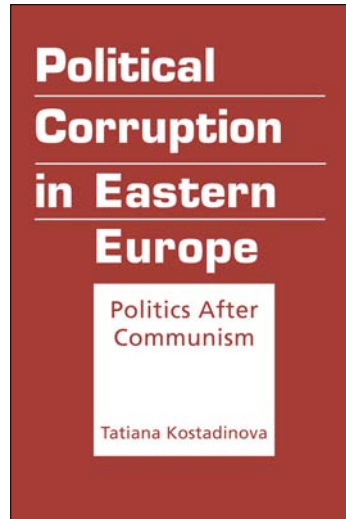


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Political Corruption
in Eastern Europe:
Politics After Communism

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1

Introduction

The very nature of post-communism encourages corruption.
—Leslie Holmes, "Corruption and the Crisis
of the Post-Communist State"

In the first decade of the twenty-first century, corruption has been recognized as one of the most serious problems facing the democratic transitions of Eastern European countries. Scholars and practitioners alike warn that a rise of covert illegal transactions in the public sector may reduce substantially the flow of foreign investment and the rates of economic growth in the region. Even worse, corrupt activities may have a damaging effect on the level of public trust in the government and consequently erode the legitimacy of the newly established democratic institutions.¹ Therefore, there is an urgent need to understand and explain corruption in Eastern Europe. If its main source is the legacy of communism, then states in the region should be more or less equally corrupt. Yet the abuse of public office has been a much more serious threat in some postcommunist countries than in others. In this book, I explore the causes and consequences of corruption after 1989. First, I identify factors that facilitate rent seeking and other activities that undermine the existing mechanisms for constraint. Then, I analyze patterns of political behavior generated by the spread of corruption in the nascent post-communist democracies.

A better understanding of the post-1989 mechanisms of inappropriate exchange of favors and the context that maintains them

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will be beneficial in several ways. A thorough explanation of corruption after communism will offer insights about its scope, intensity, dynamics, penetration, and vulnerability. Thus, achieving this goal will enable us to suggest when illegal provision of public goods and services may become difficult to hide and costly to perform during democratic transition. By identifying the causes of post-1989 corrupt practices, we will be able to search for possible policy solutions to effectively target the actual roots of malfeasance. Learning more about the ways in which the lack of elite integrity affects citizens and their relation to politics is also especially valuable. Democracy is more fragile in places with young institutions of representation, immature civil society, and inexperienced voters such as the ones in Eastern Europe. A systematic study of the effects of corrupt government practices after communism will help assess the extent of popular disappointment with elites and its potential to demobilize and demoralize citizens.

What Have We Learned About Corruption in Eastern Europe?

Corruption is not a new phenomenon; neither is it a new topic in the study of politics. Ink has not been spared to describe public office abuse and its forms and transformations. Most scholars, practitioners, and journalists have condemned it and only a few have not worried about its possible harmful effects. The world's interest in understanding the roots of wrongdoing in the public sector increased exponentially to reach the highest levels ever in the late 1990s to early 2000s.² This timing coincided with the radical economic restructuring in the former communist countries of Eastern Europe that had just overthrown the political tyranny of totalitarianism. For good or for bad, one more dimension was added to the already complex transitional agenda—that of dealing with corruption. Reforms had to continue against the background of increasing cynicism among the population, generated by investigations of scandalous violations of public office ethics. Learning more about what politicians were doing behind the scenes has been hurtful and necessary at the same time, painful to comprehend but needed for the purposes of prevention and cure.

Extant literature on corruption in postcommunist countries includes studies classifying various forms of corrupt practice in Eastern Europe, research aimed at revealing the magnitude of the problem during transition, and applied work (reports and working papers) of nongovernmental organizations (NGOs) investigating abuse of power in particular countries. One notable representative of the first cluster of research is Rasma Karklins's *The System Made Me Do It* (2005). Her typology of postcommunist corruption is a comprehensive classification of various manifestations of improper exchanges in the public arena. Karklins differentiates between everyday official-citizen interactions, within-institutional interactions, and impacts on high-level political institutions. Her detailed list of corruption types creates a good basis for observation and description of popular attitudes and dispositions, societal relations, and possible anticorruption measures.

Earlier research, from roughly the 1990s until the early 2000s, examines the significance of postcommunist corruption by exploring worldwide data made available through Transparency International and the World Bank. Some comparative studies document a stark difference in corruption levels between Western consolidated democracies and the Eastern European transitions (Dugan and Lechtman 1998; Earle 2000). Other scholarship, including Leslie Holmes (1993, 1997) and Andras Sajo (1998), establishes a rise in corruption after communism and proposes its structural characteristics. Noteworthy for its empirical richness is a series of articles on the emergence of Mafia-style networks, especially in Russia, involved in grand corruption schemes (Glinkina 1998; Volkov 2002). A third group of studies focus on particular types of corruption; for example, Beverley Earle's (2000) work on bribery and the role played by Western states and international organizations to engage the Eastern European countries in the reduction of illegal payoffs.

Overall, the research effort in the 1990s to early 2000s deals primarily with questions about the origin and spread of corruption and links those to the ongoing process of democratic and economic transformation (Kneen 2000; Volkov 2002; Philp 2002). The central conclusion reached by most authors is that new opportunities for embezzlement opened when privatization and economic restructuring were launched while older practices managed to survive and adapt (Schmidt 2007). Rich in accounts of various corrupt deals and stories of crony-

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ism, this research lacked conceptual vigor, but provided a basis for a future, more systematic approach to the study of corruption in Eastern Europe. What remained particularly difficult to tackle was one challenge facing the entire field and not just the study of postcommunist politics, namely how to define and measure corruption.

The mid- and late 2000s were marked by an expansion of the thematic scope and by a number of methodological achievements. By that time, it became obvious that the long lists of anticorruption measures proposed in previous research were not working as expected. Privatization, recognized as a main source of unethical practices, was completed, but corruption continued to plague Eastern Europe. In a context of growing criticism against the neoliberal approach to economic reform, questions and doubts arose about the effectiveness of political competition and public engagement as factors containing corruption (Kotkin and Sajo 2002; Reed 2002). In particular, scholars were intrigued by the counterproductive role of exposing corruption by elites for the sole reason to attack political rivals (Krastev 2004). Moreover, experts on Eastern Europe proposed that the anticorruption rhetoric might have had a counterproductive effect there by undermining the much more important question of democratic stability (Smilov 2007).

Civil society, praised by some for its awareness-raising and mobilizing role (Karklins 2005; Michael 2005), was put under scrutiny by others who cautioned against exaggerating its anticorruption potential (Muddle 2003; Mingiu-Pippidi 2010). Experts even warned about a “capture of the NGO sector” by special interests (Todorakov 2010, 16). Finally, concerns were expressed that the broadly perceived positive role of the European Union (EU) would weaken once the Eastern European candidate states achieve accession (Vachudova 2009). Because of a mixed record of anticorruption success, some studies turned to past legacies, including habits of informal connections and distrust of the state, in a search for explanations of the resilience of corrupt practices (Orlova 2005; Holmes 2006, 183).

Research on corruption throughout the 2000s shifted the agenda toward a more systematic empirical exploration of the causes and effects of corruption. Scholars continued the public opinion survey series that had begun in the late 1990s (Miller, Grødeland, and Koshechkina 2001; Miller, Koshechkina, and Grødeland 1997;

Mishler and Rose 2005) and accumulated more data on Eastern European mass attitudes about the spread of corruption. New and important steps have been made to address one thorny issue in the study of malfeasance—the problem of measurement. To the perception-based indicators started by Transparency International and the World Bank, Freedom House's Nations in Transit project added the Corruption index and applied it to Eastern Europe. Coalition 2000, a group of Bulgarian NGOs, also launched a monitoring program that publishes survey-based indices measuring susceptibility to and actual experience of corruption in Southeastern Europe. Studies of public officials' integrity in the postcommunist world employed these indicators (Earle 2000; Anderson and Gray 2006). Other index-based measures were constructed to measure anticorruption program intensity and to help assess the success of various policy instruments (Steves and Rousso 2003; Dorhoi 2006).

In brief, the studies of corruption in post-1989 Eastern Europe reveal that the problem is complex, widespread, and pertinacious. It is much more serious and systemic than corruption is in consolidated democracies. We have also learned that the multifaceted character of the transition, political, economic, and in some cases state-building, offered even more opportunities for improper behavior and enrichment. While comparisons of the region to other groups of countries are empirically sound, our present understanding of why some postcommunist countries are less corrupt than others remains deficient. In particular, research has not been conclusive on the role of political competition, civil society organizations, and European integration. To the extent that existing scholarship establishes correlations between corruption and particular factors, the possibility of simultaneous effects has not been scrutinized. Thus, we are still unable to identify with a reasonable level of confidence the determinants of corruption within the group of postcommunist transitions. Even wider is the lacuna in our knowledge about the damaging impact of corrupt practices. Extant research focuses primarily on business-government relations and the harm caused to firms by bribery (Anderson and Gray 2006), yet we know little about how corruption shapes distinct patterns of political behavior. I attempt to fill in this gap by searching for answers to the questions about the reasons for and the consequences of corruption in postcommunist politics.

Defining Corruption

As mentioned above, and also admitted in the literature on numerous occasions, defining the concept of corruption is one of the challenges that anyone interested in studying it would face. In fact, the debate on what is the best way to define *corruption* is ongoing and it is beyond the purposes of this study to resolve the issue (Heidenheimer 1970; Philp 1997, 2002; Johnston 2005b, 10–11). The problem is not in the absence of definitions to draw on; quite the opposite is true—extant literature is abundant in definitions. In particular, there are too many opinions about the scope of the concept and the level of abstraction at which one should define and operationalize it. The difficulty in producing a universally accepted definition of corruption stems among other things from culturally distinct conceptions, from law ambiguity about what action (or nonaction) is forbidden, and from disagreement about the inclusion of nonpublic actor interactions (Johnston 2005b, 11; Holmes 2006, 17–18).³ Yet a core set of characteristics is identified in the literature around which agreement about immoral behavior in public office can be built.

On a theoretical level, scholars seem to agree that the general meaning of *political corruption* includes “the inappropriate use of common power and authority for purposes of individual or group gain at common expense” (Warren 2004, 332). The most common and brief expression that one can find, especially in recent empirical studies of corruption, is “the misuse” or “the abuse” of public power “for private gain” or “for private advantage” (Holmes 2006, 20). Other researchers and international organizations, such as the World Bank and Transparency International after 2000, also concur and adopt variants of this conceptual specification in their studies (Johnston 2005b; Lambsdorff 2007).⁴ In Offe’s (2004, 78) terms, defined this way the concept implies political corruption since it clearly involves the public realm (i.e., at least one side of the “voluntary and deliberate illicit deal” must be a public officeholder).

The simple definitions used in empirical research have been disputed by theoretical work connecting corruption to democratic theory and related normative issues. Mark Warren (2004), for example, summarizes the deficiencies of the modern conceptions as being normatively static, excessively state-centric, integrity neutral, and discounting a society’s potential for agreement. A deeper conception of

corruption through a democratic norm of “empowered inclusion,” Warren proposes, would better encompass the various manifestations of the phenomenon and its harmful effects on democracy. This further conceptualization of the improper use of public authority in various domains of public life would help identify what might count as corrupt and how one can observe it. Leslie Holmes (2006, 30), concerned more about the inability of a short definition to grasp gray areas of corruption, proposes a set of five criteria that might be of a better use. These emphasize the involvement of “actual or aspiring” public officials, an office with some form of decisionmaking authority, personal interest in the exchange, a secretive (“clandestine”) way in which the deal is struck, and broad popular understanding that all of this is corruption.

On a more practical level, different countries recognize corruption in their legislation in a variety of ways, some of them quite detailed. For example, according to the articles of the Russian Criminal Code used until late 1996, *corruption* is “the misuse of power or of an official position, exceeding one’s powers or official positions, the acceptance of bribes, involvement [lit. mediation—*posrednichestvo*] in bribery, official forgery” (Holmes 2006, 21–22). Chapter 1, Article 5(1), of Estonia’s Anti-Corruption Act of 1995 defines a *corrupt act* as “the use of official position for self-serving purposes by an official who makes undue or unlawful decisions or performs such acts, or fails to make lawful decisions or perform such acts.” Provisions apply to a long list of officials, including members of parliament, the president of the republic, ministers, mayors, judges, and county governors (*Corruption and Anti-Corruption Policy in Estonia* 2002).

The way that I define *corruption* in this book is mostly determined by the goal to explain the distinct spread of the phenomenon in the Eastern European new democracies. Thus, I adopt a simple version of the definition—the misuse of public office for private gain. Or, to borrow from Joseph LaPalombara (1994, 336), it is public servants’ behavior “in deviation” from their “formally defined public roles” aimed at benefiting themselves or associated others. Throughout the book, I refer to corruption as distortions in the relationships between private and public actors that have been made intentionally and with the purpose of private enrichment and advantage. Since I am interested in the roots of systemic corruption and its

impact on citizen behavior, the content of my definition includes the entire scope of improper exchange of wealth and power. This is a holistic approach that concurs with the understanding that one form of corruption cannot be studied in isolation because it is related to malfeasance in other sectors as well (Lambsdorff 2007, 28).

At the center of my inquiry is *grand corruption*⁵ (rather than *petty corruption*), which provides the opportunity to examine the reasons for and the impact of office abuse at the highest levels of public authority. My inquiry is based on a conception of overall levels of corruption rather than particular forms of it. In such terms, I am interested in the exploration of the phenomenon as “a syndrome,” as Michael Johnston (2005b, 11–12) puts it, which indicates problems in the performance of the entire political system. While in the course of the investigation I refer to specific manifestations of wrongdoing, such as bribing, illegal fund-raising, and customs rules violations, it is the corruptness of the political system that I compare and analyze across space and time.

Observing and Measuring Corruption

Along with the difficulties encountered when constructing a sound conceptual definition of corruption (and, perhaps, because of them), observing and measuring corrupt activities remain an extremely challenging enterprise. There are multiple reasons that make these tasks so difficult to deal with. In first place is the very nature of the phenomenon itself, its secrecy that hinders direct observation and quantification. Breaching the rules of public-private interaction requires hiding and concealment in order to avoid possible exposure and sanction. Even in social environments with high levels of social tolerance of bribing, connectedness, and cronyism, a sense prevails that these things are not right, that they should not exist in an ideal situation. Therefore, all actors who engage in corrupt activities try to ensure some degree of secretiveness, to escape prosecution and secure a clean social image for themselves. Because corruption is a game played in the dark, a valid assessment of all aspects of its study, spread, scope, and magnitude is difficult to obtain (Lambsdorff 2007, 236–237). Creative solutions, designed to capture violations of entrusted public authority, have been advanced in a number of stud-

ies.⁶ Yet all of them face criticism for not meeting a threshold of desired validity or for failing to enable meaningful cross-national analyses (Sik 2002; Lambsdorff 2007). Indeed, the search for quality techniques is ongoing.

There are two basic ways to observe and measure corruption: objective and subjective. For obvious reasons, the former are more valuable, but also more difficult to apply. Research can benefit from their directness (i.e., reflection of actual occurrences of the phenomenon) and smaller potential for bias (i.e., minimized risk for contamination from sources). Examples of such indicators include convictions of public officials for abuse of public office (Glaeser and Saks 2006), the incidence of misuse of privileged positions by diplomats (Fisman and Miguel 2006), gaps between government investment costs and the value of created public goods (Golden and Picci 2005), and national reports to the United Nations Office on Drugs and Crime of bribery and embezzlement. The main weakness of these measures is that they all fail to account for the inefficiency of national institutions. Another shortcoming is that some of them are not applicable in cross-national research because comparable data on multiple countries have not been collected.

The gathering of subjective data on corruption is performed through opinion polls. Surveys are conducted with representatives of the political elites, the bureaucracy, national and international financial institutions, businessmen, and ordinary citizens. The most popular among these are the Transparency International Corruption Perceptions Index (TICPI), the World Bank Control of Corruption Index (WBI), the Nations in Transit Corruption Index (NIT), and the Business Environment and Enterprise Performance Survey (BEEPS) of the World Bank. With the exception of the latter, these indicators provide composite indirect measures of corruption based on aggregated perceptions of experts and analysts. The method of data collection is a source of criticism directed toward these index-based measures of corruption. Thus, the TICPI and the WBI have been questioned on the grounds of how reliable the survey-gathered information is (Golden and Picci 2005).⁷

There are advantages, however, offered by the perception indexes that should not be ignored. Conducted annually in a large number of countries, the TICPI (since 1995) and the WBI (since 1996) have offered opportunities for detecting cross-national patterns in the

spread and development of corruption (Christopher J. Anderson and Tverdova 2003; Gerring and Thacker 2004; Mauro 1995; Persson and Tabellini 2005; Sandholtz and Koetzle 2000; Treisman 2000). Improvements have also been in order. To address some of the problems first identified in the TICPI method, the authors of the WBI started to assign specific weights to participant surveys on the basis of their believed reliability (Kaufmann, Kraay, and Zoido-Lobaton 1999). What also raises the level of confidence in these indirect measures is that they are highly correlated with each other, as argued by Arvind K. Jain (2001) and others.⁸

Subjective data on corruption can also be gathered through public opinion polls. Similar to the TICPI and the WBI expert surveys, this type of information is perception based, but relies primarily on popular assessments of the spread of corrupt practices in native countries. The World Values Survey, special editions of the EU Eurobarometer, and the Comparative Study of Electoral Systems (CSES) are a few examples of polls that have included questions measuring public perceptions of how widespread or serious a problem corruption is.⁹ Although reflecting individual impressions, rather than actual corruption, these data can be aggregated and used for system-level comparisons. They are especially valuable for the study of particular corruption-related research questions.

Because one of the purposes of this study was to assess corruption levels in a large number of countries over a period of time, I needed a measure that allows comparisons across space and over time. As discussed above, such features are offered by the TICPI and the WBI, which rank countries on the basis of survey assessments made by experts, country analysts, and polls.¹⁰ In making this choice, I considered arguments made by scholars who praised the availability of these indicators (Kaufmann, Kraay, and Mastruzzi 2005; Lancaster and Montinola 1997; Montinola and Jackman 2002; Persson 2002) as well as those made by others who criticized them for inflexibility and even bias (Sik 2002). Since direct observations on corruption levels are difficult (if not impossible) to make for all the postcommunist countries in this sample, for all years, and by the same methodology, I relied on the TICPI and the WBI for many of the cross-national empirical tests. In the analysis of party finance, I added indicators from the BEEPS as more efficient measures of the extent to which political parties operate through corrupt contributions. In a few

instances, I reran the regression tests with yet another measure, the Nations in Transit Corruption Index (NIT),¹¹ to check the robustness of the results and to produce more stable conclusions. In all these analyses, the working assumption was for a strong correlation between actual corruption and the perception of it and I discuss the results in terms of perceived corruption.

For the study of the effects of corruption on political behavior, I employed public opinion data from the third wave of the World Values Survey and the CSES Module 2. Two important reasons stand behind this choice of data sources. First, attitudes toward political institutions and voting decisions form at the microlevel in the minds of individual citizens who experience the positives and the negatives of the political process. Survey data can offer such information on people's confidence in the government and their sense of political efficacy and voter mobilization. Second, in this case perceptions of corruption appear even more relevant than actual corruption (which, in fact, might be lower). What is more important is not how corrupt a country is in reality, but how widespread individual citizens feel it is. After all, it is individuals' perceptions that politicians are very corrupt that would undermine (if at all) their trust in national institutions and desire to participate in public life.

Other Methodological Issues

Undertaking an empirical study of corruption is not an easy task. Overall, there are at least three sets of difficulties that researchers may face in a comparative cross-national study of corrupt behavior. The first group of problems is associated with the already discussed methods of observation and measurement. In brief, results from the empirical tests may be sensitive to the particular indicator used in the analysis. To avoid possible contamination, in all chapters of the book I applied more than one measure of corruption and reestimated the models with them. The results are quite stable across different specifications of the indicators, something that secures robust findings and strengthens the conclusions at the end. Second, possible endogeneity, inherent to this type of research, sometimes makes it difficult to establish causal directions with certainty (Goel and Nelson 2005). For example, is it that liberalization of trade creates fewer opportuni-

ties for bribery or that states with more intensive corrupt activity choose to have more closed trade policies? To cope with this problem, I introduced lagged independent variables to model effects whose direction might be dubious.

Third, corruption is a multifaceted problem, quite complex to dissect and to comprehend. My approach to this complexity was twofold. I dealt with it theoretically by examining both internal (domestic) and external (international) factors affecting corruptiveness. The central arguments in each chapter are made from a rational choice perspective, yet I do not turn a blind eye to alternative explanations including possible sociological and cultural sources of malfeasance. Methodologically, the analyses were designed at the macro- and at the microlevel, allowing for cross-national comparisons and for inferences made from empirical tests on individuals' behavior. Furthermore, I used a variety of quantitative and qualitative methods of data analysis. These include descriptive statistics, measures of association, panel data and logistic multivariate regression, path analysis, and a case study revealing the mechanisms of corrupt networks in a single country.

To my knowledge, this is the first study that investigated the experience with corruption of such a large number of former Soviet bloc nations. Geographically, the scope of the study included fifteen postcommunist countries: Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, Russia, Slovakia, Slovenia, and Ukraine. The time span in most of the analysis was between 1996 (the first comparable cross-national data on corruption) and 2008. When I explored the impact of the EU on reducing corruption, I included one more Balkan country, Serbia, which together with Albania formed a group of late accession states. I excluded Montenegro, Bosnia and Herzegovina, Belarus, and the former Soviet Caucasian and Central Asian republics. The former two had to resolve stateness problems during most of the time under study here. The rest of the omitted countries either have unresolved border conflict problems or have had mixed success in establishing democratic freedoms.

In a final note related to methodology, I would like to emphasize that any inquiry on corruption, especially a large-N cross-national study, is deemed to face the challenge of data quality. I already discussed at length the problems related to observing corrupt activities.

In many instances, accurate measures of the factors that cause corruption are also hard to find for all countries and for the entire period of time under investigation. I tried to complete this task to the maximum possible degree by gathering information from the same sources and through the same methodological techniques. For example, much of the remaining data came from reputable institutions such as the World Development Indicators of the World Bank, the Heritage Foundation, Freedom House, the European Commission (EC), and the US Agency for International Development (USAID). Especially challenging was the task of collecting information for the investigation of informal networks in Bulgaria. All sources that I managed to find for the analysis in this case study are publicly available: newspaper articles, interviews with politicians and businessmen, and materials published by investigative journalists. I refrained from using information that was impossible to double-check and to verify.¹²

What the Book Does and What It Does Not Do

It is important at this point to clearly delineate what I explain in this book and how I do it as well as what I do not claim as its domain. As elaborated earlier, there are dozens of studies investigating corruption that were published in the past ten to twenty years. These are scholarly works, expert reports released by international organizations, and working papers produced by nongovernmental or civil society groups. In this difficult-to-navigate sea of literature, one can find theoretical and empirical pieces, case studies of single countries, and analyses of nations from all over the globe as well as work authored by economists, political scientists, sociologists, and even psychologists. Moreover, researchers have tackled different tasks: some studied the causes of malfeasance and others the consequences of corrupt behavior. A vast majority of these studies advance long lists of policy prescriptions on how to deal with the problem. So, what new does this study offer? What does it do and what does it not attempt to do?

The book is about the reasons why some postcommunist societies are more prone to corruption than others and about the effects of public office abuse on mass political behavior. My purpose is not to show

how and why the Eastern European countries are more or less corrupt than other regions in the world; neither is it to explain that corrupt practices also existed during communism. These themes have been explored quite extensively in the literature. We do know today, with a reasonable degree of certainty, that Eastern Europe is more corrupt than many Western consolidated democracies and that public office abuse was not absent there before 1989. Instead, I analyze the reasons why political life has been freer from corruption in some places (e.g., in Estonia and Slovenia) than elsewhere in the region (especially in Russia and Albania). I also examine the damaging impact of the perceived lack of elite integrity on common people as citizens.

Compared to previous published work, I do not advance a particular typology of corruption nor do I rank order particular corrupt acts or their perpetrators. Karklins's (2005) attempt in this direction already provides an exhaustive list of possible forms based on level of interaction. Another, more parsimonious, typology was offered by the World Bank, which unbundles the phenomenon between state capture and administrative corruption (Hellman, Jones, and Kaufmann 2000). I concur with Holmes (2006, 42–43) that building a more sophisticated typology of corruption is warranted. This work, however, is directed in different avenues of inquiry. I hope that the findings in the empirical chapters of the book will inform the future enterprise of classifying corruption.

Another important way in which this study differs from previous research is methodological in nature, but also bears theoretical and practical implications. To fulfill my primary aim, to explain the causes and consequences of corruption after communism, I rely primarily on multivariate analysis of data from a large number of states. By accounting for competing arguments about what causes corruption and how it shapes citizen participation, I was able to isolate the role of specific political, economic, and social configurations perceived as influential in democratic accountability practices. This has not been done before, at least not in studies on postcommunist corruption. From the viewpoint of practitioners, the most valuable insights that such an approach can produce are policy related. However, readers are discouraged from waiting for yet another list of anticorruption policies in the conclusions of the study. The diversity in the socioeconomic and competitive structure of Eastern European politics is large enough to require carefully crafted instead

of automatic policy responses to the complex phenomenon of corruption. The knowledge derived from the analyses in this book will hopefully direct politicians, activists, and citizens to the optimum answers for their societies.

To summarize, this is a scholarly book in which I attempt to make three main contributions to the study of corruption and democratic transition. First, I search for theoretical arguments made in extant literature to explain political corruption in the context of post-communist democratic and market reforms. In the study, I identify domestic and international factors relevant to Eastern Europe that shape the formation of politicians' preferences, open opportunities for engagement in corrupt acts, and constrain incentives for illegal enrichment. Second, I advance tentative answers to the substantial question about how to approach corruption. The findings of my study are policy relevant, although I propose no particular anticorruption strategy. Third, by focusing on the experience of postcommunist transitions, I build an understanding of how institutionally unstable and economically weaker countries are especially vulnerable to corruption. Moreover, the case studies of Balkan countries help us understand the conditions under which anticorruption policies may be effective when applied to societies that not only are postcommunist, but carry an even longer tradition of distrust of the central government and its institutions.

The adoption of a cross-national empirical approach helps to advance the research program on political corruption in the post-communist world.¹³ There is an urgent need for a comprehensive explanation of processes that have the potential to put at risk democratic reforms and achievements in the region. In these terms, such a book has been long overdue. The book is also distinct in its subject and scope. Using a systematic approach in this study, I compared incidents of corrupt activities and public perceptions of them across a large number of countries. At the same time, I also investigated in depth concrete mechanisms of fraudulent practices undermining the legitimacy of democratic governance. Finally, gathering comparable information for several countries over time is a formidable task that I carried out with caution regarding data validity and sources. As described earlier, I used a unique mix of data sets combining observations on different levels of aggregation, system and individual.

The Subsequent Chapters

Along with the introduction and the conclusion, the book includes three main parts. In the first part (Chapters 2 and 3), I draw on existing literature to identify reasons for the spread of corruptiveness among postcommunist political elites. In the second part (Chapters 4 through 7), I analyze particular sources of corruption and, in the third part (Chapters 8 and 9), I investigate how politicians' corrupt behavior affects mass democratic behavior in Eastern Europe.

In the next two chapters, I explore the validity of some previously developed arguments about what makes some countries more prone to corruption than others. I do this from a theoretical perspective in Chapter 2, constructing a framework that incorporates factors relevant to the postcommunist environment. The working assumption here is that participants in possible corrupt activities are rational players who decide whether to engage in such interactions after calculating the benefits and the costs from these. As readers will see, this calculus may be affected by considerations for domestic and international opportunities and constraints. While the rationalist vision is at the heart of my explanation of corruption, I cannot ignore its most popular challenger, the culturalist approach. In the rest of the second chapter, I discuss whether culture may be an effective predictor of the different levels of corruption in the former communist countries and propose ways in which a culturalist perspective may benefit the analyses in this book.

In Chapter 3, I meet theory with reality in a first set of empirical tests. I start by operationalizing the internal and external factors identified earlier. The former include the electoral method as enhancing transparency and accountability, the regulatory burden on business operations as an opportunity for overtaxation, and the national economy as a facilitator of anticorruption policy enforcement. The latter group of factors involves openness to foreign trade, which raises the costs of malfeasance, and integration with the European Union as a motivating force to reduce corruption. Based on the results from the regression tests, I propose directions in which the analysis should expand in order to develop a clearer picture of why corruption levels are different across Eastern Europe.

In the four chapters that follow, I look at various sources and deterrents of corrupt behavior in postcommunist politics. Chapter 4

goes beyond the formal methods of allocation of mandates and adds the rules adopted in various countries to regulate campaign finance. I start my investigation with a review of the party finance regimes that evolved after 1989 with the development of the young party systems. My investigation continues with an evaluation of data revealing the presence and negative impact of private companies' contributions in violation of the law. As I show in the final part of that chapter, some aspects of the finance regulation are correlated with the levels of corruption, a result that can have implications for the debate around the merit of separate policy instruments. What that analysis does not reveal is what the mechanisms of corrupt interactions between politicians and private interests are and the potentially harmful consequences of these connections. But in Chapter 5, I do exactly this by constructing and running a case study of the friendly circles that emerged around political parties in Bulgaria after 1989. By analyzing in depth the genesis and persistence of these powerful groupings, I seek to unveil their structure and forms of public-private interdependence.

In Chapter 6 I expand the investigation by exploring the capacity, state and nonstate, of countries to tackle corruption. That chapter comes to address the issue of a lack of meaningful results even when political will seems to exist. One obvious answer, though still not systematically analyzed in the postcommunist context, is the capability of the political system to stand against and contain corruption. I argue that both a materially and institutionally stronger state and an enabling social environment are needed for anticorruption efforts to succeed. Interestingly, better-paid public officials and sustainable civil organizations emerge as key contributors to state capacity for fighting malfeasance. These answers are provocative, given the popular negative view in Eastern Europe about increasing bureaucrats' salaries and the weak civil societies inherited from communism.

My aim in Chapter 7 is to examine the role of international pressure on reducing corruption in the postcommunist states. I focus on the influence of the European Union, which has been different across space and over time due to variations in the progress of the EU accession process. The geographic scope of my study, involving many postcommunist countries, and the long range of years under investigation provide an opportunity to track down whether the EU has been effective in encouraging decisive measures against corruption. To

account for possible interference of cultural diversity, I selected countries from the same subregion and with the same historical roots from the Balkans. As the results show, the EU has been able to create incentives for more active anticorruption engagement, but success has been slow and to some extent dependent on the stage of integration. Finally, the findings that I report in this chapter speak about the contribution of European integration to cleaner public affairs management as separate and independent from the process of liberalization and market reforms.

In Chapters 8 and 9, I analyze the impact of corruption on how the Eastern Europeans feel about the government institutions, democracy, and voting. I thereby seek to develop a comprehensive picture of the less visible impacts of corrupt activities that, however, can be of crucial importance for preserving the legitimacy of the democratic order. The two chapters argue that perceptions of widespread corruption damage public confidence in institutions and affect voter decisions. As I show in Chapter 8, the harmful effect of corruption is much stronger in the case of institutional trust than in that of democracy as an ideal. Assessing the balance between abstention in elections and voting the corrupt rulers out, I also conclude Chapter 9 on a less than expected pessimistic note. Although the corrosive effects of corruption are confirmed in general, there are some signs that democracy in the region is not so fragile.

From the beginning of this inquiry, I embraced a rational choice approach. And at the end, readers deserve to be given a fair assessment of what has been accomplished by using such a perspective. In Chapter 10, I summarize the findings and discuss them in the light of central debates in the literature about the institutional and cultural sources of corruption. My effort throughout the book to keep the analyses sensitive to alternative explanations pays off and, in that concluding chapter, I elaborate on its merit for the validity of the findings. The conclusions advanced in the final chapter assign credit to a set of institutional features allowing, preventing, or reducing corruption. Drawing on the analyses that expand beyond the effect of electoral systems, I highlight the relevance of particular party finance mechanisms, informal private-public networks, and administrative reform in Eastern Europe. My concluding discussion also focuses on the enabling impacts of the domestic and the external environment represented by civil society organiza-

tions and the European Union. As it became clear toward the end of my project, institutions do play a vital role in shaping incentives for and against corruption in particular contexts. It is the magnitude of their effects that may vary by cultural distinctiveness, to the extent to which Eastern European societies differ with regard to their pre-communist past.

Notes

1. Some earlier studies propose that the improper exchange of favors in the public sector may have a positive impact on development, mainly by improving bureaucratic efficiency (Leff 1964; Huntington 1968; Goldsmith 1999). Yet a consensus seems to be emerging that corruption has a predominantly negative effect, especially in unstable political environments. For example, empirical research suggests that corruption slows economic growth (Mauro 1995); impedes the inflow of investment (Knack and Keefer 1995; Tanzi and Davoodi 1997); increases social inequality (Rothstein and Uslaner 2005); favors the expansion of the unofficial economy (Johnson, Kaufmann, and Zoido-Lobaton 1999); depresses citizens' sense of well-being (Tavits 2008); and threatens democratic legitimacy (Moran 2001). Even Huntington, who assumes a positive association of corruption with modernization, recognizes that societies where corruption is already pervasive may not benefit from it as a "lubricant easing the path to modernization" (1968, 69). As is argued elsewhere, the communist totalitarian systems from which the new Eastern European countries started to depart in 1989 were not free from graft and related organized crime (Simis 1982; Moran 2001; Holmes 2006). These arguments reinforce an expectation that corruption in those countries is more likely to have unfavorable consequences, rather than to increase efficiency or promote entrepreneurship.

2. For more detail on the chronology of subsequent waves of corruption and anticorruption scholarship and public debate in general, see Schmidt (2007).

3. Offe (2004, 77) offers a list of practices, broadly perceived as wrongdoings that are "neighboring" the domain of political corruption: fraud, embezzlement, theft, nepotism, cronyism, gifts, donations, lobbying, and others. Although associated with corruption, he argues, it remains unclear which of them would fall within the definitional boundaries determining the scope of corrupt phenomena.

4. Johnston's (2005b, 12) exact definition is "the abuse of public roles or resources for private benefit." He, however, cautions that the meaning and the clarity of these terms may vary across societies.

5. I employ the term *grand* here to distinguish corruption at the highest levels of political authority (executive, legislative, and the bureaucracy) from

improper payments made during citizens' everyday interactions with low-level bureaucrats and administrators. For a different use of the term *grand corruption*, see Jain (2001, 74) who classifies corruption in democratic societies as *grand* (of political elites), *bureaucratic* (of bureaucrats), and *legislative* (of parliamentarians).

6. For extensive reviews of existing measures of corruption, see Rose-Ackerman (1999), Jain (2001), and Lambsdorff (2006).

7. Galtung (2006, 109–123), for example, summarizes the “failings” of the TICPI in problem groups including country coverage and imprecise sources and definitions.

8. For a comprehensive review of the use of composite indexes as measures of corruption, see Knack (2007) and Treisman (2007).

9. Results from the World Values Survey are available at www.worldvaluessurvey.org, from the special Eurobarometers at http://ec.europa.eu/public_opinion/index_en.htm, and from the CSES at www.cses.org.

10. Using both TICPI and WBI data will ensure more robust results and confidence in the findings. The TICPI measures corruption in the public sector, using the opinions of resident and nonresident country experts and business leaders. Thus, it is “a survey of surveys” that ranges from 0 (most corrupt) to 10 (least corrupt). It was first constructed by Johann Lambsdorff (1999) to assist Transparency International in pursuing its objectives as a global coalition against corruption (for more details on the methodology behind the TICPI, see www.transparency.org/cpi). The WBI is also based on surveys, of individuals familiar with government operations, country analysts from international agencies such as the European Bank for Reconstruction and Development, expert assessments of the US State Department and the French Finance Ministry, nongovernmental organizations, and commercial business information providers such as the Economist Intelligence Unit (Kaufmann, Kraay, and Mastruzzi 2010, 6–7). The WBI uses year-to-year comparable sources and adjusts for in-unit assessment differences; it ranges from –2.5 (most corrupt) to 2.5 (least corrupt). WBI yearly assigned scores by country are available at <http://info.worldbank.org/governance/wgi/index.asp>. The Transparency International and the World Bank indexes are in agreement—they vary together well, as shown by the Pearson correlation parameter of .920 (significant at the 0.000 level) estimated for the data used in my analyses.

11. This index uses information on public opinion, officials' business interests, and conflict of interest and financial disclosure legislation (Nations in Transit 2009). The NIT ranges on a scale from 1 (least corrupt) to 7 (most corrupt). This index relies on a rougher measurement and provides a shorter time series (starting in 2000) than the TICPI and the WBI.

12. In the perfect case scenario, information produced by participants and by direct observers would be most useful. However, it is difficult to find primary sources for research on elusive structures such as friendly circles in which politicians and private entrepreneurs engage. The participants not only prefer that these activities are hidden, but they do everything possible to keep

such connections confidential. One rare exception is the public admissions of Ahmed Dogan, leader of a political party in Bulgaria, which offer direct evidence for the existence and operation of the circles. During my fieldwork in Bulgaria in the summer of 2009, I spoke with investigative journalists and NGO experts. They referred me to various publications, including their own, but were not willing to provide details—not surprising given the rise of organized crime and the recent instances of journalists being beaten. Thus, the sources used in Chapter 5 are mainly secondary (i.e., books and newspaper articles on the topic).

13. Dorhoi's (2006) dissertation is also empirical and involves a large number of Eastern European transitional countries, but it is oriented more toward adopted anticorruption policies and the factors accounting for their intensity.