

## **Analysis and Promotion of Economic Security: Institutional Approach**

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**Abstract:** In this study, we studied basic concepts and indicators of economic security at various levels of social and economic system. The main justification is conditioned by increase of external and internal threats caused to economies of all countries. We have performed the analysis of existing methods of evaluation of economic security, related to usage of statistic data and statistic means of their processing. We have revealed the necessity of formation of balanced complex of indicators that allow improving the process of managing market relations and state social and economic policy. For investigation of effective indices and rules of economic security institutional approach has been applied which provided interconnection between motives of market conduct, principles of commercial activity and mechanisms of state control. We have suggested original researcher's model of institutes of economic security that includes institute of risk and credibility assessment in economic relations, institute of market and state relations' quality, regulations on managing level of economic security, norms of exchange of economic security factors at various levels of economy. Basing on institutional approach measures for promotion of economic stability institutes have been developed. Some priorities have been identified in state financial and industrial policy which are related to provision of extended reproduction of corporative economic sector which consist in provision of faithful competitive environment, free access to financial resources and technologies. Factors of increasing creative and entrepreneurial activities of market participants have been detached which allow providing general high level of social policy, education, healthcare, culture and employment of population.

**Key words:** Economy, security, institutes, indices, conditions, factors, innovations

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### **INTRODUCTION**

Thematic justification is conditioned by current condition of world economy and economic science. The latest global economic crisis revealed new problems that hadn't been described by economic theory before and consequently, lack of mechanisms of prediction and avoidance of crisis phenomena.

Both events that preceded crisis and current conditions are characterized by radical change of economic relations that is: artificial capital that is higher than tangible assets, growth of debt burden of all countries, switch of creditor's role from developed to developing countries, depth and scale of crisis phenomena (range of economic indicators' fall and scope of the countries), slowdown in growth rates of reconstruction period, limit of growth of current technologies of scientific and technical paradigm. All this brings topicality into the question regarding economic security for almost all the countries in the world.

Peculiarities and difficulties of Russian economy's development within the latest 20 years increase attention to such economic category as 'economic security'. Main problems that define topicality of research of Russia's

economic security are the following: ineffective economic structure with domination of base materials sector, lack of motivation and investments into modernizations at Russian business, continuous drafting of management institutional norms, constant search for balanced proportions of market and state institutes, increase of gap in people's incomes, keeping of super profits of financial (bank) sector along with rough politics of money research, integration of Russian and world economies, low competitive ability of domestic enterprises.

In this regard, extremely topical is the research of the notion of "economic security" and development of institutionalized (stable, integrated) mechanisms of its management for furthering of macroeconomic indices of the country and life of people.

### **MATERIALS AND METHODS**

**The main part:** When speaking about economic security, we mean provision of subject of the research (household, company, territory, region, country) with necessary economic resources (finances, personnel, infrastructure, institutes, technologies, information, etc.) for the purpose

of stable and balanced social and economic development without causing damage to future generations (Senchagov, 2005). It is necessary to investigate economic security at three levels.

Level of economic entity (enterprise). We may exemplify it by development of strategic plan of development of investment and building company according to market, marketing, engineering and manufacturing, financial, social, organizational, innovative, general engineering and ecological factors (Belova, 2013). As for the groups of indices of investment and construction company's economic security, according to which strategy of development is being corrected, we have selected finances, clients, business processes, training and professional growth of personnel and innovations. Relative values were used as a method of calculation of numeric values of economic security. Within the framework of selected categories, we have calculated maximal values in the sphere of investment and construction enterprises and for studied business entities, we have calculated percentage of actual values and their indices. According to results of the assessment, we have taken decisions regarding support of the lowest ones. In other words, the strategy was built on the base of comparison with leaders in the sphere.

Level of territory (of the region, sector). Here an example may be the method of evaluation of region's economic security which is based on building 'factor-result' model (Gafurov, 2005). The factor was represented by cost of main production assets and result was represented by gross regional product. For calculation of numeric values, we have also used relative values (like percentage of the region according to cost of main assets in total cost in federal district) and dynamic values (growth rates of fixed assets value). Thus, integral index of economic security included both static and dynamic aspects. After calculation of integral indices of regions in federal district, their maximal and minimal values were considered. Then with the help of linear scaling method (which is used for calculation of Human Development Index) rating of regions was built. During the final stage we clustered territories and developed measures basing on revealed profile of each cluster.

Level of country (federal district). Here an example may be the method of assessment of state's 'power' which includes the following sets of indices (Adalyat Bairamali, 2014) ability to contribute to international community (basic potential economic possibility, financial strength, science and technology; possibility of realization of basic potential on a global scale monetary and financial resources, consensus in questions of international policy, ability to act efficiently in the

international fields); survivability (geographic conditions, population, natural resources, economic opportunities, defense forces, national moral, diplomacy and cooperation in the field of defense); possibility of power pressure (military force, strategic materials and technology, economic power, diplomatic possibilities). Expert and grade approach was used as a method of evaluation of state's 'power' according to selected criteria in which leading state was given the highest mark and other countries were compared with the leader. Integral index of economic security was calculated as a weighted average value according to selected social and economic factors and their weighs, marked by experts.

As a result, we may say that indices of economic security are indicators of performance of tasks of social and economic policy (Vasilev *et al.*, 2013). However, it is important to provide formation of complex of indices in order to increase efficiency of the monitoring. It in its turn implies analysis of the notion "economic security" as an institute which defines actions of economic agents and which forma certain rules, procedures and indices.

If we turn to research scheme of (Fligstein, 1996), we may give the following chain of institutional mechanism of provision of economic security institutes motivation control.

Nesterenko (1997) notes: "Initially, institutes occur on the base of human instincts and the simplest needs; favoring their satisfaction, they start maintaining themselves and start forming stereotypes of thinking according to feedback principle". As we can see from the scheme, institutes as conventional stereotypes of thinking by determining structure of motivations of interaction between people, influence functioning of economic system, creating distinct sequence and subordination of actions and processes in it. Institutes of venture business activity are a combination of formal and informal rules that allows subjects of venture business activity organize and perform their activity in social and economic sphere. Motivation structure of venture business activity defined direct motives for their actions.

Control mechanism allows developing understanding of economic processes and strategies of action. Effective control mechanism is a warranty of performance of specified rules by individuals. Besides, outlays at rule breaking must be higher than profit at its infringement. Stable work of control mechanism allows creating institutes that are generally recognized and accepted to performance by everyone. Douglass North wrote: "Institutes create basic structures, with the help of which people reached order throughout the course of history and thus decreased the level of their uncertainty" (Nort, 1997).

Thus, we may say that institutes influence the structure of economic agents' motives and are jointly implemented by means of establishment of control mechanisms.

In our opinion, institutional mechanism of economic security must include the following institutes: Institute of assessment of risk and credibility level in economic relations.

Success of economic policy is in many ways defined by the levels of risk and credibility, considered by business entities (Foster and Wild, 2006). In the process of switching to market economy in Russia with occurrence of new institutes and fortification of state's role credibility role increased between market agents. On the other side, the level of external credibility to economy and low risk affects the flow of foreign investments and thus other macroeconomic indices like exchange rate, liquidity level, fiscal capacity, state and corporate debt, inflation, purchasing ability of national currency, possibilities for modernization, competitive ability of domestic enterprises and, finally, human wellbeing. The state should choose flexible policy, directed at lowering of risks of devaluation of internal or external investments that were invested into economy by means of increasing credibility level in economic system. At the same time, there should be found solutions for the issues of independent development of real economic sector. Otherwise achieved level of credibility and risk may decrease at the account of short-term financial strategy of accumulating reserves in the absence of objective base of extended reproduction of wellness, represented by industrial sector.

## **RESULTS AND DISCUSSION**

**Institute of quality of market and state relations:** Within the context of globalization and stiffening of competitive battle for limited resources at the planet Earth, states (nations) are forced to defend their sovereignty. Success of such battle is in many ways defined by the presence of both effective state-controlled bases in the country and people sticking together for achievement of common goal, existence of powerful social institutes (traditions, cultures, religion) (Dolmas, 2007).

That's why, it is obvious that besides market mechanism (competitiveness) it is necessary to consider other dominants of state's development, namely civil society's institutes. Situation in which the market is not able to provide effective development of public sector and this task lies on the state is called market failure. It is particularly evident at initial stages of innovative development, when it is necessary to invest into fundamental science and there are no signs of potential market profit yet.

On the other side, states battle for attraction of foreign investments to their territory by means of market's liberalization, privileged tax and custom policy which provides access to world-class technologies and creates work spaces. This contradicts traditional role of state as a watchman of national companies. Here the question arises: what can be called public benefit attraction of foreign investments and technologies or support of home products and development of domestic science. We suppose there is no absolute answer here. It is necessary to provide flexible and all-around state policy, main aim of which would be increase of public welfare of population.

### **Norms of regulation of economic security level:**

Depending on performed monitoring and assessment of the level of economic security the strategy should be developed that would touch upon the depth of building of horizontal and vertical integration, support of various sectors of economy or interest groups, adequate currency and monetary policy should be developed. In theory, there are two predominant approaches which define the connection of monetary (current) and industrial (modernization) policy.

In literature one may find various names for these approaches. For example, monitorist and Keynesian approaches (Friedman and Schwartz, 1992). In other sources they may be called financial-calculating and organizational-technological approach (Kornai, 1996). The third one is called mercantilist and physiocratic ones, according to terminology of classical political economy.

The approaches differ in many ways, though the main difference in our opinion, lies in objective vector of management of economy. Representatives of monetarist approaches find the main aim in fight against inflation and they justify purely monetary nature of its occurrence. Classical formula of monetary circulation ( $MV = PQ$ ) is according to their opinion, self-sufficient one and it reflects balanced development of the economy. In order industry may develop, price stability should be delivered and, thus, monetary supply should be limited at the market. Only in such case of low inflation rates the country would be attractive for foreign capitals and technologies. At the same time, "excessive" money stock, extracted from the economy would serve as financial buffer in case of possible crisis phenomena.

Supporters of Keynesian approach see the main aim of economy in provision of conditions for industrial production on innovational basis with entries to perspective market niches of new technological style. Struggle against inflation is considered to be minor task which may disappear itself at higher-than-anticipated

growth of goods and services in comparison with money stock. The main thing that should be done by the state is according to them to make credit sources accessible for business and create competitive (favorable) conditions in general. Instead of this, as scientists believe, the policy of sterilization that is being currently implemented is the main reason of economic growth's slowdown. Placement of bonds by Central Bank and attraction of funds of commercial banks for deposits removes investment funds from economy, pushing Russian borrowers abroad. Supporters of Keynesian approach believe that in such conditions innovative development is out of the question. At least, in conditions of fight against inflation should include measures that would limit not monetary factors only (solely monetary policy) but also measures aimed at neutralization of non-monetary factors. Such factors include: non-monetary exchanges (barter), transactions made on a deferred-payment basis (debts). Large structural disproportions (significant dependence of reproduction from fuel and base material sector), monopoly effects in price formation, segmentation of money turnover, "erosion" of capital from rel sector and their concentration in transactional sector, substitution of national currency with foreign currency in circulation. However, monetary methods of struggle continue to be priority ones.

**Norms of exchange of economic stability factors at various levels of economy:** There are various approaches to management of economic resources factors of economic security) in conditions of increasing probability of return of global financial crisis.

Supporters of monetarist approach consider that the reasons of crisis lie in occurrence of surplus of liquidity in economy of the USA which occurred as a result of low credibility to developing markets, capital flow from the countries with increasing currency reserves, policy of low interest rates which in aggregate led to formation of market bubbles, i.e., distorted and overestimated assets of various types (Kudrin, 1997).

Supporters of Keynesian approach while analyzing the reasons of crisis, lay an emphasis on egoistic interests of groups of people of interests, who were responsible for the crisis development as well as on nature of capitalism with crises that occur from time to time, derivative bubble, globalization and monetarism (Kuznetsov, 2008). In order to overcome consequences of crisis that occurred, the researcher recommends to fortify the role of centralized state planning in managing economy and reorient state policy to support of domestic industry, science and education. At this, the researcher provides convincing facts about practicability of planning institute which has

been functioning in developed capitalist countries (France, Germany, Japan) and socialist countries (China).

In order to deploy stable path of state's modernization, it is essential to create conditions (stimuli) for innovative business. For example as calculations show in conditions of 7% inflation and 15% cost of the credit for the project with 2 years term of investments, it is necessary to have 1.5 times more credits for 5 years term 3 times more and for 10 years term is necessary to have 7.5 times more credits. In such conditions priority in investments would be given to short-term projects, during which probability of occurrence of radical innovations would be minimal.

Having significant intellectual potential, Russian economy hasn't yet built preproduction innovative processes on extended basis. Cyclical processes have certain features, the main of which is sufficient supply of resources and productive factors as well as their constant replenishment. The lack of tax stimuli, significant financial losses and low attractiveness of inventive activities decrease the reserves of innovative reproductive cycle.

**Summary:** With the purpose of increasing the level of economic security and improvement of economic policy, we believe that it is necessary to implement a range of long-term and complex measures for development of which it would be rational to use the research scheme, suggested by us: institutes—motivation—control. Having divided carriers of economic relations into three main groups (individuals, organizations and environment) and having detached basic elements of institutional provision of economic security chain (rules, motives, control), it is possible to obtain a kind of matrix, within the frameworks of which principles of new economic policies would be developed which would suit best to the nature of economic relations with consideration of current condition of Russian economy.

With the purposes of formation of institutional mechanism of fortification of economic security there is a need in rules with the following positive effects: for individuals it would be increase in credibility level in the economy as well as the attractiveness of productive activity and cooperation, increase in financing of social spheres; for organizations (enterprises), it would be support of traditional sectors of production and innovatively active leaders, lowering of administrative barriers and level of corruption; for the environment the effect would be expressed in provision of independence of monetary and credit mechanism and financial backing of economy's modernization, development of competitive environment, private-state and insurance principles.

Formulated rules (institutes) would stimulate the occurrence of the following motives: for individuals it would be improvement of general macroeconomic situation, extension of budget funding and social events, support of creativity and patriotism; for organizations (enterprises), it would be restructurization of economic space, formation of balances growth of all sectors of the economy; for the environment it would be participation in creation of alternative world reserve currency, activation of allied customs area and increase of positive trade balance.

At the same time in order to provide stability of suggested system of economic security, it is necessary to control the creation of the following conditions: for individuals formation of the environment in which they could freely exchange information, creation of equal conditions for realization of ideas, support of legislative initiatives for organizations (enterprises) provision of stability and feasibility of formal rules, decrease of monopoly tendencies; for environment development of civil society, automation of state services, advance of publicity of decisions taken.

### CONCLUSION

Economic security is the complex notion and it is connected with such academic and research categories as social and economic policy and its indicators. In our study, we have described three levels of economic security for which various methods of formation and planning of social and economic indices may be applied. Adherence to defined indices and flexible development of social and economic policy lie at the heart of the process of managing economic security in the country. Especially, significant become methods of institutional analysis of selected indicators for various levels of social and economic system.

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