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Typology of Post-Communist Corruption

Rasma Karklins

Corruption takes many forms, and all of them distort the workings of the political system.

STRIKE up a conversation with anyone in the post-communist region and the topic of governmental corruption will invariably come up. People are convinced that corruption is widespread, and they all have stories to tell, either from their own experience or heard from others, including the media. They are frustrated because so little is being done about the situation, and because they feel helpless and see themselves as being played for fools. Many cynically believe that in order to get along they have to “play the game”—that “the System” compels them to do so. But what “system” exactly? What are the proto-typical structures and processes involved in post-communist corruption, and how are others drawn in? Why is corruption so pervasive and hard to fight?¹

One important reason is that post-communist corruption has many sub-types, some of which are institutionalized. Next to petty acts like bribing traffic cops or building inspectors, there is the grand corruption of exercising illicit influence on political decisions at the highest level of government. Post-communist corruption also includes the stripping of public assets by self-serving officials who, at times, transform entire public institutions into private fiefdoms. While the extent and specific mix of corrupt practices differ from one post-communist country to another, their basic features are similar across the region.² This suggests that corruption is rooted in systemic features of the preceding regimes and the transition from them. The first step in identifying these systemic features is to building a typology of corruption in the post-communist region.

Corruption occurs in every political system, and many of its expressions are the same throughout the world,

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yet it has a distinctive profile in the post-communist states. Part of this distinctiveness is linked to the nature of the former regimes. Robert Klitgaard, a leading scholar of corruption, argues that corruption is based on “monopoly + discretion – accountability.”³ The antecedent communist regimes were characterized by monopolies of all kinds, political, economic, and social. Thus, one has to look at the post-communist institutional context and ask about the extent to which officials retain monopolies over decision-making or the provision of public services, how much discretion they have, and how much accountability there is. Related issues are the effectiveness of separation of powers, oversight, and transparency.

In some cases, the misuse of public power has become so widespread that some analysts speak of “stealing the state” or “state capture.” Others identify a hidden political regime. As argued by James C. Scott, corruption represents a hidden political arena, and when this hidden politics begins to dominate a regime, any analysis that ignores it will be misleading. One needs to “ask how this situation affects the distribution of power and authority in the political system, how it distorts the formal declarations of government policy, how it influences the character and composition of the political elite over time.”⁴ In line with Scott’s thinking, this article argues that the currency of the corrupt act, be it a bribe, profiteering, nepotism, or something else, is less important than how it distorts the workings of the political system. Thus, the electoral process is compromised if supposedly neutral journalists accept bribes to write biased articles. What’s more, corrupt deals are rarely self-contained—they typically involve other acts, such as lying, fraud, and the corruption of others. Ultimately such activities may spread so widely that they become institutionalized, creating a culture of corruption where more and more honest people succumb to the temptation to misuse public power entrusted to them. Corruption is more complex than is often thought and carries major political costs and consequences.

The discussion that follows uses Transparency International’s definition of corruption as the “misuse of public power for private gain,” but adds to it, “at the expense of the public good.” Although the latter is implicit in the notion of misuse, saying so explicitly emphasizes that there are costs to corruption. These costs need to be spelled out, because criticism of corruption is all too often dismissed as sanctimonious moralizing. Corruption has direct costs for the citizenry, since funds are diverted from paying for public goods, such as safety, social services, infrastructure, and decent salaries for

teachers and public servants. But it also has costs for economic and political development. While the economic costs, such as the undermining of investment and market competition, are recognized, the political costs, too, need to be spelled out. The “misuse of office” entailed in corruption means that it undermines the purpose of public institutions. Depending on the specific public purpose that an institution serves, the socio-po-

The currency of the corrupt act, be it a bribe, profiteering, nepotism, or something else, is less important than how it distorts the workings of the political system.

litical cost may be tallied in terms of crime, health hazards, environmental damage, or something else.

Corruption involves administrative, legislative, and judicial malpractice and leads to the squandering of political capital through the loss of judicial security, public accountability, and international prestige. If officials cannot be trusted, the values of civic-mindedness and civil service, so crucial for good governance, are undermined. Survey data from the post-communist region show low levels of public trust, democratic legitimacy, and rule-of-law credibility. Richard Rose and his team report a clear correlation in that “the higher the level of corruption in a new democracy, the less likely individuals are to support the new regime (–.24) and . . . the less likely individuals are to reject undemocratic alternatives (–.21).”⁵ In other words, democracy itself is endangered by political corruption.

This article makes an initial attempt to rank corrupt practices in terms of their political costs. The types of corrupt practices are listed in Table 1, and the political damage each of them inflicts on the public is assessed throughout the article. As survey research shows, citizens in post-communist countries are more critical of the misconduct of politicians than that of street-level officials.⁶ It is also important to focus on how post-communist officials initiate corrupt dealings and act in a self-serving way. Too much of the work on post-communist corruption has focused on how private citizens or businesses corrupt public officials, and too little attention has been paid to the reverse. The corruption of the public sector by private interests presupposes a Western-type business world that in fact has been slow in emerging. There is a difference between the misuse of public money for private gain and the misuse of pri-

Typology of Post-Communist Corruption

I. Low-level administrative corruption

- Bribery of public officials to bend rules
- Deliberate over-regulation, obfuscation, disorganization
- Using licensing and inspection powers for extortion

II. Self-serving asset stripping by officials

- Diverting public resources for civil servant spoils
- Mismanagement and profiteering from public resources
- Profiteering from privatization
- Malpractice in public procurement
- Nepotism, clientelism, and "selling" of jobs

III. "State capture" by corrupt networks

- *De facto* takeover of public institutions for private business or criminal activity
 - Forming collusive networks to limit political competition
 - Undermining free elections through slush funds, hidden advertising, etc.
 - Misuse of legislative power
 - Corruption of the judicial process
 - Misuse of auditing, investigatory, and oversight powers
 - Using *kompromat* for political blackmail and coercion
 - Corruption of and in the media
-

vate money to influence public policy. There is also a difference between corruption of the state by outside forces and corruption by the state itself. While both are politically detrimental, the latter is more damaging, especially if state institutions become parasitic or extortionist.

The hidden nature of corrupt politics makes it difficult to study. Corrupt dealings are hidden precisely because the perpetrators know that their actions are illicit and could trigger legal or other negative consequences. The very act of hiding of political dealings that should be transparent can be an important indicator of corruption, and an important part of its definition. Methodological difficulties can be overcome in part by careful collection of empirical data from investigative reports, survey research, and analytical insights. The advantage of a typological analysis is that it can be based on partial documentation, supplemented by deductions from existing institutional and theoretical studies.

In profiling the various types of corrupt practice, this article provides short illustrations from the post-communist region, but does not claim to provide decisive empirical proof. The intent is to characterize the many faces of the phenomenon. In doing so, the article draws distinctions based on whether a type of corruption occurs at a low or high level of politics and bureaucratic interaction, whether citizens or public officials initiate the corrupt act, whether the act involves individuals or a network, how exceptional or systematic the act is, and the nature and seriousness of the political consequences. Thus, when a judge takes a bribe, justice is undermined, and this is much more serious than when a surgeon in a state hospi-

tal takes an unofficial "fee" to expedite a surgery. The typology at times draws artificial lines between sub-types of practices that may overlap, and it does not single out interactions that involve several corrupt acts at once.

Low-Level Administrative Corruption

Bribery to Bend Rules. Corruption in everyday bureaucratic encounters between officials and citizens typically involves bribes to officials to break rules and regulations. Surveys of households in selected post-communist countries show that payments to police, particularly the traffic police, and the health services account for about half of all bribe expenses. Bribes associated with the educational system, especially its higher levels, are also relatively common.⁷ Bribery is often an open secret—and sometimes "price lists" are published. A newspaper in the Ukrainian city of Donetsk reported a \$30–\$50 asking price for a good exam grade in local colleges and universities, with a "group" option as low as \$10 per student, and a premium rate of \$80 for students who had already taken and failed the exam.⁸ Not all bribes are this systematic. More often individual officials or citizens initiate bribes on an ad hoc basis.

Instances where individual citizens initiate the bribe—for example, to a traffic cop—are politically less consequential than instances where public officials extort payoffs from citizens in an organized manner. When an individual driver greases the palm of one traffic cop, it indirectly undermines public safety, but when a group of police officers organizes to demand bribes for driver's licenses, both public safety and the rule of law are systematically undermined.⁹ There is even more political damage if the bribe-taking is institutionalized, as when the employees of a public agency collaborate to extort bribes and then divide the spoils, often according to a set formula.¹⁰ Once this happens, official bureaucratic rules have been replaced *de facto* and a new political regime created in the administrative office or branch that is involved. If unofficial rules and payments begin to dominate public institutions, the political regime of the entire state has changed.

If corruption affects just a few branches of public administration, the political damage depends on what branches are involved. It is one thing for citizens to purchase public services, such as health care or higher education. But state legitimacy and efficiency are much more seriously undermined if judicial procedures and legal judgments are for sale, because the rule of law is at the heart of democracy, and undermining it severely limits accountability in all sectors of the state and pub-

lic life. The corruption of the tax-collection service is probably somewhere in the middle range of political damage, whereas bribes to building, fire, and sanitary inspectors can do great harm to the public if they lead to unsafe conditions. Yet in some instances corruption poses no danger to public safety, and is merely an inducement given to cut through red tape.

Over-Regulation, Obfuscation, and Disorganization.

Extortionist bureaucrats deliberately obfuscate and increase the number of rules, procedures, regulations, and fee-paying requirements to induce the public to offer more bribes.¹¹ They may also shorten office hours, withhold information, and generally aggravate the bureaucratic process as much as possible, because these obstacles make it more likely that citizens will come up with illicit payments. As noted by Susan Rose-Ackerman, bureaucrats tend to behave like monopolists who profit from the rising prices created by scarcity.¹² Or, in the words of Robert Klitgaard, “corruption thrives on disorganization.”¹³ Chaos and obfuscation also provide shields behind which to hide if there is an investigation, as bureaucrats who are interested in using their office for enrichment are well aware. In contrast, it is in the interest of the citizenry to work toward efficient public organization and the de-monopolization of governance.

Corruption by over-regulation can also be due to self-important bureaucrats getting psychological satisfaction from having power. Whatever the motives, it tends to involve groups of officials who also have an interest in preventing reformers from effectively cutting red tape. If they prevail, turf battles and ironclad procedures become systemic features of post-communist public administration.

Misuse of Licensing and Inspection Powers. Every state issues professional licenses and permits for activities that involve the public good, such as public safety or environmental protection. Licensing is always susceptible to corruption, especially when established systems are changed and new needs arise, as has happened in the post-communist countries.

A study of corruption in Ukraine in 1999 found it took the average business owner fifty-five days to register a business. Twenty-six agencies were authorized to inspect businesses and impose fines for infractions of rules, but the rules were not published, and inspectors would fine business owners without telling them what violation had prompted the action. In this situation, payoffs can expedite getting a license and make it possible to avoid fines.¹⁴

Some inspectors are predatory. Eighty-seven percent of Russian businessmen surveyed in 1997–98 reported extortionist bureaucratic pressures, specifically demands for bribes when they sought to obtain licenses and permits.¹⁵ A comparative study of shopkeepers in Russia and Poland found that, on average, shopkeepers in Moscow were inspected by 3.9 different agencies, resulting in nineteen visits per year. Shopkeepers in War-

Payments to police, particularly the traffic police, and the health services account for about half of all bribe expenses.

saw were inspected by an average of 2.6 agencies whose officials came to the shop only nine times per year.¹⁶

Asset Stripping by Officials

Civil servants, alone or in collusion, may seek to extract fees through clientelism, privatization, and procurement. These practices can turn public institutions into private fiefdoms serving the whims of entrenched lords. The extraction of spoils, rents, and tributes tends to be systematic, since formal rules have to be broken repeatedly on a long-term basis. To sustain the accumulation of corrupt profits and power, the perpetrators must become skillful at cover-ups, deception, and enticing others involved in the transactions. The consequences involve more than misdirection of public monies and assets, for in effect a hidden political regime is being substituted for the formal one.

During the communist era the state owned everything: enterprises, resources, real estate, and all other means of production. The transition to private ownership and a market system has involved huge and manifold assets and given those in charge great temptations to enrich themselves. In addition, many quasi-public organizations of the communist era, such as sports clubs, labor unions, or the Red Cross, also had to become genuine civic associations.

Diverting Public Funds. Money may be diverted into hidden “second” budgets that equal or surpass the official budgets of state agencies. Quite often the salaries of state officials and civil servants are supplemented with hidden second salaries and bonuses. The bonuses typically involve at least five extra monthly salaries, and second salaries can be significant. After a scandal

about unauthorized expenditures in the State Chancellery of Latvia, an official audit found that additional pay “although not exactly illegal, in some cases meant a 300 percent addition to salary.”¹⁷ Bonuses and special salaries are paid at the discretion of supervisors, which gives them extensive leverage. While this use of discretionary power is problematic in itself, it is a major

Russian generals are believed to have embezzled the equivalent of almost \$65 million from officially authorized sales of military property intended to help pay for military housing.

tool to enforce compliance and even collusion. Second salaries are agreed upon between the supervisor and individual employees who often have to sign a confidentiality agreement. This secrecy about how public money is used indicates that the people involved realize that what they are doing is illegitimate, unethical, and possibly illegal.

There are many other spoils that officials use to enrich themselves and their cohorts. Public outrage tends to focus on visible and extreme instances of overspending, such as luxury cars, lavish receptions, or spurious foreign travel, but this is just the tip of the iceberg. There are many other hidden benefits carried over from the communist era, during which personal well-being was tied to the workplace. The workplace provided access to apartments, cars, special shops and cafeterias, vacation and rest cures, sports facilities and saunas, better medical and day care, even burial plots. In this employment culture, formal salaries mattered much less than non-monetary payments and privileges dispensed by the boss. These practices continue to a degree, depending on the country and the workplace, and explain why many officials of the former communist regimes were eager to retain their posts despite very low formal salaries and substantial wage arrears. In fact, the opening to the West and the influx of foreign aid created new opportunities for illicit profit-making in the form of consulting fees, travel to foreign conferences and meetings, scholarships for study abroad, and access to foreign businessmen and politicians.

Mismanagement and Profiteering from Public Assets. Civil servants in charge of public assets may misuse or embezzle them. One practice with long-term consequences involves the exploitative use of natural re-

sources and the environment by state-appointed managers and their political friends. Examples include clean-cutting large swaths of East European forests for timber exports, ignoring game and wildlife regulations for high-paying clients, and dumping nuclear waste.

Other favorite targets of misuse involve official cars, computers, supplies, and equipment. In 1993 and 1994 alone, Russian generals are believed to have embezzled the equivalent of almost \$65 million from officially authorized sales of military property intended to help pay for military housing.¹⁸ Some practices endanger lives, such as when crucial police or military equipment is sold or leased on the black market. Reportedly, the Russian Northern Fleet could not rescue the *Kursk* submarine because it had rented out its most advanced rescue equipment to private oil companies.¹⁹

Managers may lease public spaces, such as state-owned enterprises, transportation systems and harbors, parks and land, office and apartment buildings, sanatoriums and vacation homes, stores and restaurants. School officials have rented out classroom space to private firms, but rarely has the rent been used for the upkeep of the rest of the school. A common practice since communist times is the misuse of public manpower, such as military officers using conscripts to build private dachas.²⁰ Individuals on the public payroll often “rent” themselves out for secondary jobs, shortchanging their true constituency. Police officers may work as private security guards, surgeons may treat private patients, and professors at state universities may opt for private tutorials instead of scheduled course lectures.

A sub-type of the mismanagement of public assets involves the quasi-privatization of state-owned enterprises and other assets. State-appointed managers act as if they owned them, declining any degree of public accountability. If there is any oversight at all, it is from politically appointed boards of directors who receive huge fees and other perks under the table. Many of these cases also involve blatant conflicts of interest.

Profiteering from Privatization. Many opaque deals amount to little more than looting. In the Czech Republic, the party of former prime minister Václav Klaus admitted to taking \$10 million of “donations” related to the privatization of the telecommunications monopoly that ended up in a Swiss bank.²¹ The comprehensive World Bank study of corruption in the post-communist region notes that “corruption has played a key part” in privatization.²² The techniques differ from case to case, but the common denominator is that officials responsible for privatizing public assets have instead concen-

trated on their personal enrichment. This has tainted the image of all politicians, since very few made much effort to avoid personal involvement or to restrain their colleagues. Thus the absence of preventive effort by more honest politicians is a significant part of the corruption experience. Privatization has been most corrupt where small groups of public officials could make decisions without open-market competition, public scrutiny, or accountability procedures.

Procurement Schemes. While the prices the state receives from privatization deals are typically far too low, the prices it pays in procurement are typically much too high. According to the World Bank, procurement on large state contracts in Poland exceeds market prices by a factor of two or three.²³ Malpractice in public procurement means that private firms make excessive profits at the expense of the public purse, thanks to a variety of corrupt administrative practices. These include sidestepping the rules about competitive bidding and conflicts of interest, or simply making a pretense of following the rules. They also include a disregard of frugality that often becomes outrageous, as when some officials of the City Council of Riga purchased a Lincoln Navigator as their official car. Bribes and kickbacks (typically 5 to 10 percent of the value of the order) and fraudulent assessments and reporting are also involved. In addition to the economic cost, such practices have political costs, most especially reflected in a loss of public trust in state institutions.

Nepotism, Clientelism, and the “Selling” of Positions. Shady hiring practices are usually a way to facilitate other corrupt dealings, especially regarding high-level appointments to offices in charge of significant public assets. Examples include financial, economic, and transport ministries, privatization agencies, the management of state-owned enterprises, harbors and other infrastructure facilities, and customs and tax inspectorates. A 1998 World Bank study of Albania, Georgia, and Latvia found that the prices of “high rent” public positions were “well-known among public officials and the general public, suggesting that corruption is deeply institutionalized.”²⁴

The misuse of the power to make job appointments occurs on all levels of public administration and in all sorts of institutions, including universities, the diplomatic corps, the state-owned media, the judiciary, and the armed forces. Here again corruption occurs by commission as well as omission. The candidacies of people who favor a reform alternative are undermined, whether they are local reformers or Western-trained profession-

als. An old-comrades network all too often protects the jobs of friends. Claims that no one else is available or that a job requires special experience mask a self-serving and cynical agenda whereby turf is protected by preventing the empowerment of well-trained new personnel.²⁵ For example, many post-communist agencies refuse to recognize foreign academic degrees, even if conferred by world-famous universities. Other examples extend beyond individual personnel decisions and include the deliberate prevention of new training programs designed to produce competitive alternative cadres. The misuse of the power to make personnel decisions takes other forms as well, such as using appointments and promotions as bribes, and using the threat of firing as blackmail to make someone collude in corruption.

“State Capture” by Corrupt Networks

Systematic high-level political corruption may establish a hidden political regime at odds with the constitutional purpose of state institutions. World Bank scholars have coined the term “state capture” to define

the illicit provision of private gains to public officials via informal, nontransparent, and highly preferential channels of access. It can also occur through unclear boundaries between the political and business interests of state officials, which has been a particularly prominent characteristic of many transition countries. In all its forms, state capture tends to subvert, or even replace, legitimate and transparent channels of political influence and interest intermediation, reducing the access of competing groups and interests to state officials.²⁶

The “hunters” may be private firms, narrow interest groups, even political leaders. Furthermore, “distinctions can be drawn between the types of institutions that are captured—the legislature, the executive, the judiciary, or regulatory agencies.”²⁷ Other differentiations exist in terms of the methods used and the extent to which state institutions are corrupted deliberately, actively, or by inertia.

De Facto Takeover of Institution. The *de facto* takeover of public institutions for business interests or criminal activity constitutes an extreme case of state capture. In such instances, corrupt or criminal networks penetrate executive institutions at critical points. Since powerful groupings are involved, and much is at stake, this form of corruption is especially difficult to prove and fight. One case of alleged institutional takeover involves drug-enforcement agencies in Central Asia. Another involves Georgia, where an international investigation has found

that “the police, the customs and the courts, those very agencies responsible for fighting corruption, are most widely affected by it.”²⁸ Allegations about institutional capture also tend to surround the activities of ministries dealing with financial and economic matters that are of great interest to leading businessmen.

Forming Collusive Networks. Forming collusive networks to limit political competition is a corrupt practice that seriously undermines democratic development. Just as market economies cannot function properly if dominated by monopolies or cartels, democracies cannot function if collusive power blocs capture the political market. Political competition in elections and decision-making is a hallmark of democracy, and a crucial means of empowering the candidates and programs that best represent the public good as defined by the citizenry. In post-communist countries, political competition has often been undermined by secretive power networks. Many authors argue that old-comrade networks and the newly privileged managerial class have used networking in an exploitative and corrupt way. Interestingly, some authors also see a constructive side to post-communist networking in that it mobilizes social capital.²⁹ Thus, the most important questions to be asked in any specific case pertain to the extent to which a political network serves the public good or is self-serving, and the extent to which it honors the law and other rules governing the political system.

Many post-communist networks originated in the *nomenklatura*—the communist-era network of Communist Party professionals that controlled appointments to the best jobs. The legacy of the Party’s monopolistic power over elite selection is relevant, but so is the nature of the elite inherited by post-communist systems. In the case of the Soviet Union, as Ken Jowitt has described, progressive corruption transformed communist cadres into patrons who received tribute from subservient units and subordinated the interests of their posts to personal and particular interests. This transformation was not limited to a small number of officials, but had overcome the entire Party by 1980.³⁰ In short, the late Soviet regime was a system dominated by an exclusive, self-serving, and “organizationally corrupt status elite,”³¹ earlier forms of which were diagnosed by Milovan Djilas and Michael Voslensky, among others.³²

Post-communist countries differ in the extent to which the old elites survived the change of regimes and continue to hold power in a new form. The Russian banking network is a prime example of extensive elite survival, since “on a scale from one (party secretary at the

local level) to ten (party secretary in the Central Committee) the banking elite gets an average of eight.”³³ While at least some members of the elite presumably would have survived regime change, the core issue is the extent to which the old elites continue to function in an organized and collusive manner and deliberately exclude counter-elites, thus limiting the citizenry’s choice of representation.

To the extent that former *nomenklatura* elites retain their organized structure, the discussion centers on a clientelistic network rather than individual behavior. As noted by the Hungarian legal scholar Andras Sajó, “clientelist corruption is a form of structural corruption, which should be distinguished from discrete individual acts of corruption.”³⁴ Sajó also points out that the former *nomenklatura* network had a headstart in the immediate post-communist period, since alternative social networks were weak or non-existent. As all patronage networks of the corrupt exchange, this is a network of benefit and obligation—that is, it involves rules of reciprocity.

Corrupt-elite networks tend to expand and self-perpetuate. Their members have a strong motive to keep non-corrupt individuals out of politics or to co-opt anyone slipping through their net. What’s more, fear of disclosure adds a strong motive for perpetuating both the network and its corrupt dealings, and thus many political decisions are motivated by a desire to protect implicated officials either in one’s own network or as a collusive quid pro quo.³⁵ Renegade members face severe retribution. It would be important to learn more about the internal workings of these networks, but such research is by its nature highly problematic, even more so as it appears that special rules of silence (like the Italian Mafia’s *omertà*) are enforced.

Undermining Elections. Free elections are undermined by such corrupt practices as illicit financing of parties electoral slush funds linked to power oligarchies. These hegemony tend to buy newspapers or radio and television stations or pay for hidden political advertising in supposedly objective media. This is especially problematic if candidates pay journalists for image-building interviews that are presented as neutral reportage. In Russia, candidates have sought public office solely in order to obtain parliamentary immunity from prosecution, hardly a boost for democracy.³⁶

Misuse of Legislative Power. National and lower-level legislators who have the power to select candidates for official posts are often influenced by bribery. Accord-

ing to researchers at the World Bank, laws have been “purchased” by business or criminal interests that illegally pay legislators to pass specific bills. While this can be classified as the active corruption of legislators, it is also passive corruption in the sense of omission and dereliction of duty. Many post-communist parliaments and regulatory bodies have neglected their public duty to pass effective laws and regulations on party financing, conflicts of interest, money-laundering, offshore assets, the review of income declarations of public officials, and even the prevention of corruption. Similarly, most post-communist legislatures have ignored requests for laws on witness protection, sting operations, and similar programs that would be crucial in preventing corruption. Drafts of promising laws have sometimes been deliberately blocked.

This does not mean that there is no anti-corruption legislation—often there is plenty of it, just not the right kind. More than twenty laws against corruption were passed in Ukraine between 1992 and 1999, and seven government ministries and departments were charged with implementing them, yet “no one is actually doing the fighting.”³⁷ Whenever real anti-favoritism measures are proposed, the beneficiaries of the existing system mobilize—“the more promising the measure, the less likely it will be implemented.”³⁸ Nevertheless, legislators and governments are eager to create the appearance of a war on corruption to further camouflage their illicit dealings. According to Sajo, post-communist regimes deliberately use dubious laws and legal standards to give an aura of democratic legitimacy to governmental sleaze,³⁹ which arguably is worse than doing nothing.

Confusing and contradictory legislation also promotes corruption. In Russia “a plethora of often overlapping and conflicting laws and decrees emanates from a variety of jurisdictions.”⁴⁰ While in part this is due to the disorganization of the transition process, it provides ample room for corrupt maneuvers. A variation of this misuse of lawmaking involves lawyers who become short-term legislators in order to come up with complicated laws and then return to private practice where they command high fees as the sole experts who can negotiate the same confusing laws.

Corruption of Judicial Justice. Judicial corruption takes many forms. Some overlap with previous categories, such as the *de facto* sale of favorable decisions by courts. Selective or false investigations and prosecutions constitute other corrupt misuses of the judicial system. Observers of Russian politics under President Vladimir Putin maintain that the Interior Ministry has been se-

lectively prosecuting his political opponents for corruption. After Moscow mayor Iurii Luzhkov opposed a new tax plan in August 2000, Interior officials launched thirty criminal cases against officials in the city government.⁴¹ Other reports say that during corporate battles, executives “often bribe prosecutors and judges, who earn an average of about \$200 a month, to open baseless criminal investigations of their competitors or to let them

Lawyers may become short-term legislators in order to come up with complicated laws and then return to private practice where they command high fees as the sole experts who can negotiate the same confusing laws.

snatch companies from their legitimate owners through forced bankruptcies.”⁴²

Another politically devastating aspect of corruption is judicial complicity. All too often, prosecutors decline to open investigations into cases where there are strong signs of corruption—for example, in regard to the many major banking and financial scandals that have plagued the post-communist region. When powerful players seem to be involved, prosecutors typically start to investigate only after a loud public outcry and then conveniently fail to resolve the case. Lack of evidence is often cited as the main reason for abandoning cases, but ludicrous arguments are brought in as well, perhaps to deliberately fan the widespread public cynicism about the judicial system.⁴³

There is a curious paradox in the judicial prosecution of corruption. The naive observer may think that if only a few cases are prosecuted, this indicates a low level of corruption. In fact, just the opposite is likely to be true: The scarcity of cases may indicate a very high level of corruption, often spreading into the judicial branch. This seems to be the case in Russia. As one author notes, “the relatively small number of corruption cases that have gone to court suggests that corruption plagues law enforcement agencies as well.”⁴⁴ Similarly, if many corruption cases are brought to trial, this may indicate an active fight against corruption and either a generally low level or a decreasing trend line. Commenting on cross-country data from Singapore and Hong Kong, one analyst notes that their “exceptionally high conviction rates confirm the suspicion that such data, when aggregated, may tell more about the police and the judiciary than about corruption.”⁴⁵ This illus-

trates that numerical measures need to be treated very carefully in measuring corruption levels.

Misuse of Oversight. Misuse of auditing, investigative, and oversight powers to hide and promote corruption rather than fight it is related to judicial corruption, but can take special forms, including the corruption of anti-corruption agencies. This is an especially difficult issue to study, but there have been many allegations in this sphere. A former head of the KGB's analytical department claims that Russia's Federal Security Service is too riddled with corruption to fight it.⁴⁶ Next to individual cases of delinquency, an entire anti-corruption agenda may be co-opted to misdirect it.

The dereliction of their oversight responsibilities by offices of the procuracy, parliamentary investigation committees, supervisory arms of ministries and central banks, tax authorities, general accounting offices, and similar bodies usually represents a passive form of corruption and collusion. As noted, the careful hiding of corruption is part of its definition and indicates that the perpetrators are well aware that they are violating the public power entrusted to them. Fearing exposure, they have an incentive to corrupt other officials, especially those charged with oversight duties. In order to prevent corruption, it is therefore crucial that the separation of powers be taken seriously and public and state institutions have mechanisms for checking on each other. Public oversight and the demand for accountability are crucial aspects of democracy and the rule of law. Unfortunately, this is one of the weakest links in the new post-communist democracies, whether due to inexperience, neglect, or collusion.

Kompromat. Corrupt officials often use their investigative and judicial powers to intimidate citizens and political rivals. Their ability to do so is a concrete legacy of the Soviet system. Under communism everybody was bound to break the law somehow to survive, but this left them vulnerable to politically motivated prosecution.⁴⁷ As Keith Darden recently explained, the presidential office of Ukraine systematically used the threat of prosecution to maintain political control. Apparently state leaders deliberately encouraged corruption in order to secure compromising materials (*kompromat*) to use for political blackmail. After first encouraging an atmosphere of impunity, state surveillance organs documented corruption among officials, and then ensured compliance by the threat of exposure and prosecution.⁴⁸ This method was used in the 1999 presidential election to get the vote out for President Leonid Kuchma. The

use of *kompromat* as a tool of political pressure occurs in other post-communist countries as well and forms an "institutional base of the blackmailing state."⁴⁹

A variation on this theme is that corrupt networks remain in force not only because of the common interests of their members but also because of mutual blackmail. Many powerful politicians have compromising material on other politicians. A systemic explanation of this kind fits the fact that many clearly illegal and corrupt activities have been conducted for years with impunity. One example involves the real-estate market in Russia, where the officially registered prices of real property (subject to taxation) are often only small fractions of the amounts actually paid. The real prices are well known, so that local authorities, if they wanted to, could crack down.⁵⁰ They rarely do, suggesting both complicity and an institutionalized pattern of collusion and blackmail.

Corruption tends to be self-perpetuating. Fear of exposure of previous corrupt dealings leads to additional corrupt acts, through both blackmail and bribery, to prevent investigations. Unless there is a decisive and institutionally based break in the spiral of corruption, the trend will only grow.

Media Corruption. Next to the judiciary, the media is the most crucial player in promoting or hindering efforts to stamp out corruption. Individual journalists or media outlets have often exposed instances of corruption, but there are indications of occasional media collusion in cover-ups and other corrupt undertakings. While the remaining state-owned media are now directed by public oversight boards, personnel and program decisions are rarely transparent. Many of the private media are controlled by the same business interests that have been capturing state institutions.⁵¹ News stories are sometimes skewed on behalf of politicians and businessmen. Innuendos and false accusations are spread against political or economic rivals. Journalists and editors may be paid directly or in the form of tax favors. As reported by the *Financial Times*, "stories are for sale in most of the Russian media, with a very few honorable exceptions. There are price lists available from public relations firms in Moscow, spelling out what different publications charge: one sum for a favorable story, another for a bit of black propaganda, and the highest price of all for a guaranteed news blackout."⁵²

Conclusion

A decade after the transition from communism began, corruption is the chief obstacle to democratic and eco-

conomic progress in the post-communist region. The emerging research on post-communist corruption has begun to identify its roots as well as promising strategies for combating it, but in order to do so successfully, it is necessary to identify and categorize what is being dealt with. A typology can do that. It constitutes a vital step for understanding the nature, context, and political implications of post-communist corruption.

The typology of corrupt political acts in post-communist systems presented in this article focuses less on the currency of corruption than on the political nature of the corrupt act. It is argued that the misuse of public power for private gain has political consequences that need to be spelled out and assessed. Analysts tend to focus on the private-gain part of the definition of corruption and discuss the details of bribery and other forms of illicit profiteering. While this is important, the meaning of the misuse of public power deserves more consideration. It means that officials charged with securing the public good focus instead on securing their own private good. In addition to the misappropriation of tangible public goods, such as budgetary funds, this undermines the basic purpose of public institutions. The people at large pay a cost in terms of poor public safety, services, judicial enforcement of contracts and laws, and democratic representation. Not surprisingly, they respond with anger, distrust, and cynicism.

Corruption has three dimensions that affect the quality of politics: the currency of the corrupt act, its institutional aspects, and its consequences for the polity. "Currency" refers to the means of the illicit exchange, entailing bribery, profiteering, favoritism and nepotism, building collusive networks, extortion and blackmail, and other illegitimate or illegal dealings. The extent to which such practices pervade a country influences the quality of its politics, but their institutional basis also matters. There is less political damage, for example, if bribery is mostly a matter of individual acts by citizens seeking to obtain public services or circumvent red tape. Bribery is more harmful if it involves systemic extortion by officials and encourages institutional pathologies, such as deliberate over-regulation or its opposite, deliberate dereliction of oversight or legislative duty. Similarly, profiteering from public assets is less dangerous if it originates in the avarice of individuals, and much more dangerous when it is due to systematic action by collusive networks. In the latter instance, corruption has been institutionalized, and the basic foundations of the political system may be affected.

By distorting the purpose of public institutions, corruption undermines good governance and democracy,

both in the minds of a citizenry that no longer trusts state and political institutions, and in terms of the cost that the citizenry pays in terms of poor state performance. Beyond the poor results, the undermining of good governance distorts democratic procedures and principles. Procedurally, corruption involves breaking the rules and laws that undergird an institution or entire regime. It also involves deception, fraud, and an impulse to corrupt others to either help hide or even expand illegal activities. More important, corruption undermines the principles on which democratic regimes are built, such as the rule of law, free and fair electoral competition, and representative and responsive government. If corruption becomes so pervasive that it seriously undermines these principles, then the entire system of government has changed and a new vocabulary will be needed to explain the outcome.

Notes

1. For example, William L. Miller, Åse B. Grodeland, and Tatyana Y. Koshechkina, *A Culture of Corruption? Coping with Government in Post-Communist Europe* (New York: Central European University Press, 2001), and numerous studies by the World Bank, especially *Anticorruption in Transition: A Contribution to the Policy Debate* (Washington, DC: World Bank, 2000).

2. Transparency International data as well as survey data from the former Soviet Union and Eastern Europe show large country differentials. See such sources as Miller et al., *Culture of Corruption?* and World Bank studies.

3. Robert Klitgaard, *Controlling Corruption* (Berkeley: University of California Press, 1988), p. 75.

4. James C. Scott, *Comparative Political Corruption* (Englewood Cliffs, NJ: Prentice Hall, 1972), p. 2.

5. Richard Rose, William Mishler, and Christian Haerpfer, *Democracy and Its Alternatives: Understanding Post-Communist Societies* (Baltimore: Johns Hopkins University Press, 1998), p. 188.

6. Miller et al., *Culture of Corruption?* pp. 64–64.

7. World Bank, *Anticorruption in Transition*, p. 9.

8. Miller et al., *Culture of Corruption?* pp. 100–101.

9. In a survey in Latvia, 78 percent of respondents agreed that "the current state bureaucratic system forces one to give bribes." Transparency International Latvia, *Korupcijas Seja Latvija* (The Face of Corruption in Latvia) (April 2000), p. 20.

10. This is based on personal communications from colleagues in the region. There has been little systematic research on the organizational aspect of institutional corruption. A similar phenomenon, and lack of research, is noted in the case of China by Xiaobo Lu, *Cadres and Corruption: The Organizational Involvement of the Chinese Communist Party* (Stanford: Stanford University Press, 2000), pp. 201–202.

11. Compare Vadim Radaev, "Corruption and Violence in Russian Business in the Late 1990s," in *Economic Crime in Russia*, ed. Alena V. Ledeneva and Marina Kurkchiyan (Boston: Kluwer Law International, 2000), p. 66.

12. Susan Rose-Ackerman, *Corruption: A Study in Political Economy* (New York: Academic Press, 1978), p. 90.

13. Klitgaard, *Controlling Corruption*, p. 79.

14. Inna Pidluska, Ukrainian Center for Independent Research, as reported in Robert Lyle, "Ukraine Under Corruption Spotlight," *RFE/RL Newline* (February 26, 1999).

15. Radaev, "Corruption and Violence in Russian Business," pp. 67–68.

16. Timothy Frye, "Corruption: The Polish and Russian Experiences,"

Electronic Journal of the U.S. Information Agency, *Economic Perspectives* 3, no. 5 (November 1998): 2.

17. *Diena* (May 30, 2000). A later newspaper report discussing the need for civil-servant salary reform cites a representative of the Finance Ministry as saying that many state agencies pay about 200 percent more than the "formal" salary, but that other agencies are unable to do so. It also reports that some agency directors are paid 2,000 lats a month. *Diena biznes* (July 20, 2001). In comparison, state-employed teachers, nurses, and other personnel typically earn less than 100 lats a month.

18. John M. Kramer, "The Politics of Corruption," *Current History* 97, no. 621 (October 1998): 331.

19. There is no mention of who received the payment for this deal. *New York Times* (August 24, 2000): 6.

20. An article in the *Moscow News* of July 11, 1996, reported that between 1992 and 1996, some 300 generals built dachas costing from \$200,000 to \$3 million each in the Moscow region using embezzled materials and employing military personnel who had been promised early discharge from service. Cited in Kramer, "Politics of Corruption," p. 331.

21. Aviezer Tucker, "Networking," *East European Constitutional Review* 9, nos. 1/2 (winter/spring 2000): 110.

22. World Bank, *Anticorruption in Transition*, p. 32.

23. World Bank Warsaw Office, *Corruption in Poland* (October 11, 1999), p. 16.

24. Daniel Kaufman, Sanjay Pradhan, and Randi Ryterman, "New Frontiers in Diagnosing and Combating Corruption," World Bank *PREMnotes* 7 (October 1998): 2.

25. Aviezer Tucker speaks of state-university corruption by the communist academic *nomenklatura* ("Introduction: Higher Education on Trial," *East European Constitutional Review* 9, no. 3 (summer 2000): 88–89).

26. World Bank, *Anticorruption in Transition*, p. 3.

27. *Ibid.*, p. 2.

28. Council of Europe, Group of States Against Corruption, *Evaluation Report on Georgia* (June 15, 2001), p. 10.

29. Compare the review symposium on David Stark and László Bruszt, *Post-Socialist Pathways: Transforming Politics and Property in East Central Europe* (New York: Cambridge University Press, 1998), in *East European Constitutional Review* 9, nos. 1/2 (winter/spring 2000): 101–20, especially Venelin I. Ganev, "Notes on Networking in Post-Communist Societies," pp. 101–107.

30. Kenneth Jowitt, "Soviet Neotraditionalism: The Political Corruption of a Leninist Regime," *Soviet Studies* 35, no. 3 (July 1983): 277 and 284.

31. *Ibid.*, p. 288.

32. Milovan Djilas, *The New Class: An Analysis of the Communist System* (New York: Praeger, 1957); Michael Voslensky, *Nomenklatura: The Soviet Ruling Class*, trans. Eric Mosbacher (New York: Doubleday, 1984.)

33. Heiko Pleines, "Large-Scale Corruption and Rent-Seeking in the Russian Banking Sector," in *Economic Crime in Russia*, ed. Alena V. Ledeneva and Marina Kurkchiyan (Boston: Kluwer Law International, 2000), p. 191. See also Olga Kryshatanovskaya and Stephen White, "From Soviet *Nomenklatura* to Russian Elite," *Europe-Asia Studies* 48, no. 5 (July 1996): 711–33.

34. Andras Sajo, "Corruption, Clientelism, and the Future of the Constitutional State in Eastern Europe," *East European Constitutional Review* 7, no. 2 (spring 1998): 38.

35. Cited in Vitaly A. Nomokonov, "On Strategies for Combating Corruption in Russia," *Demokratizatsiya* 8, no. 1 (winter 2000): 125.

36. Heiko Pleines, "Large-Scale Corruption and Rent-Seeking in the Russian Banking Sector," in *Economic Crime in Russia*, ed. Alena V. Ledeneva and Marina Kurkchiyan (Boston: Kluwer Law International, 2000), p. 178.

37. Pidluska, in Lyle, "Ukraine Under Corruption Spotlight."

38. Sajo, "Corruption, Clientelism, and the Future of the Constitutional State," p. 15.

39. *Ibid.*, p.44.

40. Federico Varese, "The Transition to the Market and Corruption in Post-Socialist Russia," *Political Studies* 45, no. 3 (1997): 583.

41. *RFE/RL Newswire* (August 14, 2000).

42. *New York Times* (June 17, 2001): 12.

43. Lack of evidence was the main reason why only 1,925 convictions were obtained out of 5,422 cases of administrative corruption misdemeanors tried in Ukraine in 1997 (Solomon and Foglesong, "Two Faces of Crime," p. 75).

44. Nomokonov, "On Strategies for Combating Corruption in Russia," p. 124.

45. Jens C. Andvig, "Issues of Corruption: A Policy-Oriented Survey of Research," manuscript, 2001, p. 9.

46. *Moscow Times* (January 13, 2000), as reported in *RFE/RL Newswire* (January 14, 2000).

47. Susan Rose-Ackerman, "Reducing Bribery in the Public Sector," in *Corruption and Democracy: Political Institutions, Processes, and Corruption in Transition States in East-Central Europe and in the Former Soviet Union*, ed. Duc V. Trang (Budapest: Institute for Constitutional and Legislative Policy, 1994), p. 21.

48. Keith A. Darden, "Blackmail as a Tool of State Domination: Ukraine Under Kuchma," *East European Constitutional Review* 10, nos. 2/3 (spring/summer 2001): 67–71.

49. *Ibid.*, p. 71.

50. Leonid Polishchuk, "Decentralization in Russia: Impact for Quality of Governance" (paper presented at the IRIS Center Conference on Collective Action and Corruption in Emerging Economies, Washington, DC, May 14, 1999), p. 20.

51. World Bank, *Anticorruption in Transition*, p. 46.

52. *Financial Times* (April 30, 2001): 13.

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