

# The Corruption Paradox

## Why Post-Communism Is/Looks More Corrupt Than Communism

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### Abstract

Public opinion polls conducted in Bulgaria, Poland, and Russia in the last two years indicate that more than 70% of Bulgarians, Poles, and Russians think there is more corruption today than in the days of communism. In the 1980s, democracy and the free market were seen as the way to eliminate privileges and corruption from public life. In the 1990s, post-communism is perceived as more corrupt than communism. This unexpected reversal in public perceptions is what we define as the “corruption paradox”.

The number of people convinced that there is more corruption than in the communist past is striking because at the same time public opinion in Bulgaria, Poland, and Russia differs sharply in its judgment of the success and the direction of the economic and political changes, the desirability of changes, and also the personal benefits and losses incurred in the course of change. The result is striking also because the three countries appear to have very different corruption levels; In the Corruption Perception Index of Transparency International for 1999, Poland ranks 44 on the level of corruption, Bulgaria 66, and Russia 82.

The fact that the majority of people in successful Poland, semi-successful Bulgaria and unsuccessful Russia share the view that post-communism is more corrupt than communism poses a question that has been overlooked in the current anti-corruption debate. The arguments explaining why corruption is pervasive in the transition period are not sufficient to explain why the majority of people perceive post-communism as more corrupt than communism.

### *Why Post-Communism Is/Looks More Corrupt – General Clarifications*

We can not know empirically whether there is more corruption today than two decades ago. It is impossible to measure corruption directly, and we know of no attempt to prove on the base of indirect measurement that there was less corruption in the days of the old regime. Measurement cannot help us understand why today is more corrupt than yesterday. The present paper studies and comments critically on the various hypotheses that highlight the “corruption paradox” and argues for an explanation that reads the public obsession with corruption as an indicator of the process of the devaluation of the communist type of social capital.

In comparing the validity of the regime-oriented, institution-oriented, and virtual answers to the “corruption paradox”, the paper argues that we need to look closely at the dominant forms of corruption “before” and “now” and at their social functions in order to properly read perceptions of corruption.

### *Why Post-Communism Is/Looks More Corrupt – The Regime-Oriented Answer*

The 1950s saw theoretical attempts to link the spread of corruption to the nature of the different political regimes. Jakob Van Klaveren tried to distinguish between different forms of constitutional regimes in terms of their corruptibility. In Klaveren’s analysis there are two preconditions for corruption: first, an administration that allows its officials a wide margin of autonomy; and second, a moral code that does not impose any standard of probity on state functionaries. This is the situation in oligarchic republics and in limited monarchies. By

contrast, the establishment of a despotic order or the triumph of democracy was expected to put an end to the schemes of corrupt officials. The view that authoritarianism is better equipped to limit corruption can be found in other works and is popular among the public.

The official discourse of communist governments also argued that corruption was embedded in capitalism but alien to socialism. But regime-oriented explanations seem false.

The argument that communism by its nature is less corrupt than the post-communist regimes is a theoretical speculation. Many of the arguments used to explain the decline of corruption in the first years of communist regimes were not valid for developed socialism.

The argument that, being more repressive and stronger in enforcement, the authoritarian state is less inclined to be corrupt than democracies, which tend to be weak and liberal, is self-defeating. This argument already lost its popularity in the 1960s. Two major considerations make the regime-oriented arguments shaky.

First, the communist system was rife with regulations and permissions; as a result, public officials had great margins for discretion: the ideal preconditions for corruption. Second, in the late 1980s, governments and publics both perceived communism as corrupt. Most arguments for communist rule as an effective barrier to the rise of corruption are based on the examples of the 1950s. But in the late 1980s, communism was far from a model of perfect authoritarianism, and the price of corruption was much lower than in the 1950s.

Present-day China has one of the highest levels of corruption, showing that corruption is not intrinsically characteristic of certain regimes and that systemic explanations can not be used to solve the “corruption paradox”.

Nowadays, analysts are less keen to say certain kinds of regimes are by nature more corrupt than others. But the general wisdom is that big government and interventionist states enhance corruption. In short, communism, not democracy, creates more room for corruption.

#### *Why Post-Communism Is/Looks More Corrupt – The Institution-Oriented Answer*

The second school of explanation for the pervasiveness of corruption in the post-communist environment is institution-oriented. Following Baker’s “Crime and Punishment”, this school seeks to explain the “corruption paradox” in three major directions.

First, it argues that weak state institutions combined with high uncertainty and a low standard of living create conditions in which taking bribes becomes a rational choice preference. Weak enforcement contributes to the spread of corruption. In this paper, we follow this argument, relying heavily on Andrei Shleifer’s and Roberbt Vishney’s article “Corruption”, published in August 1993 in *The Quarterly Journal of Economics*.

The second part of the institution-oriented answer to the “corruption paradox” singles out privatization as the major factor contributing to the corrupt nature of the post-communist environment. The argument is that privatization and the more general process of large-scale redistribution of public wealth create greater incentives for corruption, and are thus the major explanation for the “corruption choice” of many businessmen.

The third stream in the institution-oriented answer to the “corruption paradox” singles out communist-era corruption as more efficient than the post-communist corruption. Distinguishing between organized and disorganized corruption, some authors claim that it is the inefficiency of post-communist corruption that makes it so visible and disgusting for the public. The institution-oriented answer has some explanatory power.

However, institution-oriented explanations of the pervasiveness of post-communist corruption focus on investors’ perception of corruption, neglecting the fact that investors

count for less than 1-2 percent of the sociological samples. Seen from the offices of British Petroleum, Soviet corruption was more efficient and delivered better than post-Soviet corruption; but seen from the windows of an ordinary Moscow flat, the difference in efficiency does not matter.

What is common to the regime-oriented and the institution-oriented answers to the “corruption paradox” is that they assume that there is indeed more corruption today and that public opinion simply perceives reality when it sees post-communism as more corrupt than late communism.

In contrast, the virtual school tries to address the “corruption paradox” as an issue of perception.

#### *Why Post-Communism Is/Looks More Corrupt – The Virtual Answer*

This argument is well known and frequently used or misused in the political debate. In the communist period, corruption was swept under the carpet and the public was unaware of its scope. Now corruption has captured the imagination of the media and the overproduction of corruption stories has shaped public opinion, producing the feeling of the overwhelming presence of corruption in public life. Borrowing the rhetoric of early 20<sup>th</sup> century America, we can call this argument the “muckraking argument”.

The muckraking argument has its validity but should not be overemphasized. The lack of freedom of the press in the communist period both suppressed and fueled the circulation of corruption stories. The anti-corruption campaigns that were distinctive feature of the last years of the old regime signify that sensitivity to corruption did not begin with the change of regimes. The “under the carpet” argument is misleading if taken as the major explanation.

#### *Why Post-Communism Is/Looks More Corrupt – The Social Capital Answer*

Regime-oriented, institution-oriented, and virtual explanations of the “corruption paradox” all overlook what has changed in the type of corrupt practices that have spread in society. Nor are they interested in the social functions of corruption in the old regime and today.

This paper distinguishes between communist and post-communist corruptions as two different models of corruption, as defined from the point of view of participants.

The basic claim of this paper is that the “corruption paradox” can not be demystified simply by explaining why we believe that there is more corruption today or why we believe that people hear more about corruption today.

The basic claim of this paper is that the “corruption paradox” can be largely explained by a shift from a more acceptable type of corruption – blat, the exchange of non-monetary favors – has been replaced by a different, less acceptable type of corruption: bribery.

#### *The “Do Me a Favor” Society*

In the literature, the argument is frequently encountered that one of the keys to understanding the communist system is to understand the communist economy of favors, the mysterious and at the same time very prosaic practices that Russians called “blat”, Bulgarians called “connections”, and Poles called “zalatwic sprawy”.

In her enlightening book “Russia’s Economy of Favors”, Alena Ledeneva defines “blat” as “the use of personal networks and informal contacts to obtain goods and services in short supply and to find a way around formal procedures”. Blat is a typical Soviet communist phenomenon and should be understood as a communist type of social capital. This paper

concentrates on several aspects that are important in understanding “blat” as social capital.

1. Blat was widespread. It was the dominant form of corruption in the communist period. To live outside of blat meant to be asocial.
2. Blat was an exchange of favors. Even if gifts and money were sometimes part of blat relations, the driving force of the transaction was the exchange of favors, and not a bribe. “Blat is a distinctive form of non-monetary exchange, a kind of barter based on personal relations”<sup>1</sup>
3. Blat was totally conditioned by the existence of the economy of shortage and lost its importance in the very moment that the economy of deficit died.
4. Blat was condemned but rarely criminalized in the communist context.
5. Blat relations were not simple barter; they were not necessary dyadic. Blat transactions could be circular: A provided a favor to B , B to C, C to D, and D to A; and the last link of the chain might never take place.
6. Blat exchange was necessary mediated and covered by the rhetoric of friendship.

Enlisting these major characteristics of blat the paper argues that blat was not the only form of corruption known in the communist system, but it was by far the most massive form of corruption. It is blat that people recall as the communist corruption.

#### *The “Give Me a Bribe Society”*

The disappearance of blat is the key to understanding the post-communist reality. The end of the economy of shortage and the emergence of real money changed the rules of the game. The major process to be observed in all transition countries is the monetarization of blat relations and the replacement of blat by bribe. Like money saved in the communist era that was eaten by inflation and hyperinflation, blat relations defined as social capital have also inflated. For the majority of people, the transition from communism to post-communism was one from a “do me a favor society” to a “give me a bribe society”.

#### *The “Corruption Paradox” – The Social Capital Answer*

My paper claims that the perception that post-communism is more corrupt than communism can be explained by the fact that bribery replaced blat as the dominant form of corruption.

My second claim is that the major difference between blat and bribery is their respective functions in reproducing the social order.

The claim is that blat was a socially acceptable form of corruption that increased the social equality and the fairness of the communist society. It permitted participants in blat transactions to “misunderstand” their corrupt activities as “help” and to cover them in the rhetoric of friendship.

#### *How Blat Corrected the System*

Traditionally, “connections” are studied as an exchange of services and information. Blat played a significant role as a shadow redistribution system and as the only channel for certain social groups to obtain scarcity goods. But much more importantly, “connections” redistributed not only goods but also power. Blat was also an exchange of social status. In the economy of scarcity, a person's power status derived from his vertical position, but at the same time from his access to scarce goods or information and from his level of consumption. In the rigidly hierarchical communist system, a person's level of consumption was planned to coincide with his power position. “Connections” were a system of distribution and loyalty totally

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different from the official communist order. In its radical form, blat replaced relations between public officers with relations between people. This redistribution of power sustained and subverted the system at the same time.

In the discourse of the majority of the people, “connections” were unfair, but they were the only way to “humanize” the bureaucratic nature of the regime. The word “bureaucracy” had a connotation more negative than “connections” or “blat”.

The other distinctive characteristic of blat that made it socially and culturally acceptable is that it did not look like corruption. Participants in blat transactions had no difficulty dressing their actions in the clothes of friendship and genuine intimacy. Corruption was other people's "connections".

#### *How Bribery Reinforces Inequality*

The social functions of bribery in post-communist reality differ from the functions of blat.

1. Bribery causes inflation of the social capital defined as blat.
2. Bribery cannot be covered by the rhetoric of friendship, and this makes people feel morally uncomfortable.
3. Bribery contributes to social stratification, making it easier for the rich to obtain everything they want.
4. Blat transactions took form in the context of solidarity and friendship; bribery takes the form of competition.

In a society suffering the rise of social inequality, bribery takes the form of a selective tax. In the context of the new democratic environment, bribery subjects the power of the ballot to inflation and helps concentrate power in the hands of elites.

#### *Why Post-Communism Is/Looks More Corrupt – Conclusion*

The major reason why the majority of Bulgarians, Poles, and Russians perceive post-communism as more corrupt than communism is that the more inclusive form of corruption, blat, was replaced by an exclusive form of corruption, bribery”. In its essence, the replacement of blat by bribery marked the devaluation of communist social capital. As a result, corruption became the major instrument for producing social inequality in the post-communist societies.