

The evolution of corruption and its current state – A case study on Romania

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Abstract. *This paper represents an overview of the corruption phenomenon that can take different forms depending on the actors involved: favouritism, fraud, nepotism, protection tax, embezzlement, influence peddling, bribery and extortion. No corruption would occur without the participation of companies, banks and governments which feeds and facilitate corruption through their actions. Companies pay bribes, neglect or refuses to disclose payments creating an environment conducive to misappropriation. Companies also exploit the gaps in laws for the poor but resource-rich countries to avoid taxes and depriving them of much needed income. Banks feed corruption by offering loans secured by properties with low transparency, thereby enabling money estrangement without citizens knowing this. More than that, banks have shown over time that they are willing to accept huge volumes of money from corrupt governments, officials or businessmen looking to draw income from the legitimate economy of the country without paying taxes. The model developed in this research paper represents a study created for the perception of the Romanian population regarding its awareness on corruption and national core values.*

Keywords: corruption, national values, governance, public institutions.

JEL Classification: D71, D72, D73.

1. Introduction

The governments of developed countries facilitate corruption by their failure to properly regulate laws on banks and companies, without putting in place legal and legislative mechanisms to reduce bribery, money laundering and other corrupt activities (Ackerman and Carrington, 2013, pp. 116-121).

Over time there have been periods when the scourge of corruption has exploded, “destroying” both the population and the country from an economical point of view.

The term corruption is used by Paul of Aleppo, when talking about governor of Craiova, which had the power to command, to confiscate goods and punish without reporting to the ruler of the country, voivode or prince, position which apparently has been suspended during the regime of Șerban Constantin: “... he abolished both the rank and exercise of that authority so it does not arise here wickedness and corruption.” (ASPSSRR, 1976)

2. Literature review on corruption and Romanian history

The research is opened by examples about the condition of Romanian aristocracy are offered by Nicolae Bălcescu in his work, “Romanians under Prince Michael the Brave”: “...The aristocracy was no longer representing anything, it has lost military virtues, it became corrupt.” (Bălcescu, 1998) He also talks about the betrayal of local landowners, who wanted to sell Mihai: “The sultan, who could not succeed to injure Mihai with the king and Báthori, was luckier near the Romanians, from which gain what he could not have from foreigners. Aga was sent to search between landowners what was most probably to find: corrupted people which for a vile ambition and greed stand ready to sell their landowners. A terrible conspiracy was formed, headed by the greatest: Dumitru, the oldest of the counsellors and Chiesar with a son of his own. (...) He put garrisons near the Danube, to receive his enemies who were ready to storm, and ordered to kill the traitors Dumitru, Chiesar and son, under the charge of guile and treason.” (Bălcescu, 1998).

Turkish chronicles categorize one of the former Prince of Moldavia as “corrupt”, his actions being seen like corrupt by the fact that he rebelled against the power of the Ottoman empire and gathered about 10,000 Moldovans to take hold of Iasi city on December 25, 1683 (Mehmet, 1980).

A description of Romanian nobility comes from Nicolae Iorga “The boyars is portrayed unfavourably. Generally bad raised, namely that servility, the common people flowing through the daily humiliation of the situation scribes. Some Moldavian landowner killed a Jew to rob him... he contributes to corruption class, which still holds all the power, for being a landowner is to be human.” (Iorga, 1929).

He also speaks about the actions of Știrbei Vodă against corruption and bribery “It reveals the action of Știrbei Vodă for justice to be done without bribery.” (Iorga, 1929).

During the XVII and XVIII centuries from 1711 in Moldova and 1716 in Muntenia, extremely difficult times will begin for our countries, corruption reaching unimaginable proportions, becoming a plague in the true sense of the word, mostly because the corrupt Turkish and Phanariote regime. The need to extort money by any means resulted in the selling the right to rule in Iasi and Bucharest to exorbitant amount of money and gifts to

the officials who intermediated business. The rulers had an ingenious strategy to pay debts: they brought their creditors with them, making them landowners in our country to enrich themselves, and finally to “extinguish” the debt by this mean. Thus, the amounts paid were recovered shortly and at the same time they had a nice living where they could be removed from the throne or resume the fight to regain the throne (Djuvara, 2002).

The campaign journal of General Louis Alexandre Andrault, Count of Langeron, French immigrant entered in the service of the Tsar, brings clarification on Phanariotes: “... there is no nation on the face of the earth more villains and villainous than Phanariotes.” (Djuvara, 2013). Also, Langeron says about Ion Gheorghe Caragea “... we can imagine how great was the wish of the Greeks to take possession of the Principates, if we see that prince Caragea, the most greedy and shameless of all these bastards, being called prince of Wallachia, after the peace (peace of Bucharest, 1812) has squeezed in six years from this miserable province, 93 million piasters – according to the exchange rate at that time, more than 50 million roubles. He spent about 5 or 6 million, he took with him 18 million when he run way (also diamonds and jewels), and 70 million went to the sultan, to its ministers and phanariotes...” (Djuvara, 2013). Not all Phanariot rulers were as Langeron says, some of them leading the country well, for example Constantin Mavrocordat which abolished serfdom or Alexander Ypsilanti who began a judicial reform in 1775.

In “Hieroglyphic History” Dimitri Cantemir talks about the implications of corruption and bribery in Moldova's relations with the Ottoman Empire and the forms in which this was known. Money from extortion and bribery “disappeared” into the greedy hands of Ottoman dignitaries. Those wishing to enter the grace of the Ottoman Empire, were required to comply the practice of paying bribes and gifts, practices maintained by the vizier: practicing “greed” and only afterward to tell grievances Cantemir expose these practices that ensured the success and influence of the Ottoman court (Cantemir, 1983). He condemns those who buy their throne because they pay “sacrifice” (money obtained by extortion of peasants through their sacrifice) to ingratiate themselves with the Sultan and his people, money that are raised by people sweat and extortion (Cantemir, 1983).

One of the most famous corrupted business is “Strousberg business (1868)” (Kogălniceanu, 1972), connected with the process of modernizing the country by building a railway critically needed by the United Principates. Unfortunately, this business ended by damaging the Principates, only two railway track sections being partially completed with some huge costs and inadequate technical conditions. The project was entrusted without any auction to the German company, Strousberg although the auction was mandatory under the law. More than that, companies from Spain and Austria interested in this project were outclassed by a company from Prince Charles’s country of origin which has been accused of having favoured it (Gusti, 1938), though prices offered by this company were several times higher compared with those offered by competitors bringing (almost 27.5 million Romanian gold “lei” greater – Stoenescu, 2010, pp. 348-351). This decision was highly criticized at the time, especially because the prince's father was one of the company's shareholders (Radum and Iuga, 2013). Even more frustrating was the attitude of Germany and the “Iron Chancellor” Otto von Bismarck, who is said that Romanians interested him as much as an empty glass of beer, which was concerned with obtaining Strousberg liquidation business (Constantiniu, 1997). At the

end of Russo-Turkish War (1877-1878), the Romanian government under the management of Bratianu managed to buy back Strousberg shares nationalizing the railways, whilst managing to obtain recognition of the country's independence from the only major country that had a hard word in Europe diplomatic relations – Germany (Stoenescu, 2010).

The Hallier business (1896), involved the modernisation of the Constanta port and the construction of Constanta - Canara (Ovidiu) railway. Unfortunately, this investment has been a total failure, more than half of the loan given to the French company Hallier being spent without any conclusive results. Only a small part of the project was completed. Even if the interbellum period is seen as the most prosperous period in the contemporary history of Romania it was characterized by corruption, scandals that resulted in great losses and had implications at the highest level.

To the cases described above we can also add and Skoda business (1930) with a contract of more than 6 billion RON and an agreement to supply ammunition and weapons, including heavy artillery. The State was prejudiced by approx. 1.7 billion RON, classified information came into possession of foreign country representative, Romania supplied guns were about 25% more expensive than those sold to Yugoslavia and Romanian defence industry interest were endangered. But what proved to be the “trigger” to the whole scandal was the discovery of a codified list containing the names of Romanian officials who were bribed by the representative of Czechoslovak company (a spy under the observation of Romanian intelligence services) with the amount of 19.219.335 Ron. None of them have been convicted, except to the Skoda representative who took 5 years in prison. Subsequent judicial inquiry found that business had been concluded with the National Peasant Party leaders since the year 1928 (Stoenescu, 2010).

Another corruption case in the interbellum period was “Pavement” business (1933), which targeted the reconstruction of Bucharest infrastructure. Public works were made by companies belonging to Rudenberg family, close friends to mayor Pache Protopopescu. These companies had no work experience in the field and the price of this work was raised to 40 times more than the actual value. Also in the interbellum period the bankruptcy of Marmorosch Blank & Co. Bank became in suspicious circumstances, the institution being the largest and strongest bank in interbellum Romania (Radu and Iuga, 2013).

After 1989, corruption has taken an unprecedented scale and became a widespread corruption of Romanian society. Privatization of large factories, Caritas, CEC, FNI – national investment fund, Rosia Montana business, Bechtel business (a “Strousberg” business with highways closed for 1.3 billion euro), Microsoft and EADS business are few business known by public opinion. Influence peddling, embezzlement, money laundering, tax evasion, criminal groups were the prime concerns of Romanian dignitaries after 1989.

In accordance with the statistics from Transparency International, Romania has achieved in 2016 a score of 48, ranking 57th position in the ranking of 176 countries. Compared to the euro area and Western Europe this score ranks us before Bulgaria, Greece, Italy, and other European countries, classifying these countries as the most corrupt countries of the region (see Appendix 1 for full rankings).

Romania has nothing left to do than to live a titanic struggle against corruption, which it began to run through the events after the presidential election in November 2014. The fight against corruption gains Romania that rank 57, meaning this fight is getting results.

3. Corruption in Romania (methodology)

The study began in April 2014 and tries to synthesize the views of young people against corruption, morality and the values of the Romanian people. The study was conducted during April 2014 - January 2017 worth a total of 1505 responses.

The items in this form, both open and closed questions, address current problems of corruption in Romania. Questions also focus on the degree in which young people are concerned about the financial crisis, unemployment, governance weaknesses, infrastructure development or crime. The questionnaire was distributed exclusively online, targeting students in most universities and faculties in the country, the youth people and Romanians working abroad.

A representative sample size was determined for a population of 19,561,485 inhabitants, a maximum permissible error of 5% and a level of confidence of 95%:

$$n = t^2 * p * (1-p) / e^2$$

where:

t = accepted probability - theoretical value (usually t = 1,962, 95% level of trust);

p = Sampling feature in the total population, 0.50;

e = error permissible limit for representativeness – values between 1% and maximum 5%.

$$n = 1.962^2 * 0.5 * (1-0.5) / 0.05^2 = 384.9444.$$

Depending on the size of the population sample, result will be corrected as follows:

$$n_1 = n / [1 + (n-1) / N]$$

n_1 = corrected sample value;

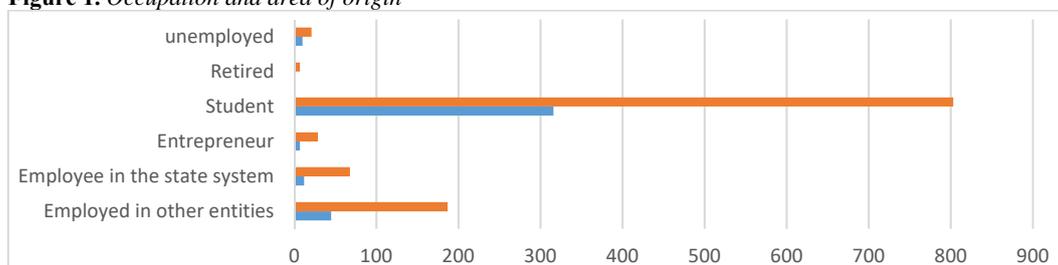
n = obtained sample value;

N = total population - 19.561.485 residents

$$n_1 = 384.9444 / [1 + (384,9444-1) / 19.561.485] = 384,93.$$

From the results above, we can see that for representation should we would need to survey 395 residents. As the research carried out targeted 1,500 questionnaires, the study falls into the category of representativeness.

Figure 1. Occupation and area of origin



Source: Author processing based on research conducted during April 2014 – January 2015.

Thus 1404 of the respondents are young people aged between 18 and 35, representing 93.3% of the total, mostly in urban areas.

Regarding the level of corruption in Romania, 922 respondents agreed that this is highly increased. 70.6% agreed that corruption began to rise after 1989 and consider that Romania's EU integration was a trigger for the growth of corruption.

Analysing views on corruption in public institutions, as seen in table and graph below, we found that respondents believe political parties and the government are the most corrupt in Romania, followed closely by the police, the media and the judiciary.

Table 1. Number of responses regarding the perception of corruption in state institutions

	Less Corrupt	Corrupt	High Corrupt	Share of Less Corrupt answers	Share of Corrupt answers	Share of High Corrupt answers	Total share
Politic parties	23	250	1232	0,6886%	4,3253%	20,7757%	25,7896%
Police	155	857	493	4,6407%	14,8270%	8,3137%	27,7814%
Army	970	433	102	29,0419%	7,4913%	1,7201%	38,2533%
Church	360	498	647	10,7784%	8,6159%	10,9106%	30,3050%
Government	26	351	1128	0,7784%	6,0727%	19,0219%	25,8730%
Mass-media	235	698	572	7,0359%	12,0761%	9,6459%	28,7579%
ONG-s	872	497	136	26,1078%	8,5986%	2,2934%	36,9998%
Judicial System	248	782	475	7,4251%	13,5294%	8,0101%	28,9647%
Educational System	311	768	426	9,3114%	13,2872%	7,1838%	29,7824%
HealthCare System	140	646	719	4,1916%	11,1765%	12,1248%	27,4929%
Total	3340	5780	5930				

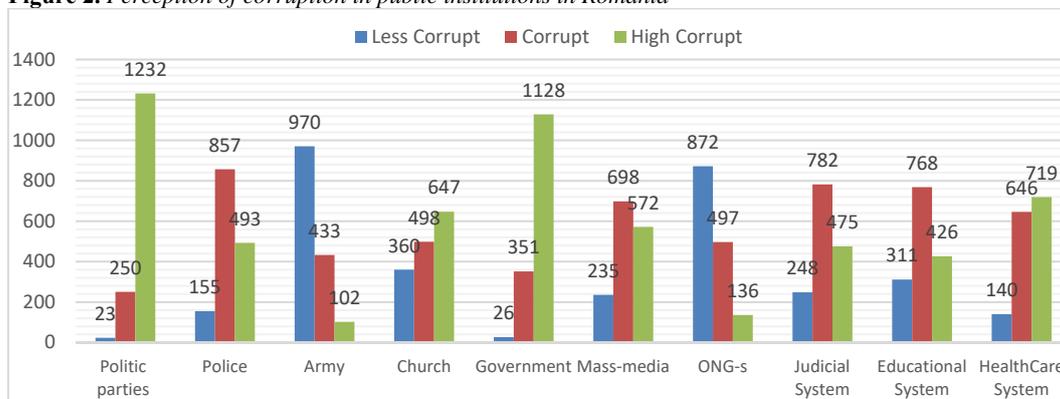
Source: Authors processing based on research conducted during April 2014 – January 2017.

The results are accurate if we take into consideration the corruption scandals involving government ministers, police, church officials and owners of media enterprises. From the responses, it appears that the army and ONGs are more the most trusted institutions, also categorized as the least corrupt.

4. Results and interpretations

Further, we will discuss the results and the interpretation of what our study acknowledged, introducing, first of all, perception of corruption in public institutions in Romania.

Figure 2. Perception of corruption in public institutions in Romania

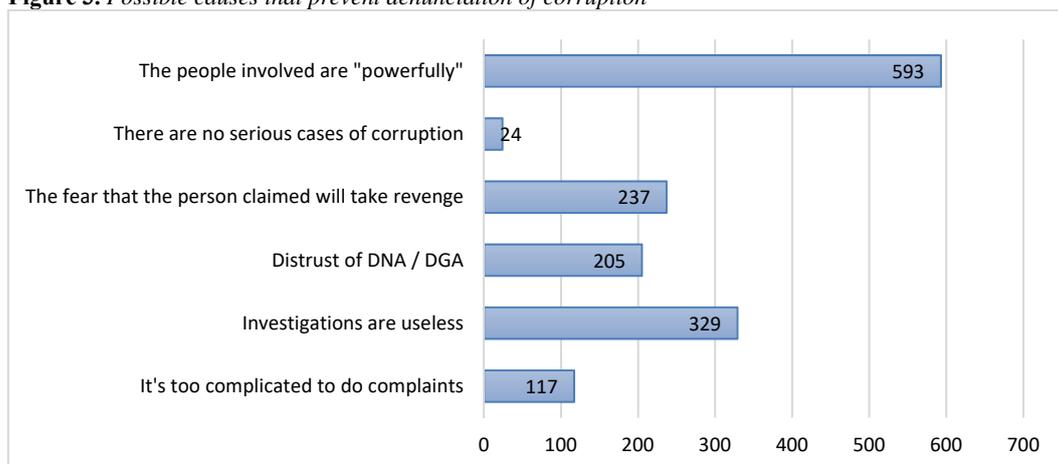


Source: Authors processing based on research conducted during April 2014 – January 2017.

Respondents admit that sometimes it is easier to circumvent official channels to solve some problems, and among the three systems, judiciary, health and education, the health takes top corruption. About 50% did not pay bribes, some of them acknowledge that they had paid a bribe to receive services to which they were entitled and the amount paid did not exceed 500 RON. When it comes to the reasons that give rise to corruption, most responses concluded that the main cause is carelessness and lack of involvement of state institutions, followed by low salaries, greed, the desire to win money easily and not least by “tradition” to offer bribe or “gifts”. An effective measure against corruption would be to penalize both those who receive bribes, and those who offer, strengthening this measure with the presentation of these cases in the media.

The actions of DNA prosecutors had a spectacular growth in past recent years. However, most of the respondents believe that the commitment in eliminating corruption was less effective, and this was due the lack of denouncing act of corruption (from causes we all know). Among the reasons that I have listed in the questionnaire, the most devote was the involvement of influential people, businessmen, senators, etc. The figure below shows most voted causes why acts of corruption were not denounced.

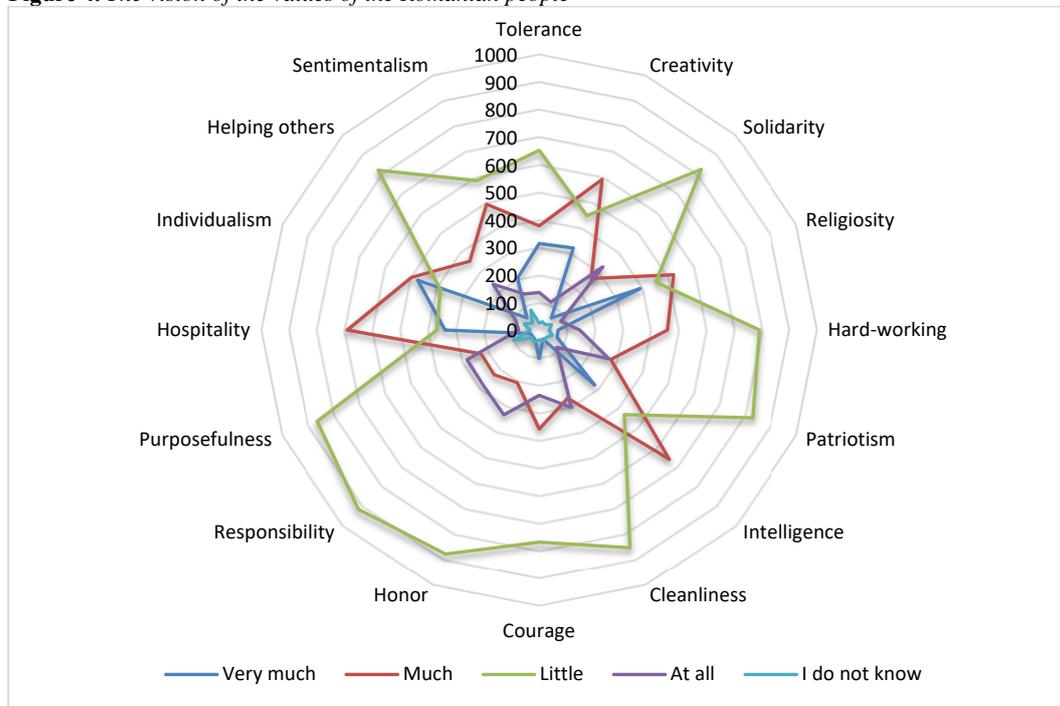
Figure 3. Possible causes that prevent denunciation of corruption



Source: Authors processing based on research conducted during April 2014 – January 2017.

Comparing the education system and the health, I noticed that health takes precedence in choosing the most corrupt of the two. To strengthen the study results we can look at the multitude of corruption acts and malpractice that occurred lately. The common practice of informal payments and doctors' negligence and incorrect treatments are generating tragedies. The analysis carried out showed that the phenomenon of corruption is highly accentuated in education, especially in higher education system.

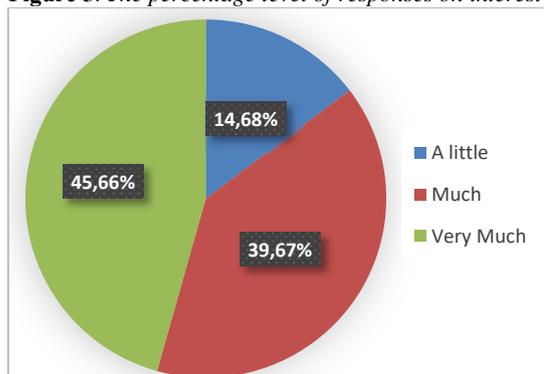
Figure 4. *The vision of the values of the Romanian people*



Source: Authors processing based on research conducted during April 2014 – January 2017.

According to the survey results, today's youth has little confidence in about the values of the Romanian people, although the history largely contradicts this. Of the 24080 respondents, 45.23% (10891) felt that these values can be found in Romanian, 26.94% were in favor of option “Long” and unfortunately only 11.76 of respondents believe yet these values. The remaining 16.6% is the computer “Not at all” and “do not know”.

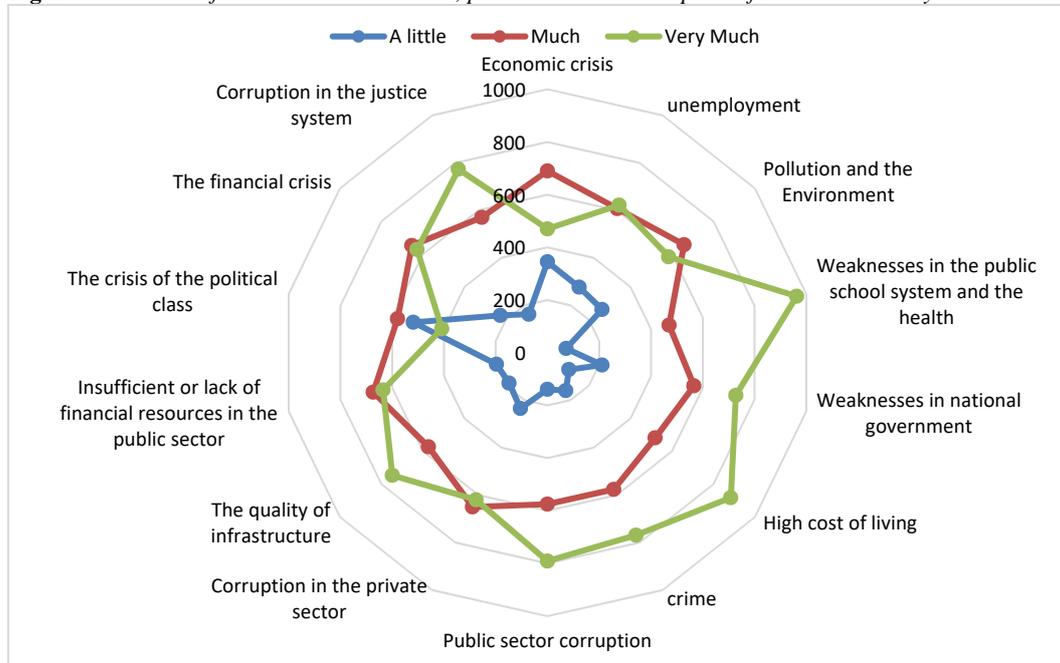
Figure 5. *The percentage level of responses on interest in the problems of society*



Source: Authors processing based on research conducted during April 2014 – January 2017.

The last two diagrams are correlated, the above representing the percentage people who are worried about economic changes in the last period and the corruption in the public and private sectors, the second chart showing the responses for each option.

Figure 6. The level of interest in the economic, political and social aspects of Romanian society



Source: Own calculations using PRS Group database.

The fact is that 45.66% are very interested the country economic and financial problems, 39.67% opted for the middle option and 14.68% said that are interested in little aspects of the economic, political and social, fields largely because they think that they will emigrate from Romania in the future.

5. Conclusions

Corruption has existed and still exists, its total eradication being impossible mostly because its “tentacles” reached both political, social and economic fields. Over time consuls, dictators, kings, governors, popes, chancellors and presidents have led countries through corruption, the only ones who had to suffer from being the people who paid and worked hard for these leaders to be at the helm. The more corruption in the government the most inefficient this will be. Thus, corruption undermines the rational economic choices, lowers the confidence in market economy and banking system and increases the unemployment rate because the money necessary to pay wages are now going to the official’s pockets. Corruption also slows down the implementation of economic policies and interrupt the process of attraction of foreign investment. Corruption is a political phenomenon.

Subject to any form of corruption is a man of power, including government officials, companies and various institutions. Where is power there is corruption. The more power the most easier ways to carry out illegal activities. Corruption can influence effectiveness, justice and legitimacy of state activities. Corruption questions the future of youth around the world, the only hope is that the measures implemented at national and international level to bring the desired effect.

International organizations like Transparency International or the International Anti-Corruption Academy (IACA) pull the alarm signals each year by publishing studies conducted internationally. The United Nations has ratified the United Nations Convention against Corruption (UNAC), signing the agreement obliging signatory countries to respect the law and to fight corruption regulated. GRECO, has the same objective: identifying corruption and the fight against corruption. Organisation for Economic Co-operation and Development – OECD analyses existing corruption especially in countries seeking to entry into the organization (Romania has applied in 2014). The fight against corruption in Romania is very effective lately, more and more cases being discovered and presented in the media.

The study conducted revealed the mistrust that young people are having in state institutions and that they no longer believe in honesty, honour, kindness and heroism, values for which our ancestors fought for from ancient times up to the War of Independence, first world war and Second world war, in which they gave their lives to defend this “piece of land” which is called Romania.

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