

Ionescu, Luminița; Lăzăroiu, George; Iosif, Gheorghe

Article

Corruption and bureaucracy in public services

Amfiteatru Economic Journal

Provided in Cooperation with:

The Bucharest University of Economic Studies

Suggested Citation: Ionescu, Luminița; Lăzăroiu, George; Iosif, Gheorghe (2012) : Corruption and bureaucracy in public services, Amfiteatru Economic Journal, ISSN 2247-9104, The Bucharest University of Economic Studies, Bucharest, Vol. 14, Iss. Special No. 6, pp. 665-679

This Version is available at:

<https://hdl.handle.net/10419/168767>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<http://creativecommons.org/licenses/by/4.0/>

CORRUPTION AND BUREAUCRACY IN PUBLIC SERVICES

Luminița Ionescu^{1*}, George Lăzăroiu² and Gheorghe Iosif³

¹⁾ *Academia Romana, Scoala Postdoctorala SPODE/
Spiru Haret University, Bucharest, Romania*

²⁾ *Institute of Interdisciplinary Studies in Humanities and Social Studies, New York/
Spiru Haret University, Bucharest, Romania*

³⁾ *Media and Publishing Group "Economic Tribune"*

Abstract

The theory that we shall seek to elaborate here puts considerable emphasis on the importance of big-time corruption in reducing funding for service delivery, the value of bureaucracy as a means of delivering public services, and the level of politicization of the public bureaucracy. This paper seeks to fill a gap in the current literature by examining different aspects of the benefits of openness and transparency in tackling corruption in the public sector, the bureaucratization of service tasks, and the failure of bureaucratic systems in delivering public services. In sum, the results of the current paper provide useful insights on the context and causes of corruption, incentives to assure efficiency within the public bureaucracy, and the organizational limits of public bureaucracy.

Keywords: corruption, bureaucracy, public service delivery

JEL Classification: C9; D03; H89

Introduction

The current paper has extended past research by elucidating the effectiveness of public anti-corruption bodies, the role of the state and public bureaucracies in fostering social integration, and the displacement of traditional public bureaucracies. These findings highlight the importance of examining corruption as a violation of the border between the public and the private sphere, the organizational limits of public bureaucracy, and incentives within large public and private organizations. Clearly, the scientific findings synthesized herein have important implications for the propensity of the public employee to engage in corrupt behavior, representativeness of public bureaucracies, and the actual organization and practice of public bureaucracies.

* Corresponding author, **Luminița Ionescu** – luminitaionescu2003@yahoo.com

Corruption reflects an underlying institutional framework. The form of political institutions can affect the level of corruption. Corrupt countries have significantly lower levels of human capital stock. Paying higher wages can deter corruption under certain circumstances.

Deregulation may reduce corruption by reducing the extent to which public officials have the power to extract bribes (Svensson, 2005, pp.19–42). Jensen et al. say that corruption is the use of public office for private gains. Some firms may simply avoid investments in highly corrupt countries. Corruption decreases investment and leads firms to adapt to their environment, and may force firms to partner with domestic firms in order to guard against corrupt politicians. Firms in countries with lower levels of press freedom are more likely to evade the corruption question. The degree of corruption is likely to be more severe in countries with less political freedom (a key determinant of nonresponse and potential false response on corruption questions is the degree of political freedom in the host country). Jensen et al. focus on the consequences of restricting information flows on firm-level corruption surveys. Firms in countries with less political freedom are more likely to say corruption is not a major or severe obstacle to their business. Political competition and transparency reduce the benefits from corruption. Jensen et al. maintain that corruption is most likely to be understated by firms in politically repressive countries (Bratu, 2010, pp.301-306). Press freedom is an important determinant of how firms report on corruption as a problem for their operations in their countries. The lack of press freedom is associated with nonresponse and under-reporting of the extent and depth of corruption. In societies that lack press freedom, citizens are bombarded with messages about the lack of corruption (Jensen et al., 2010, pp.1481–1504).

Institutions influence the degree of political control of public bureaucrats. Elected officials and bureaucrats are beneficiaries of rent-seeking activities. Bureaus have substantial policy-implementing authority. The pervasiveness of corruption in a country is measured by an indicator that captures bureaucratic corruption (Luechinger, 2008, pp.476-488). The bureaucratic control strategies practiced by top-level leaders can help the middle-level players pass blame among themselves, whereas public bureaucrats and private interests can often benefit from ambiguous delegation arrangements (Hood, 2011). Konisky examines the degree to which bureaucratic attitudes comport with public preferences: representative bureaucracies share preferences with the public, and take actions to translate these preferences into policy decisions. The bureaucratic officials and the public share basic underlying opinions about the appropriate level of environmental regulation (bureaucrats and the public have different understandings of the forces driving economic competition). Konisky thinks that representative bureaucracy theory and principal-agent theory are useful for thinking about how well bureaucracies represent the general public, and representative bureaucrats are those that share similar attitudes as the public: the public is limited in its ability to directly monitor and sanction bureaucratic behavior, bureaucrats and the public share similar underlying attitudes on environmental regulation, bureaucrats may be more informed about the specifics of policy, whereas the state bureaucratic officials have a different perception of economic competition than expressed by the public (Konisky, 2008, pp.139-149).

1. Bureaucratic corruption and economic development

Lambsdorff argues that a downsized public sector will be the consequence of bureaucratic corruption. A strong government will seek to contain low-level corruption among the bureaucracy. Investments are particularly at risk where there is corruption. Domestic investments are less productive in countries with high levels of corruption. The impact of corruption on FDI is related to its association with a poor legal tradition. Lambsdorff reports that some concept of public interest may be at the center of definitions of political corruption. Welfare economics can be a starting point for analyzing corruption. Increasing transaction costs of corruption and lobbying does not adversely impact on welfare. Transaction costs of corrupt agreements differ from those of legal deals. In most cases corrupt agreements are characterized by a high degree of secrecy, little transparency, and limited participation. A legal relationship represents a vehicle for establishing a corrupt relationship. On Lambsdorff's reading, corrupt deals can be a by-product of legal agreements. Regular contacts can help lower the transaction costs for arranging corrupt agreements. Social structures may be helpful in spreading information (Șerban, 2011, pp.248-253) on corrupt opportunities. Conflict can arise with well-informed people who were not part of the corrupt deal.

What matters for the present discussion is that a corrupt agreement requires that each partner must equally value the losses resulting from denunciation. Corruption often takes place as a by-product of other relationships. Lambsdorff states that under certain conditions penalties imposed on individuals can help secure corrupt agreements. The willingness to take bribes brings about disadvantages to the corrupt actors themselves. Poor developing countries may not have the capacity to contain corruption by themselves. Corrupt agreements usually cannot be legally enforced. The level of corruption of importing countries significantly affects trade. Corruption is more effective in retaining business than in opening up new markets. Partners in a corrupt relationship often renege after having obtained a bribe, or ask for a second payment. Countries hosting companies with good corporate governance are less affected by corruption of its exporters. Lambsdorff says that confidence in corruption contributes to high levels of corruption. Some countries are likely to provide more fertile ground to the private enforcement of corruption. Unpredictable size of bribes and level of opportunism significantly impact on absence of corruption. Fighting corruption and restoring investors' confidence go hand in hand. The predictability of corruption causes further corruption. A certain level of trust is therefore a basic prerequisite to corruption. Lambsdorff reasons that corrupt deals are sealed in a framework of existing legal relationships. A mixture of transparency and obfuscation may be fruitfully employed to minimize corruption. A visible commitment to anticorruption may drive down the solicitation of bribes (Lambsdorff, 2007, pp.5-80).

Lederman et al. assert that corruption has a negative impact on important economic outcomes. Political and economic institutions affect corruption through political accountability (Păun, 2011, pp.200-205) and the structure of provision of public goods. Specific political institutions are strongly associated with the prevalence of corruption. Factors leading to common crimes can play an important role in determining the incidence of corruption. Factors distinguishing corruption from other crimes play an important role. "The specific design of political institutions affects corruption mainly through two channels. The first relates to political accountability: any mechanism that increases political accountability, either by encouraging the punishment of corrupt individuals or by reducing

the informational problem related to government activities, tends to reduce the incidence of corruption. The second relates to the structure of provision of public goods: institutions generating competition in the provision of the same public service tend to reduce corruption” (Lederman et al., 2006, p.29). Stapenhurst et al. put it that corruption is the greatest threat to the democratic ideal of self-government (Gander, 2011, pp.11–22), undermining economic development, violating social justice, and destroying trust in state institutions (it threatens and affects the poor in the worst way). Parliament plays an essential leadership role in combating corruption. *Corruption is the exploitation by public officials of their power in delivering public goods for private payoffs.*

Based on the above reasoning, it is not difficult to show that parliaments can create the necessary legal framework to prevent and curb corruption. According to Stapenhurst et al., appropriate laws may be a necessary component in a country’s arsenal of policies and interventions to curb corruption. Parliaments can curb corruption by holding the government accountable. Financial integrity is central to anti-corruption efforts. Parliamentary practices and support services may affect the capacity of individual parliamentarians to pursue a public leadership role in fighting corruption. Stapenhurst et al. insist that *broad coalitions between parliament and a vibrant civil society can be helpful in curbing corruption.* Political parties have become a locus of administrative power *and therefore a potential agent of corruption.* Parliamentarians can curb corruption through their role in the global governance system. Governance structures influence how parliamentarians can best fight corruption. Corruption is getting public attention in many areas of the world. “Anti-corruption policies and reforms are successful only if they follow a holistic approach, address each of the root causes, and encompass a broad coalition of relevant actors, including government bodies, parliament, civil society, and the private sector” (Stapenhurst, 2006, p.3).

Coyne notes that bureaucracy refers to all non-market forms of organization, and points out that Tullock develops a detailed analysis of the nature and limitations of bureaucratic structures, focusing on public bureaucracies with specific emphasis on personal relations (the central planning inherent in bureaucracies eliminated the spontaneous ordering of activity). Government employment is the setting where the superior-subordinate relationship is most prevalent, while bureaucracies differ in their specific structures. “The thrust of Tullock’s argument is that the incentives and information deficiencies faced by bureaucrats are such that their actions will often produce perverse outcomes. Moreover, Tullock emphasizes that the top-down centralization of the bureaucratic structure results in a problem of coordination, especially when compared to the market mechanism as a means of allocating resources” (Coyne, 2008, 12). Coyne says that the nature of public bureaucracy constrains the ability of the United States *to exogenously impose liberal democratic institutions in foreign countries,* and remarks that Tullock distinguishes between superiors who can directly influence the position of the reference politician and “spectators.” The nature of the sovereign-reference politician relationship varies depending on the structure of the bureaucracy. The decentralization of decision-making may reduce the length of the transmission chain and the complexity of the information. “As a piece of information is passed from individual to individual, the content of the message becomes increasingly distorted. The magnitude of this distortion, or ‘noise,’ is a function of the complexity of the information and the number of people in the transmission chain. As the complexity of the information and the length of the chain increases, so too does the

magnitude of the noise introduced into the initial message as it is passed from person to person” (idem, p.14).

All this necessarily leads to the conclusion that that the goals of the decentralized decision nodes should be aligned with the broader aims and goals of the organization (the actions of the decentralized decision centers should align with the broader goals of the organization). Coyne thinks that Tullock is aware of the superiority of the market mechanism, as compared to public bureaucratic organization. Where government provides goods and services, bureaucracy will be directly involved. *Spontaneous ordering coordinates people within a given set of institutions*. “Public bureaucracies face major difficulties not just in coordinating interactions within existing institutions, but also in generating sustainable change over the broader economic, political and social meta-institutions of a society. These difficulties become glaringly evident in the case of reconstruction where information deficiencies, incentive compatibility and compliance enforcement are intensified and magnified” (idem, p.15). Coyne insists that reconstruction efforts involve overlapping public bureaucratic structures, while information deficiencies are a central issue facing any bureaucratic organization. Tullock posits that “organizational patriotism” can cause conflict between bureaucracies. “Those at higher levels in bureaucratic organizations will often make decisions with only partial information and without understanding the full consequences of those decisions” (idem, p.18). Coyne maintains that Tullock focuses on the problems of information and incentives within public bureaucratic structures. The decision-making process within public bureaucracies relies on central planning. Bureaucratic structures face information deficiencies and issues associated with incentive incompatibility, enforcement and compliance. The scope of reconstruction efforts requires a level of coordination beyond what public bureaucracies can achieve. “The existence of liberal democracy and the associated bureaucracy requires certain complementary institutions which serve as a foundation for the sustainability of formal institutions. [...] Tullock’s analysis enables an understanding of the limits of public bureaucratic structures both in generating change in the design of formal institutions and also in the generation of the informal, complementary rules, norms, beliefs and organizational forms necessary for the ultimate effectiveness and sustainability of formal institutions. The design and implementation of this informal foundation is beyond the organizational limits of public bureaucracy” (ibidem).

2. The growth of corruption in public service delivery

Uslaner states that corruption leads to less trust in other people and to more inequality. Societies are trapped in a cycle of high inequality, low out-group trust, and high corruption. An unfair legal system is one of the key determinants of corruption. The conception of corruption that Uslaner finds most compelling is malfeasance as the absence of *transparency*. There are plenty of exceptions to treating corruption as violations of transparency. Petty corruption helps a large number of people cope with broken public and private sectors, and does not engender jealousy and mistrust. People make a clear connection between inequity and grand corruption (grand corruption troubles people far more than petty misdeeds). Petty corruption drags ordinary people into the web of dishonesty. High inequality leads to low out-group trust and then to high corruption. The *fairness*, not the effectiveness, of the legal system shapes corruption. The links from inequality to trust and from trust to corruption are strong. Uslaner shows that corruption

leads to public policies that produce *better quality of life, stronger market performance, and less inequality*. Uslander presents aggregate portraits of trends in inequality and corruption. Grand corruption leads to social strains and to perceptions of rising inequality. Working from the ground up will not alleviate people's concerns about corruption. Corruption is part of an *inequality trap* that saps people of the belief that it is safe to trust others, transfers resources from the mass public to the elites, and is not easy to eradicate if it is largely based upon the distribution of resources and a society's culture. An unfair legal system is a key determinant of corruption (strong institutions, most notably equal justice for all, play a key role in combating corruption). Uslander contends that authoritarian governance generally leads to high levels of corruption. Inequality, low trust, and corruption form a vicious cycle. Reducing inequality frees people from being dependent upon corrupt patrons. Corruption rests upon a foundation of strong in-group trust and low out-group trust. Uneven economic development is strongly related to all of the other determinants of corruption. Perceptions of corruption are higher in countries that have higher levels of economic inequality. People perceive a link between corruption and inequality (Uslander, 2008, pp.5-29). Uslander says that regulation is a policy choice that affects corruption. Corruption leads to less effective government. Democracy is not the cure-all for corruption. Corruption rests upon a foundation of an unfair legal system. Inequality leads to resentment of out-groups and enhanced in-group identity. An unfair legal system will lead to more corruption. Less bureaucratic red tape is one way to reduce corruption. Corruption rests upon a foundation of inequality.

The overall conclusion to be drawn from these and similar observations is that a strong economy *is* a stimulant to the reduction of corruption. The inequality trap reflects *how people think about corruption*. The transparency of government decision-making is important for corruption. Uslander posits that corruption should depend upon trust and policy choices. The effectiveness of government mostly reflects corruption and societal forces. Trust works as the most significant predictor of corruption. The fairness of the legal system shapes corruption through the regulatory regime. Corruption leads to poorer policies and worse social outcomes. *People think about corruption as stemming from inequality*. Uslander notes that there are powerful effects for perceptions of corruption in business and in the legal system. People see higher levels of corruption where there is considerable inequality and corruption. Inequality and an unfair legal system are key determinants of corruption. Both corruption and inequality lead to weak states. Corruption leads to state failure and to inadequate public services. Corruption has great effects on government performance on the quality of life and on increasing inequality. Perceptions of corruption may persist even as elites see the world differently. Control over corruption is a *sine qua non* for rapid and sustained economic growth. Uslander claims that the most important factors shaping perceptions of corruption are levels of confidence in institutions. States with a weak rule of law are more corrupt. Corruption in the American states reflects long-standing social and economic patterns. Uslander remarks that the decline of corruption in the Nordic countries has its roots in a more equitable distribution of wealth over a long period of time. Corruption remains high in states with low trust and high levels of inequality. The gains from grand corruption persists even where petty corruption has been greatly reduced. Bad policy can lead to higher levels of corruption. Strong institutions do not emerge from constitutional conventions and often not from anti-corruption commissions (Uslander, 2008, p.30-249).

Alolo notes that corruption involves mutually satisfying relations between the parties involved. Opportunities and networks of corruption are critical for both male and female likelihoods of engaging in corruption. Gender informs male and female attitudes towards corruption (both men and women support corrupt behaviors). Understanding gendered motivations (Mihăilă, 2011, pp.147-163) will be key to reducing corrupt behavior in the public sector. “Feminized traits, such as sympathy and compassion, underpin female officials’ justifications for corruption, while masculinized traits, such as objectiveness and thirst for money, underline most of male officials’ justifications for supporting corruption.” (Alolo, 2007, p.216). Kpundeh and Dininio point out that anti-corruption campaigns are tactical responses to political challenges. Corruption reforms must rest on a political foundation that affords the space for action. A public constituency against corruption can develop an organized form of expression and response. Large multinational firms can refuse to invest in countries where corruption levels are high. International conventions can strengthen legislators’ commitment to fighting corruption (fighting corruption is a long-term process). “The link between anti-corruption organizations and legislators and the effect on legislators’ political will can intensify in the context of parliament–civil society coalitions” (Kpundeh, Dininio, 2006, p.45). Kaufmann and Dininio argue that corruption flourishes in conditions of poverty and weak public institutions, and bad incentives and systems induce people to act corruptly. Supreme audit institutions are a crucial part of detecting and preventing corruption. Kaufmann and Dininio observe that recruitment and promoting on merit are positively associated with both government effectiveness and control of corruption. Decentralization can influence corruption by bringing government closer to the people. The dynamics of corruption are inherently political. Anti-corruption efforts require a thorough understanding of the politics of corruption. “For business, corruption increases risks and uncertainty, entails payments that represent a kind of tax, and requires more management time spent negotiating with public officials.” (Kaufmann, Dininio, 2006, p.14).

Pellegrini explores how corruption affects economic growth and environmental protection. Corruption is an exercise of public rent seeking. In special situations corruption has a positive effect on social welfare. Pellegrini analyzes the factors influencing corruption, and examines how corruption affects variables associated with human welfare, considering corruption as an independent variable. Corruption affects societies to different degrees. The existence of corruption affects economic agents’ behaviors. Corruption directly affects the growth rate of the economy. Corruption is a determinant of economic growth and of environmental policy stringency. Pellegrini writes that income and corruption contribute to the stringency of environmental policies. Corruption results from bonding networks, may arise from networks based on trust and may increase social capital, can continue to characterize the behavior of agents belonging to the private sector (corruption within the private sector can affect the basic unit on which economic development is based), and is a cause of market failures. The root of the corruption problem is the abuse of power. Corruption can lead to non-intervention in terms of environmental policies (corruption and market failures go hand in hand). Hard evidence of corruption is difficult to obtain. Corruption tends to be pervasive especially in developing countries. Pellegrini insists that corruption has adverse socio-economic implications. As the sources of corruption are persistent, corruption will remain stable over time. Underlying causes of corruption refer to the driving forces determining corruption levels, whereas proximate causes of corruption

refer to manifestations of these driving forces. Corruption favors the interests of the individual (or a minority) as opposed to the interests of the majority.

Research findings like the ones mentioned here constitute an important body of evidence in favor of the claim the proxy for decentralization has a negative correlation with corruption. Political turnover is significantly associated with corruption (the shortening of the time horizons of politicians affects corruption levels). Pellegrini contends that in different countries corruption means different things and serves different functions. Richer countries are less corrupt. Political turnover tends to raise corruption. The level of corruption is better explained by the quality of economic institutions, rather than by income. Corruption is a pervasive phenomenon that negatively affects the working of the economy in several ways. Contemporary levels of democracy do not affect corruption levels and viceversa. Some of the determinants of environmental policy stringency could be influenced by corruption. The effect on the stringency of environmental policies is negative for corruption. Pellegrini argues that *the inclusion of corruption and democracy together diminishes the significance and importance of the democracy variable*. Corruption levels negatively affect the stringency of environmental policies (Pellegrini, 2011, pp.5-111).

Heckelman and Powell examine the empirical relationship between corruption and growth when political and economic institutions interact with corruption. Corruption is more beneficial to growth for greater levels of democracy (Păun, 2011, pp.229-234), and is more beneficial when economic freedom is low. Corrupt officials who circumvent inefficient rules could enhance growth. Some positive level of corruption may be growth-maximizing in countries with relatively efficient rules. The benefit of corruption diminishes when economic institutions improve. Heckelman and Powell stress the differential impact of corruption on growth, dependent upon the level of economic freedom (Gorgan et al., 2012, pp.550–562): the inverse relationship between corruption and economic freedom is important for predicting the impact corruption will have on growth. Failure to control for economic freedom can lead to a bias in the estimated impact of corruption. At the lowest levels of democracy, corruption is harmful to growth. The positive impact from corruption will be greatest when economic freedom is limited. Heckelman and Powell point out that the estimated coefficient for corruption is positive and statistically significant. The least corrupt countries have the lowest expected growth. Corruption is more beneficial when the economic institutions necessary for growth are lacking. Heckelman and Powell argue that corruption can have a positive effect on growth by allowing people to circumvent inefficient public policies. The benefits of corruption fall as the economic institutional environment improves. Policy efforts to lower corruption across the board may not always improve economic growth rates (Heckelman, Powell, 2010, p.371).

Morris posits that recent political changes in Mexico have impacted the perceptions of, participation in, and patterns of political corruption. Democracy embraces key mechanisms of horizontal accountability whereby government monitors itself, and works to curb corruption by way of its ideological and cultural foundations. The idea of democracy itself lofts the issue of corruption high atop the political agenda. Morris states that democracy heightens the importance of corruption *because corruption constitutes a threat to democracy*. Corruption undermines the meaning of citizenship and the rule of law. “In a sense, corruption and democracy represent opposing forces, one embodying the philosophical ideal of taming corruption and ensuring equal justice for all – a government

for the people, rather than for the rulers – the other threatening to undermine the very meaning and existence of democracy itself” (Morris, 2009, p.6).

Based on the above reasoning, it is not difficult to show that only a longer exposure to democracy tends to lower the level of corruption. Democracy reduces corruption, *but only over time*. Morris distinguishes democracy (a state) from democratization (a process), and differentiates their effects on corruption. Democracy may *eventually* lead to a reduction in corruption. “New corruption” entails the emergence of corruption stemming from democratization itself. Corruption may arise from the political and economic changes accompanying democratization. “Mechanisms of vertical accountability between citizens and their governments remain weaker than needed to effectively curb corruption (e.g., limited press freedoms, weak civil society, unrepresentative parties, and limited governmental transparency in which access to government activities is restricted or even kept secret)” (idem, p.9). Morris contends that the emergence of democracy heightens societal attention to and condemnation of corruption. The presence of corruption undermines legitimacy and the public’s satisfaction with the new democracy. In Mexico, corruption is an important problem facing the country, *feeding low levels of satisfaction with democracy*.

The basic idea here is that as democracy carries the potential to curb corruption, corruption has the potential to undermine democracy. Morris analyzes the conditions that shape “the ability of the political elite to work together to institute reforms to curb corruption, the ability of the various actors to promote and implement anticorruption measures, and the forces that undermine such efforts” (idem, p.11). Morris disaggregates corruption into three dimensions: perception, participation, and pattern. Perception is not the same thing as actual corruption. The public’s perception of corruption *may be an important ingredient within the broader political culture*. “The widespread perception of corruption and distrust of the system, moreover, may complicate the task of fighting corruption by undermining social capital or citizen participation. Perception of corruption may also affect feelings of regime legitimacy” (idem, p.14). Morris reasons that the growth of certain types of corruption may play a greater role in shaping overall perceptions of corruption. The growth of certain types of corruption may have pernicious effects on the political system.

3. Bureaucracy and public service performance

Carnis focuses on the reasons for the existence of bureaucracy, its dynamics, and the means of escaping its disadvantages. Carnis remarks that Niskanen holds that bureaucracy exists as a result of failures of the market: the bureaus result from the inability of the market to supply certain goods or services: *the bureaucratic system can supply some goods better than the market process does with an alternative way of proceeding*. Niskanen explained the dynamics of bureaucracy in terms of its organization: the dynamics of bureaucracy are explained partly by the particular structure of bureaucratic production, and can be understood by investigating the organization of the production structure. Bureaucracy functions by circumscribing the effects of incentives inside the organization, and does not aim to make a profit. The existence of nonprofit organizations results from the characteristics of the goods provided.

The preceding analysis suggests that Niskanen defends a *behavioral theory of bureaucracy and bureaucratic conduct*, focusing on the choices made by the bureaucrat and the

interpersonal relationships inside the bureaucratic organization: economic calculation is possible inside bureaucratic organizations by using external to determine an optimal allocation of resources, the bureaucratic relationship is a bilateral monopolistic situation between a sponsor and a bureau (the conditions of bureaucratic production are quite specific), whereas the bureaucrat seeks to maximize his own utility, striving for personal advantages. Niskanen shows the importance of the human dimension for understanding public production, pointing out the importance of the hidden interactions behind the process of public production and the implications of the political framework (Carnis, 2009, pp.57-78).

There is a stronger relationship between political stability and the amount of Foreign Direct Investment(FDI) flowing into emerging, developing nations than into industrialized countries (Figure 1). In developing nations political environments have improved significantly and steadily over time. FDI is less responsive to the political risk in industrialized countries than in developing countries (Figure 2). (Baek, Qian, 2011, pp.60-91)

FDI and Political Risk

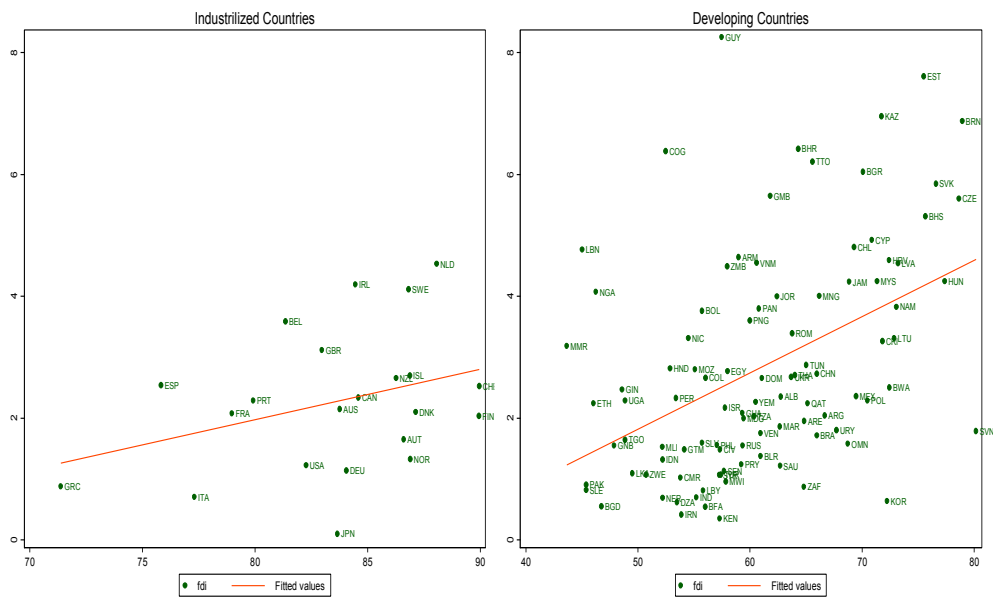


Figure no. 1: FDI and Political Risk

Source: adaptation after Baek, Qian, 2011

* Higher Political Risk scores indicate low political risks: its score ranges between zero (i.e., very high risks) and 100 (i.e., very low risk) points. Countries scoring between 80 and 100 points are considered ‘very low risk,’ but nations with scores between zero and 49.9 are categorized as ‘very high risk’ (PRS). For further information on its 12 components, see Appendix A.

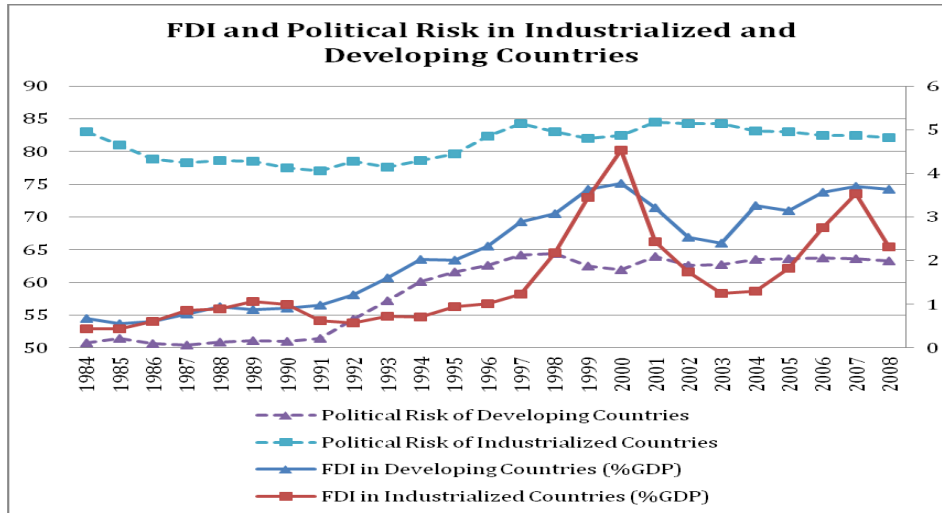


Figure no. 2: FDI and Political Risks in Industrialized and Developing Countries

Source: adaptation after Baek, Qian, 2011

* Higher Political Risk scores indicate low political risks: its score ranges between zero (i.e., very high risks) and 100 (i.e., very low risk) points. Countries scoring between 80 and 100 points are considered ‘very low risk,’ but nations with scores between zero and 49.9 are categorized as ‘very high risk’ (PRS).

Volti reports that bureaucracies are characterized by *impersonality*, and provides an effective and efficient way to get things done: government bureaucracies generally employ civil service examinations to recruit new employees, and bureaucratic organizations coordinate the work of their members through hierarchical authority (evaluation is a basic requirement for effective bureaucratic organization). “Modern bureaucracies exhibit specific structural and procedural features that contribute to effective and efficient goal attainment. [...] Bureaucracies are staffed by workers who are chosen according to their ability to perform the tasks assigned to them, or at least their capacity to learn to do these tasks” (Volti, 2012, p.83). Thus, *the shortcomings of bureaucratic organization are mirror images of its advantages*. Rules and regulations are an essential part of bureaucratic administration. Routine tasks should be bureaucratically administered, and many aspects of bureaucratic organization have been implicated as major sources of job dissatisfaction. “Bureaucracies are most effective when the tasks performed by their members can be reduced to routines. [...] Bureaucratic procedures work best when the goals are unambiguous and when the organizational structures and procedures employed are well suited to the attainment of these goals” (idem., pp.85, 87).

As Styhre explains, bureaucracy may play the role of the yardstick against which new organization forms are compared and evaluated: *the ontology of a bureaucracy is based on solid and enclosed entities*. Styhre observes that the bureaucratic organization form may serve a society dependent on coordination and infrastructure with a range of services (bureaucracy is an important organizational form in modern society). Styhre insists that the metaphor of a biological organism is an adequate image of a bureaucracy, and that bureaucratic firms are poor performers in terms of innovation work. “Taken together,

bureaucracy becomes cast as what is either failing to institute mechanisms enabling continuous improvement and adaptation to external changes, or as what is representing supposedly past virtues and social formations. Therefore, bureaucracy is portrayed as a supplement, as what is always already different and less accomplished than other forms of organization” (Styhre, 2007, p.5). Cordella explains that *bureaucratic organizations are not necessarily the main reason for the administrative and service crises in public sector experiences*, may be important for the efficient operation of democratic states, and serve to enforce the democratic values of equality and impartiality of state actions. Bureaucracy is important for retaining democratic values, as a bureaucratic setting is the foundation upon which many public sectors are organized. “Fundamental public services can only be provided through the bureaucratic form because it is the organization form itself, with its procedural-based structure that provides a large part of the values expressed in those services. [...] Where bureaucracies have failed to deliver services effectively it is because they have not been able to handle the increasing amount of information and coordination activities that are nowadays needed to provide traditional public services. [...] The limits to bureaucratic handling of complex and interdependent tasks have to be considered when e-government policies are designed and implemented” (Cordella, 2007, pp.271, 273).

Morgeson et al. test a model of citizen experience with government, examining the structure of the e-government-citizen trust relationship, and hypothesizing that recent Internet usage for purposes besides e-government, such as purchasing goods and services online, will increase the likelihood that a citizen will adopt e-government: citizens’ prior expectations will be determined by individual user characteristics. Morgeson et al. position both e-government and expectations as determinants of satisfaction, and propose a positive relationship between e-government and satisfaction. E-government usage is positively and significantly related to confidence in an agency, whereas e-government provides citizens with an image of *how good government service could be through e-government*. “Although e-government appears to help *boost citizen confidence* in the future performance of the particular agency interacted with, it does *not lead to greater satisfaction with an agency interaction nor does it drive greater trust in federal government overall*” (Morgeson III et al., 2011, p.258).

Snellen asserts that the changing position of the street-level bureaucrats is important for their relationships with the executive parts of public administration. “On the one hand, their dependency on the discretion of public professionals is reduced. [...] On the other hand, as the positions of the street-level bureaucrats within the organization are downgraded, they may be less able to represent the interests of their clients with the higher echelons of the organization” (Snellen, 2002, p.195). Moe maintains that a theory of political control and delegation is a *political theory of bureaucratic organization*: bureaucratic effectiveness tends to be undermined by politically imposed structures (*it is in the eye of the beholder*). Many of the formal structures that are heaped on bureaucracy to insulate and control it are driven by the fact that *different principals have different political goals*. The organization of American bureaucracy arises out the politics of a separation of powers system (American bureaucracy is more constrained by statutory restrictions than bureaucracies in parliamentary systems are).

The basic idea here is that different institutional systems have their own distinctive bureaucracies, bureaucracies should be less burdened with structures that make it difficult for agencies to do their jobs, while bureaucratic expertise may develop as an integral part of

the nexus of decisions involved in delegation. Moe reasons that bureaucratic agencies are the government's means of carrying out public policy and bureaucrats have a measure of power (they have *informational* leverage over their superiors) (Moe, 2012).

Conclusions

The overall results provide strong evidence for relationships within public bureaucratic structures, the nature and limitations of public bureaucracy, the decision-making process within public bureaucracies, and the consequences of corrupt behavior. As a result of these earlier research findings, this paper sought to determine the effectiveness of anti-corruption initiatives, incentives to assure efficiency within the public bureaucracy, and the representativeness of bureaucrats of the public. Although researchers have discovered some important findings regarding the role of political institutions in curbing or increasing corruption, the relationship between bureaucracies and the public, and the tendency to politicize the public bureaucracies of democratic societies, there is still a great deal that is unknown and that requires further empirical inquiry.

Acknowledgments

This work was supported by the project „Post-Doctoral Studies in Economics: training program for elite researchers – SPODE”, contract no. POSDRU/89/1.5/S/61755, funded from the European Social Fund through Human Resources Development Operational Programme 2007-2013.

References

- Alolo, N.A., 2007. Fighting public sector corruption in Ghana: does gender matter? In: S. Bracking, ed. *Corruption and development: the anti-corruption campaigns*. New York: Palgrave Macmillan, pp.205-220.
- Baek, K. and Qian, X., 2011. An analysis on political risks and the flow of foreign direct investment in developing and industrialized economies. *Economics, Management, and Financial Markets*, 6(4), 60-91.
- Bratu, S., 2010. Fundamental values of political discourse in a democratic society. *Contemporary Readings in Law and Social Justice*, 2(2), pp.301-306.
- Carnis, L.A.H., 2009. The economic theory of bureaucracy: insights from the Niskanian model and the Misesian approach. *The Quarterly Journal of Austrian Economics*, 12(3), pp.57-78.
- Cordella, A., and Willcocks, L., 2010. Outsourcing, bureaucracy and public value: reappraising the notion of the ‘contract state’. *Government Information Quarterly*, 27(1), pp.82-88.
- Coyne, C.J., 2008. *The politics of bureaucracy* and the failure of post-war reconstruction. *Public Choice*, 135, pp.11-22.
- Gander, J.P., 2011. Microeconomics of corruption among developing economies. *Economics, Management, and Financial Markets*, 6(3), pp.11–22.

- Gorgan, C. et al., 2012. The evolution of the accounting practices during the recent economic crisis: Empirical survey regarding the earnings management. *Amfiteatru Economic*, XIV(32), pp.550–562.
- Heckelman, J.C. and Powell, B., 2010. Corruption and the institutional environment for growth. *Comparative Economic Studies*, 52, pp.351-378
- Hood, C., 2011. *The blame game: Spin, bureaucracy, and self-preservation in government*. Princeton, NJ: Princeton University Press.
- Jensen, N. et al., 2010. Understanding corruption and firm responses in cross-national firm-level surveys. *Journal of International Business Studies*, 41, pp.1481-1504.
- Kaufmann, D. and Dininio, P., 2006. Corruption: a key challenge for development. In: R. Staphenurst, N. Johnston, R. Pelizzo, eds. *The role of parliament in curbing corruption*. Washington, DC: The World Bank, pp.13-26.
- Konisky, D. M., 2008. Bureaucratic and public attitudes toward environmental regulation and the economy. *State and Local Government Review*, 40(3), pp.139-149.
- Kpundeh, S. and Dininio, P., 2006. Political will. In: R. Staphenurst, N. Johnston, R. Pelizzo, eds. *The role of parliament in curbing corruption*. Washington, DC: The World Bank, pp.41-50.
- Lambsdorff, J.G., 2007. *The institutional economics of corruption and reform: Theory, evidence, and policy*. New York: Cambridge University Press.
- Lederman, D., Loayza, N.V. and Soares, R.R., 2006. On the political nature of corruption, in R. Staphenurst, N. Johnston, R. Pelizzo (eds.), *The Role of Parliament in Curbing Corruption*. Washington, DC: The World Bank, pp.27-40.
- Luechinger, S., Meier, S. and Stutzer, A., 2008. Bureaucratic rents and life satisfaction. *Journal of Law, Economics, and Organization*, 24(2), pp.476-488.
- Mihăilă, R. 2011. (Un)Gendered private space in nineteenth-century Romanian society. *Journal of Research in Gender Studies*, 1(1), pp.147-163.
- Moe, T. M., 2012. Delegation, control, and the study of public bureaucracy, in Robert Gibbons and John Roberts, eds. 2012. *Handbook of Organizational Economics*. Princeton, NJ: Princeton University Press.
- Morgeson III, F. V., Van Amburg, D. and Mithas, S., 2011. Misplaced trust? Exploring the structure of the e-government-citizen trust relationship. *Journal of Public Administration Research & Theory*, 21(2), pp.237-256.
- Morris, S. D., 2009. *Political corruption in Mexico: The impact of democratization*. Boulder, CO: Lynne Rienner Publishers.
- Păun, E. 2011. The changing form and functions of cities in an expanding global economy. *Geopolitics, History, and International Relations*, 3(1), pp.200-205.
- Păun, Ș. 2011. The democratic legitimacy of European governance. *Geopolitics, History, and International Relations*, 3(2), pp.229-234.
- Pellegrini, L., 2011. *Corruption, development and the environment*. Dordrecht: Springer.
- Snellen, I., 2002. Electronic governance: implications for citizens, politicians and public servants, *International Review of Administrative Sciences* 68: pp.183-198.

- Stapenhurst, R., Ulrich, M. and Strohal, S., 2006. Introduction: Parliamentarians fighting corruption, in R. Stapenhurst, N. Johnston and R. Pelizzo, eds. 2006. *The role of parliament in curbing corruption*. Washington, DC: The World Bank, pp.1-12.
- Styhre, A., 2007. *The innovative bureaucracy: Bureaucracy in an age of fluidity*. New York: Routledge.
- Svensson, J., 2005. Eight questions about corruption. *Journal of Economic Perspectives*, 19(3), pp.19-42.
- Șerban, S., 2011. Bourdieu's influence on contemporary thought in the social sciences. *Contemporary Readings in Law and Social Justice*, 3(2), 248-253.
- Uslaner, E.M., 2008. *Corruption, inequality, and the rule of law: The bulging pocket makes the easy life*. New York: Cambridge University Press.
- Volti, R., 2012. *An introduction to the sociology of work and occupations*. 2nd ed. Thousand Oaks, CA: Sage.