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Increasing scale and scope of corruption in the former Soviet Bloc, as well as numerous other countries, urges better understanding of the problem within the context of socio-economic transformations as it touches upon issues of organizational structures. This paper presents an overview of the research on corruption in organizations and develops models of corrupt organizations, including the vertical structure, the horizontal structure, and the hierarchy, as applied to transition economies.

Key words: corruption, hierarchies, transition, former Soviet Bloc

## **Introduction**

Increasing scale and scope of corruption in the former Soviet Bloc, as well as numerous other countries, urges better understanding of the problem within the context of socio-economic transformations. The increasing gap between pay rates in private and public sectors of the economy urges public employees to seek other sources of income (Gorodnichenko and Sabirianova, 2006). Rapid development of market reforms, privatization and increasing flow of financial resources have expanded a base for corruption. Public servants adjust their professional ethics and behavior accordingly by accepting bribes and numerous other benefits and utilizing their privileged position and control over the access to public services.

In 1999 James Leach, Chairman of the US House Banking Committee, wrote that he had conducted a study of the most corrupt regimes, including the Philippines under Marcos, Zaire under Mabut, and Indonesia under Suharto. Bad as these were, each was outdone by the “pervasiveness of politically tolerated corruption’ in post-communist Russia (New York Times, September 10, 1999; Shleifer and Treisman, 2003, p. 27). Studies show that perceptions of the public about corruption lead to an increase in the number of incidences of corruption and total volume of graft (Cabelkova and Hanousek, 2004; Tumennasan, 2005, Olken, 2006). Contrary to expectations, development of a substantial private sector in Russia, China, and other countries leads to an increase in corruption. Private institutions may be as corrupt as their public counterparts, which proves that not only public officials are susceptible to corruption.

This paper presents an overview of the research on corruption and develops models of corrupt organizations, including vertical structure, horizontal structure, and hierarchy. The former Soviet Union is taken to study evolution of organizational forms of corruption because

the region is characterized by a high level of corruption and a process of rapid socio-economic developments and major changes in which new organizational structures are shaped.

### **Corruption and hierarchies**

A poll developed by the Ukrainian Institute for Social Research showed that 78 percent of respondents believed that all or most of the government officials have accepted bribes. More than 80 percent stated that corruption was prevalent within the judicial branch of government, while 71 percent responded in the affirmative to a query about whether they believed that most government officials were tied to the mafia or private family business relations. Moreover, good portion of Ukrainians is inclined to accept bribery as a normal part of everyday life (Woronowycz, 2003). Solomon and Foglesong (2001, p. 75) note that the number of reported incidents in Ukraine rose two-and-a-half-fold between 1990 and 1998 to 2,449, and these incidents led to 1,641 convictions. Numerous surveys in the Russian Federation reveal the same situation with corruption. The total estimate of the amount entrepreneurs have paid to officials in 2001 approximated \$33.5 billion, slightly less than the total revenue of the Federal budget in this year (Popov, 2005, p. 33). This does not include bribes that consumers pay for access to healthcare services, social services, and educational services as well as ordinary bribes to traffic police etc. paid on a daily basis. More than half of all Russians had to pay a bribe at least once in their lives, while 19 percent do it quite often. Most often bribes are paid for medical services (51 percent of the respondents), followed by traffic violations (31 percent of the respondents) and educational services (20 percent of the respondents) (Popov, 2005).

Corruption increases inequalities in access to public services, slows down the process of market reforms and accumulation of human capital, and hence impedes economic growth and negatively affects economic development and social progress. A substantial body of literature is

now being developed on corruption as a phenomenon of transition economies, starting from the Soviet times and up to the present.

While presence of corruption in organizations is widely acknowledged, the phenomenon needs a comprehensive theoretical description. Transparency International uses a clear and focused definition of corruption operationally defined as the misuse of entrusted power for private gain. Corruption is further separated on “according to rule” corruption and “against the rule” corruption. “Facilitation payments, where a bribe is paid to receive preferential treatment for something that the bribe receiver is required to do by law, constitute the former. The latter, on the other hand, is a bribe paid to obtain services the bribe receiver is prohibited from providing.” (Transparency International, 2007)

Corruption may be defined as a system of informal relations established to regulate unsanctioned access to material and nonmaterial assets through abuse of the office of public or corporate trust. Corruption may develop vertically across the levels in an organizational hierarchy. Carillo (2000) notes: “But corruption can propagate within the hierarchy. We capture this recursive property of corruption by assuming that agents can share the bribe with their superiors in exchange for not being denounced.” (p. 3) Development of corruption through a hierarchy of levels of authority and subordination presupposes existence of collusion between supervisors and agents within organizations’ hierarchies.

Collusion may develop between agents and their supervisors on different levels of bureaucratic hierarchies. Collusion for corruption can take place in both public and private bureaucracies. Weber writes about bureaucratic hierarchies: “The principles of office hierarchy and of levels of graded authority mean a firmly ordered system of super- and subordination in which there is a supervision of the lower offices by the higher ones. Such a system offers the

governed the possibility of appealing the decision of a lower office to its higher authority, in a definitely regulated manner. With the full development of the bureaucratic type, the office hierarchy is monocratically organized. The principle of hierarchical office authority is found in all bureaucratic structures: in state and ecclesiastical structures as well as in large party organizations and private enterprises. It does not matter for the character of bureaucracy whether its authority is called 'private' or 'public'." (Weber, p. 650) In case of corrupt collusion not only agents betray their principals or supervisors, but supervisors do it as well.

### **Combining vertical and horizontal structures of corruption**

The form of organization that existed under the planned economy in the USSR can be characterized as a vertical structure. The level of tolerance of corruption by co-workers as well as by the public in general was quite low. Corruption was considered unordinary or extraordinary and definitely wrong. The level of transparency was high in relation to the investigated and prosecuted cases of corruption. For instance, Saleh (2003) points out that in 1986 the central government fared 13 thousand bureaucrats and economic directors and reprimanded another 100 thousand for corrupt activities, including embezzlement, fraud, and bribery.

Major characteristics of the vertical structure include absolute degree of centralization and concentration of formal authority, when all major decisions are made at the top level. Top-level bureaucrats concentrate most of the discretionary power. Bribe-takers or corruptioners have an opportunity to draw some benefits from their position without using their subordinates. They operate in conditions of clear laws and regulations, as well as high risk of punishment. The vertical structure anticipates a very high degree of monopolization and discretionary power that could be found in large bureaucracies of the USSR. Corruptioners, positioned at the top of their organizations and institutions, enjoy near-perfect monopoly in access to benefits of corruption.

The level of secrecy in vertical structures is very high while the presence of corruption is not widely acknowledged. The high level of secrecy may be explained by two facts: first, corruptioners do not need broad networks of corrupt interrelations with their subordinates and so corruption is localized and confined to a small group of individuals; second, the risk of actual punishment by the state machine is very high and the degree of punishment is high as well.

In the soviet period the cases of corruption were addressed in the governmental publications. The publications themselves were authorized by the central authorities since all the media was controlled by the state and the Party organs (McNair, 1991). Such publications were based on particular legal cases, maintaining the ideology of honesty and moral purity. Ivanov suggests that the low level of corruption among bureaucrats was maintained by the ideology and ethical standards (Vzgliad, November 10, 2005). Examples of corruption presented in the Soviet media included the so-called Coal mafia and the Coal investigation in Donbass (Matsuzato, 2001), and the Cotton mafia and Cotton investigation in Uzbekistan (Dodolev and Gdlian, 1991; Ivanov and Gdlian, 1994), as well as numerous cases of embezzlement, fraud, and speculations in the retail sector. The investigation of large-scale economic crimes in Central Asia in late 1980s, conducted by two Moscow investigators Gdlian and Ivanov, received especially wide publicity. The investigators discovered a high level of *pripiski* (write-ins or fraudulent reports that indicate higher than actual output) in both agriculture and industry and numerous connected economic crimes. The results of the investigation pointed to existence of vertical corrupt structures in the region as well as elements of corruption hierarchy leading to the Central Party organs in Moscow.

The major form of grand-scale corruption at that time was embezzlement. While in the retail sector there was plenty of petty corruption, in other industries corruption was relatively



rare. Embezzlement was not only of grand scale, but of small scale as well. The predominance of embezzlement over other forms of corruption is easy to explain. In Soviet times, dominated and indeed monopolized by the centralized systems of governance, management, control, and distribution, the major task for a corruptioneer was embezzling from the state. *Nesuny* (carryout people), or the petty thieves who steal things from their workplaces, were objects of the state-approved satire. Majority of workers would qualify as *nesuny* since just about everyone was taking home something from the workplace, including goods, prefabricated products, working tools, and even uniforms. It would be absurd to hear that a meat-packing-plant worker buys meat for his family in a grocery store or a school-supply worker buys pencils for her children to go to school. Employees of cold food storage facilities, refrigerated storage, and *bazy* (whole-sale storage facilities) were notorious for petty embezzlement while their managers enjoyed all the benefits of grand-scale embezzlement and *blat*. Petty embezzlement was mostly confined to personal consumption and the risks associated with *nesuny* were relatively insignificant. The dominating ideology of *nesuny* at that time was “Vseh ne posadish’,” i.e. it is impossible to imprison everyone. However, the sale of stolen goods was a crime and the risk of being punished was much higher. Soviet people were often surprised to learn from the press that workers in the West do not take anything from their workplaces.

The major problem for a corruptioneer was to actually enjoy the benefits derived from corruption. The state imposed restrictions on the level of personal consumption and exercised oversight over the lifestyles of the individuals. For instance, no one was allowed to own more than one car or build a two-storey private house. Access to housing was based on the number of family members and not the ability to pay. In the case of major expenditures, sources of income had to be justified by the household (Alexeev, 1988). Embezzlement of funds in monetary form

was rare while embezzlement of goods and materials was more common. A good example would be a director of *kolhoz* or *sovhoz* (a collective farm) who funded construction of a new school in his district while building a private house in a neighboring district.

Forms of corruption were not limited to embezzlement and bribery. Nepotism and cronyism could be found in job placements, entering higher education institutions, or obtaining goods and services with limited or restricted access. Such practices were known as *kumovstvo* and *blat*. *Blat* can be defined as the access to a limited resource or asset based on informal connections. The Soviet economy, often characterized as the economy of deficit, where the access to goods and services was limited by production capacities, suffered of *blat*. In Birdsall's view: "*Blat* was coupled with the Soviet system of property rights and distribution. Due to the nature of the Soviet order *blat* can be seen as parasitic on the Soviet economy, but at the same time as a natural reaction of ordinary people to the rigidities of the regime." (Birdsall, 2000, p. 170) With the development of market reforms deficit slowly disappeared, the excessive demand on consumer goods and services was met with the adequate supply, but the importance of *blat* or informal connections did not decline. Instead, it increased significantly. The transition from full and obligatory employment to a growing unemployment led to the dramatic increase in *blat* and *kumovstvo* in employment, since a job place became a limited resource. Many organizations and bureaucracies transformed into family enterprises with relatives working in one department. *Kumovstvo*, or a clan-based nepotism, was especially widespread in Transcaucasia and Central Asian Republics. Now nepotism and *blat* are commonplace in Russia and Ukraine as well. The growing clan-based nepotism becomes an actual replacement for a long-awaited civil society with a high level of social cohesion that has yet to develop. Widespread nepotism and *blat*

impede the development of labor market in the region and slow down the pace of economic reforms.

Professional family-based clans that existed in Brezhnev era were strengthened and near-institutionalized in 1990s. As Stepanenko (2006) remarks: “The family-clan strategies of survival in a post-communist society play a compensatory-simulative function similar to that of the ‘people economy’ in the condition of the absence of a developed market economy. This is natural, given the fact that clientelism and corruption are social phenomena that have their roots and appearances above all in the socioeconomic sphere.” (p. 586). All of such practices require well-developed nets of informal relations and contacts among employees.

In the USSR, the level of corruption varied region by region. While in the Russian Federation, Ukraine, and the Baltic republics the level of everyday corruption was relatively low and corruption itself was confined to major cases of embezzlement and petty corruption in the retail sector, in the republics of the Caucasus and Central Asia with its widespread *blat* and family-based clans, corruption was more common, including in the areas of education and healthcare (Le Nouvel Observateur, April 18, 2005).

The period of the late 1980s and early 1990s in the USSR was characterized by Perestroika, the movement for independence in the republics and for market reforms. Parallel structures were introduced much earlier than the market reform has officially started. *Arteli* during the New Economic Policy (NEP), and later *sovnarkhozy*, *tsekha* in Brezhnev era, and *kooperativy* in Gorbachev era were all examples of parallel structures that formed so-called second economy, often referred to as semi-legal, grey market sector, and even unofficial or shadow economy. The creation of numerous new parallel structures in order to generate extra income was not caused by the decline in funding from the central budget, but by the relative

independence and openness and newly emerged opportunities of selling goods and services to match excessive demand on consumer products. Deficit of consumer goods and services lead to the accumulation of substantial savings by the population. Families were eager to buy goods produced by small collective enterprises called *kooperativy* (co-operators). Co-operative movement of 1986-1990, including the organization of small enterprises under the auspices of *Komsomol* (The Young Communist League), lead to an increase in corruption and in tax evasion. Here the vertical structure stays intact, incorporating the parallel structure. Later, tax evasion has developed into a major problem for the economy, while being well-tolerated by the society. Busse (2000) argues that “the apparent paradox of the overt condemnation and simultaneous covert pervasiveness of tax evasion is resolved in the Russian context by a selective and superficial criminalization of the problem.” (p. 129)

In Kurkchiyan’s view, *Perestroika* was an ill-judged response to the success of the second economy, which was entirely a bottom-up process. She notes that “The second economy operated alongside (or indeed inside) the official economy, squeezing the available resources.” (Kurkchiyan, 2000, p. 88) According to the author, one could view the second economy as a stock of resources stolen from the state and improperly exploited. But, as Kurkchiyan points out, this view would be incomplete, because second economy was an important mechanism for redistribution in society, facilitating market transition. The parallel structures had a positive role in advancing economic reforms and creation of a market-based economy.

Examples of parallel structures created in 1990s to ease the ways of embezzlement and create new venues for corruption are numerous. Private or so-called commercial banks were created within the large state enterprises. They paralleled state banks in issuing credits to the enterprises by which they were created. Playing on the difference in the interest rates, top

management of the state enterprises accumulated significant funds necessary for the future privatization of these enterprises (Blasi, 1996). The government encouraged establishment of autonomous units. Some of the newly created departments within large state-owned enterprises operated based on the principle of *hozraschet*, i.e. self-financing.

Corruption that grew with the multiplying parallel structures was not something new to the country. The national economy already had rich experiences with corruption and abuse of state property during the period of 1921 to 1928, when the New Economic Policy (NEP) was set by the leadership of the young Soviet Republic. NEP was intended to introduce some market reforms and revitalize the economy, devastated by the World War I, Bolshevik Revolution of 1917, and the Civil War. Along with the positive results for the growing national economy NEP brought a growing culture of corruption and mismanagement (Fitzpatrick, Rabinowitch, and Stites, 1991; Kudriasvtsev, 1991; Goland, 1998). Small private enterprises and producers used the difference between prices set by the state and market prices to accumulate wealth. There were absurd cases when truckloads of goods were leaving a state enterprise through one gate and entering it back through the other gate. Some small enterprises turned into parasites on the body of large state enterprises. Large bureaucracies, created during the period of Military Communism to regulate allocation of scarce resources, were plagued by corruption. Bureaucrats of all ranks were colluding with newly emerged entrepreneurs or *nepmany* (NEPman) in order to maximize personal benefits obtained from corruption. Many corrupt schemes used in the transition economy of 1990s were but exact blueprints of corrupt schemes used during NEP.

The key phrase that describes the period of transition from vertical to horizontal structure is “They want to eat and we do not,” as related to the higher-ups. This is a sarcastic phrase used by subordinates when referring to what motivates the actions of underpaid public servants, be it

bureaucrats or public sector employees, and their higher-ups. Centralized corruption, with its near-perfect level of monopolization of access to graft, no longer satisfies the majority of the employees, including state bureaucrats, police, health care professionals, educators, and utility services employees. Fitini (2000) points out that “socio-economic changes required that every member of Russian society abandon old understandings of ‘good’ and ‘evil’. Russians had to accept that they had to play according to new legal rules which were often opposite to what they had been taught throughout the better part of their lives. What has been regarded as criminal in Soviet days (private entrepreneurship, dealing in hard currency, etc.) became a norm of life. The transition became a complex socio-psychological breakthrough, which violated the fundamental behavioural taboos of the old days.” (p. 22)

One of the major characteristics of the horizontal structure is that it exists and develops through a process of decentralization and of declining concentration of formal authority. Other major characteristics include low salaries for employees and their opportunistic behavior. Conditions in which horizontal structures form and operate include the absence of clear laws and regulations, low risk of actual punishment, and prioritization of financial survival by organizations as well as by individuals. The emergence of the new class of entrepreneurs gives a strong impulse for “democratization” of corruption within the large state bureaucracy. Entrepreneurs seek access to state-owned resources, contracts, licenses, quotas, and permits, develop informal relations with bureaucrats, and bribe them. Businessmen compete for preferential treatment and protection that can be obtained from public officials.

The degree of monopolization and discretionary power in the horizontal structures is low as compared to the vertical structure. Horizontal structures are less secretive. Even though corruptioners do not share the information, everyone knows that just about everyone accepts

bribes and gifts or enjoys other benefits of corruption. The existence of corrupt practices is widely acknowledged by the employees as well as by the general public. This situation is traditionally described as similar to sex in Victorian times, when “everyone does it but no one talks about it.” In education, healthcare, and bureaucracies, employees know of each other’s corrupt activities but do not discuss them. Such a situation, called *krugovaya poruka*, can be identified as a circle of salience, where corrupt bureaucrats protect their corrupt colleagues.

The level of tolerance of informal payments in horizontal structures is high, as corruption is considered a part of everyday life. The level of transparency is high as well, with corruption being often highlighted in the mass media, including both official and independent sources. Publications are based on generalizations as well as particular legal cases and cover corruption in all the areas, including state bureaucracy, legislative branch, courts, business, health care, education, police, and other public services, while the comments on corruption come from such public officials as the President of the Russian Federation Mr. Putin and the Attorney General Mr. Ustinov (Newsru, December 24, 2001). The key phrases that characterize horizontal structures and that are uttered in a tone that is apologetic (in both senses of the term) are as follows: “Everyone wants to eat,” “We are all having hard times,” “Everyone takes [bribes],” “We are not the first in this, and not the last.” Birdsall (2000) defines such justification of corrupt activities and self-indulgence as “righteous indignation” (p. 158). Subordinates point to their corrupt supervisors with the notion that “if they do it, why should not I?”

It would be incorrect to assume that corrupt practices are common mostly in Central Asia and to a lesser degree in Russia and Ukraine, while virtually non-existent in the Baltic States. The recent survey, conducted by the Ministry of Justice, found that 44 percent of people in Estonia are ready to bribe bureaucrats and public employees in order to avoid fines or obtain

permits, licenses, or services. 19 percent of people reported bribery in traffic police, 14 percent in accessing health services, and 13 percent pointed to corruption in schools. Entrepreneurs consider the central government as most corrupt, while 8 percent of businessmen paid bribes to local officials (Prokoshin, 2007). The Minister of Justice Mr. Lang points to growing corruption not only in public sector, but in private sector as well.

In horizontal structures most of the benefits from corruption are generated by each corrupt bureaucrat individually and independently. The distribution of access to graft is based on such characteristics as rank and position. Rent-seeking behavior is commonplace. Corruption in many organizations becomes a norm, “just the way things are.” The moral dilemma of whether to involve in corrupt activities is replaced by the notion of adaptability and resolved thanks to the peer pressure of corrupt colleagues. According to Birdsall (2000), “The conviction that one’s behavior is no different from the norm is a powerful tool of reconciliation. Moral discomfort with earning practices is assuaged by the knowledge that one is merely conforming to a pervasive way of being.” (p. 157)

Major forms of corruption present in horizontal structures are bribes as well as numerous latent forms of corruption, including nepotism, favoritism, exchange of favors, services, etc. All the forms are shaped by the process of adaptation to the new realities. The scale of corruption is presented by the full spectrum and varies from petty corruption to grand scale corruption, depending on the level of bureaucrat, his personal characteristics, etc. At the same time the widespread phenomenon of the Soviet times, *nesuny*, is by some estimates has declined (The Moscow Times, June 21, 1994). Privatization of state-owned enterprises led to tightening security and increasing worker responsibility. It is no longer easy to still from the workplace in many private-owned enterprises.



### **Transition from horizontal structure of corruption to hierarchy**

The transition from horizontal structure to hierarchy in different industries and different regions of the former USSR takes place in different periods. In some of the former Republics such a transition occurs starting in the early 1990s while in others it occurs in present times. The key phrase that captures what occurs during such a period is: “We do have corruption, but no one talks about it.” Hierarchies as forms of organization of corruption are by now typical not only for ruling regimes in Central Asia, but for monopolistic business structures in Russia and Ukraine as well.

Hierarchy anticipates both formal and informal subordination. Its major characteristics are an absolute degree of centralization and a concentration of formal and informal authority. Conditions for a corrupt hierarchy include unclear laws and regulations as well as high risk of punishment for opposing illegal practices rather than for violating formal rules. The degree of monopolization and discretionary power in the hierarchy is high, with a near-perfect monopoly in access to benefits of corruption. Hierarchies are highly secretive, but the presence of corruption in such organizations is widely acknowledged by the outsiders and especially by the potential clientele. The high level of internal secrecy is explained in part by the presence of a developed net of corrupt relations through which corrupt practices are performed and the benefits of corruption channeled. The level of tolerance of corruption is high, with corruption accepted as a norm. Transparency is limited to the formally approved governmental publications (Zaynabitdinov, 2004; Ukaz, 2005; Zhertvennikov, 2004).

Hierarchy is characterized by silence because of fear of being reprimanded or dismissed, but dismissals do take place. Public offices and managerial positions in state-owned enterprises are for sale, and competitors who offer higher bribes outbid each other in fight for a profitable

office. Bureaucrats and managers who already occupy offices are dismissed amid the accusations in corruption by the very same local leaders to whom they paid bribes in order to take the office. Their corrupt activities are used to allege them in wrongdoing. The whole system reminds of Stalin era *chistki* or cleanings, when former prosecutors often found themselves in the same labor camp with those who they unjustly sentenced earlier. Hemraev points out that corrupt hierarchy is especially notorious in the traffic patrol, where policemen on the roads collect bribes from drivers and then share the benefits with their supervisors all the way to the top of the hierarchical ladder (Hronika Turkmenistana, January 22, 2007).

It would be difficult to single out just one form of corruption as the major form since many forms of corruption are present, including embezzlement, extortion, fraud, and bribery, as well as numerous latent forms of corruption, such as nepotism, favoritism, exchange of favors, exchange of services, etc. A corrupt hierarchy is characterized by the continuous invention and formalization of new forms and mechanisms of corruption in addition to those inherited from the horizontal structure. The preferred form of corruption may be bribes in cash, since part of the illegal benefits is supposed to be channeled to the higher-ups. All bribes, including services and favors, have a clearly defined monetary value. It is interesting that while public employees demand more bribes, people are less willing to offer bribes. For instance, results of two surveys, conducted in Russia in 2001 and 2005 and analyzed by the INDEM foundation, show a decline in the readiness to bribe among population from 74.7 percent to 53.2 percent (Satarov, 2006).

The scale of corruption in the hierarchy is more significant than in the vertical structure and the horizontal structure. All levels of corruption are present, ranging from petty to grand corruption. The large scale of corruption is explained by the dominance of the process of maximization of the total amount of illegal benefits derived from corrupt activities based on

sharing and profiteering. The corrupt hierarchy is indivisible from collective corruption and collusion. Describing collective corruption Gong says that its purpose is “to maximize individual gains and/or minimize the risks associated with corrupt activities.” (Gong, 2002, p. 88) The hierarchy uses risk minimization as a tool for maximizing total benefits of corruption.

Hierarchy is the highest organizational level of corruption when corruption is institutionalized or near-institutionalized and is a result of collective effort. This level is characterized by the delegation of corrupt functions to subordinates. Sharing and profiteering are the two dominating functions of the participants of corrupt activities and the corrupt structure overall. Subordinates collect bribes from the clientele and then channel benefits up the hierarchical ladder. At this stage the Top becomes a good “roof” or an “umbrella” for the entire corrupt structure, protecting it from a possible negative external impact. The roof or so-called *krysha* can be provided by top-level bureaucrats, police, secret services, and other law enforcement agencies, as well as criminal groups. In distinction from public officers, covered by their supervisors, entrepreneurs obtain guarantees of protection from state bureaucrats, police, and organized crime groups in exchange for bribes, sponsorship, and other favors. Petrov and Temple (2004, p. 87) point to routinization of corruption and to the fact that bribes are sometimes referred to as informal fees. The authors believe that at this point the rates are largely predetermined and that corruption acquires a semi-public character.

There are numerous records and research statements that public offices in developing and transition economies are on sale and profitable or bread-winning places are bought-out (Gong, 1997, 2002; Goorha, 2000; He, 2000). In the hierarchy, a lump sum payment is often required to receive a position in a corrupt organization. As Gong remarks in regard of China (though this is also true for the case of the former Soviet Republics), “today, buying and selling office has

become a rather common phenomenon.” (Gong, 2002, p. 100) The presence of such a practice also guarantees that the new employee accepts the informal rules of the hierarchy and will cooperate and share the benefits of corruption with the top. Accordingly, if a potential candidate refuses to make an advance lump sum payment, it means that he is likely not to conform to the rules of the hierarchy and hence he is denied access to the organization. The lump sum payment may also be made after the employment during which the money needed to make the payment can be earned and accumulated, as sufficient amount of money is accumulated to do the payment often referred to as establishing a “credit line.” This broadly accepted practice is similar to that used in human trafficking and other illegal businesses.

Sometimes this type of career path starts from the time of one’s education. For instance, in order to enter a police academy one has to pay a lump sum bribe. He then makes his money back by accepting informal payments (Newsru, May 12, 2006; Newsru, February 21, 2007). Joining the traffic police after graduating from the police academy also costs money. By the time an individual joins the corrupt hierarchy he is already well-educated about the corrupt practices and ready to take part in them. In this case subordinates retain some of the benefits from corruption while giving the rest to those at the top. This process of sharing is administered through several links in the hierarchical chain till it reaches the top. The share can be either a fixed amount of money or a percentage. The hierarchy can also have a system of paybacks from the top to the immediate subordinates. In this case, the top collects all the benefits of corruption and then distributes part of them among the subordinates.

### **Concluding remarks**

This paper identifies three major organizational structures of corruption, including the vertical structure, the horizontal structure, and the hierarchy as applied to the former Soviet Bloc.

The criteria selected include major characteristics, conditions or environment, degree of monopolization and distribution of discretionary power, levels of secrecy, tolerance, and transparency, predominant forms, and scale of corruption. Vertical structure is taken as an initial form of organizational structure with some presence of corruption that later transforms into horizontal structure. The horizontal structure may potentially transform into the hierarchy. Transitions from one structure to the other do not occur overnight but represent rather slow processes that vary from region to region. Characteristics of such processes are time and place specific. Simple forms of horizontal corrupt structures existed in some regions in Soviet times long before the start of the market reforms, coexisting with the dominant at that time vertical structure. For instance, in Central Asia horizontal structures of corruption were always secondary, first to the vertical structures and then to corrupt hierarchies. This predetermined smooth and almost immediate transition from the vertical structure to the hierarchy.

Two major engines of perpetuating corruption in bureaucracies and public services are opportunism and financial survival of its employees. The strive for better material position and financial sustainability is realized through different organizational structures. These structures or nets of corrupt interrelations evolve and replace each other and lead to an increase in corruption. Changes in the characteristics of organizations, including increasing transparency and control, will not necessarily lead to the logically expected results. Fundamental changes might be needed to disintegrate organizational structures of corruption and reduce level of corruption in bureaucracies. Such fundamental changes in transition societies will include further advancement of market reforms, formation of the civil society, and strengthening of democratic institutions.

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