

STATUS RENTS: THEORY, RESEARCH- THE ROLE OF THE STATE IN REGULATING THE PROCESS OF DISTRIBUTION OF ANNUITY STATUS IN RUSSIAN ECONOMY

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Abstract

Reproducing the status rent with participation state is characterized beside contradiction that creates the threat for system of economic safety state, prevents the dynamic economic growing. The Revealed measures on reduction of the volume of the status rent are directed on removal administrative barrier and reduction of the losses society from behaviours state and business community.

Keywords: rent, status rent, rent-oriented behaviour, economic agent, transaction, and contract.

INTRODUCTION

The concept of rent was set out in the HUSH century in the writings of David Ricardo (1772-1823 biennium). He argued that "rent is the share of the product of land that is paid to the landowner for the use of the original and indestructible forces of the soil" [1]. In Marxist, economic theory, rent is characterized as a transformed form of surplus value along with profit, salary and interest. Ed. Marx wrote: "whatever the specific form of rent, all its types have in common the fact that the appropriation of rent is the economic form in which land ownership is realized, and that land rent, in turn, implies land ownership..."[2]. In modern economic theory, the concept of rent begins to apply to all cases where there is additional income associated with the presence of rare or irreplaceable factors of business.

On the one hand, rent refers to the income of the owner of the property (buildings, structures, etc.), which he receives in the form of property rent. Neither the owner of the property nor its user (lessee) makes any labor or capital in the operation of the lease object. In fact, this type of rent provides the owner with the return of previously spent funds for the purchase or creation of the property object of ownership [3].

In the twentieth century, economic theory has formed the concept of economic rent as part of income of any

factor of production. Assuming a broad interpretation, then the economic rent refers to the total net income, i.e. revenue minus costs incurred in the process of its receipt, or the return on investment after deducting all costs. Economic or net profit is also called economic rent [4].

If we proceed from the assumption that there is a single demand function and production function for all economic agents, then with the unity of prices for production factors, the costs of a monopolist enterprise, a non-profit organization and of the state in the long term (LAC) are the same. With constant returns to scale, production costs in the long run are equal to long-term marginal costs ($LAC = LMC$), and the demand curve D represents market demand from the position of the median voter, that is, the consumer whose preferences correspond to the middle of the preference scale, to the right and to the left of which there is approximately the same number of consumers. The profit of the monopolist with the release of Q_4 and rates R_4 is represented by a rectangle P_4ACP_2 . The non-profit organization will select the Q_2 issue and price the P_2 because the goal of such a firm is to maximize the total output until it becomes a loss. If the volume of the state budget is equal to the area of OP_2GQ_1 , it determines the volume of goods and services produced in the public sector (Q_i) along with the production costs. The volume of production of the state exceeds the volume of output of a non-profit organization and a monopolist, which exceeds the price and volume of production most acceptable to the median consumer. The loss of public welfare in the case of a monopolist is equal to the area of the figure of the SAV , and in the case of the state - the area of the figure of FBG . Price and volume of production in both situations deviate from Pareto-efficient price and volume.

Public authorities representing the interests of voters, based on the principle of maximizing utility, are interested in forming a budget that provides the optimal number of public sector services at a given level of quality, which maximizes the number of votes and helps to achieve re-election. At the same time, the company seeks to minimize budget expenditures. If the state manages to achieve an excess of the optimal size of the budget, this excess means the diversion of real resources from alternative, more highly valued by consumers, ways of their use. Status rent is the loss of welfare of consumers of public and market goods, or the growth of surplus of the state and enterprises-monopolists as their producer (the sum of the areas of figures CAB and FBG).

Extraction of status rent in addition to the state by other economic agents is due to the presence of x -inefficiency in their functioning, which is manifested in the inefficient use of resources and the appearance of deadweight losses of the company, X -inefficiency occurs in terms of unclear certain contracts or in the presence of technical difficulties in fulfilling the terms of contract conditions, which leads to the excess of the costs of their provision over the benefits from execution. The value of x -inefficiency increases with the monopolization of the market in which the economic agent operates.

For transactions with respect to standard assets, regardless of their frequency, the market type of organization and the classic contract, which is not a source of status rent, correspond. A classic contract concluded by economic agents with the state concerning assets of medium specificity (public procurement) or economic agents among themselves in the case when one of them is monopolist (license agreements, commercial concession agreements), clearly provides for actions and their consequences within the specified period, and also allows for the possibility of judicial protection. Neoclassical contract concluded with the economic agents regarding the assets of medium specificity with Federal and regional authorities (government funding, state registration business organizations), assume the actions of the parties to remove possible (allowed by the parties) contradictions and conflicts (judicial and extrajudicial protection of the rights of entrepreneurs, development and consideration of the draft budget in the representative bodies of state power). High specificity of assets leads to the formation of the absolute status of the rent (license fee paid by the entrepreneurs in the budgets of different levels, the income from the lobbying group's interests in state authorities and local self-government, etc.). Distinctive features of the absolute status of the differential rent are as follows: the absolute status of the rent brings all specialized assets, the right to income which belongs to the state or enterprise-monopolist.

The three-party management, which presupposes the presence of a third party (additional negotiations; involvement of the Association of entrepreneurs, consumers; arbitration court; state, municipal and public financial control bodies, etc.), to which the counterparties apply for the settlement of disputes by mutual agreement, corresponds to the random low-specialized transactions. The result of the implementation of the tripartite management of low-specialized transactions is the differential status rent I as an additional income of the state or a monopolist vested with the right to income (rental income from logrolling).

THE TERMS OF THE RELATIONSHIP

The terms of the relationship (relational) contract concluded on the specific heterogeneous assets between

the business community and employees (employment contract providing for investment in human capital) cannot provide for all the consequences of the actions of economic agents, so they fix mainly the functions that are required to perform the parties, and the relationship (subordination, subordination), to enter into which for a certain (or indefinite) period are ready to contract participants. Relationship contracts include internal mechanisms of interaction between their parties to remove the arising moments of uncertainty. Regularly repeated low-specialized transactions involve the use of a bilateral organization, which requires the preservation of each of the participants the opportunity to appeal to market alternatives. The result of the implementation of bilateral management of low-specialized transactions is the differential status rent II, assigned by employers. Random idiosyncratic transactions can equally be organized with the help of a tripartite and United organization, since the first assumes a short-term nature of contractual relations, and the second-a strong mutual dependence. Regularly repeated idiosyncratic transactions require a United organization, the advantages of which are that, on the one hand, it eliminates the high strategic risks, on the other hand, the costs of its use are justified by the long-term nature of contractual relations (trademark, service mark, name of origin, brand name). The result of the implementation of idiosyncratic transactions is a monopoly status rent of the right holder (state (registration fee) or business organization (royalty))

It is worth noting that the existing system of government in Russia largely predetermined the emergence of the concept of political rent, which was later replaced by the concept of administrative rent. And the concept of "status rent" was first introduced in 2001 by V. V. Putin in his annual address to the Federal Assembly.

With the filing of the President, this term was used in the future by various authors (before - the expression "administrative rent"). It is noted that the original content of the term - bribes of officials of different levels - later was not actually supplemented.

It is about the system of work of both legislative and Executive bodies. Now she works so, that retards, and in many cases, simply brings the transformation. The system protects its rights to receive so-called "status" rent. The anti-system is built as something opposite to that system which is aimed at creation of consumer value of any product. Anti-system takes on different types in different countries, but there are common features. This is a poor quality of management, and lack of interest in the end result [5].

The analysis shows that a significant part of the income of economic agents is the result of the use of their own status, or rent-oriented behaviour, which is aimed at the redistribution of standard and specialized assets in their favour, which leads to an increase in the transaction costs of legitimation (registration, licensing, certification, standardization) and individualization of business organizations, the acquisition of contracts for public procurement, overcoming administrative barriers in industry and regional markets, which, according to experts, they make up 5-7% of GDP, etc.

The expansion of the sphere of irrational appropriation of the results of the functioning of factors of production belonging to other economic agents is expressed in the strengthening of the monopolism of state officials and the increase in the number of bureaucracy, in the degradation of the apparatus of public power and corruption, in lobbying group interests in the bodies of representative power, in the activation of shadow economic processes, etc. All this creates a threat to the system of economic security of the state and prevents the restoration of the progressive dynamics of economic growth, as well as Russia has a low rating on the quality of public institutions. This is a limiting factor for the Russian economy. In particular, it concerns weak protection of property rights and high level of corruption [6].

The relations of reproduction of the status rent with participation of the state are characterized by the following contradictions: contradictions between long-term interests of the society endowed with absolute powers of ownership of the resources acting as public goods, and interests of public authorities,

focused on short-term income as a form of realization of the right to income, which is manifested in their opportunistic behaviour and incomplete nature of contracts (administrative corruption in the form of extortion; "capture" of business in the form of illegal establishment of control over the business by officials using their official position, the offer of privileges (part of rental income), the paradox of voting, lobbying logrolling, etc.). This is reflected in the contradiction between the conditions of effective use of resources and the lack of a clear specification of property rights, in the permanent process of redistribution of property, not related to changes in indicators of efficiency of use of resources. The presence of asymmetric information is manifested in the problem of "principal-agent" in the relations between the legislative and Executive authorities. At the same time, the agent is able to impose a demand for its services to the principal in the absence of real needs in the latter (for example, an exaggeration of the degree of military threat by defense ministries).

With respect to the reproduction of status rents involving business entities with monopoly power, limited

information and opportunism give rise to the problem of asymmetric information, in which information relating to the essential parties to the transaction is not available to all its participants. The problems arising as a result of pre - contract and post-contract opportunism and asymmetry of information ("capture" of the state in the form of purchase by entrepreneurs of power decisions, restriction of consumer choice, etc.) are solved by developing a contract, which in the first case is aimed at identifying the type of agent (filtering and signaling), in the second case-to add its incentives. The main function of contracts is saving in the amount of transaction and production costs.

Implementation of contradictions in the system of social reproduction leads to the following consequences:

1. The level of competitiveness of markets is reduced and the structure of profits is distorted, which is reflected in the formation of suboptimal prices and volume of production of goods.
2. Contract relations between the top management of the organization and the public authority are formed, which determines the dependence of the management of business structures on the interests of the state, creates the danger of non-optimal management and becomes a source of contradictions between owners (shareholders) and managers.
3. Increase the costs of implementing a lobbyist activities, leading to growth in production costs and the net losses of the company.
4. The inefficient structure of the economy is preserved due to the lack of sufficient resources for innovative enterprises to lobby their own interests.

The study revealed the effect of chain reaction is characterized by a threshold strategy. It lies in the fact that the reduction in the number of agents whose intensity of corruption is higher than the critical level, allows the Supervisory authority to carry out a more effective fight against the most corrupt agents. As a result, the latter's incentives for corrupt behaviour are weakened and they can reduce the level of corruption. The consequence of the chain reaction effect is the greater interest of the Supervisory authority in reducing the size of the bribe offered to the least corrupt agents in comparison with the most corrupt. In this case, when implementing the strategy of fighting, causing the rejection of corruption of subordinates with the worst opportunities, the rest of the subordinates in balance will abandon corruption due to the spontaneous increase in the intensity of monitoring their actions (caused by the release of funds allocated to fight with subordinates with the worst corruption opportunities).

The state, being both a subject of rent relations and an element of the institutional environment, ensures its effectiveness, which involves the consolidation of newly acquired or imported informal and formal rules and norms in sustainable forms of institutions and organizations that take legal or illegal form and provide a system of exogenous restrictions for economic entities. This leads to limited opportunities for opportunistic behaviour of economic agents, creates prerequisites for reducing the level of information asymmetry.

In the context of macroeconomic instability, the measures aimed at reducing the volume of status rent and increasing the level of social welfare are:

1. Redistribution of property rights aimed at improving the efficiency of the use of standard and specific assets. Currently, the share of state ownership, represented by the public corporations and participate in the largest companies - OAO "Gazprom", "Rosneft", OJSC "Sberbank of Russia" and OJSC "Bank "VTB", etc., is estimated at 45-50%. The share of the Federal government in the economy is estimated at 25%. The expected privatization of 5,5 thousand enterprises should contribute to the reduction of administrative barriers in the economy and the replenishment of the revenue part of the consolidated budget [5].
2. Achieving the optimal number of public goods as a result of reducing the uncertainty of the institutional environment of the modern economy. It involves the use of incomplete contracts with the subsequent possibility of their constructionist based on the results of negotiations; the integration of the distribution of residual rights of control, focused on the change of the vector of opportunistic behaviour of economic agents; the differential consolidation of transactions for specialized governance structures (Federal Antimonopoly service of the Russian Federation).
3. Improving the efficiency of public servants on the basis of linking wages to results in accordance with the principle of forming a flexible part of the wage Fund, which is distributed depending on its effectiveness, expressed in achieving specific formalized indicators.

In the anti-system mentioned above, wages are actually paid not for the results of work, but for the status. The source of livelihood of the subject of anti-system becomes not intellectual capital, not work or management skills, and the fact of being in office. According to recent studies, the share of income on capital

and its types such as physical, intellectual capital falls. And the share of rent in the form of income on the status opposite increases [5].

The implementation of the proposed measures aimed at eliminating administrative barriers and reducing the losses of society from the rent-oriented behaviour of the state and the business community will improve public welfare and ensure the progressive development of the Russian economy.

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