Economic Security as a Condition of Institutional Support of Economy Modernization

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Abstract: The article presents the theoretical aspects of the essential-conceptual approach to the notion of the category of "economic security", there are considered different perspectives on the process of its terminological apparatus in the modernization of the economy. The authors identified current trends and patterns of institutional support of modernization of the economy in the emergence of new threats. There are highlighted the conceptual approaches to the systematization of methods and mechanisms to protect the economic interests of businesses. The main directions of institutional sustainable ecological and economic development at the macro level are defined.

Key words: Ecological and economic security · Threats · Conceptual approach · Modernization of economy · Criterial evaluation method

INTRODUCTION

The multifaceted nature of changes occurring in the current socio-economic system leads to the need to create an institutional approach in solving problems of providing economic security. This is due to the emergence of qualitatively new aspects of the concept of "economic security" in terms of institutional transformation of the Russian economy. Russian and foreign scientists have made significant contributions to the theory of economic security. However, the formation of its terminological apparatus is not complete yet. Modern problems of economic security are associated with the emergence of its new challenges and threats, addressing issues for their prevention, as well as institutional sustainable ecological and economic development and economic growth [1]. This leads to the need to find new conceptual approaches to the establishment of methods and mechanisms for the protection of economic interests, as well as a system of indicators to measure the level of economic security.

Purpose of the Research: The purpose of research is to study the system of economic relations associated with institutional economic security at the macro level in terms of economic modernization. The compilation of scientific works made it possible to identify three areas of research of macroeconomic aspect of economic security: firstly, the systematization of methodological approaches to clarify the essential characteristics of economic security, secondly, the identification of key areas of institutional support of the economy in terms of its modernization, thirdly, the rationale for methodological apparatus, a system of criteria and methods for assessing economic security.

MATERIALS AND METHODS

To examine and analyze the economic security there are used the materials of Rosstat, Bank of Russia, IMF, Deutsche Bank Research, British Petroleum, Bureau of Economic Analysis, World Trade organization, Forest and Agriculture organization (FAO) of the United Nation, calculations of the Center of Financial and Banking of the...
Research Institute of Economics of the Russian Academy of Sciences as well as research results of Russian and foreign authors. To determine the level of economic security at the macro level there used the criterial method to assess the economic and political stability, the sustainability of socio-economic situation, the possibility of confrontation between internal and external threats.

RESULTS AND DISCUSSION

Economic security is a multifaceted concept explored from the viewpoint of different scientific perspectives and approaches. From the perspective of foreign authors, this category reflects the increasing importance of safety in all areas of society, especially the economy, due to the increase in the global role of risk factors, uncertainty, eventuality and interdependence [2]. The compilation of existing methodological approaches in relation to the essential-conceptual notions of the category "economic security" has shown that it is defined as security, state, a set of measures, a set of conditions and factors [3]. Also, sufficiently broad definitions are used on the object of economic security which implies the economy, the national economy, resources, economic agents. Even more blurred is the interpretation of the list of features (characteristics) of economic security.

Most Russian researchers define economic security in accordance with its definition in the Federal Act of March 5, 1992 ¹ 2446-1 «About safety." Security means the state of protection of vital interests of an individual, society and the state from internal and external threats (Part 1 of Art. 1 of the Act). In particular, L.I. Abalkin [4] highlights the components of the system of economic security in terms of its understanding as a combination of conditions and factors to ensure the independence and stability of the national economy. In our view, such understanding of economic security allows to allocate not the constituent elements of the system of economic security but its immanent properties.

Other Russian researchers [5, 6] by the economic security mean the most important characteristic of the economic system defining its ability to maintain normal living conditions of the population and the implementation of national and state interests. In this case the criterion of economic security is the least total damage to society, the economy, an individual. So, V.K Senchagov [7] defines the economic security as a condition of the economy and government institutions, while providing guaranteed protection of national interests, socially-oriented development of the country as a whole, sufficient defense capabilities even under the most unfavorable external and internal scenarios of its development. A.E. Vorobev, G.A. Balykhin and V.I. Komaschenko [8] adhere to the same point of view, understanding by economic security "protection of economic interests of the state and its economic sovereignty from discrimination and economic domination implemented in the form of economic sanctions and prohibitions and restrictions, as well as internal threats to the economic potential of the state in unstable economic relations and restructuring of the system."

In our view, the protection of national interests is ensured by the ability of government institutions to create mechanisms for the implementation and protection of the interests of the national economy, maintaining social and political stability of the society. The definition of economic security as a specific state security reflects only the static system, while the economic security continuously reproduced from the operation of the system itself as well as its response to external and internal threats. Economic security should be considered in the dynamics [9] not only as a reproducible characteristic of the system itself but also as a characterization of its interaction with the environment. In determining the economic security as a condition of protection [10] mainly reflected the socially necessary result rather than the dynamic process that is more consistent with the concept of "security providing."

S.V. Blokhin [11] understands the economic security as a "sufficiency of the required level of national security by its own financial and other necessary resources, the creation of favorable conditions for economic development and improvement of the country's competitiveness, balance and protection of the vital interests of an individual, society and the state in the economic sphere from internal and external threats". Such a definition of economic security is not specific enough and requires further clarification of concepts such as "sufficiency" and "required level."

V. Roubanov considers economic security as "the ability of the national economy to ensure the welfare of the nation and the stability of the internal market regardless of the action of external factors" [12]. A similar position is taken into account by V.H. Cukanov [13] characterizing economic security "as the most important qualitative characteristics of the economic system that determines its ability to support special measures using the normal living conditions of all of its constituent elements, stable, independent, competitive..."
existence with a steady progressive development.” This approach to the understanding of economic security had the potential to account for the fact that security describes not only the system itself but also its interaction with the environment. However, the emphasis hasn’t been done in the considered scientific position.

Economic security is linked with the state of the economy, which is characterized by a high level of stability of the socio-economic system as well as the protection of national, regional, municipal and personal economic interests in the adverse effects of internal and external environment. Given the common allocation levels in the economic system, economic security can be seen as a multi-tiered system with the most conceptualized different positions. For example, R.F. Ismagilov [14] on the basis of economic relations between different levels of offers to provide the following levels of economic security: the economic level of the family; sectoral level, micro-, meso- and macro-levels. V.A. Bogomolov [15] does not explicitly allocate levels of economic security, stressing that this concept can be attributed to the different subjects of society: citizens, businesses, national economies and the state in general. From our perspective, the system of the economic security can be represented as a three-tier structure: the lower level—the material basis, the average level—the institutional and legal framework and the upper level—measures to ensure economic security.

The above definition of the category of "economic security" indicate the absence of its uniform understanding in the scientific community. We systematized methodological approaches to the category of "economic security" (Table 1):

An important methodological issue in determining the essential-conceptual notion of "economic security" is the problem of the transition category "threat" to "danger." The concretization of this approach is due to the adoption a special border line as a criterion for security, as an indication of the critical state of socio-economic system beyond which there is a threat, or degradation and destruction of the system.

The complexity in structuring the category of "economic security" causes the appearance of various approaches to systematization of its components.

### Table 1: Classification of methodological approaches to the definition of the category of "economic security"

<table>
<thead>
<tr>
<th>No</th>
<th>Classification feature</th>
<th>Decisive importance in the definition of economic security</th>
</tr>
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<tbody>
<tr>
<td>1.</td>
<td>On the subject of economic security</td>
<td>- Vital interests of an individual, society and the state in the economic sphere;</td>
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<tr>
<td></td>
<td></td>
<td>- National interests;</td>
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<td></td>
<td></td>
<td>- Economic interests;</td>
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<tr>
<td></td>
<td></td>
<td>- National economy (or the economy);</td>
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<tr>
<td></td>
<td></td>
<td>- National (or) people’s economy;</td>
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<tr>
<td></td>
<td></td>
<td>- Economic entities.</td>
</tr>
<tr>
<td>2.</td>
<td>On the desired characteristics of the object of economic security</td>
<td>- Without specifying characteristics;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Independence;</td>
</tr>
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<td></td>
<td></td>
<td>- Stability;</td>
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<td></td>
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<td>- Sustainability;</td>
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<td></td>
<td></td>
<td>- Development (progressive);</td>
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<td></td>
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<td>- Production of the maximum amount of economic resources per capita;</td>
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<td></td>
<td></td>
<td>- Level of legal income.</td>
</tr>
<tr>
<td>3.</td>
<td>On the mechanism of economic security</td>
<td>- Without specifying the mechanisms;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Budgetary, tax, monetary and investment policies;</td>
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<tr>
<td></td>
<td></td>
<td>- Institutional, legislative and enforcement, organizational and economic measures.</td>
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### Table 2: Components of the system of economic security of countries

<table>
<thead>
<tr>
<th>National Security Concept</th>
<th>Economic security</th>
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<tbody>
<tr>
<td>Threats to national security</td>
<td>Threats: Loss of productive capacity due to the high depreciation of fixed assets; Government debt (internal and external); Corporate debt; High poverty rate; Capital flight; Low innovation and investment activity; Inflation including hidden and expected price increase</td>
</tr>
<tr>
<td>Indicators</td>
<td>Total 150 indicators; 19 of them are key indicators</td>
</tr>
<tr>
<td>Organizational ensuring structure</td>
<td>Security Council; Management of social and economic security Interdepartmental Commission on Security in economics; Section of the Scientific Council; Russian Security Council on Economic Security; Federal agencies responsible for economic security</td>
</tr>
<tr>
<td>Legal provision</td>
<td>Security Act; National strategy on economic security; Anti-currency regulation and currency control; Act on &quot;dirty&quot; money laundering; Regional executive authorities</td>
</tr>
</tbody>
</table>
Several researchers consider economic security as a system that reflects basic conditions and factors of economic development in its structure [16, 17]. In our opinion, such approach to the economic security of the system allows us to consider it only as a simple set of factors in the successful development of the national economy. Since the system of economic security has similarities with other more traditional security, in particular, ensuring the defense, it becomes appropriate to use reasonable analogy to related systems when forming elements and economic security mechanism.

One of the most important components of economic security is a socio-economic security which is defined as a public institution combining the legal framework, institutional structures and behaviors that allow to negotiate and protect the interests of citizens, economic entities, state and society in order to share the social reproduction and development in the context of rapidly changing environment, as well as opposition to emerging threats. In modern conditions the social and economic security is called to ensure sustainable economic development, eradicate poverty and corruption, achieving high social standards, mutually beneficial cooperation with international partners.

The system of economic security includes seven sections: concept and strategy for national security, national interests of Russia in the sphere of economy, threats to the economy, indicators of economic security threshold indicators, organizational structure, legal economic security (Table 2).

The Center of financial and banking research of the Institute of Economics of Russian Academy of Sciences offered a list consisting of 150 basic indicators of economic security of the state as well as their thresholds whose comparison provides the ability to analyze its various components [18]. S.U. Glazyev [19] in his study uses a scorecard consisting of 22 key macroeconomic indicators. The evaluation criteria and indicators of economic security are the basis for determining the integrated assessment of economic stability and sustainability [17] of a state as well as determining the effectiveness of measures to ensure their economic security.

In accordance with the concept developed by the Institute of Economics, RAS, to assess the level of economic security at the macro-and meso-levels there are allocated 19 indicators that reflect its most important sides in the real economy, the financial sectors of economy and social sphere [20]. Thresholds indicators reflect the critical points in the economic development beyond which it indicates emerging threats and destructive tendencies in the economy and the social sphere.

To regulate the sustainable economic development and provide an estimate of economic security in Russia the system of indicators is used [21] describing its place in the global economy, including in the population, reserves and production of minerals, forest resources, financial and banking assets, exports and imports, world GDP and GDP per capita. They reflect the gap between the indicators characterizing, on one hand, the territorial space and natural resource potential and on the other hand, financial potential, GDP and international trade and above all, the level and quality of life. The analysis of the socio-economic situation in Russia has shown that in recent years many imbalances in the economy worsened, especially in the social sphere [22].

The National Security Strategy of Russia until 2020, approved by Presidential Decree of May 12, 2009 N. 537 highlights the main characteristics of its quantitative assessment of the unemployment rate, the decile coefficient of differentiation, the growth rate of consumer prices, the percentage of public external and domestic debt to GDP, the level of resources for health, culture, science and education as a percentage of GDP, the annual renewal of arms, military and special equipment, as well as staffing of military engineers and technicians [23]. The list of the main characteristics of the state of national security may be adjusted based on the results of monitoring the state of national security. The changes in the structure of the main macroeconomic indicators may be caused by changes in the proportions of the economic system [24]. In our opinion, the above list of basic quantitative characteristics of the state of Russia's national security is indicative as it includes only consolidated figures, the more that the threshold values are not given in the Strategy that does not allow for comparative analysis and evaluation of economic security.

In our opinion, the most effective system of indicators for assessing the economic security indicators are proposed by the Center of Financial and Banking Research of the Institute of Economics, RAS, consisting of four groups: macroeconomic indicators reflecting national interests and their thresholds approved by the Ministry of Economic Development, the thresholds of functional and sectoral levels approved by the relevant ministries, the threshold levels of economic security at the meso-level [25]. The Russian Security Council approved the official list of the threshold levels of economic
security consisting of 12 main socio-economic indicators of the Russian economy which reflect its critical points. Their excess leads to market distortions, forming damaging trends in production and a drop in living standards.

The strategic goal of Russia in the long term is to turn it into one of the leaders of the global economy, reaching the level of developed postindustrial countries. The realization of this goal involves reaching welfare standards appropriate to the level of developed countries, ensuring scientific and technological leadership in areas forming competitive advantages and Russia's national security. The analysis of the main socio-economic indicators of living standards in Russia shows that the welfare of its citizens over the last 10 years has improved. At the beginning of 2013 the growth rate of real income amounted to 111.5 %, pensions-105.3 % and the decline of number of population with incomes below the poverty level of 13.6 %. This indicates the presence of a component of economic efficiency in improving the standard of living of the population [26]. You can also select negative trends manifested in the fact that every fifth citizen of Russia has incomes below the subsistence minimum level with increasing income inequality. On 01.01. 012, the funds coefficient was 16.8 and the Gini coefficient-0.42 [27]. This means that for a large part of the Russian population escalates the matter of survival. Against this background, there continues to remain tense demographics. In 2012 compared to 1990, the population decreased by 4.61 million people, but life expectancy has increased only to 0.1 year [28].

In the context of globalization, the economic security can not be achieved outside of the world economic context. The global economic crisis of 2008 confirmed the need for a coalition approach to evaluating the economic security of Russia. It showed that the decline in world economic growth reduces the demand for raw materials exported from Russia and their price, while increasing pressure from imports to the Russian market. The inflow of foreign capital, primarily, speculative portfolio, changed by its outflow. The U.S. economy and the EU is not a base of stability of the world economy and the dollar and the euro are not a guarantee of stability of the global financial system.

The monitoring of financial stability must be predictable [29]. This necessitates the creation of a new architecture of the global financial markets and international economic relations through the establishment of regional financial centers and reserve currencies in the global economic security. At the present stage of social development, the market fundamentalism, according to which the unregulated free market itself recovers its equilibrium, it becomes unacceptable category. The state should strengthen its regulatory functions, increase budgetary investments, buy bankrupt financial institutions [29]. This will create preconditions for the transition to the new regulated and socially oriented market system, development of effective policies to prevent economic failures.

The economic literature has repeatedly raised the issue of disparities in the development of the Russian economy [30]. The fuel and raw material orientation of Russian production and exports is a threat to the stability and functioning of the economy. However, this problem was underestimated by the government. This led to the fact that the Russian industry entered the global crisis with extremely backward and inefficient industrial structure. For the U.S. economy, as well as for other socially and economically developed countries, the characteristic features of the branch structure are high (over 80%) share of manufacturing industries and leadership among the last major investment sectors-mechanical engineering (40%) and chemistry (about 13%). The predominance in the economic structure of manufacturing industries provides high stability and profitability of public production.

The comparative evaluation of the sectoral structure of the industry in Russia showed that in 2012 the share of electricity accounted 9.3 %; the fuel complex-18.4 %; metallurgy-18.2 %; timber, woodworking and pulp and paper-4.7%; chemical petrochemical-9.6%; engineering and metalworking-18.1 %; light industry and food-18.1%. The similar structural imbalances are observed in exports. Russia accounted for more than 10 % of world exports of crude oil, 50 % of natural gas, 33% of tin ore and more than a half of ores and tungsten concentrates, niobium, tantalum and vanadium. However, about two thirds of Russian exports go to the fuel and energy complex. In manufacturing industries a significant decline is experienced in production and sales of industrial and domestic equipment as well as the production of chemical, light manufacturing and food industry [22].

Business activity of Russian companies fall short in various sectors of the economy [31]. According to Rosstat, in 2012 from 406 major industrial products of manufacturing industries there recorded a decline in production by 386 positions ( 90% of product groups) [22]. In the structure of material production it has been steadily increasing the share of the fuel and energy complex and metals, but the share of machinery and
industries operating in the domestic market is shrinking. While the share of new modern industries (microelectronics, information technology, biotechnology and nanotechnology) still occupies a small place (9.8 % versus 87.3 % in developed countries). Russia is characterized by a low level of diversification of industries. In developed countries, the number of sub-sectors and industries in machine reaches 150-200, in Russia this figure does not exceed 10-15 [22].

Thus, we can speak not only about the continuing backlog of sectoral structure of the Russian economy from the economies of the leading countries of the world, but its extreme instability influenced by market fluctuations. The structural backwardness of the Russian economy entails its instability and limits the possibilities for further development. Revenues from sales of minerals and energy are entirely determined by market conditions and do not depend on the efforts of manufacturers. This means that the technological breakthrough in the use of new construction materials and fuel sources, the development of resource-saving technologies can reduce the need for mineral resources and lead to a significant drop in their prices. Even in a period of relatively high prices for raw materials and fuel, the energy raw materials orientation of the Russian economy leads to a significant loss of revenues due to its unfavorable terms of trade.

The main reason for the low competitiveness of the Russian economy is the declining share of manufacturing industries in the industrial structure. Currently, only 6% of manufactured products can compete in foreign markets. Given the relatively low cost of labor in Russia, this situation can be explained by a lag and other elements of a competitive production profile: poor product quality, considerable costs of fixed and working capital. This is explained by technological backwardness of manufacturing industries and high tariffs of natural monopolies. Lag parameters of product quality is especially noticeable in the production of electrical engineering and machine tools, agricultural and transport industries. This leads to low profitability of manufacturing industries and, as a consequence, the lack of funds for their further development.

The highest rates of competitiveness, except extractive industries, are observed in industries with a low degree of product processing (metallurgy, basic chemistry, forestry and wood processing). Russia has a very strong international position in ferrous and nonferrous metallurgy, electric power, petrochemical, timber and defense industries, medium-in the aircraft industry, chemical, automobile and shipbuilding, mechanical engineering, instrument, weak-in electronics and textile industries.

For investors, the most preferred are the extractive industries as they have not only a great investment opportunity but also they are the most attractive for the stock market. In the current investment structure for the manufacturing industry accounts for no more than 17 % of the total investment in fixed assets. A similar situation exists with foreign investment accounting for about half of the volume of domestic investment. The scale of foreign capital in various industries are insufficient. In our opinion, the critically low level of investment in industries not related to the export of material and energy resources can lead to a sharp reduction in industrial and technological base of these industries and further reduce their competitiveness. This will entail a decrease in production in manufacturing industries, increase in imports and increase in the balance of payments of the country. The decline in production will affect the decline in employment and income. In these circumstances, the state policy should focus on the development of the productive capacity of the domestic industry [32].

In Russia’s National Security Concept states that threats to the economy are complex. They are caused by the weakening of the scientific-technical and technological potential of the country, economic disintegration, social differentiation, the devaluation of spiritual values, criminalization of social relations, increasing terrorism and organized crime [33]. The concept of national security the listed threats are not fully disclosed, which does not allow the state to develop a unified approach to neutralize them. It also highlights the main threats to the economy at the meso-level, as well as economic and tax crime, non-observed economy. Many real-world threats to economic security is not defined either in the State Strategy for the economic security of Russia, nor in the National Security Concept of the Russian Federation.

Since the adoption of the above documents, the economic, social and political situation in Russia has undergone significant changes; many threats to economic security has faded and been replaced by new ones. Among the new types of threats are the increasing monopoly power of large oligarchic capital, its political aspirations, attempts to exert pressure on the state and regional authorities. Destructive oligarchic elites on the economic level is manifested in large-scale violations in the area of privatization, criminal bankruptcies of large
public and private organizations for the benefit of redistribution, seizure of property and unauthorized export of capital, increasing the number of economic crimes [33]. Potential threats to the economy represent the interests of large corporations and financial-industrial groups. The damage from their activities caused by monopoly position of corporations, unfair competition, the creation of schemes of tax evasion [33], the corruption influence on regional authorities. This reduces the competitiveness of regional economies and in high job insecurity [34] generates a "gray" labor market, contributing to the development of shadow forms of economic relations.

New threats to economic security are associated with a reduction in the investment attractiveness of the regions on whose territory terrorist acts are practiced and legal financial structures are used not only to finance the activities of terrorist organizations but the researches aimed at developing weapons of mass destruction. Serious threat to economic security represent the development of organized crime in the sphere of economy and unobserved forms of economic relations [33]. The emergence and expansion of economic crime due to the current economic system of Russia’s economic policy failures, institutional vacuum. Economic crime in Russia has become an integral part of economic life and penetrated all the financial and economic structures and economic spheres. Non-observed economy leads to a distortion of market relations, disparities in the use of natural and industrial potentials, the destruction of economic space, destructing the regional economic system. According to the police, non-observed economy in Russia reaches 45% of GDP, while official statistics cover only 22-25 % of GDP [22].

The research showed that the criteria of economic security remain constant, as they suggest maintaining the status of protection of vital interests of the economy and the population and its factors and conditions are changing, reflecting the processes of transformation of the economy, which leads to the emergence of new threats to the progressive development of the socio-economic system of Russia.

**CONCLUSION**

Economic security is a critical component of national security. The analysis of conceptual approaches to the study of the essential characteristics of the economic security showed its multidimensional nature. Each of them has a right to exist, as it reveals different sides of this category. The basis of the formation of a strategy of economic security is a system of national economic interests as a set of internal and external needs of the state in ensuring the security and sustainability of economic development at all levels of the socio-economic system. To identify the main elements of the economic system, there are defined the security priorities of economic development, which are reference points in the formation of the concept of the national economic security of Russia.

To assess the level of economic security of Russia, there is developed a system of indicators and criteria characterizing various aspects of socio-economic development of the country. It is open-ended. The set thresholds of economic security have the status of accepted or approved at the state level and accounted for in the projections and socio-economic development as well as in the development of budgets.

The main priority of the economic security and sustainable economic development is a priority of the social sphere and the industries associated with the formation, maintenance and development of human capital. The economic security of Russia and its sustainable development is carried out by implementing the policy of economic stabilization. This means overcoming the imbalances of the economy as a meso-and macro-level by increasing output growth, employment, reduction of inflation. For the modern Russian economy is characterized limited capacity to overcome the crisis in the economy owing to the underdevelopment of market instruments, the lack of a system of economic policy orientation on the macroeconomic experience of countries with developed market economies and weak account of the specifics of the national economy.

In the context of the rule of law establishment and the transition to the market economy, social and production relations must be regulated by law. It is necessary to establish a reliable socio-legal framework for fastening legally the system of norms and principles of ecological and economic security at the meso-level and the formation of cross-cutting indicators from the micro to the macro level to meet the needs of different users of the information [35]. The change in the economic system in Russia has led to the fact that many areas of activity that used to be exclusively in charge of the state, passed to the nonstate sector, which leads to increased risks of various kinds. This requires overcoming the social and economic contradictions [36].
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