Theories explaining corruption in post-communist countries[1]

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Abstract: This article is looking at theoretical approaches to the study of corruption and tries to answer the question what could be the reason behind differences in the level of corruption between post-communist countries and established democracies in Europe on the theoretical level. First, this article discusses the problems of the definition of corrupti on. Next, this article presents the most important theories explaining corruption from the sociological point of view. This article will focus especially on norms (which are connected to rational choice, theory of 'bad apples' and 'bad barrel' and to criminological theories), on values (Max Weber, Inglehart and his theory of post-materialism), and finally on the extensive literature on corruption omitting any kind of theory. This paper will conclude with a discussion about which theories could explain the different levels of corruption in different countries.
Keywords: corruption, democracy, post-communist countries, criminology

Introduction

Corruption is perceived as one of the most serious threats to society, democracy, and to good gover- nance. As some authors suggest (Rose, 2001, p. 105; Rose-Ackerman, 1999), corruption is the greatest obstacle to progress and to democratization in post-communist societies. Corruption decreases the quality of the public sector in many areas, can be an obstacle to democratization and can even trigger civic unrest (Brown, Touchton, & Whitford, 2011; Pellegata, 2012; Rose-Ackerman, 1999). Corrupti- on distorts the formal system of rules and governance (Scott, 1972, p. 2). Moreover, as Karklins adds (2005, p. 4)., corruption involves the loss of equal access to public power and position, which distorts the norms of equality and that leads to a loss of public trust and belief in the political system. In sta- tes, where the democratic norms and institutions are still in process of building, the distrust to public officials can be translated into disbelief of democracy per se. Corruption is also dangerous from the economic point of view. It can be a barrier to economic growth (World Bank, 1997b), it also negatively impacts the ratio of investment to GDP (Mauro, 1995; World Bank, 1997a) and the level of foreign investment (Wei & Wu, 2001). Corruption can also contribute to an uncertain business climate, can hold back state reform and can nourish organized crime (Rose-Ackerman, 1999, p. 17).

One would expect that European countries could have similar development of corruption, being culturally similar (on a global comparison) and geographically very close to each other. Howe- ver, political and economic development of European countries in open manner was interrupted when communist regime divided Europe into west and east for almost half of century. States under communist regime developed under very different conditions. Today, 25 years after the fall of the iron curtain when Europe was reunited, thanks to the European Union and to globalization the countries
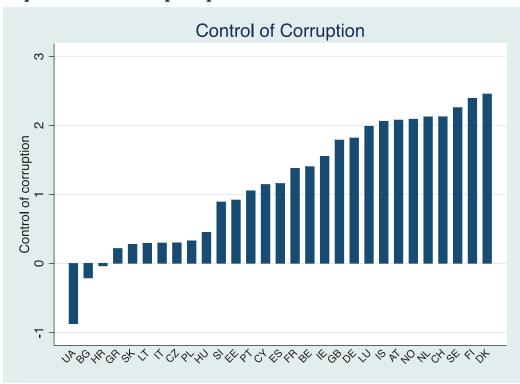
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are influenced by each other and united as never before.

However, even after 25 years, European countries with a communist history have in general higher levels of corruption (Shleifer, 1997) than the rest of Europe and political corruption is there in fact a serious problem (Karklins, 2005). This article is trying to answer the question why post-communist countries still suffer from high corruption levels and what could be the root of this problem.

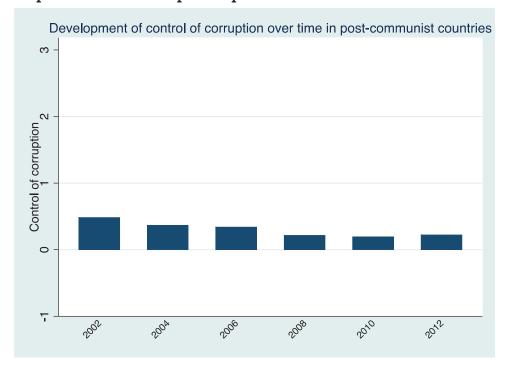## European countries with a communist past

Even though corruption in Europe in general is very low, especially in Scandinavian countries, post--communist European countries are an exception with levels of corruption consistently high (graph 1). Research and data show that in authoritarian regimes the level of corruption is higher than in democratic regimes, however, surprisingly, there are mixed results of the effect of democracy on the level of corruption concerning transition to democracy (Blake & Martin, 2006; Pellegata, 2012; Treisman, 2000). Brown (2011) presents the hypothesis that the effect of democracy on corruption is nonlinear and that for this reason the results describing the effect of democratization on corruption are mixed. According to Pellegata's analysis, countries that are moving from non-democracy to democracy (hybrid mode) have the level of corruption higher in the beginning of the transformation than they had in non-democratic regime.

Graph 1. Control of corruption, pooled data

Source: World Bank. Average control of corruption 2002-2012. Control of corruption shows how the countries are successful in controlling corruption, the indicator goes from -3 to 3, while 3 indicates that country is successful in controlling all of the corruption.

Researchers expect that the transition, with the distortion or even absence of the former rules, bring more possibilities to corrupt activities. However, over time, the level of corruption starts slowly declining thanks to enforcing new rules and laws (Pellegata, 2012). This theory is supported by findings of Triesman, whose regression model shows that the current level of democracy does not have any effect on the level of corruption, but long exposure to democracy lowers corruption (Treisman, 2000).

Graph 2. Control of corruption in post-communist countries

Source: WB Governance Indicators. Average control of corruption indicator in post-communist states. Control of corruption shows how the countries are successful in controlling corruption, the indicator goes from -3 to 3, while 3 indicates that country is successful in controlling all of the corruption.

However, as shown in graph 2, the average control of corruption in post-communist countries does not decline in time, quite contrary, there is slight decrease in the control of corruption. According to Johnson (2005, p. 31) democratization in Central Europe has not reduced corruption.

So why it is that post-communist countries in Europe did not manage to lower their corruption levels, as one would expect? In this article, the possible answers to this question will be offered.

Definition

First, to be able to study corruption, it is important to define it. Even though there exist many different definitions of corruption, there is still none that would be agreed on by the entire academic community. Corruption can be observed on a grand level where politicians and international players are involved, on a business level, or on the individual level as petty corruption, when the general public gets involved. There are also several different forms of abuse of power by public officials such as bribery (giving recompense to a recipient in exchange for an alteration of their behaviour), cheating, conflict of interest, manipulation, nepotism (a civil servant gives a position in his office to a relative rather than to a better-qualified applicant), clientelism (exchange of goods and services for political support), or patronage (political party which wins the elections removes office-holders supporting opposition party) (Heidenheimer & Johnson, 2002, p. 27). Corruption can be defined by the law, or by the affected public, by the public opinion, by the leaders, or by the people actually holding public office. Every definition or perception of corruption can be different according to the exposure to, involvement and experience with corruption. The very understanding of corruption can be, and most surely is, culturally determined and therefore vastly diverse across different countries, thus making definition even more difficult (Charron, Lapuente, & Rothstein, 2013, p. 22). What is understood as corrupt beha-

viour in one country may be considered as a standard behaviour in another country[3]. Some authors argue that corruption is researched only from the western point of view and that the conclusions do not fit to different cultures, on which other authors argue that the right for fairness should be universal (Rothstein & Torsello, 2013), which is true, but I believe that the approach to combat corruption must be different in different cultures. Also for this reason, this paper is focusing only on Europe, which shares common history and similar culture, because comparing countries, which are more different from each other, might lead to bias. On the other hand, even in such small area as Europe with very homogeneous culture, the historical consequence of communism is so important, that the reasons and development of corruption are probably very different in these two groups of countries.

One of the most straightforward and clear attempt to conceptualize corruption was done by Heidenheimer et al., who published a typology of corruption in which they described three ideal-types of corruption based on previous research (Heidenheimer, Johnson, & Levine, 1989). First ideal type is public office-centered corruption, which is a behaviour, which "deviates from the normal duties of a public role because of private-regarding (family, close private clique), pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence. This includes such behaviour as bribery (use of reward to pervert the judgment of a person in a position of trust); nepotism (bestowal of patronage by reason of ascriptive relationship rather than merit); and misappropriation (illegal appropriation of public resources for private regarding uses)." (Nye, 1967, p. 419) This definition seems plausible, however, as Heidenheimer et al. warn, they might be different reasons for corruption than those mentioned by Nye, such as gain for political party or other body and moreover, corrupt practices do not have to necessarily violate any formal rules because many countries differ in the law definition of corruption (Heidenheimer & Johnson, 2002, p. 26).

Second type of definition of corruption is market-centered, as Van Klaveren says: "A corrupt civil servant regards his (public) office as a business, the income of which he will seek to maximize. The office then becomes a "maximizing unit". The size of his income depends upon the market situation and his talents for finding the point maximal gain on the public's demand curve." (Heidenheimer et al., 1989) This definition derives from the rational choice theory and has the same flaws as rational choice theory, as discussed later.

Finally, Public Interest-centered corruption definition by Friedrich, who says: "The pattern of corruption can be said to exist whenever a powerholder who is charged with doing certain things, i.e., who is responsible functionary or officeholder, is by monetary or other rewards not legally provided for, induced to take actions which favour whoever provides the rewards and thereby does damage to the public and its interests." (1966) The Friedrich's definition is looking at corruption in the similar manner as the World Bank which states that corruption is "the abuse of public power for private benefit" (World Bank, 1997a). This definition does not distinguish the motivations behind the corrupt activity but provides a clear-cut guideline to further research. However, even this definition is not perfect the motivation for corrupt behaviour does not have to be for one's own private gain, but for the benefit of one's party, friends, family and so on (Tanzi, 1998). Even though each of these definitions embraces the meaning of corruption from a different angle, none of this definition is perfect and complete.

For the purpose of this article, I will be using the third type of definition, the public-interest oriented, more specifically, the World Bank definition "the abuse of public power for private benefit" because this definition is the most widely used in the texts theoretically and empirically focusing on corruption (World Bank, 1997a).

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3   For various theories and research addressing this topic please see (Bukovansky, 2006; Heidenheimer & Johnson, 2002, p. 27, 36; Rothstein & Torsello, 2013).

Theories explaining different levels of corruption in countries

There are many theories that try to explain the causes of corruption and to answer the question why in some societies corruption is more widespread than in others. Many of the texts dealing with corruption are connected to theories using either norms or values. First group of theories connected to norms include criminological theory, the theory of social disorganization, theory of 'bad apples' and 'bad barrel', and rational choice theory. Theories connected to values are Weber's protestant ethics and Inglehart's modernization theory. Finally, third group of texts is not connected to any theories, as it is rather empirical statistical work of correlations. Even though this group does not in most cases refer to any theory, in order to cover the most used approaches to study of corruption, I will present the most important findings of this group of authors as well.

Norms

Norms are defined as shared understanding about actions that are obligatory, permitted, or forbidden within society (Ostrom, 2000). Theories referencing to norms in the research of corruption are usually combining micro perspective and macro perspective. Norms exist on the level of society, however, there are internalized by an individual, and individual's behaviour is reciprocally influenced by norms. Corruption is then behaviour of public officials, which deviates from the norms. The literature studying the relations between norms and corruption is inconclusive, some authors argue that social norms influence corruption (Fisman & Miguel, 2007; Rose-Ackerman, 1999), however, there are also results showing that the relations between corruption and norms are not that straightforward (Cameron, Chaudhuri, Erkal, & Gangadharan, 2005; Kapoor & Ravi, 2012). Below are presented authors, which analyse the relations between norms and corruption in post-communist societies. Majority of them argue that norms concerning corruption are different than norms in countries, which have never experienced communist rule.

Criminology

First set of theories, which can help us with untangling the problem of corruption, is connected to criminology and especially to the Chicago School. It is argued that the social life is regulated by norms; therefore, an individual's behaviour is more or less expected. When a person does not act according to norms, he or she is sanctioned. In the case of corruption, we can say that the norm in established European democracies is to not being corrupt. When a person bribes, he or she is sanctioned not only by the law, but also by society. However, a different situation can occur in the case when the whole system is deviated, then everybody acts against the norms and nobody is being punished. The Chicago School named this phenomenon social disorganization. Social disorganization occurs when pathological behaviour includes everybody, not only deviant individuals, it is the deviation of the system. We can hypothesise that this happened in the case of post-communist countries, so many people started being corrupt, that corruption became the norm itself.

A similar logic of reasoning, however from a different point of view, offers 'bad apple theory'. People believe that it is the bad apples (individuals) in the barrel (society) that are rotten (corrupted), that only deviant individuals would act against the law. The flaw of this theory is that it is focusing only on the individual and his or her motivations. Why then would it be that in the post-communist countries are more people who are corrupted than in the rest of Europe? Why there are consistently more bad apples? The alternative theory suggests that it is not the bad apples, but rather bad barrel that plays an important role in this problem. For example Zimbardo believes that good people can be turn into evil ones when being in a bad environment (2007). This could explain the different levels of corruption between post-communist states and the rest of Europe. Moreover, as many authors argue, corruption could be contagious (Klitgaard, 1988). When a person comes into contact with society,
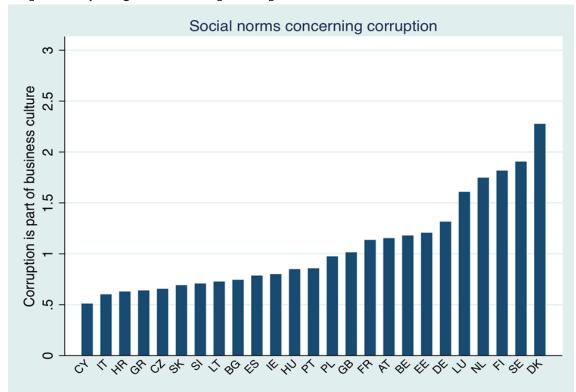
which has corrupted norms, he or she has a big risk of becoming corrupt him or herself, due to the fear of betraying the norms of the society and being sanctioned.

Rational choice theory – game theory

Rational choice theory argues that every individual first weights the gains and costs and then acts in order to maximize the utility and minimize the costs. A public officer therefore decides whether the possibility of being caught is greater than the enjoyment of money he was offered, and acts accordingly. This theory was supported by Rose-Ackerman who argues that the reason for corruption is precisely the fact that public officials believe that expected advantages outweigh the expected costs (1978).

Game theory derives from the same line of thinking as the rational choice theory. Game theory looks at the decision making of an individual when collaborating with a different person. One of the most famous applications of the game theory is the Prisoner's dilemma. In the classic prisoner's dilemma situation, there are two prisoners and each of them goes through interrogation. If one betrays the other, he/she goes free, however, if both of them betray the other one, they serve very long sentence in prison. But if none of them betray the other, they both serve short sentence. The variation of a prisoner's dilemma can be applied to the evolution of norms as well. In their article Bendor and Swistak define social norms as "behavioral rules that are backed by sanctions" (2001, p. 1494). If one violates social norm, he or she would be avoided or ostracised. There have to be sanctions from the third party so the norms would be stable. They present very interesting theory of the evolution of norms, which derives from the game theory. They argue that norms are developed through the repetitive game. When one person betrays the other one, the third party sanctions him or her. When this game is repeated enough times, the behaviour of not betraying becomes the norm. Better norms survive in the society while worse wither away. This understanding of norms can be used in the study of corruption; for a short term, or in countries where the system is not based on fairness, such as in autocracies or in communism as in our case, it is convenient to be corrupt. However, for the longer period of time or for countries, which are democratic and have the rule of law, it is more convenient to be honest. In communism, being corrupted could be rational and maybe even the best decision not only for the individual. Some social scientists even argue that corruption can be good in some cases for the society as a whole. When the laws and public office in the country is not fair and does not guarantee equal access to services, corruption can substitute for this. For example in developing countries corruption could be beneficial for all because it can help the economic system to function more properly (Flatters & Macleod, 1995). Being corrupt itself became a norm during communism and it takes time to change norms. After the fall of the iron curtain, thanks to emergence of democracy and the rule of law, new norms such as being fair, treat everybody equal, and integrity, slowly started to emerge. First, it was a deviance to not offer or accept a bribe, but more and more people accept this deviance, it becomes a norm (Huntington, 1968). One can say that the norms in post-communist countries might have changed under the communist rule. It became more rational to become corrupted and to bribe. New norms emerged and being corrupt was no more sanctioned, on the contrary, due to the scarcity of goods people believed that it is not wrong to steal from the state. As the famous Czech saying illustrates: "Who does not steal from the state, steals from his own family". In communist regimes corruption was normal and widespread (Rose, Mishler, & Haerpfer, 1998); corruption was not abnormal but was the norm itself. The World Bank distinguishes corruption as either systemic or isolated (1997a). When corruption is isolated, it is rare; the norm is not to be corrupt, and cases of corruption can easily be tracked down and punished. On the other hand, where corruption is systemic, formal rules still exist, but they are superseded by informal rules. As the World Bank adds: "It may be a crime to bribe a public official, but in practice the law is not enforced or is applied in a partisan way, and informal rules prevail" (1997a, p. 13). Many people in post-communist countries believe that corruption in their countries is or was systemic; however, even after transition to democracy the post-communist countries preserve their specific system of informal rules (Karklins, 2005), and as Rose et al. add: "changing

regimes does not dispose of the problem but creates new opportunities for corruption" (Rose et al., 1998, p. 219).

Almost half of century under communism is a long time to change the norms of the people, it is therefore expected that norms in the post-communist states might be different; corruption might be perceived as something that everybody does. For this question we use data from the Eurobarometer 2013.

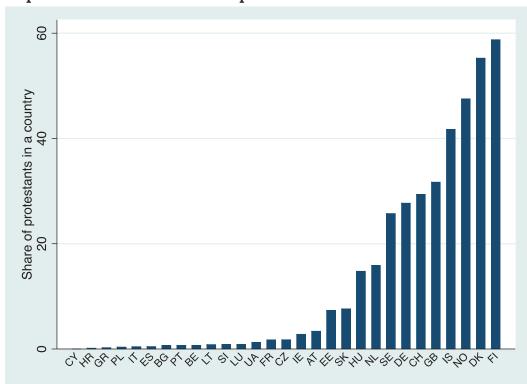**Graph 3. Do you agree that corruption is part of business culture?**

Source: Eurobarometer 2013. Corruption is part of business culture 0-totally agree, 1-tend to agree, 2-tend to disagree, 3-totally disagree.

The graph 3 shows the public opinion on the question of whether corruption is part of a business culture in a country. The results show that even though post-communist countries are more stocked to the left side of the graph and the rest of European countries to the right, the division is not entirely clear. Countries, where most respondents believe that corruption is part of business culture are southern European countries, which have not had communist rule, such as Cyprus, Italy or Greece. On the other hand, relatively low share of Estonian respondents believe that corruption is part of business culture in Estonia. It seems that the division in Europe is not east versus west, but might be rather north versus south.

Values

In addition to norms, the motivations for one's incline to be corrupted can be studied from the point of view of values. Due to the low variance of cultural factors over time, it is perceived that cultural factors influence corruption, and not the other way around (Rose-Ackerman & Soreide, 2006, p. 17). According to Weber, values are "the actions of persons who, regardless of cost to themselves, act to put into practice their convictions of what seems to them to be required by duty, honour, the pursuit of beauty, a religious call, personal loyalty, or the importance of some 'cause' ... value-rational action always involves commands or demands which, in the actor's opinions, are binding on him." (Weber, 1920).

Weber also writes about a religion's influence on a person in his book The Protestant Ethic and the Spirit of Capitalism (1904). Weber argues that the economic growth of Protestant countries is due to different values of Protestants compared to other religions. This can be used in the study of corruption values as well. Protestants are more individualistic compared to Catholics, Orthodox Christians, or Muslims who have stronger family relations and therefore operate more on a level of connections and ties, which can serve as a ground for corrupt activities. This would suggest that countries, which are more protestant, would be less corrupted. In fact, La Porta et al. (1999) found that countries with a predominant Protestant population have lower corruption levels than countries which are predominantly Muslim, Orthodox, or Catholic. This hypothesis was accepted also by Triesman (2000) in his paper. Moreover, La Porta et al. (1999) also provide evidence that Catholicism, Orthodox Christianity, and Islam are more "hierarchical" and less individualistic, and exhibit inferior government performance which might explain higher levels of perceived corruption. However, it seems that this theory would not help with the differences between post-communist countries and rest of Europe. Protestantism is present in post-communist countries and in countries, which have never experienced communist rule as well (Graph 4).
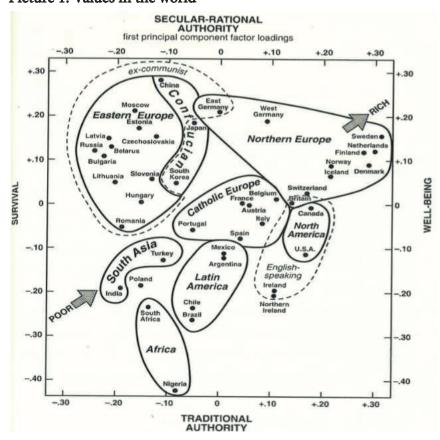
Graph 4. Share of Protestants in European countries

Source: ESS, average 2002-2012.

Another approach in the study of values is connected to postmodernism, which has been studied for example by Inglehart (1997) or by Sandholtz and Teegapera (2005). Inglehart analyses value change in 43 societies and comes with an observation that there exist clusters of countries falling into specific value categories (picture 1), with almost all post-communist countries being in the top left corner signalling that they indeed share different values than the rest of the world.

In post-communist countries, there is strong emphasis on the secular-rational authority (however, this is the case for almost all European countries), but the difference from the rest of Europe is that people in post-communist countries show much higher support for survival values than countries in Europe, which have never experienced communist rule. This is crucial for the study of corruption and for understanding why corruption is so much higher in post-communist countries.

Picture 1. Values in the world

Source: Inglehart, Modernization and Postmodernization (1997, p. 93)

Sandholtz and Teegapera concluded in their analysis that survival values are connected to corruption much more than self-expression values (Sandholtz & Taagepera, 2005). As they say: "Communism created structural incentives for engaging in corrupt behaviours, which became such a widespread fact of life that they became rooted in the culture in these societies." (Sandholtz & Taagepera, 2005) Inglehart analysed data from 1990 till 1993, so very close after the transition, and Sandholz and Teegapera data from 1997-2001. It is surprising that the values have not changed in 10 years, and a new study is needed to determine whether there has been any shift to self-expression values today, 25 years after the fall of communism. Similar findings on the aggregate level were presented for example by Welzel et al. (2003) or O'Connor and Fischer (2011).
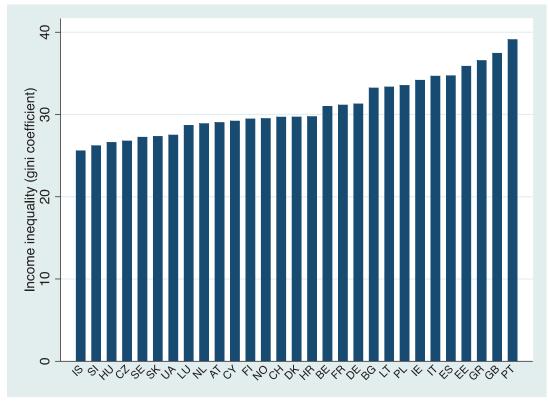
Primarily empirical research

Third area of research is focusing only on empirical research, often omitting any kind of theory. Most of these studies are based on data from Transparency International, the World Bank, or on various others datasets. In this case the authors are performing statistical analyses, but unfortunately based only on correlations, almost none of the texts can offer a causal explanation of the effects of variables on corruption. Even though this way of research is not based on any theory, I will present the most important findings because these articles form a big part of study of corruption and even though not supported by any theory, the results offer a clearer picture on the study of corruption.

Inequality

First, corruption is likely to be the cause and also the consequence of inequality (Husted, 1999; Rose-Ackerman & Soreide, 2006, p. 23). For example, Gupta et al. (2002) found a significant correlati-

on between income inequality and corruption in a selection of 37 countries. The authors argue that corruption increases inequality, in fact, an increase of one standard deviation in corruption increases the Gini coefficient of income inequality by 11 points.

Graph 5. Income inequality
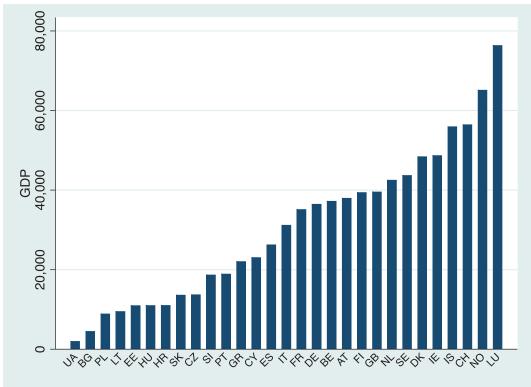

Source: UNU- WIDER, average 2002-2012.

On the other hand, You and Khagram (2005, p. 70) argue that inequality increases corruption as well. As they say: "Income inequality increases the level of corruption through material and normative mechanisms. The wealthy have both greater motivation and more opportunity to engage in corruption, whereas the poor are more vulnerable to extortion and less able to monitor and hold the rich and powerful accountable as inequality increases." (2005). Also Uslaner claims that the roots of corruption lie in the unequal distribution of resources in society (2009, p. 127). You and Khagram suggest that this effect might be larger in democratic countries where the powerful are forced to hide their dishonest corrupt activities, whereas in autocratic regimes the powerful can oppress the poor without having to hide it (2005). This implies that the effect of income inequality might be less strong in post-communist countries in comparison to European countries, which have never experienced the communist rule. As graph 5 shows, the relationship between corruption and inequality is unclear, some post-communist countries have high inequality, such as Estonia, and others very low, such as Slovenia, Hungary or the Czech Republic.

GDP per capita

Next, GDP per capita is certainly connected to the level of corruption as suggested by many authors. For example Kaufmann et al. (1999, p. 15) found that countries with higher GDP per capita have lower levels of corruption; a similar effect was also observed by other authors (Gupta et al., 2002; Lambsdorff, 2003; Treisman, 2000). However, as in the case with inequality, it is not clear in which direction this influence goes. Poor countries could be lacking resources for fighting corruption, and, consequently,

high levels of corruption could inhibit the growth of GDP so the countries remain poor (Husted, 1999; Paldam, 2002). Moreover, high corruption can deter foreign investment in a country causing the GDP per capita to decline (Mauro, 1995). Graph 6 shows that in average post-communist countries have lower GDP per capita than the rest of Europe.

Graph 6. GDP per capita

Source: WB, average 2002-2012.

There are several other variables which were empirically observed to be correlated with corruption, such as common law legal system (La Porta et al., 1999), Britain's former colonies (Treisman, 2000), or oil (Arezki & Bruckner, 2009). However, none of these variables are relevant in the case of European countries, because there is very low variability, it is often only one or two countries which differ from the others.

Conclusion

This article discussed the most important theories connected to corruption and offered several explanations of the fact that corruption levels are higher in post-communist countries. It also discussed which theories might be helpful and which are inconclusive and might not be plausible in the study of higher corruption levels in post-communist countries.

First, there exist lots of authors arguing that due to scarcity of goods during communism, the norms in communist countries slowly changed and new norms of being corrupt and paying bribes emerged. Corruption itself became the norm, which is the opposite than in countries with no history of post-communism. Moreover, it is argued that norms in post-communist countries are today still different than in the rest of Europe and that even after 25 years after the fall of iron curtain, not being corrupt has not became the norm yet. However, descriptive data and some research doubt this hypothesis, and it seems that there is bigger difference nowadays between southern and northern European countries than between post-communist and the rest of Europe. It is therefore not clear whether

norms are important in understanding corruption in post-communist countries because it seems that there is more important difference with countries and the results cannot be clustered into two simple groups of post-communist countries and the rest of Europe.

Second set of theories is connected to values. According to research, values are different in post-communist countries compared to the countries, which have never experienced communist rule; people in post-communist countries show much higher support for survival values than countries in the rest of Europe. It seems that post-communist countries have not undergone the transition to postmodern values yet. However, these results come from studies, which are relatively old, therefore new studies are needed to be done on the aggregate level of European countries. On the other hand, higher share of people belonging to protestant religion, which is connected to low levels of corruption, is present also in some post-communist countries, it therefore seems that simple religion might not be able to explain the difference in corruption perception levels between post-communist countries and the rest of Europe.

Finally, this article presents research which is not based on any theory, but which seems to have answers for the different levels of corruption between post-communist countries and the rest of Europe. Among these different findings, Gini coefficient and GDP per capita, which according to previous empirical research are connected to corruption, could be influenced by communist rule as well. It might be the case that the isolation and the politics lowered GDP per capita, and the communist ideology on the other hand increased the income equality in a country. It seems that the crucial effect in the post-communist countries have values, especially postmodern values, and then there might be an indirect effect of GDP and inequality. This article can serve as a base for further research, as the conclusions can be supported or falsified by further empirical research on the aggregate country level.

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