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Anticorruption Rhetoric and Reform Policies

From 1982 to 1987, the word "corruption" was used by *The Economist* and *The Financial Times* an average 229 times a year: a notable but modest usage that was not comparable to words such as "inflation," "unemployment" or "budget deficit." Between 1989 and 1992, the frequency of "corruption" doubled, reaching an annual average of 502 times. This period saw the start of Operation Clean Hands in Italy and a series of political fund-raising scandals in Spain and France. In the next three years, from 1993 to 1995, Europe's top two financial periodicals used the word "corruption" 1,076, 1,099 and 1,246 times respectively.

The map of corruption scandals has likewise broadened: if in the late 80s corruption was associated foremost with Latin America, Southern Europe and Africa, in the past few years Russia and the other countries in transition have become the main source of corruption scandals.

The last decade has also changed the electoral price of political corruption. If the 70s were the decade of Bettino Craxi and the other "smart guys," in the past three years alone allegations of corruption have toppled the left-wing governments in Bulgaria and Hungary, and the right-wing cabinet in the Czech Republic - to take but Eastern Europe. If today very different countries and societies such as Nigeria, the US, Mexico, China, Bulgaria, Russia and Belgium have anything at all in common, that is the perception of corruption.

Corruption is an issue that has transcended the borders of nation-states and largely determines decision-making on global financial crisis management. The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the IMF and World Bank decision against lending to provenly corrupt governments are indicative of a dramatic change in the international financial community's attitude to corruption and crooked governance. The media and pressure groups such as Transparency International have turned the heat up on governments and parliaments to launch a crusade against corruption. If until yesterday many people saw corruption as an inevitable evil, today corruption has become an intolerable evil.

In the context of this international anticorruption campaign, to argue that the Bulgarian government would be wrong to give priority to the combat of corruption would sound odd, to say the least. Yet this is at face value only. "Identifying" corruption as a crucial issue in Bulgaria's development should not make this nation blind to the risks of anticorruption policies and anticorruption rhetoric. My general contention is that under the present circumstances, the price of the anticorruption policy advocated by "new moralists" would prove as high as the economic and political price of corruption itself. I believe that in the course of transition the only feasible anticorruption strategy is reform of the state, and that substituting this goal by any special anticorruption measures is strategically unjustified. The consensus that corruption *must* be contained should not make the public oblivious to the fact that there are different strategies of doing this.

Corruption is not a disease - it is a symptom. The fact that most Bulgarians see transition as a period of "shadow rule" is indicative not of any inherent relation between democracy and corruption or of any cultural specificity of the Bulgarian nation, but of an overall crisis in the interaction between state and society, between state and market. This crisis is encoded in the general development of the Bulgarian economy in the past one hundred years and testifies to the tragic blame of Bulgarian capitalism.

The present prevalent sense of pervasive corruption may also be traced back to recent developments. The last ten years have brought radical changes which have intensified the sense of rampant corruption.

Privatization and shock social stratification have created an environment in which corruption in one form or another has become a main source of wealth and new social status. Reallocation of so much national wealth so fast is arguably unprecedented in Bulgarian history.

The impotence of the postcommunist state has created conditions in which organized crime has "privatized" the role of the state as a source of violence, with various shady conglomerates forcing private business to pay "protection money."

Certain private economic interests have usurped the right of the legitimate public institutions to manage the national resources.

A general sense of insecurity and incompetence of public administration have consolidated the corruption promiscuity of the existing system. In this sense, the greatest victory scored by the government in the fight against corruption to date is the renewed sense of prospects and stability. When the future seems doubtful or even outright dangerous, corruption becomes an option for many public officials.

Monetarization of the classical, pre-transition corruption is the other major factor breeding a sense of total moral disintegration. In the years of communist rule, years dominated by the economy of shortages, corruption normally came in the form of "bartering." In most cases, it took the form of exchange of influence and services; straightforward bribery was the exception rather than the rule. The monetarization of corruption as a business transaction between buyers and sellers have made it more visible and obnoxious for the majority of the population. Nepotism and clientage are no longer a good enough excuse.

All those factors suggest why the overwhelming majority believe that corruption in Bulgaria today is higher than in the 70s or 80s.

Yet none of those factors are a sound argument for the need of a special policy against corruption. The fact that people see the present situation as corrupt chaos does not mean that combating corruption should replace reforms on the public agenda. The real question with which Bulgarian society is confronted is whether the government will be guided by the logic of the fight against corruption or by the logic of reforms.

In this sense, the drive against corruption is very much like the drive against unemployment. Unless the economy is placed on a normal basis and there is real growth, any superficial attempt to create jobs will not only fail to improve, but will actually worsen the general economic situation.

I will try to prove my thesis that special anticorruption laws and special anticorruption policies other than the policy of state and economic liberalization would actually do more harm than good, by citing four arguments.

My first argument is that corruption cannot be measured and in this sense the success of anticorruption measures cannot be judged objectively. Hence the combat of corruption inevitably becomes a PR exercise.

My second argument is that all measures that could have a short-term psychological effect, reassuring people that the government is indeed determined to fight corruption, will, in the long term, make public administration even less effective, keeping the environment highly corruptible.

My third argument is that Bulgaria's political history in the past one hundred years provides ample evidence that all attempts to pursue anticorruption policies have invariably led to more state regulation and were essentially anti-market and anti-liberal.

My fourth argument is that in the conditions of political polarization and given the high public sense of insecurity, the policy of "combating corruption" and the respective anticorruption rhetoric will facilitate a populist turn of the tide and destabilize democratic institutions.

Argument One

Contrary to crime, corruption cannot be measured. We can never check empirically whether corruption under the right-wing Stefan Stambolov government (1887-1894) was higher than that under Socialist Zhan Videnov (1994-1997). There are several reasons why corruption is impossible to measure, and they are of crucial relevance to the choice of anticorruption strategies.

The definition of corruption itself is very dynamic, and we have seen the domain of corruption growing steadily after every big scandal. That is why we cannot measure corruption in terms of history, for what constitutes corruption today was not necessarily seen as such yesterday.

The second reason why we cannot measure corruption is that unlike normal crime, there are no "victims" of corruption and there is no one to report the crime. In the case of corruption, both the bribe giver and the bribe taker are interested in keeping their deal secret. What the public usually get to hear about are foiled corrupt deals.

The only way we could measure corruption is if we stuck to the confirmed cases of corruption, but that would place us in the absurd situation of claiming that there were 20 to 30 cases of corruption in Bulgaria a year - which would make the whole anticorruption campaign ridiculous.

Since it is impossible to have objective data on the decline or rise of corruption, it is impossible to judge the efficiency of anticorruption measures. This practically means that the effect of those measures cannot be gauged. What is possible to measure and *is* measured by organizations such as Transparency International and Political Risk Consultancy, is the general public's perception of the level of corruption in their country. Yet corruption and perception of corruption are not one and the same thing. People are all too often inclined to see various forms of administrative incompetence that are not associated with personal benefit as cases of corruption, or to use "corruption" as a buzz word for any social environment in which there are no clear rules of the game or those rules are ignored. In this sense, we should keep in mind that in politics perception is reality, just as we should keep in mind that in perception reality is politics.

Argument Two

My second argument is that the measures which the public expects the government to take against corruption, the measures that could change public perceptions, are measures that do not really curb corruption and pro-corruption factors.

In a representative national poll conducted in Bulgaria by the Center for the Study of Democracy and Vitosha Research in June 1998, 34.4% of the respondents said that tightening institutional controls was the most effective remedy for corruption, 20.7% recommended raising the wages of civil servants, and just 5% saw the solution in greater openness and transparency of government.

My thesis is that attempts at tightening institutional controls and wage raises cannot be effective instruments of containing corruption in Bulgaria at the present stage. Passage of anticorruption laws and imposing heavier punishment on corrupt officials cannot work in the present environment for, as Gary Baker points out in his revolutionary study [ARTICLE???] "Crime and Punishment," the deterrent power of punishment results from the size of the punishment and the probability of its being imposed. In Bulgaria's case, the deterrent power of punishment tends to be nil, for no matter how much the prison term for corruption might be extended, considering the current state of the administration of justice in Bulgaria the probability of actually sentencing a corrupt official likewise tends to be nil.

Founding a special anticorruption agency to "blow the whistle" on corrupt officials in the administration or particular institutions seems just as ineffective. First, that means more public spending and more administration and, second, such an agency cannot replace the ineffective judiciary. In all likelihood, the establishment of such an agency will not curb corruption, but will ultimately increase the number of actors along the corruption chain, which means that more public assets will eventually be "pocketed." In their book *The Pursuit of Absolute Integrity*, Frank Anechiaro [IMETO TOUK I V REFERENCES E SPELVANO RAZLICHNO - KATERINA] and James Jacobs contend that the hundred-year-long anticorruption efforts of the authorities in New York City show that anticorruption projects are very cost-intensive, cripple the local administration and do not produce any mentionable improvements in red tape.

Nor are pay hikes, the public's second favourite anticorruption measure, likely to contain corruption in Bulgaria.

Several World Bank surveys have proven unambiguously that not just any, but only a high enough wage raise of civil servants could be an effective anticorruption measure. Most surveys cite Singapore as a success story in this respect. Notably, however, Singapore's government ministers are among the best paid in the world, and if Bulgaria were to decide to apply that standard the country would go bankrupt in a single month. Given Bulgaria's current financial situation and the presence of a Currency Board, raising the wages of public officials to levels that could indeed contain corruption is simply impossible. Furthermore, an inconsiderable pay raise would only raise the size of bribes, since a public official's pay is directly proportionate to his or her "kickback."

Show trials and the pillorying of a handful of bigwigs - the other measure that might have a psychological effect on the public - entail the risk that the pilloried bigwigs

would come mainly from the opposition and that the fight against corruption could be used as an excuse for private and partisan vendetta. Recent political developments in Malaysia suggest that when they start slipping in the polls, any government will suddenly recall that their rivals were corrupt.

Argument Three

My third argument is that Bulgaria's own political history shows that liberal reform and anticorruption policies are not necessarily allies in the effort to change society.

The ideology and practice of the Zveno political circle (a small political organization that established a dictatorial regime in Bulgaria in 1934 and 1935) are a case study of the attempt to pursue an anticorruption policy in Bulgaria. Against the background of widespread public disgust and disillusionment with the then political status quo and in an environment described by the period press as "totally corrupt," Zveno implemented their political project which was based on total state interference in public and political life, outlawing of all political parties and suspension or abridgement of constitutional freedoms. The case of Zveno shows that unlike the Anglo-Saxon tradition where public anticorruption sentiments target foremost big government and excessive administration, in the Bulgarian tradition corruption is fought by more state regulation and more administration. The anticorruption rhetoric in Bulgaria has always been anti-market and, in many cases, anti-liberal. We only have to listen to some of the harshest critics of corruption in the course of privatization in Bulgaria today, and we will realize that their alternative is not cleaner privatization but *less* privatization.

The political practices of communist rule in the 80s are the other case study of the administrative essence of anticorruption projects in Bulgaria. We only have to recall Andropov's attempt to replace the command economy by get-tough policies and we will realize why the government should *not* give special priority to the combat of corruption.

Argument Four

My fourth argument is theoretical-practical. Politics in countries such as Belarus, Slovakia (under Meciar), Yugoslavia and Russia is an eloquent example of how anti-reformist political parties and leaders tend to adopt the fight against corruption as their main platform. Incapable of providing alternatives to the policy of liberalization, those leaders will replace the battle of ideas by accusations of corruption and anticorruption incantations. Unfortunately, this does not mean that the reformers are cleaner than their opponents by definition. As Daniel Kaufman's empirical study shows, corruption has no ideological hue and comes across the ideological spectrum. The findings of this survey show all too well that public opinion does not regard right-wing governments as less corrupt than their left-wing counterparts. An unfortunate conclusion, considering that only a few years ago the idea that rightists were ousted from power because of unemployment, and leftists, because of corruption, was regarded as a textbook truth.

These four arguments substantiate my thesis that if the Bulgarian government

really wants to curb corruption, it should not "fight" corruption but proceed with reforming the state by deregulation, demonopolization, simpler tax laws and higher competition. Precisely this type of reforms will eventually eliminate the legislative and administrative environment in which postcommunist corruption thrives. The best policy of customs controls is not investing in sophisticated control systems but investing in new border crossings.

Conclusion

If my reasoning that the government should not "fight" corruption if it wants to contain corruption is correct, does this mean that the ongoing anticorruption campaign - in which the US Administration, the European Union and the World Bank have been pumping millions of dollars - in a sense does more harm than good?

My answer is negative or, rather, I would want it to me negative. The fact that the government should not combat corruption does not mean that no one should do so. Needless to say, neither does the fact that someone is giving money for the combat of corruption mean that this money cannot become a source of corruption. A born sceptic, I am somewhat suspicious of the protest enthusiasm of Transparency International and their new crusade, yet at the same time precisely Transparency International, in coalition with some of the best IMF and World Bank experts, have succeeded in changing our perceptions of the economic price of corruption and have armed us with an awareness that empowers civil society to control the level of government corruption. The most interesting findings about the new anticorruption economy are formulated as follows by the IMF's Vito Tanzi:

Other things being equal, high corruption is associated with high public investment.

Other things being equal, high corruption is associated with low government revenue.

Other things being equal, high corruption is associated with low operation and maintenance expenditures.

Other things being equal, high corruption is associated with poor quality of infrastructure.

Other things being equal, high corruption is associated with low foreign investments.

In sum, the most important aspect of Tannics approach to the economic effect of corruption is that corruption changes the logic of investment decision-making. A corrupt government will try to channel public investment in "white elephants," or large projects with a high corruption potential. This explains why poor and corrupt countries love building state-of-the-art airports.

The new awareness produced by the anticorruption lobby is also a new instrument of civic control which the media, political parties and NGOs could use effectively. The strategy which I propose is a strategy controlling the logic of government

decision, not a Utopian strategy of controlling the motives of decision-makers. This will allow us to go beyond the limits of the legalese and moralistic view of corruption.

The strategy which I am proposing and which is based on the new empirical anticorruption awareness is an awareness of corrupt governments, not an awareness of corrupt government ministers. This awareness will not be enough for the courts, but will be enough for the electorate. When we need to know if our mayor is corrupt, we do not need a government commission to tell us whether they are or aren't. The anticorruption surveys suggest that when the mayor of a city is spending millions of dollars on the construction of a new stadium while the city's infrastructure is falling apart, then the chance that they or their team are corrupt is high enough to warrant criminal prosecution.

Argentina's President Carlos Menem once said that corruption was like inflation - we could not hope that it would disappear, and that the important thing was to contain it within reasonable limits. President Menem is right, of course, but at the same time corruption is different from inflation since we always know the percentage of the inflation level, but never that of the corruption level. In this sense, corruption indeed cannot disappear - the important thing is to contain corruption within reasonable limits.