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*Note*  
**Post-Communist Corruption: In a League of  
its Own?**

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Conventional wisdom has it that the post-communist countries are in a league of their own with regard to corruption. At first sight, the levels of corruption are, indeed, particularly high in both presently communist and formerly communist countries. However, this generalization dissolves as a mirage when the proper control variables are included into the explanatory model. Countries with a communist past or a communist presence are as corrupt as one would expect based on other structural characteristics such as the level of economic development, a Protestant cultural tradition and the dependency on natural resources. *Ceteris paribus*, then, the communist legacy has no direct effect on contemporary levels of corruption. At most, it is possible to argue that it has an indirect effect working through the variable of economic development.

### **Introduction**

‘Corruption is the greatest obstacle to progress in post-communist societies’, reads an assertion penned by Richard Rose (2001, 105) a few years ago. Reading through some of the literature on post-communist transitions (e.g. Miller et al. 2001; Karklins 2005; Holmes 2006; Schmidt 2007) one gets the impression that a widely accepted premise is that a communist past has a uniquely adverse influence on corruption levels – and that, *ipso facto*, the post-communist countries are in a league of their own with regard to the scourge of corruption.

Obviously, this ‘communist corruption thesis’ can only be tested by including communist, post-communist and countries that were never communist into a

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common analysis. Yet such tests have only seldom been carried out and the few attempts to do so (Treisman 2003; Sandholtz and Taagepera 2005) point in different directions.<sup>1</sup> Furthermore, the premise begs the following question: if the communist past is to blame, how do we account for the massive differences in corruption-levels within this set of countries? In Figure 1, we have reported the average corruption levels in the post-communist countries in the period 2004–07. To do this, we use the so-called *Corruption Perception Index* provided by Transparency International (TI), which has been recalibrated to range from 0 (most corrupt) to 100 (least corrupt).

The illustration shows that the intra-regional differences in corruption levels are very salient. In fact, whereas the least corrupt countries – Estonia and Slovenia – are on a par with Western European countries such as Italy and Portugal, the most corrupt countries – Tajikistan and Turkmenistan – are situated at the very bottom of the global ranking. Furthermore, as we show below, these 28 countries exhibit great variation with respect to most of the other causal factors emphasised as relevant for corruption levels in the literature.

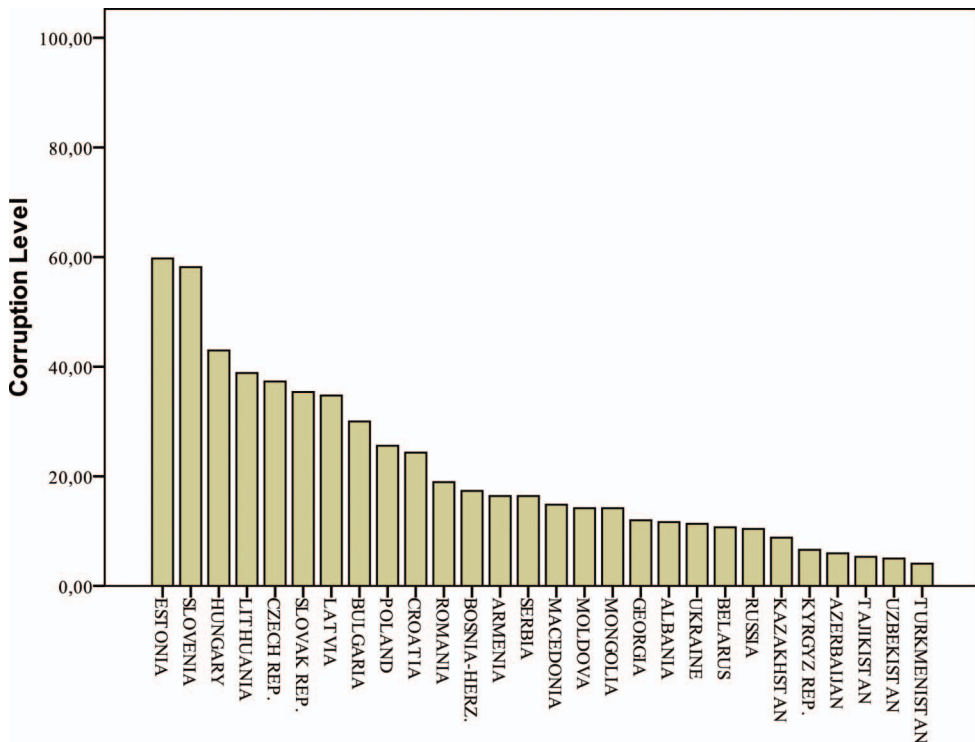


Figure 1. Average Corruption Levels (TI) in Post-Communist Countries, 2004–07.

<sup>1</sup>Treisman (2003) thus finds no evidence supporting the premise, whereas Sandholtz and Taagepera (2005) affirm it vigorously.

On the basis of these simple descriptive observations, it seems plausible to hypothesise that the present levels of corruption are *not* a consequence of communism but should *instead* be linked to other structural attributes such as the level of economic development, the occurrence of Protestantism and the dependency on natural resources. More formally: Post-communist countries are no more corrupt than countries with similar structural characteristics.

### Post-Communism and Corruption

Why do so many scholars argue that the post-communist countries are particularly corrupt? A review of the literature points to two factors. First, that the legacy of the planned economy has bred a culture of corruption, which lingers on after the breakdown of communism. Second, that the transition from the planned economy to the market has created a window of opportunity for engaging in corrupt practices.

Both explanations have been promoted by Sandholtz and Taagepera (2005).<sup>2</sup> Regarding the former factor, they base their case on a more general relationship supported by the literature on corruption, namely that the lack of competition combined with the absence of effective bureaucratic supervision makes corruption ubiquitous (Klitgaard 1988; Gerring and Thacker 2005). Such was the case in the days of the command economy and it has ostensibly had an enduring impact on the culture of these countries (Sandholtz and Taagepera 2005, 114). In a nutshell, corruption has become part and parcel of the social norms and mores, something that is not likely to change overnight (Hutchcroft 1997; Holmes 2006).

As regards the latter factor, Sandholtz and Taagepera (2005) argue that ‘the process of privatization itself opened myriad opportunities for corruption, especially since the administrators of the former system frequently devised and managed the privatization schemes’ (110). The initial reforms, and the privatization process in particular, therefore created vested interests that could extract rents from the new *status quo*. These vested interests resisted further reforms that would weaken their position, thereby keeping many post-communist economies and judicial systems in a state of limbo (cf. Roland 2000).

On this basis, there seems to be very good reasons for expecting a post-communist reality of excessive venality and graft. But looks may be deceiving and, in any case, the ultimate test must be empirical. In the subsequent section, we confront these theoretical predictions with a systematic data analysis.

### Identifying and Operationalizing the Relevant Variables

To capture the dependent variable of corruption – which we define as the misuse of public office for private gain – we turn to the two indices most often used in recent empirical investigations. First, we employ a general index of corruption included in the World Bank’s (WB) *World Governance Indicators*. Second, we employ the already introduced *Corruption Perception Index*

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<sup>2</sup>Holmes (2006) also lends support to both explanations and furthermore disaggregates them. Thus, he suggests no less than nine factors that lead from the communist system to present-day corruption levels.

provided by Transparency International (TI). Notice that neither our definition nor – *ipso facto* – the two indices distinguish between (1) public (administrative) and political (state capture) corruption and (2) petty and grand corruption. In a nutshell, we make no attempt to account for different types of corruption. Some would probably argue that such distinctions are indeed relevant when comparing the post-communist countries with other countries as the breakdown of the planned economy may have paved the way for an idiosyncratic, or at least particular, pattern of corrupt practices. Be that as it may, we confine our attention to the general level of corruption, which has after all been the centre of discussion in the literature.

Notice, furthermore, that the reliability and validity of the employed corruption indices have been called into question (e.g. Arndt and Oman 2006; Treisman 2007). Most prominently, Galtung (2006) has convincingly placed on view the ‘seven failings’ of the TI, in particular arguing that it does not lend itself to taking stock of trends, i.e. analysing cross-temporally. There is definitely something to much of his criticism. This is not that surprising as corruption by its very nature – it is something that is concealed – is difficult to measure. Indeed, until the 1990s it was normally argued that corruption is intrinsically immeasurable (cf. Galtung, 2006). However, we only engage in a simple cross-national analysis and, though some readers may feel that the view of the trees get lost in the picture of the forest, we, on the contrary, seek to avoid the situation in which one cannot see the wood for the trees in the first place.

What is more, the WB and TI have the broadest coverage, they are the most widely used general measures available and including both of them supports the robustness of the findings.<sup>3</sup> As already mentioned, to make the numbers more directly comparable, the scores have been recalibrated from 0 to 100, with 0 indicating the highest level of corruption. Simple average levels of corruption in the four-year period 2004–07 are used to measure the dependent variable in the subsequent statistical analyses.

Turning to the independent variables, a test of the hypothesis formulated above obviously requires variables capturing the status of post-communist. Also, it seems proper to take stock of the category of presently communist countries, i.e., China, Cuba, Laos, North Korea and Vietnam. Finally, to fully appreciate the effect of a communist past, we include yet another independent variable in the multiple regression analysis carried out below, measuring the number of years under communist rule until 1998 (cf. Treisman 2003).

Beyond that, and referring back to the wording of our hypothesis, controls indicating the extent to which these countries have ‘similar structural characteristics’ as other countries must be included. Needless to say, ‘similar’ here means similar with respect to factors bearing upon corruption according to prior research. A review of previous general analyses and overviews (e.g. Lambsdorff 2005; Treisman 2007) accentuates three structural factors that – more or less consistently – exhibit a strong relationship with corruption.

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<sup>3</sup>Notice, though, that the two measures correlate overwhelmingly (Pearson’s  $R=0.98$  in the global universe and  $0.96$  in the post-communist microcosm). The results are therefore not likely to differ much.

First, there is *the* one variable included in virtually any study of macro-level developments, namely the level of economic development; the impact of which has been established by most studies on corruption (e.g. Treisman 2000; Gerring and Thacker 2005). Second, the impact of different religions on corruption is supported by several analyses. Most importantly, Protestantism has been shown to impede corrupt practices (e.g. Treisman 2000; Paldam 2001). Third, natural resource production has been found conducive to corruption (e.g. Treisman 2000; Isham et al. 2005).

Due to considerations of ‘priority’ (Gerring 2000, 130–46), we have measured these structural variables prior to the measurement on the dependent variable. The data for economic development – 1998 GDP per capita (PPP) in US dollars – derive from Vanhanen (2003).<sup>4</sup> To fully cover the variable religion, we distinguish between the statuses of Protestant, Catholic, Orthodox, Muslim and ‘Other’. The countries are grouped in each of these categories if the denomination linked with it makes up the majority or plurality of the population. This coding is based on information provided by La-Porta et al. (1999) and the CIA (2008) *World Factbook*. In the regression analyses we enter each status as a dummy with ‘Other’ as the reference category. Regarding natural resource production we focus on the extraction of gas and oil, which is measured using the IMF’s (2005) *Guide on Resource Revenue Transparency*. Any country with an average share of hydrocarbon revenues that exceeds at least 25% of total revenues or total exports during the period 2000–03 are coded 1, all other countries are coded 0.

The reason that we have chosen to measure several of the independent variables approximately a decade after the breakdown of communism is a simple one. We wish to avoid any ‘noise’ from the transitional upheavals. Differently said, it seems plausible that the structural constraints needed some time to reassert themselves.

### Post-Communist Countries vis-à-vis Other Countries

Having taken care of the spadework, what can we say about post-communism and corruption? At first sight, the communist and post-communist countries are indeed in a league of their own. A simple comparison of the average levels of corruption in post-communist, communist and non-communist countries, respectively, tells an unequivocal story, no matter which of the two indices are used to capture corruption. As illustrated in Table 1, the mean corruption score is lowest (worst!) in communist countries, followed by the post-communist countries with the non-communist countries scoring highest (best!).

This clear-cut descriptive pattern probably goes some way toward explaining why so many scholars take it for granted that a communist past feeds into corrupt practices – and it seemingly means that the hypothesis of this research note should be rejected. But recall the qualifier saying that the post-communist countries were ‘no more corrupt than countries with similar structural characteristics’. To assess the hypothesis we need to include the requisite structural controls in a global, multiple regression analysis.

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<sup>4</sup>Vanhanen’s data on this variable are primarily based on the World Bank development indicators.

**Table 1.** Mean Corruption Levels (2004–07) in Non-Communist, Post-Communist and Communist Countries

	World Bank (WB)	Transparency International (TI)
Non-Communist	41.7 (156)	30.8 (146)
Post-Communist	33.3 (30)	21.2 (29)
Communist	21.9 (5)	17.8 (4)

The figures in the brackets denote the number of cases.

The results are reported in Table 2 and they are also strikingly clear-cut. The conclusion supported, however, is very different.

The control variables derived from the literature are all highly significant. Also, they all work in the expected direction, i.e. the level of economic development and the presence of Protestants are positively associated with lower corruption levels whereas the co-efficient of the gas-and-oil dummy is negative. The other controls associated with the religion variable, i.e. the statuses of Catholic, Orthodox,<sup>5</sup> and Muslim, are not consistently significant.

The robust statistical significance of economic development, Protestantism and dependency on natural resources is not really surprising as these variables were selected due to previous empirical findings. Yet, it is interesting to note that the revealed pattern is conspicuously clear. Any model that includes all of these three variables explains more than 80% of the variation in corruption levels, indicating that the relationships between the controls and the *explanandum* are very strong.

The three variables capturing the effect of communism are the most important for our purposes, however. Here the results are equally unequivocal but in an entirely different way. Neither the status post-communist, nor post-communist/communist, nor for that matter the number of years under communism has a statistically significant effect on the level of corruption *when controlling for the other factors*.<sup>6</sup> Tellingly, the inclusions of these variables into the models do not increase the explanatory power at all.<sup>7</sup>

To sum up, then, post-communist or communist countries show relatively high levels of corruption because they are relatively poor; almost without exception not Protestant; and relatively dependent on oil and gas production. When these controls are included, the effect of a communist past and/or present

<sup>5</sup>Some might argue that the fact that the Orthodox countries form the core of the former Soviet bloc could repress an actual relationship between communism and corruption. The argument would be that 'Orthodox' washes out 'post-communism' in the global analysis. However, we have also run the regression with Protestantism as the sole dummy (all other religious statuses functioning as the reference-category). This did not change the significance of the three variables taking stock of communism.

<sup>6</sup>This is the case even though we operate with a one-tailed test and a minimum significance criterion as high as 0.1, meaning that the test of our hypothesis is fairly conservative.

<sup>7</sup>We have also included a number of other – theoretically less convincing – structural controls into prior regression models, e.g. British colonial rule, the absence of a colonial heritage and ethnic fractionalization. None of these turned out to be significant, nor did they change the significance of the critical variables measuring post-communist and communist countries. Therefore, we only present the reduced model here.



Table 2. OLS Estimation Results of Models with Corruption (2004–07) as Dependent Variable

	WB	TI	WB	TI	WB	TI	WB	TI
Constant	20.979*** (2.258)	9.582*** (1.980)	20.990*** (2.343)	9.395*** (2.049)	21.313*** (2.326)	9.624*** (2.039)	34.776*** (3.809)	25.050*** (4.351)
GDP/cap.	2.481*** (0.136)	2.812*** (0.177)	2.479*** (0.138)	2.816*** (0.177)	2.470*** (0.138)	2.810*** (0.177)		
Protestant	10.952*** (3.170)	12.589*** (3.635)	11.024*** (3.217)	12.708*** (3.652)	10.870*** (3.227)	12.604*** (3.668)	25.498*** (5.888)	31.171*** (7.804)
Catholic	1.800 (2.486)	0.179 (2.355)	1.986 (2.494)	0.251 (2.338)	1.941 (2.499)	0.271 (2.346)	9.593** (4.508)	7.446* (5.106)
Muslim	-0.120 (2.465)	-1.324 (2.215)	0.090 (2.478)	-1.211 (2.199)	0.050 (2.462)	-1.234 (2.197)	-2.682 (4.166)	-5.141 (4.564)
Orthodox	-3.164 (3.137)	-6.988** (3.208)	-2.080 (3.138)	-7.195*** (2.962)	-1.048 (3.052)	-6.367** (3.068)	3.350 (4.367)	-2.286 (4.540)
Oil production	-8.250*** (1.707)	-8.189*** (1.688)	-8.304*** (1.690)	-8.208*** (1.685)	-8.291*** (1.685)	-8.227*** (1.682)	-5.982** (3.455)	-5.925** (3.518)
Post-communist	1.846 (1.727)	0.943 (1.876)						
Communist/ post-communist	0.649 (1.778)	1.362 (1.681)						
Years Communist								
R <sup>2</sup> Adjusted	0.82	0.85	0.82	0.84	0.83	0.84	-0.114*** (0.042)	-0.094** (0.042)
N	170	167	170	167	170	167	0.26 189	0.27 178

Unstandardized coefficients reported with (heteroscedasticity-consistent) robust standard errors in parentheses. \*Significant at the 0.1 level; \*\*significant at the 0.05 level; \*\*\*significant at the 0.01 level (one-tailed test); WB = World Bank; TI = Transparency International.



or the number of years under communist rule dissolves as a mirage. Arguably, the reason that Sandholtz and Tagepeera (2005) reach the opposite conclusion is that they do not include the proper structural controls.

### Discussion: A Causal Chain?

The empirical analysis strongly supported the hypothesis coined at the outset of this research note – a hypothesis formulated in direct contradiction to most of the present literature on post-communism and corruption. Indeed, our global statistical analysis robustly indicates that a communist past *per se* has no independent impact on the general corruption levels if the proper structural control variables are included into the explanatory model.

It can of course be counter-argued that the communist legacy may have had an impact on at least one of the other variables included in the model, *viz.* the level of economic development. One of the reasons the planned economies broke down was, after all, their perceived inability to match the growth rates of the Western market economies. To illustrate with a thought-experiment, had it not been for communism, Estonia – one of the two least corrupt countries of the post-communist setting – would probably be situated closer to (Protestant) North European levels of corruption than (non-Protestant) South European ones as is presently the case.

This objection cannot be ruled out *a priori*, neither can it be dismissed as trivial. Economic development is, after all, the independent variable accounting for most of the variation in corruption levels (compare the last two columns of Table 2 with the other columns), which means that any such interaction is likely to be important. In the statistical analysis reported in Table 2, we have attempted to push a bit at the argument. As illustrated in the last two columns, it actually turns out that the variable measuring the status ‘Years Communist’ becomes significant if GDP per capita is not controlled for.<sup>8</sup>

This finding is a necessary condition for the level of development working as an intermediary variable. But notice two things. First, it is still affluence or the lack thereof that explains the level of corruption and not a communist past as such. More particularly, a causal chain extending from the communist past via economic growth to the present levels of corruption works through neither of the two theoretical mechanisms supporting the conventional wisdom. Differently said, even if we accept this relationship, communism has no idiosyncratic effect on corruption, only the general effect of any politico-economic system that depresses growth.

Second, though a necessary condition, the revealed relationship is still not sufficient for establishing such a causal chain. Recall in this connection that – with the twin exceptions of the Czech Republic and Slovenia<sup>9</sup> – communism was installed in parts of Europe that were lagging significantly behind Western Europe with regard to the level of social and economic modernization: as

<sup>8</sup>The same is the case for the variable measuring ‘Communist/post-communist’ (but not ‘Post-communist’). However, we have chosen to concentrate on the relationship with ‘Years communist’ as the duration of communism seems most relevant for the extent to which the variable measuring economic wealth has – arguably – been affected.

<sup>9</sup>Tellingly, two of the least corrupt post-communist countries today.

demonstrated by Janos (2000) and Seton-Watson (1967[1945]). Also, in the easternmost areas of the Soviet Bloc, e.g. the Central Asian republics and the Caucasus, communism actually produced impressive growth rates until the 1980s. On this basis, it is possible to argue that ‘deeper’ structural constraints – such as those emphasised by Herbert Kitschelt (2003) – to a large extent explains the low levels of development in the post-communist countries. The relationship between communism and corruption may thus be completely spurious, as the level of development may be chiefly explained by pre-communist legacies.

These are only (empirically-based) theoretical speculations. But what remains is that – at the very least – the proponents of the ‘communist corruption thesis’ need to argue in favour of a more extended, and therefore less spectacular, causal chain, in which the communist past only has an indirect effect on communism via the level of economic development, not a direct effect due to the culture instilled by the planned economy or the transitional difficulties.

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