

RESEARCH ARTICLES

THE RATIONALITIES OF CORRUPTION: A FOCUS GROUP STUDY WITH MIDDLE-SIZED BUSINESS FIRMS

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with

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This study maps the responses from business focus group participants onto the main categories of corruption found in the literature. It is organized according to the principal-agent-client model familiar in studies of bureaucratic politics. From principal to agent, the Romanian state apparatus is held in disrespect, believed to be lacking the capacity to control the bureaucracy and the inclination to establish a coherent playing field for economic activity. The result is extensive opportunities for corrupt behavior. From agent to client, small scale corruption without theft is often justified as a practical necessity, despite overall economic inefficiency, in the struggle for business survival; larger scale corruption is viewed as a source of major economic distortion and unfairness. From client to principal, there is little expectation of reform and little inclination to try, as the respondents view themselves as too small, disorganized, and powerless to make a difference. The focus group responses are interpreted as relatively rational, given the cost-benefit incentive structure for corrupt behavior.

There was once hope that the fall of communism would be accompanied by a reduction in the level of corruption. Bribery under communism served as a means of access, enabling those with contacts to demonstrate their preferences and win concessions. The assumption was that post-communism would render this arrangement unnecessary. Market competition for firms, popular elections for politicians, and formal accountability for bureaucrats would combine to establish a society based on fairness, with automatic mechanisms of punishment for those who violated its norms.

Quite obviously, these hopes have proved illusory. According to Transparency International's Corruption Perceptions Index in 2002, Romania ranked 77th among the 102 countries surveyed.¹ According to the Business Environment and Enterprise Survey of 175 countries administered by the World Bank and the European Bank for Reconstruction and Development, Romania ranked in the 35th percentile from the bottom in its control of corruption in 2000-01.² According to the New Europe Barometer, 89 percent of Romanians think that most or almost all public officials are corrupt.³ According to the Diagnostic Surveys of Corruption prepared at the request of the Romanian Government, 38 percent of public officials reported that they had been offered a gift or money during the previous twelve months; 28 percent of enterprises and 42 percent of households reported that they were made to feel a bribe was necessary or directly offered bribes or gifts during the previous twelve months. Approximately half of the respondents believe that bribery is part of everyday life in Romania.⁴

This paper reports the results from a series of focus groups conducted in Cluj-Napoca with business leaders from successful, middle-sized firms. The focus group participants present their opinions and describe their experiences in their own words. This is not a survey that seeks to quantify the extent of business corruption. Instead, it is an attempt to understand the logic of individuals who face situations where bribery might appear as a useful strategy. The object is to understand the respondents' perception of the conditions that might lead one to consider corrupt behavior, the justifications they provide for or against personally engaging in corruption,

¹ Transparency International, "Corruption Perceptions Index 2002," www.transparency.de.

² World Bank and European Bank for Reconstruction and Development, "Business Environment and Enterprise Survey, 2000-01," www.worldbank.org/wbi/governance/datasets.htm#beeps, 2002.

³ Susan Rose-Ackerman, "Trust, Honesty, and Corruption," *Archives of European Sociology* Vol. 42, 2001, pp. 27-71.

⁴ James Anderson, Bogdan Cosmăciuc, Phyllis Dininio, Bert Spector, and Pablo Zoido-Lobaton, *Diagnostic Surveys of Corruption in Romania* (Washington, DC: World Bank, 2001).

their implicit categorization regarding the various types of corrupt practices, their evaluation of the social costs and benefits of corruption, and their willingness to pursue reform. The key assertion, although the group participants did not necessarily present their views in a coherent fashion, is that there are patterns of rationality inherent in their remarks, which can be extracted and analyzed. By implication, this study is inconsistent with those theories that tend to attribute corruption merely to cultural or psychological causes. Analysis of the focus group data will be organized according to the links of the principal-agent-client model familiar to students of political science.

Purpose and Methodology

Data for this study of business corruption are derived from four structured focus group conversations conducted during the Fall 2001 under the auspices of the Academic Center for Social Research, Faculty of Political and Administrative Sciences, Babeş-Bolyai University.⁵ The sample was drawn from the list of top commercial enterprises in Cluj County for the year 2000, as identified by the local Chamber of Commerce, Industry, and Agriculture. Our intention was to limit the study to firms existing in a highly competitive environment, and to isolate those entrepreneurs with relatively modern attitudes who have adapted well and thrived under the transitional conditions in Romania. We thus confined our sample to firms with 30 to 330 employees. We deliberately ignored the largest firms because many tended to be presently or formerly state-owned enterprises, and we ignored the smallest firms because most had too few employees and too few gross assets to have an economic impact. The Director or some other central management person from each of the business enterprises selected was invited to participate. The response rate was approximately 25 percent, which is quite good given the busy schedules of business leaders.

Methodologically, one can pose either relatively elementary opinion questions to a broad sample of the population, or more complex questions to a much smaller sample. Focus groups are an attempt to get behind quick and coded responses. By encouraging in-depth answers, they enable respondents to talk at greater length and to explain their positions.

⁵ The author would like to thank the David R. McGuire Fund of Tulane University; the Council for International Exchange of Scholars through its Fulbright award program; and the Academic Center for Social Research of the Faculty of Political and Administrative Sciences, Babeş-Bolyai University, for their generous support. An earlier version of this paper was delivered to the Third Annual Meeting of the Romanian Society of Political Science, Cluj-Napoca, October 2002. The author would like to thank the participants at the conference for their valuable comments and suggestions.

Conversation between participants and researchers permits posing challenges for group consideration that are novel or insufficiently considered in ordinary thought. Discussion also takes places among the participants themselves. Group dynamics filter responses through the lens of commonly held values, and they help to reduce ambiguities and clarify disagreements.⁶

The four focus groups followed a similar template. They were constructed around two sequences of questions, each of which involved an introduction, a puzzle, and a problem to be solved. The first sequence emphasized economic conditions. The introduction asked respondents about the general economic climate for their business; the puzzle involved inquiring what made their particular enterprise successful, when so many seem to have failed; the problem was to give advice to students at the university who might be starting out in business. The second sequence emphasized political conditions. The introduction asked respondents whom they talk and consult with regarding the political and public policy issues that affect their business; the puzzle was to assess the impact of government policies on business development; the problem was to offer specific recommendations to some hypothetical adviser to the Romanian government who allegedly was sitting in the room with them. Throughout the conversations, the moderator was especially attentive to issues of corruption, attempting to have the respondents elaborate on the topic. The final question posed to the focus groups, asked only after the respondents were familiar in the setting and comfortable in making direct statements, expressly asked about corruption in Romania, how it affected them and whether it was a large or small problem in operating their business. Discussions lasted for approximately one hour and a half. Supplementary data were also collected from the participants by means of a brief written questionnaire concerning their firm, educational background, and political affiliations.

Two warnings usually accompany the interpretation of focus group data. The first concerns the limited generalizability of the findings to the larger population. It is not possible, based on our focus group data, to infer with statistical confidence the attitudes or experiences of business generally within Romania. The number of participants is far too small. Yet the problem of non-representative respondents was reduced somewhat by careful sample selection. Confidence in the findings is improved to the extent that there was high consistency of expressed opinion both within

⁶ Richard Krueger, *Focus Groups: A Practical Guide for Applied Research* (Thousand Oaks, CA: Sage Publications, 1994); David W. Stewart and Prem N. Shamdasani, *Focus Groups: Theory and Practice*. (Thousand Oaks, CA, Sage Publications, 1990).

and across the various groups. Nevertheless, we recommend caution in drawing conclusions from any single, small-n study.

The second warning concerns the extent to which the group discussions proceeded in an atmosphere of comfort and relatively high trust. In focus group settings, free-flowing conversations are most likely when the groups are constituted of socially homogeneous individuals, all of whom share common experiences. To help improve homogeneity, we divided our sample of middle-sized business leaders into two sub-samples, such that two of the groups represented firms in the fields of heavy industry, agriculture, forestry, and construction; and two of the groups represented firms in the fields of light industry, commerce, and services. We certainly do not believe that the respondents were completely blunt and honest in their responses to sensitive questions concerning corruption. Yet the conversations proceeded with a surprising degree of openness. The stories told revealed more information than the respondents probably had intended to reveal when they entered the conference room.

Not all middle-sized business leaders are alike, however. Based on our analysis of the group participants, we sorted them into four main categories. We were attentive to these participant categories when interpreting the various responses to the questions asked during the focus groups.

1) **The Old Apparatchik:** He tends to be somewhat older, better educated, and more secure in his social standing. Often, an individual in this category owns a private firm that functions either in partnership with the state-owned firm he managed before the revolution or according to the same organizational structure. "The revolution found me in a great position," one respondent commented. "I was very well known. ... I had the money. When Ceaușescu disappeared I was a guy who already had twelve Dacia in his pocket."⁷ Such individuals brag about their network of contacts, yet they understate the level of corruption in society and deny its relevance for their business affairs. "But these are trifles! You cannot call such things corruption. Even in the capitalist states there is a commission; it is legally granted."⁸

2) **The Domestic Associate:** He is the local partner of a foreign firm or an owner who depends on substantial foreign investment. He is usually younger, dynamic, somewhat optimistic about the future, and strongly in favor of economic modernization. Partly because of international contacts, an individual in this category strongly professes his essential

⁷ Focus Group 3 (FG3), pp. 2-3 The four focus groups were recorded on audio tape and transcribed literally. Textual references are to the focus group number and the page in the English-language translation of the literal transcripts, as prepared by Ms. Adriana Groza.

⁸ FG1, p. 6.

honesty. "They cannot corrupt me; I pay my VAT, salary taxes, so there is nothing.... In my firm, everything must appear on paper."⁹ To the extent that he countenances corruption, it is as a necessary evil required because bureaucratic inefficiency and artificial delays otherwise would prevent the legitimate businessman from performing his contracts, thus placing his firm and its employees at risk.

3) The Survivor: He tends to be younger, have a technical education, and often has started a private enterprise on his own. Over time, he has become angry and pessimistic about business conditions in Romania, especially to the extent that he perceives systematic unfairness or arbitrary hurdles in his way. As one respondent claimed, "I'd say that we are continually taking risks, we're always on a wire like acrobats, we get worn-out, maybe even burnt out at some moment."¹⁰ In his frustration, despite denunciation in principle, he sometimes has turned to corruption as a solution. "It took me a very long time to discover this shortcut. They saw me as an honest man, an idiot who saw the world through a horse's blinders and can only see the law. Nobody dared to tell me until one day, exasperated, I asked somebody. I was told, 'well, you are the honest one.' OK, let me not be honest anymore. So I solved the problem."¹¹ The survivor is a cynic, who would like to live in a different economic world but has made a practical adjustment to the situation he experiences.

4) The Idealist: Individuals in this category are the most optimistic among the respondents. "I'm telling you, in our field we've already overcome this phase.... We had this phenomenon, it manifested itself, there was a time when contracts were drawn up based on connections, relatives, friends, bribes, and that kind of stuff. But finally, only the contracts based on professionalism remained."¹² Sometimes idealists deny involvement in corrupt activities as a function of naiveté. "Well, I haven't given any, I wouldn't know how to give... no, not even to the physician. If you can believe me... I don't know how to manage certain things."¹³ More often, avoidance of corruption is a matter of moral refusal. "I know that the exact same application, the same request, if it had a nice pullover attached to it... would be answered satisfactorily. I am not doing it because I couldn't. I could find a way to give somebody a prize and give him a pullover. Well, this is a matter of principle. I have principles. I'd rather fight them."¹⁴ The

⁹ FG3, pp. 13-14.

¹⁰ FG4, p. 5.

¹¹ FG2, p. 15.

¹² FG4, p. 26.

¹³ FG4, p. 27.

¹⁴ FG3, p. 14.

Realist knows the law and will defend his rights, even if the consequence is some degree of hindrance to business achievement.

Literature Review and Basic Theory

There is an expanding academic literature about corruption, replete with distinctions, categorizations, and contentions. Summarized briefly, the original debate contrasted moralists against revisionists, arguing over whether corruption was systematically abhorrent or whether it could be functionally useful, advancing economic development and democratic responsiveness by overcoming the resistance of an entrenched bureaucracy.¹⁵ Greater sophistication was later added by the introduction of formal analyses by economists – to the extent that bribery entailed the expenditure of scarce resources to obtain expected material gain, it could be interpreted by adapting models of market pricing; to the extent that it operated through institutions and their incentive structures, it could be viewed by adapting models of organizational behavior.¹⁶ Most recently, the literature has returned to a more critical perspective, dominated by reformers emphasizing the inherent costs of generalized corruption and the conditions that facilitate successful anti-corruption campaigns.¹⁷ Much of the current research has been sponsored by international organizations,

¹⁵ Nathaniel H. Leff, "Economic Development Through Bureaucratic Corruption," *The American Behavioral Scientist* Vol. 8, 1964, pp. 3-14; Colin Leys, "What is the Problem with Corruption?" *Journal of Modern African Studies* Vol. 3, 1965, pp. 215-30; David H Bayley, "The Effects of Corruption in a Developing Nation," *Western Political Quarterly* Vol. 19, 1966, pp 719-32; John S. Nye, "Corruption and Political Development: A Cost-Benefit Analysis," in *American Political Science Review* Vol. 61, 1967, pp. 417-27; Samuel Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968); James C. Scott, "The Analysis of Corruption in Developing Nations," in *Comparative Studies in Society and History* Vol. 11, 1969, pp. 315-41; Gabriel Ben-Dor, "Corruption, Industrialization, and Political Development," *Comparative Political Studies* Vol. 7, 1974, pp. 63-83; Michael Johnson, "The Political Consequences of Corruption: A Reassessment," *Comparative Politics* Vol. 18, 1986, pp. 459-77.

¹⁶ Anne O. Krueger, "The Political Economy of the Rent-Seeking Society," *American Economic Review* Vol. 64, 1974, pp. 291-303; Susan Rose-Ackerman, *Corruption: A Study in Political Economy* (New York: Academic Press, 1978); Francis T. Lui, "An Equilibrium Queuing Model of Bribery," *Journal of Political Economy* Vol. 93, 1985, pp. 760-781; Andrei Shleifer and Robert W. Vishny, "Corruption," *Quarterly Journal of Economics* Vol. 108, 1993, pp. 588-617; Pranab Bardhan, "Corruption and Development: A Review of Issues," *Journal of Economic Literature* Vol. 35, 1997, pp. 1320-46.

¹⁷ Robert Klitgaard, *Controlling Corruption* (Berkeley: University of California Press 1988); Anne O. Krueger, "The Political Economy of the Rent-Seeking Society," *American Economic Review* Vol. 64, 1974, pp. 291-303; Susan Rose-Ackerman, *Corruption and Government* (New York: Cambridge University Press, 1999); Donatella della Porta and Alberto Vannucci, *Corrupt Exchanges* (New York: Aldine De Gruyter, 1999).

particularly the World Bank, with a good deal of attention focused on Central and Eastern Europe.¹⁸

Much of this literature is written from an outside point of view, looking at aggregate attitudes and behaviors, examining the causes and consequences of corruption in terms of statistical regularities. Very little looks into the mind of potentially corrupt players. How do they understand the underlying situation? When and why do they engage in or refuse to engage in corruption? How do they excuse or justify their actions? Would they prefer to live in a less corrupt world? Why don't they act to help produce it? The main exception are the wonderful studies by Miller, Godeland, Koshechkina,¹⁹ based on in-depth interviews and focus group conversations with ordinary citizens and public officials in four former communist countries – the Czech Republic, Slovakia, Bulgaria, and Ukraine. The result is a complex picture of corrupt exchanges, in which individuals are more than simply willing givers and officials more than simply willing takers. This research can be understood within the same tradition, extending the in-depth qualitative analysis to Romania and its middle-sized business entrepreneurs. The focus group conversations are mapped relative to certain standard topics, providing illustrations of the main themes. The groups were conducted among individuals unprepared for the specific direction of discussion and unschooled in the academic literature. Individual comments always tend to ramble and thus the core statements had to be identified and extracted. Nevertheless, it is significant that the respondents did often find the major distinctions made in the literature, even if not fully aware of this fact, and they did in the process express interesting perspectives regarding corruption, its varieties, its causes, and its cures.

The exchange relationship inherent to corruption is commonly interpreted in terms of the structured relationship of principal-agent-client. The principal actor is the democratic public sector, its goals and policy

¹⁸ See, for example, World Bank, *Anticorruption in Transition: A Contribution to the Policy Debate* (Washington DC, World Bank, 2000).

¹⁹ William L. Miller, Tatyana Koshechkina, and Ase Grodeland, "How Citizens Cope with Postcommunist Officials: Evidence from Focus Group Discussions in Ukraine and the Czech Republic," *Political Studies* Vol. 45, 1997, pp. 597-625; William L. Miller, Ase B. Grodeland, and Tatyana Y. Koshechkina, "Foolish to Give and Yet More Foolish Not to Take: In-Depth Interviews with Post-Communist Citizens on Their Everyday Use of Bribes and Contacts," *Europe-Asia Studies* Vol. 50, 1998, pp. 651-78; William L. Miller, Ase Grodeland, and Tatyana Y. Koshechkina, "Confessions: A Model of Officials' Perspectives on Accepting Gifts from Clients in Post-communist Europe," *Political Studies* Vol. 49, 2000, pp. 1-29; William L. Miller, Ase B. Grodeland, and Tatyana Y. Koshechkina, *A Culture of Corruption* (Budapest and New York: CEU Press, 2001).

directives as articulated through the governing state apparatus that presumably is both responsive and responsible. Implementation of the principal's directives occurs through the medium of agents selected to implement public policy, thereby affecting the functioning of the state and the welfare of the public. The principal seeks to control the agent, yet the agent by definition operates with a certain degree of discretion. Moreover, monitoring and oversight are never perfect. Thus the agent has some freedom in choosing its behavior and delivering services to the client. To the extent that the service delivered by the agent is important to the client – something he especially needs or something he wishes to avoid – there is always the possibility that the two will construct a separate arrangement, transforming public purpose into self-interested gain. The power of the agent to control the service to the client creates the potential for political rents, defined as the difference between the price actually charged and the price that would prevail under normal conditions.

Whether the rent is coercively imposed by the agent upon the client or whether it is offered by the client to the agent, the consequence of corruption is a higher net cost of service production, the returns from which are privately captured and thus not realized by the principal actor. An individual act of corruption might sometimes appear beneficial, facilitating more efficient service delivery or stronger integration between citizens and government. Yet, as a generalized phenomenon, corruption tends to undermine investment and economic growth, distort resource allocation, divert bureaucratic attention, and weaken citizen trust in social institutions. The result is often a vicious circle, in which the principal's lack of control over the agent leads to a separate arrangement with the client, which reduces client faith in the principal, which further reduces the principal's ability to control the agent. In this paper, we will use the principal-agent-client framework to help organize data from the focus group conversations. The goal is to let the respondents speak for themselves, with a minimum of added interpretation.

From Principal to Agent

“The Romanian business environment is very tough,” commented one respondent.²⁰ “I would be more harsh,” asserted another in a different group, “and say that the environment is hostile.”²¹ Romanian private enterprises confront great problems in the transition from communism, suffering from a lack of available credit, few convenient networks for transportation and communication, limited international contacts, and high

²⁰ FG3, p. 6.

²¹ FG4, p. 3.

taxation to finance the state budget. In addition, according to our respondents, they face supplemental problems because the public sector, ostensibly dedicated to fostering national economic development, has often acted more as a fetter than an aid.

The most common complaint is the complexity of laws and regulations that are often confusing, contradictory, and impossible to follow. Regarding laws, one respondent said, "I'm thinking first of the incoherence in the Romanian legislation that could often lead an enterprise to bankruptcy."²² Regarding official regulations, "We need some clear regulations, because at present, let me tell you again... there are all kinds of loopholes... and it takes either specialists to understand them or guys who have the courage to take risks and apply them."²³

The burden of interpreting the provisions of the law is said to be enormous. "I think that almost 50 percent of my time as a business person is spent in studying the law, amendments, government regulations."²⁴ Some focus group respondents argued that the government was incompetent. "It is either that they have some geniuses who have lost any touch with the practical world or some Bulls, individuals incapable of expressing themselves clearly."²⁵ Many felt that the government just did not care. "They are not interested in the effect that the law may have on me, as a small entrepreneur."²⁶

In addition to confusion, the general belief is that the laws have been too transitory. "It would be very helpful to have laws that we could follow. We have hardly learned them when they are already changed. You feel as if in a labyrinth and you don't know which way to go."²⁷ Variability makes long-term business planning impossible and disturbs the framework within which contracts can be made and honored. "They make a law and apply it beginning tomorrow or in a month from its publication. The fact that this can influence contracts at the level of the whole economy does not seem to bother anybody."²⁸

Regardless of their personal affiliation, the respondents were critical of partisan politics and politicians. To them, politics is a petty, narrow-minded realm composed primarily of self-seeking expropriators. "It is the political faction that governs us, we have no chance. Those up there are simply fighting to satisfy their ambitions, without caring whether

²² FG3, p. 4.

²³ FG3, p. 11.

²⁴ FG4, p. 5.

²⁵ FG2, p. 4.

²⁶ FG2, p. 2.

²⁷ FG2, p. 3.

²⁸ FG2, pp. 2-3.

their ambition harms the national economy or not.”²⁹ Every change of government allegedly has led to a total shift in policy direction, instigated in order to blame the predecessor and appear different. There has thus been little attempt to use the existing structure or to adapt it gradually while learning from previous mistakes. “All of these factions try to impose their laws once they come to power, and the next one comes and changes it. At the political level, there is no desire to create a general frame.”³⁰

Partisan politics is said to pervade the business environment. One respondent told the story of the head of an administrative department who was appointed because he belonged to the governing party. His staff, although occupying technical positions, were also appointed and therefore felt little obligation to act responsibly.³¹ A different respondent told a long story of his owner, who was appointed to a regional council. “He was not of the party he was supposed to be, and they simply didn't agree on him. They didn't want him. The issue remained dead until after all the funds were distributed. In other words, he **didn't find out** what was given to whom. He only remained with his **appointment**. That is all his activity amounted to, to get there **without even being received** by the president of the association. And to **think, he had been appointed** by the Minister herself.”³²

Beyond legislation, **the state bureaucracy** is supposed to implement official rules and regulations with efficiency and fairness. Yet the Romanian bureaucracy also is assessed poorly in the performance of its public duties. “What one could complain about is too many approvals, reports, too much time.”³³ And from a different respondent, “One needs to put together a lot of documents. This keeps lots of our employees busy; besides, it isn't exactly clear what documents we need.”³⁴

The bureaucracy allegedly has difficulty interpreting the complex maze of regulations, which leads to the general feeling that the outcome is arbitrary. “We are at the mercy of those who check us and who can interpret laws any way they wish to.”³⁵ From another respondent, “There are very many laws that leave too much room for interpretation...; the guy who comes to inspect you can say whatever he wants.”³⁶ Allegedly, state bureaucrats are not helpful in clarifying the regulations or their interpretation.

²⁹ FG2, p. 20.

³⁰ FG2, p. 12.

³¹ FG2, p. 7.

³² FG2, p. 1.

³³ FG1, p. 12.

³⁴ FG4, p. 6.

³⁵ FG4, p. 3.

³⁶ FG4, p. 24.

Part of the explanation is time. "They give us no explanations, no help, because they don't have the time. It is true we are many firms, few employees; nevertheless, they should clarify more for you."³⁷ Yet there was also a feeling that the bureaucrats themselves were confused. The consequence is that "bureaucrats do not understand you or help you in any way. You are on your own and this requires great obstinacy."³⁸

Moreover, in enforcing the law, Romanian bureaucrats are said to act with great arrogance. Three different respondents mentioned that bureaucrats start "from the assumption that everybody is a thief."³⁹ One told the story about an official who rudely barged into his office. "This guy from City Hall shows up, he slammed the door to my office open, he just passed through the secretary's room and slammed the door open again, shouting that he has come to check on us as a result of [a complaint from] one of our neighbors who lives across the road. I asked him how dare he harass us? Because he was from City Hall."⁴⁰ Another respondent wished that inspectors did not always come with such bad will: "If you make a mistake, they always interpret this as being intentionally done, so as not to give them the money.... Whenever they come over, you have to be afraid."⁴¹

The combination of complexity and arrogance produces a striking asymmetry regarding deadlines. On the one hand, businesses dependent upon state officials often encounter significant delays. "From the time you want something to the time they give it to you, you grow old."⁴² "They do not issue certificates on time."⁴³ "One hands in an application for an auction in September, the answer comes in November, the contract is closed in July... and all the time the deadline [for finalizing the contract] is the same, back in October."⁴⁴ On the other hand, state bureaucrats express no tolerance for delays by others. "There are things we miss without intention, and God forbid if the officials realize that something has been missed."⁴⁵ One respondent told of the nasty reaction incurred when a foreign partner was late with a necessary receipt. "There was no use to try to explain that it was not your fault, that you had a contract and such a delay happened once in ten years.... I was really astonished about this

³⁷ FG2, p. 3.

³⁸ FG2, p. 10.

³⁹ FG4, pp. 5-6.

⁴⁰ FG4, p. 19.

⁴¹ FG2, p. 12.

⁴² FG1, p. 12.

⁴³ FG2, p. 6.

⁴⁴ FG1, p. 12.

⁴⁵ FG1, p. 12.

since the sum was a very small one, not one worth making such a fuss over.”⁴⁶

The moderator explicitly asked the focus groups whether they knew of or participated in any forums for government-business consultation, where problems could be discussed and advice solicited. The answer, systematically, was no. The question itself often received a cynical reaction. “If there are such meetings, they are mock ones, and only certain people are invited.”⁴⁷ “Communication... is done between the political sphere and the old state structures, which are still there, which means state monopolies and other state enterprises. The politicians are familiar with those.”⁴⁸ Open meetings, by contrast, risk political controversy. A respondent told the story of a major meeting with city businessmen that the mayor intentionally did not attend. “The vice-mayor was there; he stayed for five minutes and then... left, saying he could not be in the same space with the Prefect.”⁴⁹ Another respondent concluded, “What goes on is a dialogue of the deaf between the citizens and authority.”⁵⁰

Expressions of business frustration are quite normal. It seems human nature to complain. Entrepreneurs from small and medium-sized firms, existing in a highly competitive environment, seem especially sensitive to feelings of vulnerability and suspicions of unfair treatment. Yet complaints from the Romanian businessmen participating in our focus groups reflected the belief that they suffered from non-normal abuses. “If you want to start a business, if it is **with the state**, you cannot know what will happen.”⁵¹ “Very often in this **country**, arbitrariness intervenes and pushes us out.”⁵² The administrative institutions responsible for representing the public interest allegedly operate **with few** external controls and limited internal responsibility. Laws and regulations are said to be excessively complex, confusing as written and erratic in application. Elected officials are said to be overly preoccupied with narrow partisanship. Local bureaucrats are said to be arrogant and inquisitorial. In terms of the model outlined above, in Romania the principal actor allegedly is deficient in structure and incapable of exercising adequate supervision over its agents in their dealings with clients. This situation provides ample incentive for clients to seek favorable treatment and extensive opportunity for agents to construct corrupt, private rent-seeking arrangements. The implication is clear –

⁴⁶ FG2, p. 9.

⁴⁷ FG2, p. 8.

⁴⁸ FG1, p. 4.

⁴⁹ FG4, p. 19.

⁵⁰ FG4, p. 22.

⁵¹ FG3, p. 4.

⁵² FG4, p. 18.

Corruption to these respondents is not seen merely as an issue in itself, but instead is connected to the much broader problem of arbitrary and inefficient public service delivery.

From Agent to Client (I) – Corruption without Theft

“I had some business with the Defense Ministry.... The colonel was a nice guy and sent me right away to Bucharest, to the Land Troops Headquarters. There I met two guys, a general and a colonel who were in charge of such things. I showed them my stuff, I told them what I could do...; they told me quite clearly: my friend, you have to give tips, and you have to give them beforehand. I cannot do that, prizes are given afterwards, just like one cannot get prizes during a school year, for example. I was told that, under those circumstances then, we didn't have a deal.”⁵³

“We need to obtain some road clearances that give us the right to drive in the European countries. They give these to whom they like, though, in exchange for bribes. They've made me concrete offers; I was told how much to give in order to obtain what I have the right to get.... I, at first, thought that I may offend people by giving them money. Can you believe that? And these people didn't feel offended, not a bit. Think of that: to feel offended by my giving them money. They are not, on the contrary; they think they deserve all that money... and believe me, we're talking big money.”⁵⁴

Some of the focus group participants considered corruption a major problem in the conduct of their business, costing them lots of money and creating unequal conditions for competition. Others considered it a minor but pervasive problem, imposing a relatively small financial burden but continually getting in the way. Some found routes not to pay. Some offered excuses or sought to deny that their supplemental gifts or network favors constituted corruption. Yet the central observation was expressed clearly by one participant, “Corruption exists not where you wouldn't expect to find it, but where you would.”⁵⁵

The literature suggests a number of distinctions regarding the forms and variations of corrupt behavior. Among so-called small corruptions, those involving the low-level bureaucrats in the ordinary performance of their duties, there is an important distinction between corruption with or without theft.⁵⁶ Corruption with theft occurs when the price turned over to

⁵³ FG2, p. 16.

⁵⁴ FG4, p. 25.

⁵⁵ FG2, p. 16.

⁵⁶ Andrei Shleifer and Robert W. Vishny, “Corruption,” *Quarterly Journal of Economics* Vol. 108, 1993, pp. 588-617.

the principal by the agent is less than would normally be paid by the client. This is the case if there were a fine, fee or tax payment due, but the bureaucrat accepts less than the proper amount, keeping a portion for himself as compensation for his risk and complicity, for certifying to the government that the client's full obligations have been met. Corruption without theft occurs when there is no reduction in revenues to the principal. This is the case when there is a signature, permit, license or other official permission that must be obtained. Sometimes there are a limited number of such permissions that can be extended by the agent; the client then pays to improve his priority status. Sometimes permission is the client's right upon submitting the proper paperwork, but that approval ordinarily comes with some delay; the client then pays to obtain the desired service on a fast-track, usually by moving up in the queue.

A large percentage of the corrupt exchanges mentioned by the focus group respondents, especially those with which they have personal experience, concern small scale corruptions without theft. This was the explanation for corruption given in one focus group. Bribes were given, "just like the gentleman said, for your file to be placed on top of the pile, so that you do not have to wait a lot." Another respondent continued the thought, "or for them to observe the deadlines; many times they just disregard them without justification."⁵⁷ From another group, a respondent admitted, "As a principle, I didn't want to pay... but when I saw the long lines... I just gave up. In other words, I had to adapt."⁵⁸ A different respondent said that his business was now in an unpleasant situation because of delayed delivery. "I'll barely have enough time to register the trucks and bring the files to Bucharest.... If I do not give the money you are talking about, I may jeopardize my business."⁵⁹

It has been argued by revisionist theorists that bribery without theft can contribute to overall economic efficiency. In a sense, the bribe represents a pseudo-price. Bureaucratic agents decide how much time and effort to devote to their jobs, with little control from the principal state actor. Even if they work reasonably hard, there is the potential for overcrowding due to the number of demands upon them. Societal clients can wait their turn on the queue, yet they face differential opportunity costs for time. Waiting is more painful economically for some than for others. Thus there is the potential for a supplemental market, in which bureaucrats trade more rapid performance for money, gifts, or other valuables. The bureaucrat thereby adds to his relatively low official salary.

⁵⁷ FG1, p. 10.

⁵⁸ FG2, p. 17.

⁵⁹ FG2, p. 18.

The client gets approval according to a preferred allocation rule. The arrangement seems efficient because administrative duties thereby are performed not simply on a first-come, first-served basis, but in response to the relative price-cost functions of the various clients. It might even function to speed up total bureaucratic performance, for without the intervention of bribes, officials might simply let the queue extend indefinitely until the clients give up and go home, rather than exert themselves in their duties.

There is no doubt that our focus group respondents considered small scale corruption without theft personally rational. Even those who refused to engage in the practice noted that it was often useful, sometimes obligatory, to give a gift or little bribe in order to obtain the government services to which they were legally entitled. Necessity was commonly used to justify or excuse participation in this form of corruption, and to differentiate it from more severe forms of corruption which they did not regularly perform and which they generally considered much more dangerous. Surprisingly, however, despite the assertion of personal rationality, the respondents did not argue that corruption without theft was also socially rational. In general, they sided with the reformist rather than revisionist academic theorists, critical of the argument about enhanced overall government efficiency. Corruption with theft might be functional for a profit-making firm in an arbitrary bureaucratic context, but they agreed that Romania would be better off if the practice was less widespread.

First, in order for corruption without theft to achieve economic efficiency, there must exist some quasi-competitive market in bribery. The business respondents do not perceive such a market, and never in discussion relate bribe offers to the marginal cost of waiting. Only once did a respondent mention negotiation over the bribe amount, which almost led to a fight.⁶⁰ Instead, they speak as if confronted by a monopoly that can dictate the price and control the supply. This corresponds to the cross-national data, in which Romania ranks last among 20 post-communist countries on the survey question, "If a government agent acts against the rules I can usually go to another official or his superior and get the correct treatment without recourse to unofficial payments."⁶¹

Second, some clients pursue special services via corruption as a consequence of adverse selection. It is true that there are ordinary businesses trapped on a long queue, making a decision that the bribe price is preferable to the opportunity cost from delay. Yet they also use the bribe

⁶⁰ FG2, p. 15.

⁶¹ Joel S. Hellman, Jones Geraint, Daniel Kaufmann, and Mark Schankerman, "Measuring Governance, Corruption, and State Capture," World Bank Institute, Policy Research Working Paper 2312, 2000.

to compensate for business deficiencies or errors. Adverse selection is a situation in which rational incentives produce an increase rather than a decrease in improper behavior. An economic system incorporating bribery might encourage some firms to be especially careful with deadlines and paperwork, in order to minimize the costs of bureaucratic interference. Such a system might, however, equally encourage some firms to be less careful, missing deadlines and skipping paperwork, knowing that a bribe can quickly solve the problem. “Well, sir, corruption appears here because those who ask for something... **start unprepared**. Instead of putting together a complete file, they often have but **two or three documents**. Then they need to make do without these, so **they ask somebody: ignore that document, we'll settle that.**”⁶² “**Person A asks for a favor because he hasn't done his part correctly.... I go and ask for something illegal from somebody, I have no legal documents. When one goes to an office with all the documentation required, there is nothing anybody can do about it.**”⁶³ Bribery in this case produces just the opposite of efficiency. The incompetent get served first, while the competent are **made to wait even longer**.

Third, the **corrupt bargain is not** always initiated or voluntarily undertaken by the client. **There is a distinction** in the literature regarding motivation, between **clients in the illicit exchange** as willing participants versus as **unwilling victims subject to extortion** at the hands of greedy administrators. The latter, **of course, is inconsistent** with efficiency. Often, **contend the business respondents, bureaucrats** treat the extra gift as part of the required payment, **not as a supplemental** amount for special services. “Well, everywhere you go, **you have to have a bottle with you.**”⁶⁴ Sometimes an additional payment is **demanded as a condition** for receiving the necessary license or **desired contract**. **One respondent** spoke of a necessary clearance that could only be **obtained from a “pusher”** – “you cannot reach him directly... and you cannot **reach him without a present.**”⁶⁵ Another spoke of the price for winning a **contract**. “**Somebody comes then and asks you, 'Are you willing to get into business, boy-scout like? I'll cost you this much.'** Being naive, I asked him **'Am I going to get a receipt?'** ‘Are you stupid or what?’”⁶⁶ Sometimes, **bureaucrats invent problems** in order increase delays and force bribes **from clients**. “**I have my own specialist in coaches; in vain does he tell me that the car is o.k..** If the guys want to tell

⁶² FG1, p. 7.

⁶³ FG1, p. 7.

⁶⁴ FG4, p. 27.

⁶⁵ FG2, p. 14.

⁶⁶ FG2, p. 16.

me that the machine is not good, there's no mechanism for me to make them responsible for what they say."⁶⁷

Finally, the reluctance of certain clients to pay is not entirely related to the business cost of waiting on the queue. There is a moral cost as well, which can distort the economic efficiency of any market in bribery. "I know somebody who started work like me, only he is working on the border of legality and is prospering, must be poking fun at me for paying billions legally to the state each year."⁶⁸ And again, "I have often accused my parents, although I never actually said anything, of teaching me to be honest and fair and thus putting me in a disadvantaged position in a world which is not honest and fair."⁶⁹ Moreover, there is negative social externality attached to generalized bribery, to the extent that it works to undermine trust in the political system, in capitalist markets, and in the state administration.⁷⁰ Those who seize short-run benefit from the arrangement have an interest in opposing valuable reforms. Meanwhile, general belief in the ethical structure of society increasingly decays. Confidence in social fairness disappears. The moral norms necessary to link citizens together gradually weaken. In sum, there is little hint in the focus group conversations that corruption without theft is an efficient economic option for Romania.

An important implication of this argument is that not everyone in a potential corruption situation actually chooses to make a bribe offer. "Nobody forces you to give a bribe. Let's have things straight."⁷¹ Among the strategic options available to a business firm facing ostensibly arbitrary bureaucratic denials or delays is to fight, to argue, appeal, protest, and threaten to sue. "There is the opinion in Romania that success is correlated with determination, that you can show your obstinacy."⁷² One respondent told the story of attempting to get an export certificate for a product manufactured entirely in Romania with Korean materials. "They wanted at all costs to tax me.... I have come across, beginning with the Customs clerk and ending with the chief of the Customs office, options of the sort, 'well it has to be at least 50% Romanian stuff; it has to be at least 80%, are you stupid or what?; well, it has to be 90%.' As a consequence I wrote a

⁶⁷ FG4, p. 27.

⁶⁸ FG4, p. 3.

⁶⁹ FG4, p. 10.

⁷⁰ Susan Rose-Ackerman, "Trust, Honesty, and Corruption," *Archives of European Sociology* Vol. 42, 2001, pp. 27-71; Mitchell A. Seligson, "The Impact of Corruption on Regime Legitimacy," *Journal of Politics* Vol. 64, 2002, pp. 408-33.

⁷¹ FG1, p. 11.

⁷² FG2, p. 5.

note to the Director General of Customs. [He]... told me, of course you are right.”⁷³

There is a suggestion in the literature that individuals are more likely to fight when they are certain they are justified in their administrative requests, and are more likely to bribe when they seek favors at the limits of legality. The focus groups do not give evidence for this assertion. The respondents certainly know of bribe offers made for illegal favors. They discuss with pride their efforts to fight seemingly arbitrary administrative rulings. Yet they understand that not everyone will choose to fight, even when they are justified. One respondent, after telling a story of how he argued for a permission with a copy of the Official Register in his hand, concluded, “You know, some are fighters, others are willing to give up more easily, after their first rejection. As a result, there are small corruptions in this field, everywhere where there are public officials.”⁷⁴ Fighting the bureaucracy is a strenuous task. “There are methods, ways out, but the effort is not always worth it.”⁷⁵ Moreover, there are serious risks involved. A respondent told the story of an inspector who “went away without any money from us. We kept on insisting that we were right and that we were going to sue them, so they gave up.... They are sore losers. They always come back with more measures against you.”⁷⁶

Regarding the strategies available to clients, the literature makes a distinction between a bribe and a gift. A bribe is given by the client privately to the agent **explicitly in exchange** for extraordinary services, and is usually agreed upon before the service is delivered. A gift is given to the agent without the expectation of reciprocity, independent of any services delivered. Both differ from a payment, defined as a legal and enforceable obligation upon the client paid to the principal actor or to his agent on the condition that this agent is acting on behalf of the principal. In practice, however, it can be hard to tell the difference between a gift and a bribe. A focus group respondent sometimes would claim that it must be a gift if no money is involved, making the action appear more justifiable morally. “We're not talking big.... Well, I never bribed any of them, not even five dollars, believe me.”⁷⁷ Of course, there is no economic difference between money and something valuable that could be purchased for money. A respondent sometimes would claim that it must be a gift if not asking for anything illegal, if all the documents are in order. “Anyway, if I wanted to give a little something, it was a bottle. But my files are

⁷³ FG2, p. 5.

⁷⁴ FG3, p. 14.

⁷⁵ FG4, p. 6.

⁷⁶ FG2, p. 12.

⁷⁷ FG1, p. 8.

perfect. Nobody could complain.”⁷⁸ A respondent sometimes would claim that it must be a gift if it is not coerced by the agent. When challenged about the bottle offered “in order for your file not to end up under the big pile,” one individual who clearly fit the category of Old Apparatchik answered, “If you want to be nice to somebody for not getting in your way, that's different.”⁷⁹ Corruption, to those seeking to excuse their actions, exists on a much higher level. Yet, in conversation, the other respondents were not taken in. The practice of giving a small “atenție,” a little attention-getter, was not seen as simple generosity; corruption was involved if the exchange was not purely “in one direction.”⁸⁰ Firms sometimes maintain protocol funds to finance such gifts. The agent usually expects to receive them. It is anticipated that the atenție will bring good-will and better service. “Here's something for you if you only care to do me a favor.”⁸¹

The literature also is ambivalent regarding the potential role of networks in promoting corruption. On the one hand, corruption involves substantial transaction costs. The willing client and grasping agent need to find each other; they must conclude their successful exchange secretly, with limited communication; the agent (who will betray the principal) needs to assure the client that he can be trusted to deliver the service as promised; the client (who is visibly self-interested) needs to assure the agent that he will not later denounce him to the authorities. Enduring networks are a means of reducing the risks inherent to the completion of corrupt bargains. On the other hand, networks can protect businessmen against arbitrary agent impositions and help them to advance their legitimate enterprises. It would be those left outside who might feel the need to bribe as a means of obtaining access.

Our focus group data tilt toward the former interpretation, that networks and corruption go together. For the most part, our respondents, representing middle-sized firms, are not members of major clientele networks. Operating without special connections, they sometimes complain about the advantages obtained by others helped by “sponsorship contracts.”⁸² Those few who belong to such networks mention the benefits received from their personal relationships, especially with elected politicians. “If you go to the Chamber of Commerce, where there are fifty persons in one room, you cannot communicate with anybody. I call [the mayor]. While drinking coffee... we talk one-on-one, I solve my problem, and he complains

⁷⁸ FG1, p. 8.

⁷⁹ FG1, p. 8.

⁸⁰ FG1, p. 9.

⁸¹ FG1, p. 9.

⁸² FG2, p. 14.

that some bureaucrats have no connections to the practical world.”⁸³ A similar respondent bragged of his friendly connections to the city's politicians. He has received a lucrative contract, and in return “my obligation is to hire local people, to help the schools, the roads, etc. These are normal things and interests.”⁸⁴ However, one can also find oneself a member of the wrong network and thus risk additional costs. “We had problems with the first [project requiring approval]...; we had so many problems and kept being turned down until we bribed them. But with the second project everything worked smoothly because the firm's name didn't appear on it.”⁸⁵

From Agent to Client (II) – Larger Scale Corruptions

The evidence until now has emphasized small-scale corruption without theft, in which the client is seeking a contract, permission, or license to undertake a desired activity. The bribe gains him special consideration or avoids harmful delays. The agent gains in the process, but the state does not lose revenue. Yet the focus group participants also discussed their participation in small-scale corruption with theft. They were more reluctant here, however, since this entails a somewhat more severe form of illicit activity. It involves agent complicity in facilitating not what ordinarily could be done, but instead what ordinarily should never be allowed. Nevertheless, because our respondents were not especially powerful actors and their firms were only middle-sized, the scope of their corruption with theft was relatively minor.

The most common form of corruption with theft, probably in all countries, is bribery to avoid traffic fines. “I drive 'tough' on the highway and, instead of paying the fine... I prefer to give the guy the sum he asks for.”⁸⁶ Sometimes the bribe was to avoid more serious business penalties, although the respondents, sensing the moral disapprobation attached, usually found a way to excuse their behavior. “Once I omitted [to pay a tax]. I was in a hurry to go on a trip and I let somebody else do it.... The person didn't do it and I forgot to inquire about it, but [the Finance Department] remembered it and came to fine me. Instead of giving them twenty thousand, I just gave them four.”⁸⁷ Finally, there were episodes of corruption with theft mentioned in which the business respondents, having an exclusive state contract and therefore serving as the principal's

⁸³ FG3, p. 8.

⁸⁴ FG1, pp. 4-5.

⁸⁵ FG4, pp. 21-2.

⁸⁶ FG2, p. 15.

⁸⁷ FG2, p. 15.

legitimate agent, themselves suffered the revenue loss. "The bus terminal in [a city] is mine. According to Romanian laws, all busses have to pass through it. But the City Hall just gives the busses some stamps so that they do not have to pay their dues to the Terminal anymore. So the Terminal is going to die."⁸⁸

Importantly, our focus group participants assert that, while corruption is rampant in Romanian society, their own involvement is not especially significant. "Of course there is corruption everywhere, but this usually happens at higher levels. With us, they are petty thieves."⁸⁹ These representatives of middle-sized firms make a clear distinction between small and large scale corruption. Thus they profess their essential honesty, as a natural attitude for entrepreneurs seeking to build a modern Romania, and imply that the illicit activities some might have undertaken were, for the most part, necessary in order for their firms to survive in a hostile environment. The sum of such activities does not amount to much. "We don't work that high," said one respondent.⁹⁰ Responsibility for pervasive corruption lies elsewhere. "Every day I see the following proverb manifesting itself in Romania: A fish gets spoiled beginning with the head. I am convinced that this spoiling does not come from the small ones."⁹¹

The respondents regularly spoke as if there existed a sharp separation between "us" and "them". There was a persistent complaint that the system was tilted considerably to advantage those with power, money, and connections. "Those in the political sphere work as long as they are in those positions. Their mandate is, if I stay here, I stay supported by whom? By monopolies."⁹² Regarding legislation, "certain laws are made in such a way as to benefit only some."⁹³ Regarding administration, bureaucrats allegedly are told, "keep out of there; don't you know that the guy is busy building himself a mansion."⁹⁴ There was little belief that the field of economic competition was level, with equal treatment for all. "This is typical of an economy which is not properly settled yet. They still apply double standards."⁹⁵ In fact, some respondents speculated that things were intentionally organized against them. "Those big firms probably make contributions to some person's pocket to sabotage us."⁹⁶

⁸⁸ FG3, p. 9.

⁸⁹ FG4, p. 24.

⁹⁰ FG1, p. 9.

⁹¹ FG2, p. 2.

⁹² FG1, p. 4.

⁹³ FG3, p. 14.

⁹⁴ FG2, p. 8.

⁹⁵ FG4, p. 3.

⁹⁶ FG2, p. 7.

There is an additional, racial dimension to the category of “them”, who ostensibly gain enormous advantage under corruption. One respondent asserts that an illicit bargain certainly exists in order for Chinese goods to enter the country at incredible prices. “I buy my materials from the best suppliers and I am well-informed. I buy in bulk, I buy at half-price. Nevertheless, the Chinese beat me and I have no reply.”⁹⁷ Another complains about certain Arab families building expensive houses. “Well, the conclusion, the Arabs worked perfectly with the customs guys. They smuggled in tens of trucks of beverages, spirits..., lots of cigarettes,” without taxes but in exchange for a generous fee.⁹⁸ Predictably, there were allegations regarding Gypsies. “Just make a trip to Huedin and ask the gypsies there, those who have never worked in their lives, ... where the heck have they gotten the money to build such houses?” The answer from another respondent was, “The gypsies are not small stuff, not a trifle in this thing.”⁹⁹

The assertions regarding conspiracy are made with almost no direct evidence. Information comes primarily from hearsay, reputation, and rumor. What little the respondents actually do know from experience only fuels their suspicions. “As long as they do this at the [local office], they make a lot of money there, just imagine how much they must be making at the ministry level.”¹⁰⁰ The fact that they lack personal information only confirms their belief that more must be occurring outside of their sight. “I would be willing to pay a lot to the person who can prove to me those guys do *not* get their share of the money.”¹⁰¹

Grand corruption is a convenient allegation to make. It provides a welcome excuse for business frustrations, which are common in Romania. It helps to explain allegedly unfair treatment from the state. Also, it implies that national problems are not inherent, but instead that everything could be much better if only important resources had not been stolen away. Such large scale corruption generates popular headlines for journalists, who find it easier to blame some individual than explain the complexity of policy problems under transition.¹⁰² It supplies a ready target for politicians, who use it to implicate opponents. Certainly, the object here is not to claim that grand corruption in Romania is either overstated in extent or overemphasized in importance. Just the opposite, there are many examples

⁹⁷ FG2, p. 4.

⁹⁸ FG3, p. 13.

⁹⁹ FG3, p. 12.

¹⁰⁰ FG2, p. 14.

¹⁰¹ FG2, p. 14.

¹⁰² Andrei Stoiciu, “Corruption: Policy Recommendation and Policy Exposure,” *Romanian Journal of Society and Politics* Vol. 2, 2002, pp. 45-61.

documented in the literature.¹⁰³ Rather, our point is that a solid understanding of this sort of corruption, its extent and effects, its rationalities and motivations, cannot be generated from our focus group study of middle-sized firms in Cluj. Instead, our data reflect the beliefs of respondents who explicitly are not direct participants in this sort of behavior, and must always be interpreted as such.

The focus group respondents did, however, refer to a number of different forms of grand corruption, all of them familiar in the literature. First is the existence of “business politicians” concerned less with policy than with running extensive patronage networks, trading favors for favors, and in the process accumulating power and money.¹⁰⁴ According to one respondent, “Mayors are very interested in the enterprises that would require something from them.” The thought was continued by another: “They have to collect their income... to be able to pay their people.”¹⁰⁵ Yet access to these clientele relationships allegedly was restricted, pertaining to a sphere apart from the one in which most competitive, medium-sized firms struggle to survive. “They do have contacts, for sure, but only with the strong ones from whom one can really get a consistent gift, a prize, a son can be hired, a nephew, something strong.”¹⁰⁶ Few of our respondents thought they fit this category.

Second, the respondents mentioned occasions of large-scale corruption with theft, in which privileged firms gain windfall profits by virtue of their special connections with agents who ostensibly are willing to betray the state. “Low interest loans, not to mention the ones you don't have to pay back, they are given in Bucharest, anyway, and are granted to a political clientele, either by friends or as bribes.”¹⁰⁷ Allegedly, the benefits are garnered by large firms who use their privileged position to undermine fair competition. “Maybe, if we were like them [a firm name is mentioned], we would get to corrupt at a higher level. So that they would tell us, those who pay until a certain date are exempt from fines.”¹⁰⁸ **Their special access not only guarantees benefits but protects the firms involved from investigation by the principal concerned about the loss of required funds. “The guys buy at half price on the one hand and make three times**

¹⁰³ Oana Mateescu, “The Dark Side of the State: ‘Mafia’ and ‘National Interest’ in Postsocialist Romania,” *Romanian Journal of Society and Politics* Vol. 2, 2002, pp. 5-29.

¹⁰⁴ Donatella della Porta, and Alberto Vannucci, *Corrupt Exchanges* (New York: Aldine De Gruyter, 1999).

¹⁰⁵ FG1, p. 5.

¹⁰⁶ FG2, p. 2.

¹⁰⁷ FG4, p. 3.

¹⁰⁸ FG3, p. 14.

the money on the other – that's a form of evasion that eludes any control, no checking for three or four years, until all the documents disappear.”¹⁰⁹

Third, the focus group participants speculated about the role of black money in the economy, usually in the context of proclaiming their innocence. “In my field, it's about 40-45 percent. It is the sales field; everybody knows it is easy to work there, it's always been easy. In the Bucharest area, it's 90 percent, in the south.”¹¹⁰ Another respondent carefully distinguished the use of “atenție” helpful for their files to be processed from the realm of much more serious corruption. “Corruption has assumed a different form..., dirty business in the subterranean economy, in smuggling... Those are really the things that could be considered illegal.”¹¹¹ Black money, to them, is essential to those firms, other than themselves, who effectively bribe major politicians for major concessions. “They work hand in hand... One cannot exist without the other. If you do not have black money, you cannot pay.”¹¹²

Finally, there is deep suspicion of state capture, defined in the literature as firms “shaping and affecting formulation of the rules of the game through private payments to public officials and politicians.”¹¹³ This is an especially dangerous form of grand corruption, in which certain firms benefit, not because of exceptional favors but instead because the very structure of state laws and regulations are written with bias. No rule is neutral in its effects. Yet there is a distinction between rules that discriminate inadvertently, in the pursuit of public policy goals, and rules that discriminate with intention, constructed with the purpose of tilting the economic playing field. “Do you believe those big firms in Bucharest... Simply a ruling that says 'you're exempt from taxes for a month.' Well, they already have their goods all ready on board a ship in Constanța, it's all ready at anchor; so there come five trucks and they unload electronic equipment. It all shuts down afterwards. And they make at least twenty millions dollars with this.”¹¹⁴

Again, our respondents generally spoke from their impressions, without direct, personal evidence. According to one respondent, “There are loopholes, of course, within every law, that are probably left by its makers just in case, for some, probably.”¹¹⁵ Similarly with administrative

¹⁰⁹ FG3, p. 15.

¹¹⁰ FG4, p. 26.

¹¹¹ FG1, p. 10.

¹¹² FG3, p. 15.

¹¹³ Joel S. Hellman, Geraint Jones, and Daniel Kaufmann, “Seize the State, Seize the Day,” World Bank Institute, Policy Research Working Paper 2444, 2000.

¹¹⁴ FG3, p. 15.

¹¹⁵ FG2, p. 13.

practices, “The auctions, most of them, are correct as long as they deal with the things on their lists. The influences appear before the auction.”¹¹⁶ There was speculation in two of the focus groups that this kind of advantage is often paid for in shares rather than cash. “As long as politicians are part of the shareholders in these firms, they can lobby for these firms at the expense of others. That is possible.”¹¹⁷

The focus group condemnation of grand corruption is vehement, possibly because our respondents believe **they are** on the outside. Ostensibly, they are the losers from such a practice, as **opposed** to those small scale corruptions they might be tempted to **undertake**. To the respondents, small corruption, especially without theft, is **perceived** as sometimes necessary to help them survive in a hostile, **competitive** environment. By contrast, grand corruption allegedly makes **their competitive** success more difficult. Differences in reaction therefore **stem from differences** in rational self-interest. This is explicit with respect to taxes. “It is often like the Romanian saying, one beats the bull that will pull the yoke.... We are the ones who have to stand it. We, who bring some income to the state, have to pay all kinds of taxes, always new ones, while those who elude the laws are making fun of us.”¹¹⁸ Allegedly, corruption is a system that transfers money from those who produce to those “who do nothing but just consume.”¹¹⁹ It places ever increasing burdens on small firms but exempts the great plants who owe “thousands of billions, sums that I have difficulty to imagine.”¹²⁰ “We are the blood of this system, we are the ones who pay.... That's the only source the system has, and it will squeeze it until it dies.”¹²¹

In general, there thus exists a set of strong, overlapping dualities in the thinking of our focus group respondents – small vs. large business, private-entrepreneurial vs. state-connected firms, those in the territorial periphery vs. those at the national center, those struggling in a competitive economic context vs. those who have escaped competition by illicit means. The former group is not always ethical, but its behavior is deemed comprehensible and often justifiable; the latter group allegedly is constituted by predators whose self-seeking activities place extra burdens on the Romanian economy. This perception, in turn, has important consequences regarding the attitude of our respondents toward the principal actor in our model, the Romanian governing apparatus. Paradoxically, the closer firms come to the principal actor, the more they are assumed to be

¹¹⁶ FG1, p. 3.

¹¹⁷ FG2, p. 7.

¹¹⁸ FG4, pp. 3-4.

¹¹⁹ FG4, p. 25.

¹²⁰ FG2, p. 12.

¹²¹ FG3, p. 12.

corrupt. Supposedly, this is evidence that the government lacks the willpower to reorganize business conditions and establish the foundations for more legitimate market relationships.

From Client to Principal

Clients, as democratic citizens, put demands on the central state apparatus for policy reform, especially those reforms interpreted as serving the wider national interest. In this case, demands upon the principal actor include measures to reduce the extent and severity of corruption. Our focus group respondents certainly believe that corruption is pervasive within Romania, “beginning with the traffic officer who stops you in your car and ending with the highest levels.”¹²² For three express reasons – for moral self-respect; to escape perceived coercion from petty officials; and because they suspect that the illicit benefits obtained by larger, better connected firms tilt the competitive field strongly against them – they believe in the aggregate that they lose far more than they gain from the existing system. Thus they openly profess their preference for less corruption. “We need correct and equal treatment for all the economic agents.”¹²³ “Let’s be in the same boat, all of us.”¹²⁴ “I want us to have clear legislation that would assure me what is rightfully mine.”¹²⁵ In a group conversation, two individuals discussed a line from the movie “The Octopus”. One attempted the full quotation: “Corruption, yes, in a democratic system always...; a little corruption always works like the grease that helps the mechanism function better. But if it is too much, it spoils things.” The other commented, “It probably is an exaggeration, we won’t be able to eradicate corruption, but we should at least try something.”¹²⁶

Nevertheless, the focus group conversations produced two interesting findings. First, although generally advocating anti-corruption reform, the focus group respondents surprisingly had very little specific to recommend. Their lack of categorization regarding reforms contrasts visibly with the careful differentiations the respondents discovered regarding the varieties of corrupt practices, their justifications, and social effects. The moderator prompted explicitly, asking the groups to assume that she was an adviser to the government minister concerned with the problems of small business. The respondents still preferred to speak in the negative rather than the

¹²² FG2, p. 14.

¹²³ FG2, p. 13.

¹²⁴ FG3, p. 6.

¹²⁵ FG4, p. 26.

¹²⁶ FG4, p. 23.

positive. There was virtually no conversation about the policy options that possibly might be tried.

The academic literature on principal-agent-client relationships suggests a number of possible avenues for the attack on corruption. For example, the principal actor can do a better job selecting, rotating, and monitoring its agents. The incentives for agent behavior can be changed, using both higher salaries and higher penalties for malfeasance. The organization of service delivery from agent to client can be altered, establishing competitive locations where the same permission can be sought and a system for appeals upon denial. The moral responsibility of clients can be altered by education and publicity campaigns. Clients, in turn, can help hold agents responsible by providing information as whistle-blowers and can help hold the principal responsible by electoral sanction through their votes. By means of such policies, the social stigma attached to corrupt behavior increases and the capacity to arrange corrupt bargains decreases. No anti-corruption strategy is ever perfect. Nor should one seek perfection, to the extent that the social costs of eradicating certain types of corruption exceed the expected social benefits. Yet the literature does indicate considerable cross-national variation in corrupt practices, including in Central and Eastern Europe, and it does document cases where a degree of success has been achieved.

One might have anticipated that entrepreneurs from middle-sized businesses would have carefully developed ideas about reform. They admit to being relatively creative and original regarding their own firms. They are experienced with principal-agent connections in the management of these firms, which involve between 30 and 300 employees. They are pro-competition in their ideals and have a professed aversion to bureaucratic hierarchy. Our respondents thus have both the disposition and incentive, more than most Romanian citizens, to discuss a range of possible anti-corruption solutions. Yet no such discussion occurred, in any of the focus groups. Instead, the respondents seemed confused when asked to assume the role of hypothetical policy adviser, as if it was a position they never imagined. For whatever reason, they were far more comfortable in expressing complaints and criticisms than with formulating constructive recommendations.

The second finding is that the focus group respondents had no expectation that an effective anti-corruption campaign in Romania would ever be initiated. "There is no will to solve the corruption issue, which is already generalized."¹²⁷ The basic attitude, despite their best hopes, was one of pervasive skepticism. In one group, three successive individuals

¹²⁷ FG4, p. 4.

expressed the same point. According to the first, "In order to achieve [reform]..., these guys need a big scare like the Fall of '89 to come down to earth." The second followed, "Unless something bad happens, something with a big impact on things..., I don't think things will change." And the third concluded, "It would take something radical to make a change for the better."¹²⁸

Usually, blame for inaction is placed on the central government. "If the big scary ones in Bucharest shouted a bit louder, all the little fish out there would start working like clockwork in order to hold their jobs."¹²⁹ Yet there was no belief that the reform effort would ever be led from the top. "We know that those who have acceded to power have received certain unorthodox financial support, financial support they have to give back. How? By granting fiscal concessions to those firms that were willing to sponsor them."¹³⁰ The political elite, being implicated, was assumed to be unwilling to initiate change. "As long as all kinds of crooks get to be elected to the Romanian parliament... well, you just give them the honey jar and tell them not to stick their finger into it."¹³¹ Nor do democratic controls appear effective in restraining acquisitive behavior. "You keep telling me that they are kept responsible [by elections], but in fact they are not. These guys come to me and to their constituency like to some herd of cows, and they simply walk away."¹³²

Conversely, however, the respondents also realized that solutions to the problem of corruption might start with their own behavior and that of their colleagues. In this regard, they face the classic n-person prisoners' dilemma. Their action taken individually has virtually no effect on the net cost of corruption upon society as a whole, whereas the sum of those individual actions can have a significant effect. Each person calculates separately, however, and concludes: if no others are corrupt, then my small corruption helps me but does not actually damage society; if all others are corrupt, the social damage is irrevocable whether I am corrupt or not, and I suffer competitive disadvantage if I defer. One can assert that widespread corruption is economically unfair and socially harmful; one can oppose corruption on ethical grounds and prefer its eradication; but one will not reduce his corrupt activity on the grounds of pure, logical rationality. According to one respondent, "The system is still in a kind of equilibrium that is not favorable to us, the ones who work with receipts."¹³³ Another

¹²⁸ FG2, p. 18.

¹²⁹ FG2, p. 2.

¹³⁰ FG3, p. 11.

¹³¹ FG4, p. 24.

¹³² FG2, p. 19.

¹³³ FG3, p. 12.

concluded, “[Corruption] is what everybody does, probably, though I would prefer the system to adapt itself. So that I couldn't cheat on anybody and nobody could play tricks on me. But, in a country like ours....”¹³⁴

The respondents have not had much success with cooperation. One mentioned a small business association that was little more than a front for coffee smugglers.¹³⁵ Another spoke of an international trade delegation in which many went merely to buy cars.¹³⁶ There was also doubt whether cooperation is possible among competitors who “do not even greet each other in the street.”¹³⁷ To some, the problem is the Romanian character. “Our Romanian is always in search of a way to skirt the law, and because of that we are losing a great deal.”¹³⁸ To others, Romanian conditions are at fault. “I bet that... the Americans who would come here would become corrupted too.... I am convinced that everybody would become corrupted.”¹³⁹ Allegedly the country is trapped in a vicious circle, in which corruption undermines growth but only growth can reduce corruption.

These two observations from client to principal are mutually reinforcing. Pervasive skepticism can discourage one from thinking seriously about possible reform options. In turn, a lack of imagination regarding reform can contribute to attitudes of pervasive skepticism. Given this situation, the logical response from citizens frustrated with the level of corruption in society is not engagement, but retreat. “It is not my business to clean up the Customs and the Finance Departments.”¹⁴⁰ To another, as long as the government does not take major action, “there's nothing we could do.”¹⁴¹ Some of the business respondents abstained from corrupt practice for personal and moral reasons, preferring not to dirty themselves. “I wash my hands of it and do not wish to get involved in anything of this sort.”¹⁴² Others admitted that they have lost their scruples to practical necessity. “I'm in a situation where I have to adapt myself to the Romanian business environment...; thus, I'll have to pay somebody in order to get what is rightfully mine.”¹⁴³ Yet none took the position that the eradication of corruption was something they and their colleagues were able to effect. It remained an abstract goal, rather than one which oriented their personal and political behavior.

¹³⁴ FG2, p. 17.

¹³⁵ FG2, p. 11.

¹³⁶ FG4, p. 22.

¹³⁷ FG2, p. 11.

¹³⁸ FG2, p. 3.

¹³⁹ FG2, p. 20.

¹⁴⁰ FG2, p. 15.

¹⁴¹ FG3, p. 16.

¹⁴² FG2, p. 27.

¹⁴³ FG4, p. 29.

Conclusion

According to our focus group data, from principal to agent, the Romanian state apparatus is held in disrespect, believed to be lacking the capacity to control the bureaucracy and the inclination to establish a clear, coherent playing field for economic activity. Allegedly, the result is extensive opportunities for corrupt behavior. From agent to client, small scale corruption without theft is often justified as a practical necessity, despite overall economic inefficiency, in the struggle for business survival; larger scale corruption is viewed as a source of major economic distortion and unfairness. Together, allegedly, they indicate the pervasive character of corrupt behavior. Finally, from client to principal, there is little expectation of reform and little inclination to try, as the respondents view themselves as too small, disorganized, and powerless to make a difference. Allegedly, there is persistence and perversity inherent to widespread corrupt behavior.

Ultimately, there is an ambivalence inherent to these research findings. On the one hand, this study shows that there is nothing especially unique about the answers given by the Cluj business focus group participants. To a great extent, their responses map comfortably onto the basic categories present in the academic literature, giving support to certain prevailing interpretations of corruption and their entailed logical rationalities. If so, we should expect the same deleterious effects upon economic development, social equity, and political trust as has been found in other national studies. The good news is that the recommendations for remedy developed elsewhere should also, by extension, have beneficial effects if applied within Romania. On the other hand, this study shows that Romanian respondents do not yet seem capable of discovering, debating, and defending specific anti-corruption remedies. A functioning democratic society requires high policy responsiveness from its leadership, combined with high personal responsibility from the mass of citizens. The bad news is, with respect to the issue of corruption, our business focus group respondents expressed confidence in neither. It would seem valuable to extend this research project, examining both other constituencies within Romanian and opinion shifts over time. In that way, we can better assess which groups, under what conditions, do successfully make the transition from protest to pragmatism, from commonplace complaints regarding corruption to a specific agenda of tangible reforms.

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