

# THE CHANGING FACE OF Post-Communist Corruption

From the front lines of the fight against corruption, one practitioner seeks results and finds both good and bad news.

by Miklos Marschall

**C**orruption—the abuse of public trust for illicit, private benefit—has been identified as one of the toughest obstacles to successful transition in post-communist countries. Public opinion in Central and Eastern Europe generally holds that transition has unfairly enriched only a narrow elite, many from the old communist hierarchy. This disenchantment with a freer political and economic system arises from a blend of naïve expectations and disgust with graft. It is still difficult for many Eastern Europeans to accept that capitalism creates entrepreneurs who are very visibly rich—a completely unfamiliar sight during the long years of communism despite

In the last 15 years, much attention and many resources have been devoted to combating corruption in post-communist countries. The European Union, the World Bank, the Organization for Economic Co-operation and Development, and the European Bank for Reconstruction and Development have made fighting corruption a priority. Indeed, there is hardly any country without an anti-corruption task force, committee or council busily implementing an anti-corruption action plan. Representative projects supported by international donors range from public awareness campaigns to new legislation to programs to train judges, prosecutors, civil servants, customs officers, police

The World Bank's survey results can be interpreted in different ways. My own thesis is that the nature of corruption has changed. While we have less petty corruption than 10 to 15 years ago, large-scale corruption is on the rise. Petty corruption arose from the dysfunctional relationship between public institutions and citizens. In the context of this relationship, corruption was almost like self-defense: part of a practical "citizens' survival tool kit" given the harsh realities of the communist economy. Under it, bribes paid to a government clerk for a permit or to the highway patrol to avoid an arbitrary penalty were an institutionalized part of

**“According to a recent World Bank survey, firms in 10 of the 24 countries in the region viewed corruption ‘as less of an obstacle to business in 2002 than in 1999.’”**

personnel, journalists and others in methods to spot and stop corruption.

The question we should ask now is whether these measures have had any impact. In

that system's pervasive corruption. What happened during the transition was that corruption was “monetarized.” In Ivan Krastev's words, “...the transition from communism to post-communism was one from a ‘do me a favor society’ to a ‘give me a bribe society.’”

Clearly the real costs of corruption are immense and go far beyond monetary value. According to some World Bank estimates, bribes amount to 1.4 trillion USD per year worldwide, or 5% of the global economy. The cost to the productivity of markets is much higher. In addition, corruption can undermine security. Even petty corruption—small bribes to airport personnel, for example—can help terrorists execute their reprehensible plans.

other words, do we have less corruption today than we did 10-15 years ago? Given that corruption tends to thrive in shadows and is, for obvious reasons, seriously underreported, we must rely on perceptions to answer this question. With respect to the transition economies of Central and Eastern Europe and the Commonwealth of Independent States, there is encouraging news. According to a recent World Bank survey, firms in 10 of the 24 countries in the region viewed corruption “as less of an obstacle to business in 2002 than in 1999.” Similarly, the frequency of bribes was significantly reduced in at least nine countries during this period. To my knowledge, in the history of surveys on corruption, this is the first one that indicates modest positive trends.



the system, not a choice, and the only way to get something done. However, the shortage economy has passed, and the economy has become more “civilized,” i.e., the business environment is better regulated and more predictable.

Let me illustrate the change with a personal experience. In Hungary under communism, if you were driving a car and were stopped by the highway patrol, the only way to avoid a ticket was to pay


“...the nature of corruption has changed. While we have less petty corruption than 10-15 years ago, large-scale corruption is on the rise.”

a bribe on the spot. Nowadays, you can use the services of legitimate professional agencies (I would call them mediators) to get your penalty reduced or eliminated. What this rather mundane example reveals is that what we call petty corruption is often the result of the lack of “mediating” institutions and procedures. What a client in a sophisticated market economy can arrange legally through a law firm, or a consulting company, you accomplish the “rough way”—often through direct bribes—in a less developed economy. In the most advanced post-communist countries, the good news is that, thanks to corruption reforms, people have less need to use “rough” methods to deal with

the state and other institutions. Consequently, their interactions have become less corrupt.

On the other hand, large-scale corruption, especially political corruption, has been on the rise. Unfortunately, the new political elites in Central and Eastern Europe learned quickly how to use more sophisticated techniques of rent seeking. In part, they are pushed by the need to secure the financing necessary for expensive political campaigns. Somewhat cynically, I would suggest that our politicians are catching up with their Western European counterparts in this respect. Their schemes range from

underestimating inflation to consolidating the debts of bankrupt companies, both of which allow the reallocation of revenues without parliamentary scrutiny. In addition, they “tunnel” subsidies into party coffers and bypass public procurement regulations. The latest Transparency International Global Corruption Barometer (available at [www.transparency.org](http://www.transparency.org)) clearly reveals the increase in political corruption. In most countries surveyed, the public perceives political parties as the most corrupt institution on the political scene.

Can we assess the overall impact of anti-corruption efforts during the last 15 years in Central and Eastern Europe? I think it is too early to do so. The only obvious lesson we can draw is that successful political reformers are also those making the most progress combating corruption. This strong correlation between successful reform and efficient anti-corruption strategies, in turn, exists because corruption is very much at the heart of politics in general. Ultimately, corruption is an indicator of how well or how poorly a society manages its public affairs. Let me draw on Krastev again: Our anti-corruption discourse is about “re-defining and re-negotiating the borders between public and private” which is, in turn, about “re-defining politics and public interest in general.” 

*Dr. Miklos Marschall is Executive Director of Transparency International (TI) for Europe and Central Asia.*



## FIVE LESSONS IN ANTI-CORRUPTION

- 1. STRATEGIC REFORM:** Anti-corruption strategies must be part of broader macroeconomic political and social reforms. Piecemeal anti-corruption measures cannot substitute for comprehensive reforms. In addition, efforts must be unified and coordinated. There is a negative correlation between the number of anti-corruption initiatives and the level of corruption.
- 2. DEREGULATION:** Reforms that increase freedom in the economy, in political life and in civil society can generate real progress in the fight against corruption. The fundamental conditions for successfully combating corruption are supporting economic deregulation and privatization, promoting free and independent media (and freedom of information laws), encouraging strong civil society and advancing political pluralism based on a strong parliament.
- 3. CULTURE OF TRUST:** Where governments have established a culture of trust among people, fewer written regulations are needed. For example, in Sweden or Finland, the quality of the government-citizen relationship, rather than a written code of ethics, prevents civil servants from engaging in corruption.
- 4. INDEPENDENT WATCHDOGS:** Trust but verify. Independent media and civil society watchdogs are essential in the fight against corruption. A country might possess the most sophisticated legislation on public disclosure or asset declarations, but unless professional and independent watchdogs monitor behavior, those regulations will have little impact on practice.
- 5. LEADERSHIP:** Political leadership from the top is absolutely essential to combat corruption. Leaders have the power to set standards and the pulpit to exhort citizens to embrace them.





the **VOTE** is in...  
election security is in the bag

Trusted throughout the world for the secure transport and storage of:

Absentee ballots • Provisional ballots • Data cartridges • Voter registration logbooks

- HAVA and Voter Registration Act of 1993 compliant
- Built-in security – keyless and locking options
- Extreme-duty fabric construction gives you a lightweight alternative to current transport and storage options
- Collapsible for small storage areas
- Multiple bag colors and custom identification allows for instant recognition of District, County, Precinct or others

*A. RIFKIN Co.*  
Established 1892

Call for your complete Election Security Products catalog  
1400 Sans Souci Parkway • Wilkes-Barre, PA 18706 • USA  
800.458.7300 • Fax 800.825.8284 • [www.SecureElection.com](http://www.SecureElection.com)

