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**Working Paper**

## A Moral Economy of Anti-Corruption Sentiments in Transition

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The wiiw Balkan Observatory

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*Ivan Krastev*

A Moral Economy of Anti-Corruption  
Sentiments in Transition





# The wiiw Balkan Observatory

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## *About*

Shortly after the end of the Kosovo war, the last of the Yugoslav dissolution wars, the Balkan Reconstruction Observatory was set up jointly by the Hellenic Observatory, the Centre for the Study of Global Governance, both institutes at the London School of Economics (LSE), and the Vienna Institute for International Economic Studies (wiiw). A brainstorming meeting on Reconstruction and Regional Co-operation in the Balkans was held in Vouliagmeni on 8-10 July 1999, covering the issues of security, democratisation, economic reconstruction and the role of civil society. It was attended by academics and policy makers from all the countries in the region, from a number of EU countries, from the European Commission, the USA and Russia. Based on ideas and discussions generated at this meeting, a policy paper on Balkan Reconstruction and European Integration was the product of a collaborative effort by the two LSE institutes and the wiiw. The paper was presented at a follow-up meeting on Reconstruction and Integration in Southeast Europe in Vienna on 12-13 November 1999, which focused on the economic aspects of the process of reconstruction in the Balkans. It is this policy paper that became the very first Working Paper of the wiiw Balkan Observatory Working Papers series. The Working Papers are published online at [www.balkan-observatory.net](http://www.balkan-observatory.net), the internet portal of the wiiw Balkan Observatory. It is a portal for research and communication in relation to economic developments in Southeast Europe maintained by the wiiw since 1999. Since 2000 it also serves as a forum for the Global Development Network Southeast Europe (GDN-SEE) project, which is based on an initiative by The World Bank with financial support from the Austrian Ministry of Finance and the Oesterreichische Nationalbank. The purpose of the GDN-SEE project is the creation of research networks throughout Southeast Europe in order to enhance the economic research capacity in Southeast Europe, to build new research capacities by mobilising young researchers, to promote knowledge transfer into the region, to facilitate networking between researchers within the region, and to assist in securing knowledge transfer from researchers to policy makers. The wiiw Balkan Observatory Working Papers series is one way to achieve these objectives.



# The wiiw Balkan Observatory

## Global Development Network Southeast Europe

*This study has been developed in the framework of research networks initiated and monitored by wiiw under the premises of the GDN–SEE partnership.*

The Global Development Network, initiated by The World Bank, is a global network of research and policy institutes working together to address the problems of national and regional development. It promotes the generation of local knowledge in developing and transition countries and aims at building research capacities in the different regions.

The Vienna Institute for International Economic Studies is a GDN Partner Institute and acts as a hub for Southeast Europe. The GDN–wiiw partnership aims to support the enhancement of economic research capacity in Southeast Europe, to promote knowledge transfer to SEE, to facilitate networking among researchers within SEE and to assist in securing knowledge transfer from researchers to policy makers.

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For additional information see [www.balkan-observatory.net](http://www.balkan-observatory.net), [www.wiiw.ac.at](http://www.wiiw.ac.at) and [www.gdnet.org](http://www.gdnet.org)

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### A Moral Economy of Anti-Corruption Sentiments in Transition

Post-communist societies are simply obsessed with corruption. Corruption is the major policy narrative in the time of transition. It explains why industries that were once the jewels of the communist economies have bankrupted. Corruption explains why poor are poor and why rich are rich. Blaming corruption for the post-communist citizen is the way to express his disappointment with the present political elites, to mourn the death of his 1989 expectations for better life, and to reject any responsibility for his present well being. Talking about corruption is the way post-communist public talks about politics, economy, past and future.

For many observers corruption explains why some transition countries succeed and others fail, why reforms are endangered and democracy is in risk, why people are unhappy and mafias are over-powerful. Rose, Mishler and Haerpfer argue that “corruption has replaced repression as the main threat to the rule of law”. /Rose, Mishler, Haerpfer, 1997/ Their multiple regression analysis suggests that the level of corruption is a more important determinant of attitudes towards “undemocratic alternatives” than the country’s democratic tradition, its current level of freedom or its current economic performance. Corruption steals economic growth, erodes democracy, and degrades society.

The surveys conducted by Miller, Grodeland and Koshechkina in the Czech Republic, Slovakia, Bulgaria and Ukraine show that in all these countries the moral chaos of transition and not the communist legacy or political culture have been singled out by the public opinion as the major factor for the rise of corruption. /Miller, Grodeland, Koshechkina, 2001/

In his cyclical theory of society’s oscillations between periods of intense preoccupation with public issues and of almost total concentration on individual improvements and private welfare goals Albert Hirschman defines corruption as a psychological mechanism accompanying the disappointment with public involvement and indicating shift towards private goals. “Corruption can thus be viewed as a response to a change in tastes: losses in satisfaction that is yielded by action in public interest are made up by material gains”/Hirschman, 1982/. The current public interest in corruption can be interpreted either as an expression of the shift towards values of private life and material well being after the end of the collectivist utopia of communism, or as a re-discovery of the value of public involvement after the end of the empty time of communism.

The last years of intense empirical studies on corruption have taught us to think less about the reasons for the rise of corruption and more about its consequences. The literature on post-communist corruption is uninterested in Hirschman’s socio-psychological cycles or in speculations about moral degradation of modern society. It is not inclined to search for definitions or elaborate sophisticated models. The new anti-corruption science calculates the costs of corruption/Rose-Ackerman, 1999; World Bank, 2000/. It classifies the forms of corruption/World Bank, 2000; Hellman, Jones, Kaufman,

2000/. It correlates levels of corruption with the level of economic growth, attractiveness to foreign investments and opportunities for development. There is a new type of puritanism that leads the anti-corruption crusade- “the puritanism of numbers”.

Corruption is conceptualized as an institutional issue and not as a cultural or even political phenomenon. Corruption is constructed as a measurable phenomenon /Krastev, 2000/. Corruption is de-contextualized for the purpose of fighting it.

Anthropologists’ modest attempt to bring in the participants’ perspective on corruption remained marginal in the current debate. The mainstream anti-corruption discourse is not interested in the contextual nature of corruption. In its view anthropologists are by definition functionalists and excuse-seekers. The policy preoccupation of the recent anti-corruption studies narrows the territory of what is perceived as useful knowledge on corruption. The recent anti-corruption studies suffer from tautology. They assume that corruption is characteristic of the institutional environment and they judge the spread of corruption analyzing the quality of the institutional environment. In the new policy language fighting corruption has been translated into fight for accountability and transparency.

The present paper is not a study of corruption, it is an interpretation of the anxieties of transition. It is a reflection on the popular discourse on corruption and its role in making post-communist society. Anti-corruption discourse is not simply a discourse on the real or alleged acts of bribery or other forms of misusing public office for private gains. It can not be reduced to the unarticulated public disappointment with the status quo. It is a discourse expressing the painful process of social stratification in the transition societies. It is a discourse on social equality and fairness. It is a set of discourses, conflicting with each other and re-constituting the meaning of post-communist corruption.

The anti-corruption discourse of the new policy elite and the international financial institutions have almost nothing in common with the anti-corruption sentiments hosted in the tabloid media, heard on the streets or captured in the focus groups. What is corruption, who corrupts whom, what are the reasons for the rise of corruption and what should be done to curb it are among the question that will receive different answers depending on whom you ask in post-communist society.

This paper brings together readings of the literature on corruption, re-reading of the corruption related public opinion polls, media stories and focus groups materials. It adopts non-differentiated view on corruption where gift giving, state capture, embezzlement, and classical bribery are packed together. The combination of data, anecdotes and generalizations makes it a strange mix. It does not focus on a concrete country or group of countries. It does not present the results of a specific research. It does not follow strict methodology. It does not fit the current paradigm.

It starts with the polls supported observation that majority of people in Eastern Europe perceives post-communism as more corrupt than communism. And ends with the claim that anti-corruption discourse is not simply a discourse on the existence and spread of acts of corruption.

### *The Corruption Paradox*

It was a common place among the ordinary citizens of the Soviet block to view corruption and privileges as the most disgusting features of “real socialism”. People complained about it, lived with it and protested against it. In academic writing communism was also described as highly corrupted. Dependence on bribes and contacts was notorious. Towards the end of the communist regime, a majority of respondents in DiFranceischo and Gitelman’s survey of Soviet émigrés suggested that bribery or connections could be used to change an unwelcome work assignment or to get a dull child into a good university department /Miller, Grodeland, Koshechkina, 2001/ A decade ago both public and scholars would have been shocked to learn that one day post-communism would be seen as more corrupt than communism. It is this transformation of the “unexpected” into “unproblematic” in the perception of corruption that I refer to as “corruption paradox”.

### *The Non-Banality of Post-Communist Corruption*

What is common between the successful Polish transition, semi-successful Bulgarian transition and unsuccessful Russian transition? Not much, except that the majority of Poles, Bulgarians and Russians are convinced that in their country there is more corruption today than in the days of communism.

The figures are striking because Polish, Bulgarian and Russian public opinions sharply differ in the way they judge the success and the direction of the economic and political changes, the desirability of changes, and also their personal benefits and losses in the period of transition. The result is striking also because in the Corruption Perception Index of TI for 1999 Poland ranks 44 on the level of corruption. Bulgaria-66 and Russia 82 and because corruption is figured out as a major social problem in Bulgaria and Poland, but not in Russia.(Sajo, 1998)

The claim that post-communism is more corrupt than communism can not be explained simply with the failure of market reforms. The success or failure of reforms can be a working explanatory model when we compare the scale of corruption in different countries, but it is a weak explanation when we compare “now” and “then”. Culture, religion, the length of the communist rule are also non-explanations. Poland is a catholic society, Bulgaria and Russia are Orthodox countries. Russia has lived much longer under communism than Bulgaria and Poland. Countries differ significantly in their size and ethnic homogeneity, two other factors that affect the spread of corruption. They differ in GDP, attractiveness to foreign investment, availability of natural resources and level of economic optimism with respect to the future. The finding that Bulgarians, Poles and Russian share common view that post-communism is more corrupt than communism is an unexpected finding, a non-trivial one. It is worth closer exploration.

Corruption can not be studied directly. The indirect studies of corruption are also problematic. What do we claim when we assert that certain regime or certain period is more corrupt than the other? Do we claim that during this period the number of corrupt transactions has increased? Do we claim that the number of people involved in corrupt transactions has increased? Do we claim that corruption has reached the highest places of power? Do we claim that the social costs of corruption have increased? Do we claim that society as a whole is more tolerant to corruption, or do we claim all these together?

How can we know what exactly the respondent wants to tell us when judging that post-communism is more corrupt than communism? Does he refer to the cost of corruption, to the ugliness of the grand political corruption or to pervasive bureaucratic corruption. Is his judgment based on his personal experience with petty corruption or is his claim based on the media stories about the scale of political corruption. It is also well known that the popularity of corruption practices increase the levels of their acceptability. If almost everybody is a practicing corrupter or corrupee than corruption is a rule and not a deviation from the rule. Does it mean that communism look less corrupt because everybody was part of corruption games?

And finally, is really post-communism more corrupt than communism? The empirical data is controversial and incomplete to sustain such a claim. In most of the communist countries corruption was a topic taboo, so the reliable data on perceptions of corruption or facts based reports on the spread of corruption acts are not available. The court and the police records can not be a source of valid information. Most of them are silent with respect to corruption when it comes to the high ranking communist officials.

Communism was a political system based on virtue, so the regime was unwilling to demonstrate the human vulnerability of its outstanding members.

And what kind of definition will be adopted for the purpose of comparison? Should we consider only the corrupt acts that are criminalized in the given period? Should we count only acts that are perceived as corrupt by public opinion, what Heidenheimer called “white corruption”/Heidenheimer, 1989/, or should we adopt a more general public interest definition that will define as corruption all those acts that are viewed as corruption today. In interpreting corruption we should face all these and many other constrains.

### *The Debate*

In the current debate various approaches compete in explaining and constructing corruption phenomenon. They legislate how to think about corruption, what to think about corruption and how to act against corruption. The dominant anti-corruption discourse of IMF and World Bank is institutional in its nature. For it the claim that one political regime is more corrupt than other is not an empirical claim. It is a normative claim. The prevailing institutional discourse measures corruption through the corruption incentives created by various institutional environments. In the context of this approach regime A is more corrupt than regime B if the discretionary power of public officials and the level of state intervention is higher in regime A in comparison with regime B.

The dissident or perceptionalist view on the rise of corruption is limited in its influence and is perceived by many as the last incarnation of the “apologists” of corruption. This discourse is not interested in the incentives for corruption behavior that are made available by different political regimes. It starts with the assumption that there is no necessary link between the perception of the public that corruption is pervasive and the actual level of corruption. In the context of this school of thought corruption perception is a product of a given media reality /in the broader sense/ and not of any significant changes in the actual spread of corruption. Perception change in Germany in the wake of the “Kohl affair” is a powerful illustration of the fact that it is the corruption, which we know about and not the actual level of corruption that governs public sentiments.



Germany after the brake of the Kohl scandal is not more corrupt than Germany in the day before the story was revealed, but the perception of the cleanness of the Berlin Republic has declined dramatically both inside and outside the country. The perceptualist argument distrusts the consensus that corruption is in the rise. In their seminal study of street level corruption in four East European countries Muller, Grodeland and Koshechkina documented that citizens' actual experience of dealing with street-level corruption is far less negative than their perceptions. /Miller, Grodeland, Koshechkina, 2001/

My interpretation of the boom of corruption perceptions in Eastern Europe does not side either with the institutionalists or with perceptualists. It agrees that the link between corruption perceptions and the actual levels of corruption is highly problematic. But it suggests that when the public compares corruption "now" and "then" it does not simply "count" corrupt acts neither does it "count" corruption related media materials. The judgment on the rise or decline of corruption is mediated by reflections on its social functions. Interpreting opinion's claim that post-communism is more corrupt than communism needs to bring in the broader context of actors' experience of social change. Numbers and correlations are not enough for reading public mind. It is in the course of the endless talks about corruption, corrupted and the government's failure to resist corruption that post –communist citizens negotiate their attitude to the phenomenon. And in the course of these invisible negotiation the consensus that post-communism is more corrupt than communism is being reached. The claims that democracy is more corrupt than communism, that grand corruption is the legacy of the big government, that weak state is responsible for the spread of corruption are at the heart of these invisible negotiations.

### *Is Democracy More Corrupt Than Communism*

In the fifties there were theoretical attempts to link the spread of corruption to the nature of political regimes. In Klaveren's theory corruption flourishes in the presence of an administration which allows its officials a wide margin of autonomy and tolerates a moral code which does not impose any standard of probity on state functionaries. This kind of context can be found in oligarchic republics and in limited monarchies. On the contrary the establishment of a despotic order or the triumph of democracy would bring the schemes of corrupt officials to an end. Perfect despotism was viewed as less corrupted than imperfect democracy./Mark Philp, 2000/

The claim that authoritarianism is better equipped to limit corruption is still popular among the public, but it has lost its theoretical appeal already in the 1960s. The study of corruption in developing countries showed that direct linking of the spread of corruption to the nature of political regimes is artificial. Corrupt dictatorships have been replacing corrupt democracies in the third world since the time of decolonization. Civilian corruption was replaced by corrupt military regimes. Regimes friendly to communism were replaced by corrupt anticommunist regimes. The argument that authoritarian regimes are less corrupt because they are more efficient in curbing corruption did not stand the test of facts. Authoritarian regimes have the means to curb corruption, but they

have the tendency to create opportunities for corruption. And communism is a case in point.

Communism was repressive but also highly bureaucratized. Huge numbers of regulations marked the Communist system. That resulted in a lot of discretion given to public officials and ideal pre-conditions for pervasive corruption. Already in the early 1980s both governments and publics in then communist countries singled out corruption as a major problem faced by their societies. It was a common belief that life was impossible when rules were not broken. Leslie Holmes in his book “The End of Communist Power” has exhaustively documented the anti-corruption campaigns in the last decade of communism. Communist authorities perceived corruption as a major threat to economic efficiency and moral legitimacy of the regime. Excessive centralization was viewed as a source of corruption and not as a mean for its elimination.

Present day China is another powerful illustration that the claim that communism is by its nature less corrupt than democracy can not stand the test of the empirical data. What we can claim is that different forms of corruption characterize different political regimes. Electoral corruption for example is widespread in the democracies and is virtually unknown in the communist countries. The argument that corruption is an intrinsic characteristic of certain regimes can not explain the rise of corruption.

#### *When Less State Does Not Mean Less Corruption*

In arguing that the actual corruption in Eastern Europe has increased, political scientists and economists point to several recent developments. Internalization of trade and finance and the end of grand ideological divide counts for external reasons for “corruption eruption”. But there are several “transition” arguments for the rise of corruption.

The communist legacy and particularly the legacy of the interventionist state is singled out as the critical domestic pre-condition for the rise of corruption. Post-communist regimes as a rule have inherited a lot of license permission and discretionary power for state officials. The existence of these discretionary regimes is at the core of the institutional explanation of corruption eruption. /Tanzi, 1998/

The crisis of legitimacy and the low trust in the public institutions is the other part of the explanation. The existence of corruption incentives can not be directly translated into claims for more corruption. Values do matter. The Nordic countries that are known for the significant presence of the state in the economy are among the most corruption-free countries in the world. Corruption incentives increase the actual level of corruption only when they are in partnership with public tolerance to corruption and absence of professional bureaucracy and rule of law. Social norms are the independent variable in corruption equation that constrains the ambitions of institutional reductionism.

But not only big government but also weak states contribute to the pervasive corruption in Eastern Europe. A weak state lacks the capacity to enforce rules and dramatically diminishes the risks connected with corrupt behavior. Weak state is at the heart of the argument developed by Shliefer and Vishny/Shliefer and Vishny, 1993/ In their article “Corruption” they suggest that post-communist corruption is more inefficient than the communist one and as a result, it is more costly. Communist corruption was a centralized one. It was enough to bribe the boss in order to set the chain in action. The model of post-

communist corruption is the model of the independent monopolists. In order to make the transaction happen the corrupter should bribe almost everybody in the chain.

Another argument explaining the rise of corruption in the transition period is the argument of the Hungarian constitutionalist Andras Sajo/Sajo, 1998/. He suggests that post-communist corruption is clientelistic in its nature and is closely connected with the forming of the political parties and re-distribution of state assets. Corruption is the hidden tax that society pays for the functioning of the multi-party system. Mis-recognition of clientelism for corruption and Western pressure for transparency is the reasons for over-dramatization of the East European corruption problem.

But it is the large-scale privatization that dominates popular explanations for the rise of corruption in the time of transition. Theoretically, and in a long run, privatization is advertised as a corruption reducing policy. /Kaufman, 1997/ But practically and in a short run privatization increases the level of corruption. The incentives for quick enrichment are so high that corrupt behavior is unavoidable. Polish Minister of Privatization Janusz Lewandowski gave one of the best descriptions of the internal controversy of the process. "Privatization-wrote Lewandowski-is when someone who does not know who the real owner is and does not know what it is really worth sells something to someone who does not have any money"/Dunn, 1999/. Lewandowski's definition touches the three troubles with the post-communist privatization. The first, is the pricing of the ex-socialist property. The prices of the socialist enterprises differ dramatically in the eyes of the market and in the eyes of society. The complaint that the state is selling "cheap" is the most popular complaint in the time of transition. In her study of workers' perception of privatization in one Polish food producing factory Elizabeth Dunn underlines that "the idea of the "bribe" here is the difference between two distinct measures of value: the supposedly "objective" measure set by Western accounting or by the market, and Alima workers' subjective opinion of the value of their lives and work under socialism, which were crystallized in the firm./Dunn, 1999/

The second trouble is the buyers. Domestic buyers for the big and even middle-sized enterprises did not exist in Eastern Europe. Real socialism was not the society of equal prosperity but in the beginning of transition many people still believed that it was the society of equal poverty. It was in the initial years of transition that some got access to credit and became buyers and others remained on the side of the selling state. The past of the new owners intrigued public imagination much more than the future of the privatized enterprises. And the third trouble with privatization is that the very process of privatization was conceived by many as a corruption per se. The absence of effective control on the black and gray privatization practices acted as a catalyst in rising anti-corruption and anti-elite sentiments. In a 12-month period one Czech study identified 33 cases of personal gain in the area of privatization totaling 25 billion Czech crowns but only resulting in two prosecutions. /Miller, Grodeland, Koshechkina, 2001/

Bulgarian economist Rumen Avramov defined "privatization of the profits and nationalization of losses" as the major formula for creating the private sector in post-communist Eastern Europe/Avramov, 2001/

*When Freedom of Media Means More Corruption*

The virtual school in explaining “corruption eruption” suggests different readings of the post-communist obsession with corruption. A number of studies stress the fact that there is low correlation between respondents’ personal experience with corruption and their judgment on the level of corruption in the country. /Miller, Grodeland, Koshechkina, 2001/ The regular newspaper readers in Bulgaria estimate the country as more corrupt than those who do not regularly read newspapers. Miller, Grodeland and Koshechkina documented that contrary to the proverb, familiarity bred trust rather than contempt. People tend to view as less corrupt those institutions that they know personally and as more corrupt institutions that are far away from their daily experience. As a result the Parliament as a rule is viewed as more corrupt than police. In a paradoxical way free media is an instrument for controlling and reducing corruption but at the same time it increases corruption perceptions in the society.

Perceptionalist argument suggests that the boom in corruption perceptions is a result of the media’s obsession with corruption and the role of corruption accusations in post-communist politics. Corruption stories sell well. The public loves reading stories of degradation. But commercial explanation is not sufficient. In the time of transition when grand ideological divide is already in history and when policy differences between main political parties are negligible corruption accusations are the major weapons of the opposition. To accuse government of being corrupt saves the need to offer alternative to its policies. There is in Eastern Europe today a distinct prejudice in favor of those who make the accusations. The number of court verdicts on corruption charges is ridiculously small all over the region. The non-functioning legal system gives the media the role of both prosecutor and a judge. In the post-communist world anti-corruption rhetoric is the favorite weapon for anybody seeking power.

In the context of the institutional paradigm transition period creates high incentives for corrupt behavior and the weak post-communist state constantly fails to respond efficiently. The virtual argument reduces the rise of corruption perception to the information asymmetry. Both arguments are vulnerable in their explanations why post-communist public opinion is convinced that “today” is more corrupt than “yesterday”. Institutional arguments underestimate the role of social and cultural norms in restraining corruption. The virtual argument overestimates the lack of genuine information in the time of late communism. The fact that official channels of information were blocked does not mean that people were ignorant about the spread of corruption in their society. The unofficial discourse has recorded many corruption stories. So, we need to include the perspective of the participant in order to offer more convincing interpretation to the corruption paradox. The real question is not whether post-communism is more corrupt than communism, the real question is why public opinion judges post-communism to be more corrupt than communism.

### *The Moral Economy of Corruption- “Now” and “Then”*

The introduction of the actors’ perspective in interpreting public opinion’s view on corruption is the only alternative to institutional and virtual explanations. But the introduction of the actor’s perspective is an uneasy task. The data of anthropological studies and focus groups is contextual and heterogenous and the risks for misinterpretations are grave. Respondents that claim that post-communism is more

corrupt than communism do not share common view on what should be and should not be defined as corruption. They come from various social backgrounds and their tolerance with respect to corruption varies. Re-constructing individual motivations for blaming post-communism for being more corrupt than communism is mission impossible. The general hypothesis in my essay is that the claim expressed by the respondents that post-communism is more corrupt than communism is not a factual claim. It is a value statement that includes in itself reflection on the social function of corruption. Respondents do not simply “register” corruption, they judge the result of its work. The key factor explaining the new corruption sensitivity is that one specific type of corruption has been replaced by radically different form of corruption. Blat was replaced by bribery. Interpretation of the “corruption paradox” necessarily pre-supposes comparison of respondents’ perception of “blat” and “bribe” as the dominant forms of corruption respectively in the communist and post-communist periods.

*“Do Me A Favor Society” versus “Give Me A Bribe Society”*

The mysterious and at the same time prosaic practices that Russians called “blat”, Bulgarians called “connections” and Poles called “zalatwic sprawy” are known to be the secret key for understanding the communist society. Society in which, according to Gardian reporter Martin Walker “nothing is legal but everything is possible”. /Ledeneva, 1998/

In her enlightening book “Russia’s Economy of Favors” Alena Ledeneva defines “blat” as “the use of personal networks and informal contacts to obtain goods and services in short supply and to find a way around formal procedures”/Ledeneva, 1998/. All authors agree that blat as a typically Soviet/communist/ phenomenon. Blat shares many similarities to pre-modern practices of gift giving and many theorists/like most of the citizens/ are unenthusiastic to classify blat as corruption. “Adultery is not a crime and blat is not a corruption” is the shared opinion among most of the participants in focus groups. But in its essence blat is a classical form of misuse of public position for private or group gains. Blat works to the extent to which certain public officials betray their duties in order to favor their friends or friends of their friends.

In her remarkable book Ledeneva presents a complex analysis of the phenomenon and its role for the survival and erosion of the Soviet system. In the context of my interest in revealing the moral economy of anti-corruption sentiments in Eastern Europe several characteristics of blat are of critical importance. Blat was well-spread phenomenon all over the Soviet block. Living out of blat was a form of asocial behavior. Blat was an exchange of favors. Even when some gifts and money were involved in the blat relations it was the exchange of favors and not the bribe that were the driving force of the relations. In the words of Ledeneva “blat is distinctive form of non-monetary exchange, a kind of barter based on personal relations”. /Ledeneva, 1998/ Blat was totally conditioned on the economy of shortages. It was “survival kit reducing uncertainty in conditions of shortage, exigency and perpetual emergency, in which formal criteria and formal rights are insufficient to operate. /Ledeneva, 1998/. Blat was condemned in the official discourse but it is not criminalized/with the exception of extreme cases/. Blat relations were not simple barter, they were not necessary dyadic. Blat transactions could be circular: A provides a favor to B, B to C, C to D, and D to A, and the last chain might not

have taken place. Blat exchange is mediated and covered by the rhetoric of friendship. In contrast, the relationship between corrupter and corrupee is centered on bribe. In the days of communism blat coexisted with bribe and other classical forms of corruption. But blat was the most popular type of surviving strategy. Blat was the paradigmatic form of corruption. Communism was totalitarianism moderated by the spread of blat and petty bribery. When respondents reflect on their communist experience blat comes as the form of corruption they associate with the old regime. Participants in different focus groups insist that the practice of “connections” was widely spread in the old days, but the acts of “real corruption” were much limited than now. In her book Ledeneva even argues that blat should not be classified as corruption. Such a view can be found also when people tell their own blat experience. Personal friendship and readiness to help colored participants’ blat memories. Ledeneva’s argument is valuable in distinguishing blat from other forms of informal transactions. But it is also true that blat was perceived as corruption and that blat involves abuse of public office for private gains. Corruption was simply other peoples’ blat. In the popular discourse “other people’s blat” was commented and viewed as a corruption. When mother was telling the story why her kid failed to enter University, when a customer complained about not “obtaining” valuable goods privileges and “connections” were the explanations and they were judged as corruption.

The anti-corruption campaigns that were common feature of the late days of the communist regimes best illustrate the fact that blat was perceived as a specific form of corruption and as a practice which erodes public good. The citizen of communist society was aware of the social price of blat but he was also aware of the lack of any other realistic alternative for surviving. In Hirschman’s terms blat was an “exit vote” in a society where neither vote, nor exit were allowed.

The disappearance of blat is the key event for understanding the post-communist corruption reality. “Market conditions have changed personal relations and ruined many friendships-stated one of Russians interviewed by Ledeneva- there is no room for blat as it used to be. It looks like blat won’t be the same and the very word is going into oblivion” Results of the opinion polls show that blat is losing its significance/Ledeneva, 1998; Miller, Grodeland, Koshechkina, 2001/

The end of the economy of shortage and the rise of the “real money” changed the rules of the game. The major process observed in all transition countries is the monetarization of the blat relations and replacement of blat by bribe. The economy of favors was replaced by the economy of paid services. The transition re-discovered the unrestricted power of money. So, it is not surprising that former communist societies reacted to the monetarization of blat in the same way the pre-modern societies reacted in their earlier encounters with modernity. /Avramov, 2001/

### *The Moral Economy Revisited*

In my interpretation the perception inside the transition societies that post-communism is more corrupt than communism is linked to the fact that bribes replaced blat as the dominant form of corruption. Blat networks are re-organized on market principles. Blat networks are transformed into classical corruption networks involved in the redistribution of the state assets while other blat networks simply disappeared. Personal interests have

become business interests. In the view of one of the participants in Ledeneva's survey "finance, licenses, privileged loans, access to business information are the shortages of today". /Ledeneva, 1998/

The critical question is what makes blat and bribe so different in the perception of the post-communist public. Umit Berkman has stressed that corruption behavior is conditioned by the nature of the corrupt act. /Miller, Grodeland, Koshechkina, 2001/

The non-monetary character of blat is critical in understanding its social acceptability. Citizens are easier offering presents than money. And officials are more easily asking for favors than for money. /Miller, Grodeland, Koshechkina, 2001/

The size of the bribe also matters. My collection of degradation stories keeps the narrative of a former member of Bulgarian Parliament who told me that she was ready to "sell" her vote in a critical non-confidence vote in the Parliament. She has reconciled her consciousness. She was ready to be bribed. She knew that she was going to be out of the next Parliament. But when the briber came and offered her 50.000 US dollars to support the government, she said "no". "You should understand me-was her explanation- the sum was too big and all this started to look like a real crime".

But the social acceptability of blat can not be reduced to its non-monetary character. In the last years of socialism bribe money was making its carrier in the blat relations. It is the latent functions of blat and bribes in respectively the communist and the post-communist system that explain the distinction.

Blat is a socially acceptable form of corruption not simply because it is non-monetary form of corruption but because it increases the social equality in the communist society. It "allows" participants in blat transactions to mis-recognize their activities as "help" and to cover it in the rhetoric of friendship.

In most of the studies blat is analyzed as an exchange of services and information. Blat was the only channel for the unprivileged to obtain deficit goods. It was viewed as a form of protest against the verticality of the communist regime. But what is even more important is that blat was also an exchange of social statuses. In the economy of deficit the power status of the person was defined on one side by his position on the power vertical /being in or out the nomenclature/ but on the other side by the access to deficit goods or information. Blat destroyed the dependence of consumption on the place in hierarchy. On the queue for popular but deficit book, it is not the professor, or the senior official but the friend of the bookseller who usually won the bid.

In its radical form blat has replaced the relations between public roles with relations between people. This redistribution of power sustained and subverted the system in the same time. It made life bearable but it undermined the power relations. Loyalty to one's blat network was higher than loyalty to the state. Using the present jargon blat empowered the powerless.

In the discourse of the majority of the people "connections" were unfair but they were the only way to "humanize" the bureaucratic nature of the regime. The word "bureaucracy" had a connotation more negative than connections. The discourse on communist time corruption was a discourse of inclusion.

The social functions of bribe in the post-communist reality are contrary to the functions of blat. Bribe caused the inflation of the social capital defined as blat. Monetization of social relation led to the inflation of the social investments that ordinary citizen has put in

their blat networks. Only blat networks of the powerful survived in the new conditions. The market deprived the bookseller from his power. The end of the shortage economy inflated bookseller's shares in the blat cooperative. Now he has nothing to offer except his friendship. It is also much costly to sustain previous blat networks. Blat was conditioned not only on the economy of shortages but also on the low costs of communications, coffee and the unrestricted availability of free time. Now it is not possible any more to spend long hours on telephone talking about nothing and to leave the office any time your friend wants to see you.

The transition from blat to bribery was painful for post-communist societies. Bribery can not be covered under the rhetoric of friendship and this makes people feel morally uncomfortable. Bribe contributes to the social stratification making it easier for the rich to obtain what they want. "Corruption causes a distinction; in reality there should exist no difference" stated a participant in a focus group discussion in Sofia. Inequalities of wealth provide the means to pay bribes, while inequalities of power provide the means to extort them /Miller, Grodeland, Koshechkina, 2001/

The story of corruption in its most popular post communist version is the story of nomenclature transforming its political power into economic power. These are stories how former communist officials became rich, how former secret police bosses became rich, or how the former criminals became rich.

Looking back to my collection of corruption stories, it is interesting to find out how much these stories have changed in the last decade. Kinship and friendship are not any more in the center of these stories. In the present popular discourse corruption more and more is conceptualized as a privilege. At the street level almost all officials are asking for bribe. At the highest places of power only few are allowed to bribe the government. In a society that suffers the boom in inequality bribery takes the form of selective tax. And it is the losers that are taxed.

### *Conclusions*



Why public opinion in Eastern Europe perceives post-communism as more corrupt than communism? This essay argues for a complex answer. Public judges about corruption not by counting corruption acts or corruption related media stories. Judgment on corruption is mediated by the social functions of corruption in society. The dramatic change of corruption perception in Eastern Europe in the last decade can not be explained simply with the actual rise of corruption or the boom of media's interest in corruption. Anti-corruption sentiments in Eastern Europe were provoked by the fact that bribe has replaced blat as a paradigmatic form of corruption. Blat is viewed by the public as socially more acceptable form of corruption. It was the non-monetary character of blat and its role for re-distributing goods and power that made it look more legitimate in the eyes of the public opinion. Bribery is less acceptable not only because it is more ugly /aesthetically/, or because it is more risky /in legal terms/. Bribery is less acceptable because it is a mechanism for producing social inequality. World Bank report states that "inequality within the transition countries has increased in alarming pace. In some countries of the region inequality has now reached levels on par with the most unequal Latin American countries. / World Bank, 2000/ .

The popular anti-corruption discourse is not a discourse on transparency or good government, it is a discourse on the rise of inequality. This is the reason why anti-corruption discourse is the most popular discourse to criticize market and democracy in a society in which market and democracy do not have an alternative.

The basic assumption of the institutional understanding of corruption is that the discourse on corruption is a discourse on fairness. Current anti-corruption campaigns start with the assumption that anti-corruption sentiments of the transition societies are provoked by the inequality of treatment. Interpretation presented in this essay suggests that popular discourse on corruption is not so much discourse on fairness. It is a discourse on social equality. Post-communist public is obsessed with corruption because corruption is conceptualized as the mechanism responsible for creating unequal society.

### *Policy Conclusions*

The analysis presented in this paper leads to non-trivial policy conclusions. It is not only that corruption hurts, it this public's perception that society and state are totally corrupt that hurts on its own. The conclusion that that the logic and dynamics of the anti-corruption perceptions can not be reduced to the actual level of corruption also means that even if the anti-corruption policies succeed to reduce the actual levels in corruption we can not expect that corruption perceptions will change automatically. There is a need of a policy package that will address corruption perception in the transition countries as a problem of its own. In other words in the absence of policies directly addressing the new social inequalities produced in the time of transition the chance that societies will start trusting their institutions is highly unlikely.

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