasing trend.

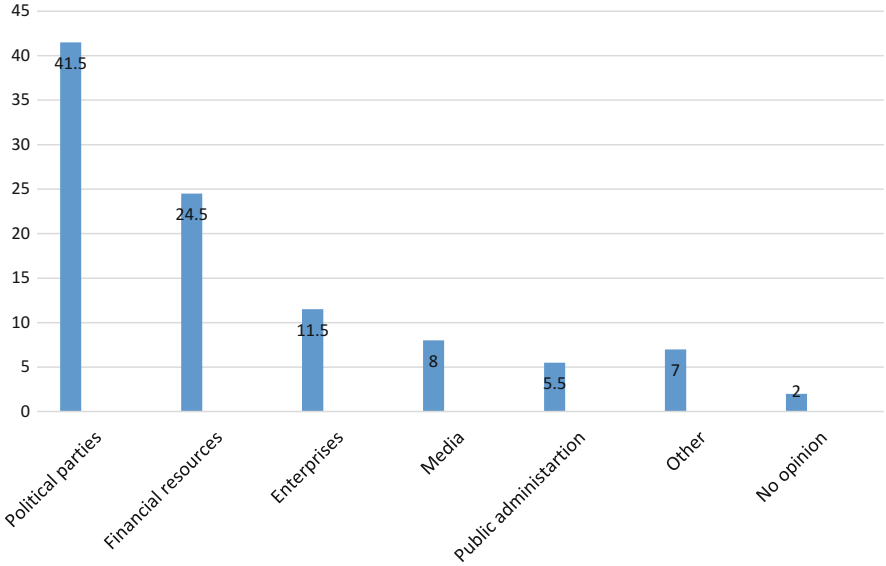


Fig. 4 Most corrupt sectors in France. Source: Lascoumpes (2010)

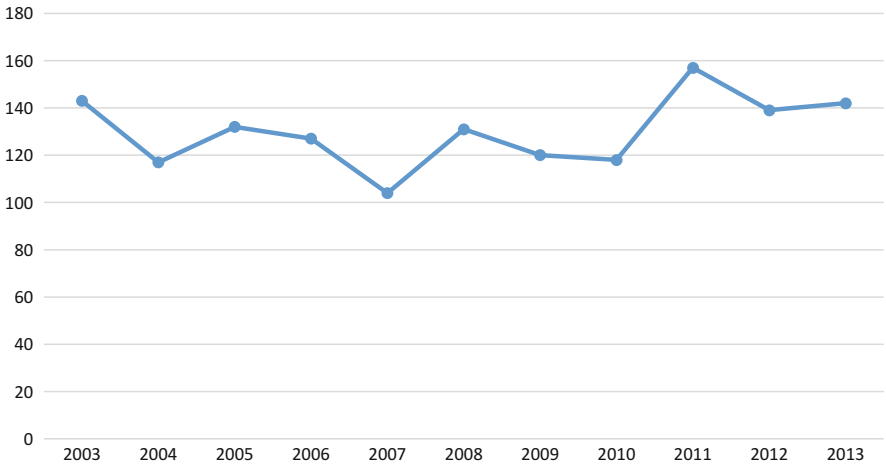


Fig. 5 The number of persons convicted for corruption in France in the years 2003–2013. Source: Service Central de Prevention de la Corruption (2014)

5 Conclusions

The phenomenon of corruption is nowadays one of the fundamental, most common French pathologies (besides money laundering or organised crime), threatening proper development in the domain of state politics, business and economy. The

precise estimation of the true scope of the discussed offence and losses associated with it remain impossible as the offence itself often remains undetected. Its scale is even larger due to the fact that it is not limited to behaviour in the realm of public sector (the so-called corruption of officials) but it also concerns all activities undertaken by individuals in the private sector. The multidimensional nature of the discussed offence has translated into the execution of normative regulations applicable under the French law. It should be underlined that the French legislator actively undertakes activities aimed at creating the strictest and tightest possible system of anticorruption provisions. Their closer analysis allows one to conclude that the system has a dichotomous nature as on one hand, France, as a EU member state, is a signatory of numerous international normative acts, in particular the Convention against corruption. Their adoption allows for undertaking all necessary activities aimed at eliminating corruption from the international area. On the other hand though, state regulations, which penalise the phenomenon of corruption, remain extremely complex. The French civil code includes several categories of provisions aimed at preventing the pathology in question. Among them there are provisions typifying passive as well as active corruption, committed not only by public officers or officials but also by individuals not performing any functions or tasks as part of the electoral mandate given to them.

Due to the attempt to “tighten up” the activities of the French state in terms of creating a coherent anti-corruption system, numerous organisations have been established, whose objective is to strengthen and actively support the legislative activities of the French legislator. Among them there are such authorities as: Central Service for the Prevention of Corruption (SCPC), TRACFIN, GAFI, particular Ministries (the Ministry of Justice or the Ministry of Finance) and separated for that purpose units as well as activities of local authorities. The most important asset of the said organisations and their units is that they have broadened the scope of their anticorruption activities not only in organisational terms but most of all in educational and preventive terms. Their priority objective is to raise public awareness of the mechanisms that potentiate the increase in pro-corrupt behaviour; to define method of their elimination, to develop effective strategies aimed at preventing and minimising corruption mechanisms (e.g. among politicians, sportsmen, judges, etc.). Raising public awareness of the manifestations of behaviour that facilitates the occurrence of the discussed offence as well as public education focused on the elimination of such behaviour facilitate the update of awareness of individuals, who, once they locate symptoms of the concerned pathology, may try to actively prevent or combat it.

It seems that nowadays the high level of awareness of the threats directly associated with corruption (white collar crime, money laundering), particularly in business and economic terms, results in a little decrease in the frequency of its occurrence in France (Fig. 3). Nevertheless, undoubtedly there are still several strategic sectors, in which corruption develops. Politics, finances, administration, media and sport are the most important ones (Fig. 2). This state of affairs means that, despite great efforts of lawyers as well as state organisations (governmental and non-governmental ones) the issue of corruption exists, which resulted in France

being low-ranked 26th in the Corruption Perceptions Index of 2015 drawn up by Transparency International, which constitutes a reflection of the actual perception of the phenomenon of corruption in society. This position proves that corruption is unfortunately still a very serious issue (economic, political and social one), given the fact that France has been ranked in the third ten of the countries included in the analysed ranking.

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