

Ziya Aliyev

Institutionalization
of corruption in
post-Soviet public
organizations



Institutionalization of corruption in post-Soviet public organizations

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Post-Sovjet Publieke Organisaties

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Abbreviations

CC CPSU	Central Committee of the Communist Party of the Soviet Union
CC CPUz	Central Committee of the Communist Party of Uzbekistan
Cheka	Emergency Commission (Chrezvychaynaya Komissiya)
CP	Communist Party
CPDSU	Congress of People's Deputies of the Soviet Union
CPAz	Communist Party of Azerbaijan
CPGe	Communist Party of Georgia
CPUz	Communist Party of Uzbekistan
CPSU	Communist Party of the Soviet Union
Gubkom	Regional party secretary
KGB	Committee for State Security (Komitet Gosudarstvennoy Bezopasnosti)
KPK	Committee of Party Control (Komitet Partiynogo Kontrolya)
Kolkhoz	Collective farm
MVD	Ministry of Internal Affairs (Ministerstvo Vnutrennykh Del)
NEP	New Economic Policy (1921-1928)
NKVD	People's Commissariat for Internal Affairs (Narodnyi Komissariat Vnutrennikh Del)
OBKHSS	Department for Combating Theft of Socialist Property and Speculation (Otdel po Bor'be s Khishcheniyami Sotsialisticheskoy Sobstvennosti i Spekulyatsiyey)
OGPU	The Joint State Political Directorate (Obyedinyonnoye gosudarstvennoye politicheskoye upravleniye)
Orgburo	Organizational Bureau
Politburo	Political Bureau
RSFSR	Russian Soviet Federative Socialist Republic
Sovkhoz	State owned farm
SovNarKom	Council of People's Commissars (Soviet Narodnykh Kommissarov)
SS	Supreme Soviet
SSR	Soviet Socialist Republic
TI	Transparency International
Uchraspred	Registration and Distribution Department of the Central Committee (Uchetno-Raspreditelnoe Buro)
Ukom	Local party secretary
USSR	Union of Soviet Socialist Republics

Introduction

Historical Background

On April 26, 1983, a young lady from Tashkent arrived in Bukhara¹ to seek early release of an indicted relative who was in police prison in Bukhara. Acquaintances advised her to address 'almighty' (Ivanov and Gdlyan, 1994: 5) Muzaffarov, the head of the special police department for combating theft of socialist property² (OBKHSS). During the meeting Muzaffarov glanced over the lady and said that the issue could be resolved for 1000 rubles³ but he was in a hurry at that time. He suggested that the lady stayed in a booked hotel room that night (with sexual connotation attached to his offer) to solve the issue the next day. According to the prosecution documents, the lady was insulted by the attitude of 'Mr. Almighty' and filed a complaint to the KGB office in Bukhara. Muzaffarov was arrested on April 27, 1983, on the way from Bukhara to his house in Romitan where investigators found cash (1,131,183 rubles)⁴ and jewels (with estimated worth of half a million rubles). Muzaffarov had no other choice but to confess to having received as well as given bribes (Ivanov and Gdlyan, 1994).

It was the beginning of one of the biggest, and probably the most controversial anti-corruption campaigns in the history of the USSR initiated by the General Secretary of the Communist Party, former head of KGB, Yuri Andropov. Several investigation teams were simultaneously involved in work aimed to unravel corruption network

in the Uzbek SSR which was recorded in history as the Cotton Case and the Uzbek Case⁵. The scale of corruption that was discovered was unprecedented. During six years (1983-1989), more than twenty thousand officials were prosecuted (Cucciolla, 2017: 587). Among them, there were 3.000 police officers, 4.000 local party officials (Lipovsky, 1995: 538), more than two dozen generals, 16 first secretaries of regional party committees, all staff of the Central Committee of the Communist Party of Uzbekistan (CC CPUz), ministers from other republics, senior officials of the Central Committee of the Communist Party of the Soviet Union (CC CPSU) and other representatives of the highest party elite (Ivanov and Gdlyan, 1994). Brezhnev's son-in-law Yuri Churbanov, who was the First Deputy Minister of Internal Affairs of the USSR at a time and held the military rank of a general, was also arrested. Investigators Ivanov and Gdlyan who led the corruption investigation in the high echelons of the administration soon became heroes. But the situation changed drastically when prosecution started to reach corruption of the officials in the Kremlin. On May 6, 1989, Gdlyan and Ivanov were officially dismissed from the investigation, and at the end of the same month, Prosecutor General of the USSR, Sukharev, initiated a criminal case against them. At the end of 1991, most of the arrested prisoners were pardoned and released⁶.

The anti-corruption campaign in Uzbekistan was only one of the many corruption exposures in the last decade of the USSR that revealed engagement of thousands of officials in corruption

¹ Tashkent and Bukhara were cities of Uzbekistan SSR.

² Officially there was no 'corruption' in the USSR. According to soviet ideology, 'corruption' is an attribute of bourgeois capitalism. Therefore, name of the anti-corruption bodies also reflected the official ideology.

³ According to the exchange rates of 1983, (1 USD = 0.7070 RUB) this amounted to approximately 1420 US dollar (Central Bank of Russia 2015)

⁴ Approximately 1,6 million UD dollar.

⁵ I will elaborate more on the Cotton Case and the Uzbek Case in Chapter IV.

activities. Notwithstanding the reasons of the anti-corruption ‘purge’ or ‘terror’ and its role in the collapse of the Soviet Union, that campaign suddenly lifted the curtain on the bureaucratic apparatus of the Soviet system. Loose attitude of administration and bureaucratic discretion established a fertile ground for systematic and organized use of authority as an income source. In the final indictment of the Cotton Case, prosecutors revealed the actual nature of corruption by stating that it was system that reproduced itself permanently, every hour, and literally in every action (Maidanyuk cited in Khovenko and Faitelberg, 2005). Bribes in this sense were the engine that allowed the system to compensate for the shortcomings of planned economy.

This example shows that corruption can take forms that ask for a different understanding of what the phenomenon of corruption itself is, or can be. In this study corruption is approached from this specific prospective, i.e. corruption is seen not as a mere act of infringement upon the conventional norms of public integrity but rather as a ‘phenomenon’ that can take on different forms and institutionalize as a part of a political system.

Problem Statement

The USSR collapsed in 1991 while corruption scandals were still a major focus of public attention. Investigators in charge were standing then next to Boris Yeltsin at the Red Square giving passionate speeches exposing corrupt Soviet system. In the next two decades following the dissolution of the USSR,

systemic corruption in the post-Soviet public organizations took two different forms. First, at the beginning of 1990s, in the absence of strong and unified political leadership, corruption in public organizations became chaotic⁷. Officials were free in their corrupt behavior such as setting the amount of bribes and defining the schemes of appropriation and allocation. For instance, in the early 1990s, to import goods, an entrepreneur had to negotiate the amount of the bribe with a customs officer in person. There were no established rules for the subsequent allocation of the money collected from bribes. The customs officer either appropriated all of the amount himself or shared it with the others based on a personal agreement.

Second form of corruption can be observed in the 1990s in most of the Post-Soviet countries, when it changed from chaotic corruption with multiple independent agents to institutionalized corruption with an organized informal structure where actions of officials were restricted by the corruption rules and instructions imposed by the organization (see Shleifer and Vishny, 1993; Stefes, 2006; Osipian, 2010). This kind of transformation can be referred to as the process of institutionalization of corruption. An entrepreneur at the beginning of the millennium had to pay a fixed amount of bribe to import certain goods. There was no room for negotiation anymore. From an organizational perspective, certain rules for the subsequent allocation of money collected from bribes were established. The customs officer was not allowed to appropriate the bribe himself anymore.

⁶ While most of the arrested prisoners were pardoned by a decree of the Supreme Assembly of Uzbekistan on December 25, 1991, rehabilitation of convicted officials happened over a longer period of time starting from 12 September 1989 with the establishment of a special commission by the Council of Ministers of UzSSR for the rehabilitation. The rehabilitation of the first secretary of the CP UzSSR Usmankhadzhaev in 18 November 2016 was the latest case of rehabilitation of those who were convicted guilty as a result of anti-corruption campaigns in Uzbekistan in the 1980s.

⁷ Understanding of chaotic corruption was introduced to the literature by the development studies at the end of 1960s. Scott (1969: 338) states that “corruption is likely to be more severe and chaotic where uncontrolled coalition parties and bureaucratic factions share power in an unstable environment than where the political elite is more effectively hierarchical”.

He became a part of the corruption system with institutionalized rules and routines.

“A fortuitous observation about anti-corruption campaigns in the early 1980s has led to an analysis of the fall of communism and the problematical emergence of post-communism. For all the uncertainties and confusions identified, one thing is clear; many of the factors that resulted in corruption in the communist world will pertain in the post-communist world, whichever direction(s) it takes” (Holmes, 1993: 327).

Research Question

This study focuses on the emergence and institutionalization of corruption rules and routines in public organizations. Main questions of this dissertation are, therefore, why and how corruption

institutionalized in public organizations from the last decade of the USSR existence until the first decade of the new millennium, and why exactly in the way it happened. The process of institutionalization is the key for understanding the nature of post-Soviet corruption. Once it is clear how corruption institutionalizes, it will be easier to understand what corruption actually is (its complex nature that goes beyond a mere act of infringement of the conventional norms of public integrity) and how processes of social and political change develop along with systematic abuse of public office. Taking into account these complexities, corruption can be seen in an entirely different light.

Relevance and Contribution of Study

By taking this approach, the study can

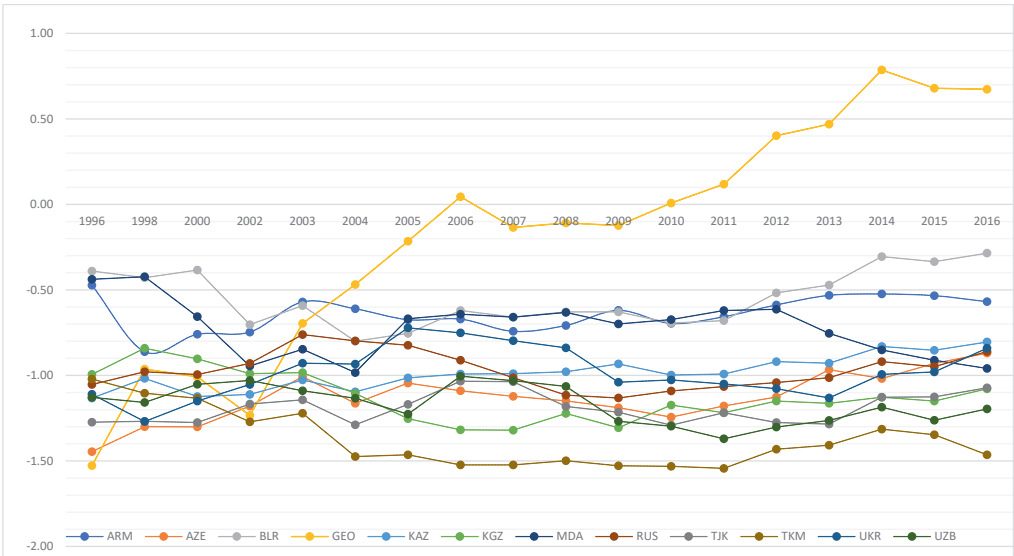


FIGURE 1. CONTROL OF CORRUPTION INDICATOR⁸ (WORLD BANK, 2017)

⁸ The Control of Corruption Indicator score indicates the perceived level of corruption in the public sector on a scale from -2.5 to +2.5, where -2.5 implies that a country is perceived as very corrupt and 2.5 means that a country is perceived as very clean.

contribute to research on corruption, as well as to the anti-corruption agenda both from theoretical and practical perspectives. Initial corruption debates of the 1990s were increasingly dominated by developmental and democratization studies. Widespread corruption was considered as a byproduct of transition from the centrally-planned economy to the market economy and was seen as a 'normal' characteristic of capitalism. In this decade, the problem of corruption transcended the national borders and became a global problem involving international institutions that actively participated in preparation and implementation of anti-corruption reforms (Schmidt, 2007). At the end of the 1990s, it became clear that anti-corruption activities failed in most of the post-Soviet countries. It can be seen from the World Bank's Control of Corruption Indicator presented below (Figure 1).

Failure of anti-corruption struggles brings about two significant challenges to the study of corruption in the post-Soviet countries. First, a new look at the concept of corruption is needed that would refer not only to individual corruption, but also to systemic corruption cases. Second, in order to have a better understanding of corruption needs to be addressed not as a static event, but as a changing and institutionalizing phenomenon.

First, anti-corruption reforms of the 1990s were built upon the predominant theory of corruption – the principal-agent model that was mainly developed by economists (see Rose-Ackerman, 1978; Klitgaard, 1988). This theory rests on two

key assumptions. On the one hand, a goal conflict exists between a principal who represents public interests and an agent who has a contract with the principal in order to fulfill public tasks in an honest way. The goal conflict starts when the agent tends to maximize his profit through corruption activity based on the cost-benefit analysis. On the other hand, with respect to the principal, the agent has an information advantage that establishes a fertile ground for the agent to misuse public responsibilities for private ends. To prevent or combat corruption, the principal should eliminate the factors (causes of corruption) which motivate the agents to engage in corrupt activity and establish tough supervision and control over the agent.

While the model works well in cases of individual corruption, it fails to address systemic corruption where not only the agent but also the principal is corrupted (Persson et al., 2010: 4-5). In systemic corruption situation, the principal does not prevent corrupt behavior; on the contrary, he creates incentives for corrupt activity and in some cases even organizes it. Furthermore, over time systemic corruption institutionalizes and becomes embedded in organizational culture. Unlike individual corruption, exposing and eliminating individuals involved in institutionalized corruption does not eradicate corruption in the organization. Institutionalized corruption survives and involves new actors. The more it is institutionalized, the more it becomes an integral part of a public organization and plays a crucial role in its survival. As a result, the post-Soviet corruption in the XXIst century manifests itself as a well-organized enterprise

masked by the formal state apparatus. It emerges as a threat not only to the national state building, but also to the international security.

Gap in the Literature

Second, most corruption studies present a cause-consequence dichotomy while neglecting the process of corruption and its organizational nature (Schmidt, 2007: 225). Both scholars and international institutions take corruption as a static event and do not elaborate on how corruption can change and institutionalize over time. Changes in the form and content of corruption are crucial for understanding how the system of corruption works and how it can be confronted. Without an analysis of corruption as an organizational process, it is impossible to find out whether corruption is an occasional deviant behavior of a public official that violates conventional norms of public integrity, or whether it is an inherent feature of the bureaucratic organization. In this respect, in spite of extensive literature available on post-Soviet corruption, only a few researchers, such as Stefes (2006), address the problem of institutionalization using macro approach. While the process of institutionalization of corruption at micro level has not been researched so far.

Research Design and Methodology: Theoretical Part

Above-mentioned challenges of the post-Soviet corruption agenda are analyzed in this study by means of developing a qualitative research design to study the process of institutionalization of

corruption in public organizations. In the theoretical part of the thesis, conceptual underpinnings of what corruption is, and why and how it tends to institutionalize in public organizations are covered. Eventually, conceptualization of corruption determines not only the object of the study but also anti-corruption strategies that are developed (Schmidt, 2007: 221-223). In this respect, this study introduces Weber's concept of corruption in response to the long-standing definitional debate in the literature, especially with respect to systemic corruption. It also presents a comprehensive conceptual framework that locates corruption within the social concepts such as authority and bureaucracy. While the principal-agent model locates the problem of corruption solely with the agent and allots the principal role of controlling corruption (Persson et al., 2010), Weber's concept of corruption takes a fundamental approach to corruption as a power related phenomenon beyond the simple act of infringement. It assumes that both administrative position and the administration as a whole are subject to systematic individual and group appropriation. For Weber, income obtained by the appropriation of power is not only an act of deviation from the conventional norms of public integrity as a result of cost-benefit analysis but also a logical consequence of the general character of administrative practices.

Furthermore, this study goes beyond the focus on the output, as it provides a more process-oriented research developed with the help of the model of institutionalization of corruption to ensure

in-depth analysis of institutionalization of corruption rules and routines at micro level. The model helps establish an analytical and historical link between the past and ongoing transformations in organizational dimension through the lens of institutionalization of corruption. Thus, combination of Weber's concept of corruption and model of institutionalization of corruption provides a robust conceptual tool to take a new look at causes of institutionalization of corruption and to shed new light on the dark corners of the post-Soviet corruption.

Research Design and Methodology: Empirical Part

Empirical part consists of macro and micro studies. The macro study examines systemic factors that lead to the institutionalization of corruption rules and practices in the post-Soviet public organizations. It is done based on studying the secondary sources such as research papers, reports, archival records, daily and periodic press. By taking a macro approach, the study reveals the factors that lead to stability of regular abuse of power that results in the emergence and routinization of corruption rules and routines. With the help of Weber's concept of corruption, a continuous link of systemic factors is built for the period from the Russian Revolution of 1917 until the collapse of the USSR. This strategy, on the one side, helps to find out the causes of institutionalization not as static determinants, but as changing factors. And, on the other side, it enables to see the post-Soviet corruption as a continuation of Soviet administration.

The micro study follows a micro approach in order to focus on particular public organizations to explore the process of institutionalization of corruption. Case studies and expert interviews are used as the main research methods. Field experts and ex-officials who worked in public organizations have been selected for qualitative semi-structured interviews. Taking into consideration the sensitivity of the topic, the scope of the study has been limited to the period from the 1990s until the beginning of the 2000s. The logic behind this decision is that respondents are afraid of the consequences of their insights. In case of exposure, it may bring harsh consequences ranging from the social pressure to the initiation of criminal prosecution. Georgia and Ukraine were chosen as target countries for the fieldwork. Taking into consideration that both countries experienced 'anti-corruption revolutions' in 2003 and 2004 respectively, it was assumed that officials would not be afraid to reveal the corruption details of the past.

Snowballing has been chosen as an initial sampling strategy for interviews. However, the fieldwork in Georgia demonstrated that a snowballing strategy did not work as it was planned. Most of the respondents who were approached through the snowballing were not eager to talk about corruption in their organizations. The fieldwork turned to be a blind valley. During the struggle to find ex-officials, it was found out that most of them were fired during the anti-corruption purge of Saakashvili in 2005. They were not simply fired, but a big part of their savings and property was also confiscated. While traveling by

taxi in Tbilisi, the researcher accidentally found out that some of the drivers were ex-officials who were affected by the above mentioned purge. Furthermore, they were eager to talk about corruption with a stranger as they felt safe in the informal setting. A new sampling strategy was adopted. To increase the chance of taking the 'right' taxi with an ex-official, typical visual patterns of an ex-official taxi driver were developed. For instance, after the first ten attempts we discovered that identified three ex-officials all are clean shaven and have relatively well-maintained look in comparison with non-officials.

The Ukrainian fieldwork was planned for January-February 2014. However, due to political turbulence and subsequent escalation of the situation, the fieldwork was initially postponed and eventually, halted. Later it was substituted with the fieldwork in Azerbaijan that took place in August, 2014 - September, 2016.

Analysis of Data

The analysis of the collected data is performed according to the general steps of qualitative data analysis (Patton, 2002): transcribing the interviews, reading through the data, generating patterns and themes and interpreting their meanings. The qualitative data is also obtained from the secondary sources which include journal articles, books, archived materials related to the institutional and legislative developments, investigative newspaper articles and reports of international organizations.

Structure of Thesis

This dissertation is structured into five chapters. Following the introduction, Chapter I presents main definitions and provides literature overview on the research of the institutionalization of corruption. Stemming from the findings of the literature review, Chapters II and III elaborate on the theoretical construct of the study. Chapter II studies the causes of institutionalization of corruption by introducing the Weberian concept of corruption, while Chapter III develops a process-oriented model of institutionalization of corruption. Empirical part of the study consists of two chapters. Chapter IV, as a macro study, analyzes the causes of institutionalization of corruption in the post-Soviet countries by examining corruption in public organizations from the beginning of the USSR until the beginning of the 1990s. Elements of institutionalization of corruption, its stages, causes, and consequences are discussed. Chapter V presents case studies on the institutionalization of corruption in different public organizations from the 1980s till the first decade of the millennium. Finally, the concluding chapter outlines key findings of the study, its contribution, and recommendations for future research, as well as policy recommendations.

1 Definition and Study of Institutionalization of Corruption

Developed research questions (why and how corruption institutionalized in public organizations from the last decade of the USSR until the first decade of the new millennium and why exactly in the way it happened) bring about two questions that theoretical construct of the thesis (Chapter II, Chapter III) reflects upon: why and how corruption institutionalizes. But first the primary focus of the study needs to be defined. Main definitions of the thesis are explained in Section 1.1, and Section 1.2. demonstrates how institutionalization of corruption is studied during the 70 years of modern corruption research.

1.1 Key Concepts and Definitions

What is institutionalization of corruption? In a simple understanding, the institutionalization of corruption is a process when corruption becomes an organizational institution. However, this simplicity brings about the need to understand what corruption and an institution are, and what institutionalized corruption implies.

Individual corruption

Corruption literature is so multidisciplinary that one may find dozens of definitions of corruption

representing different conceptual approaches⁹. Nevertheless, understanding of corruption as an umbrella term for such acts like bribery, extortion, embezzlement, nepotism, rent-seeking implies that doers of these acts are considered corrupted when they abuse entrusted power for private gain.

The definition of corruption mentioned above was promoted by Transparency International (TI) (2009: 14). Definitions with similar components and close meanings are also common in social science. In fact, the concept of entrusted power is the only change that TI makes to another dominant definition of corruption as an abuse of public office for private gain (World Bank 1997: 8). By using entrusted power instead of the public office, TI enlarges the scope of the definition, not limiting it to the public sector.

The definition consists of two parts: entrusted power and its abuse for private gain. Corruption is there where there is power. Among other variations of power as influence, corruption refers only to legitimate power. In social structures with a hierarchy of authority, use of power for private gain is limited by entrusted power attached to the role of the person (Emerson 1962: 38), either it is a public role or serving to the lord. Corruption appears not simply as the use but as an abuse of given authority, as an illegitimate reward (French et al., 1959: 154). Sell of offices in the XVIIth century England, for example, was not corruption if it was done within/by the authority of the king. It does not mean that there was no corruption in Early Modern Britain

⁹ See Section 1.2 for various definitions of corruption used by scholars.

but it was a deviation from the entrusted power that considered to be corruption, for example, accepting a bribe outside the king's authorization. For instance, on 17 April 1621 Francis Bacon as Lord Chancellor of England faced twenty-three charges relating to bribes¹⁰ (Becon 2013; Abbott 2012).

However, the definition mentioned above refers only to individual corruption, namely individual infringement or deviation from established order (Huntington, 1968: 59). But what if organization itself is corrupt? To put it differently, public organization itself is used for private gain. Weber's definition can be used to illustrate corruption from this perspective - corruption as an illegitimate gain obtained by the appropriation of power (1968: 204-205). It implies that not only a specific position in an organization, but also organization itself can be appropriated (Weber, 1968: 204-205), creating room for systemic or organizational corruption.

Systemic (or organizational) corruption

Systemic corruption is an antagonistic concept of individual corruption. The latter refers to corrupt individuals within organization, while the former refers to corrupt organizations. Individual corruption is a rule-breaking action by an individual or a group of individuals that does not support organizational goals or is even harmful to those goals. In case of systemic corruption, private interest de-facto manifests as an organizational goal and corruption appears as a collective rule-breaking action that helps achieve this particularistic goal (Sherman 1978:

3-5). In this study, the term 'systemic corruption' is used interchangeably with the term 'organizational corruption'.

Institution

Institutions are "ways of thought or action of some prevalence and permanence, which is embedded in the habits of a group or the customs of the people" (Hamilton, 1932: 84 cited in Burns and Scapens 2000: 6). It "imposes form and social coherence upon human activity through the production and reproduction of settled habits of thought and action" (Burns and Scapens, 2000: 6).

Institutionalization of corruption

Institutionalization of corruption implies a process where corruption gradually becomes an institution namely "the 'taken-for-granted' ways of thinking and doing in an organization" (Burns and Scapens, 2000: 5). It involves a process of the formulation of corruption rules and routines within the public organization. Institutionalized corruption is a result of this process. Corruption is embedded in a daily routine of the organization in such a way that the members do not recognize the 'wrongness' of their action (Anand and Ashforth, 2003: 4).

One example of institutionalized corruption is a corruption system parallel to the official government system under the Soviet rule. Stefes (2006: 1) stated that institutionalized informal rules and norms prescribed how much an individual needed to pay, how the corrupted money had to be handed over and how the corruption budget had to

10 After some resistance, Becon made a spectacular admission: "I do plainly and ingeniously accept that I am guilty of corruption, and do renounce all defence." He was fined 40,000 pounds and sentenced to the Tower of London, but, later, his sentence was reduced and his fine was lifted by the king. After four days of imprisonment, Bacon was released, at the cost of his reputation and his long-standing place in Parliament (Becon 2013; Dyke 2010; Abbott 2012; Bio 2015).

TABLE 1. SYSTEMIC VS INSTITUTIONALIZED CORRUPTION

	Non-institutionalized	institutionalized
Individual	Individual Non-Institutionalized Corruption	Individual Institutionalized Corruption
Systemic	Systemic Non-Institutionalized Corruption	Systemic Institutionalized Corruption

be shared among the officials. In this vein, bureaucrats, besides the public functions, also served a defined function inside the corruption structure.

Difference between systemic and institutionalized corruption

Institutionalized corruption is usually confused with systemic¹¹ corruption. These two definitions are closely related to each other, but they are substantially different. Systemic corruption refers to the subversion of organizational goals, while institutionalized corruption demonstrates how deep corruption is embedded in organizational culture.

Institutionalized corruption is not always systemic (Table 1). Individual corruption also can be institutionalized. For instance, petty embezzlement¹² is institutionalized but it is not systemic corruption. An anecdotal story from Ariely (2012: 31) explains the institutionalized petty embezzlement very well: “Eight-year-old Jimmy comes home from school with a note from his teacher that says, “Jimmy stole a pencil from the student sitting next to him.” Jimmy’s father is furious. He goes to great lengths to lecture Jimmy and let him know how upset and disappointed he is, and he grounds the boy for two weeks. “And just wait until your mother comes

home!” he tells the boy ominously. Finally, he concludes, “Anyway Jimmy, if you needed a pencil, why didn’t you just say something? Why didn’t you simply ask? You know very well that I can bring you dozens of pencils from work.” Although petty embezzlement is tolerated in many organizations, it is not among organizational goals. Even though from top to the bottom many employees are systematically involved in petty embezzlement, it does not make it an organizational goal.

Corruption also can be systemic but not institutionalized. This is especially true in case of newly emerged organizational corruption. For instance, after the collapse of the USSR, the socio-economic transformation brought about new public organizations regulating the market economy, as well as the privatization process. In spite of the fact that in these cases corruption was organizational, its rules and routines were new and not institutionalized at all.

Ultimately, this study focuses on the study of systemic institutionalized corruption in post-Soviet organizations. Cases of individual institutionalized corruption are beyond the scope of this study.

11 In literature, systemic corruption is often mixed up with systematic corruption. In corruption context systematic means that corrupt act has consistent, organized or well-arranged content. Systematic refers to the process while systemic is about the organizational and system-wide nature of corruption. Systemic corruption is always systematic. But not all systematic corruption cases are systemic. This study refers to systemic corruption only.

12 Time theft is a type of embezzlement. Embezzlement is a “misappropriation or misapplication of money or property entrusted to one’s care, custody, or control” (FBI 2001). Employee inflates time spent on the workplace or project and steals money from the principal.

1.2 Literature Review

This section presents a review of the literature on the study of corruption over the last 60 years with a focus on the study of institutionalization of corruption. A specific focus is made on the studies of corruption in the post-Soviet area. Taking into consideration the multidisciplinary character of corruption and the limited scope of this research, publications in the field of social science are mainly targeted in this study.

Institutionalization of corruption implies that there is a social structure (such as an organization, network, system) that facilitates and guides the repetitive corrupt behavior of individuals. Thus, this literature review does not focus on the studies with the “bad apple” approaches (Ashforth et al., 2006: 672) that explain corruption in organizations with individual factors like greed. Instead, the focus of this study is the “bad barrel” approach (Ashforth et al., 2006: 673) where corruption is seen as a systemic result of structural factors.

Literature review first examines the two schools of thought which have prevailed and radically influenced the academic agenda of corruption since the 1960s: the revisionist schools (Leff 1964; Bayley 1966; Abueva 1966; Nye 1967; Dwivedi 1967; Huntington 1968; Scott 1969a) and the post-revisionist schools (Myrdal 1968; Alatas 1968; Caiden and Caiden, 1977; Klitgaard 1988; Alam 1989). Next to it, this section also analyzes the approach of the institutional economists (Rose-Ackerman 1975; Shleifey and Vishny 1993; Cartier-Bresson 1997; Ades and di Tella 1999; Bicchieri and Rovelli 1995; Mauro 1997; Robinson

1998; Aidt 2003; Lambsdorff 2007), and neo-patrimonial scholars (Bayart 1993; Medard 1986; Reno 1995), and provides examples of the recent interdisciplinary research related to the institutionalization of corruption. Finally, this section is concluded with the evaluation of the post-Soviet literature with respect to the study of institutionalization of corruption.

1.2.1 The Revisionist Approach

Prior to the 1960s, the academic approach to corruption had a “moralist” character (Leys 1965: 216). Scholars (see Shotwell 1921; Shaw 1944; Banfield 1958; Callards 1959; Wraith and Simpkins, 1963) study corruption in terms of social pathology and see corruption as a lack of individual character which is the reason for social, economic and political decay. For these scholars, the causes of corruption rest upon the evil motives of dishonest individuals. Corruption is condemned a-priori as an undesirable and harmful phenomenon. For these ‘moralists’, the moral and ethical framework of the political organization is the ultimate goal to which all other factors are subordinated (Ben-Dor 1974: 64; Caiden and Caiden 1977: 301; Deysine 1980: 451; Johnston 1986: 459).

In the 1960s, under the influence of the structural-functional schools and development studies in political science a new approach to corruption emerges, which is called “revisionist” (see Bayley, 1966; Abueva, 1966; Dwivedi, 1967; Scott, 1969a; Leff, 1964; Huntington, 1968; Nye, 1967; McMullan, 1961). Revisionists step away from the established moralist approach of

wholesale condemnation of corruption as a destructive and pathological phenomenon. For revisionists, certain kinds of corruption at different stages of development can be beneficial by serving different kinds of purposes (Ben-Dor, 1974: 64-65; Werner, 1983a: 146). Heidenheimer (1970: 480) distinguishes three different groups within the revisionists that will be discussed below.

First group of revisionists includes the researchers who are strongly influenced by the functionalist school of Merton. They argue that corruption fulfills positive functions; especially by contributing to the process of social integration (see Bayley, 1966; Abueva, 1966; Scott, 1969a). The positive effects of corruption on the social integration can be summarized in six points (Bayley, 1966: 729-730; Abueva, 1966: 537-538; Dwivedi, 1967: 251-253; Scott, 1969b: 322-325; McMullan, 1961: 196):

1. Corruption is a way to participate in decision-making, especially for those groups of people and persons who are in opposition to the government. Money can open the doors of the rigid, unresponsive bureaucracy that are otherwise closed to the people who dislike the government;

2. Corruption is a socially accepted way of influence in traditional societies. In transitional times, people have more trust in personal contacts who provide the corrupt act than in the institutional mechanisms;

3. Corruption may reduce the harshness of socio-economic development plans of the government. It opens opportunities to intervene into the implementation of such plans at the administrative level;

4. Corruption could be a solvent in the conflict of interests among politicians especially on the ground of ideology. Individuals and groups of individuals with different backgrounds (ethnicity, religion, language, tribe, etc.) and with different ideological views inside a dominant party can be united by corruption activities;

5. In developing countries there is often tension between the bureaucracy and politicians. The politicians usually claim that the civil servants run a closed corporation, while the bureaucrats accuse the politicians of drawing away the public attention and resources from essential tasks. Corruption may lessen this kind of tension between the politicians and the bureaucrats in these countries as they meet on the same ground of self-interest;

6. Corruption makes political parties more viable and effective in mobilizing the citizens for political participation.

TABLE 2. DEVELOPMENT OF PARTY LOYALTY TIES AND TYPES OF CORRUPTION (SCOTT, 1969A: 1146)

Phase A	Traditional patterns dominate in political relations. Material incentives are insignificant for cooperation except relationships among local leaders.
Phase B	In a period of fast socio-economic transformation, traditional patterns deteriorate. Traditional patterns require a high degree of reciprocity in the relationship. In the absence of such reciprocity cooperation is facilitated by material incentives.
Phase C	Socioeconomic development leads to the emergence of new loyalties. Incentives of political cooperation concentrated around policy and ideological issues.

Scott (1969a; 1969b), being one of the representatives of this first group of revisionists, analyzes corruption from a developmental perspective. Scott (1969a: 1145-1146) claims that with the development of party loyalty ties, the types of corruption also change (see Table 2). He identifies three stages of development of party loyalties ties and links the movement between the stages to the process of industrialization, where traditional patterns foster “more opportunistic modes of political expression” (Scott, 1969a: 1146). Scott (1969a: 1146) explains the transition from the Phase A to Phase B by the loss of the traditional deference patterns. In the USA, he links these changes to large-scale immigration, while in developing countries economic systems introduced by colonial regimes and elections are seen as central elements of this transformation. Movement from Phase B to Phase C is manifested by industrialization process that brings about new economic patterns and sociopolitical identification. Furthermore, Scott distinguishes four types of corruption with respect to four different patterns of loyalties (Table 3). He argues that in reality parties simultaneously

confront all the four patterns, but the “party will emphasize those inducements that are appropriate to the loyalty patterns among its clientele” (Scott, 1969a).

Like Bayley (1966: 731), Scott also considers corruption as a product of political and economic underdevelopment. However, he does not share the opinion of Bayley that total eliminating corruption may not be good. Scott argues that corruption could exist in fully industrialized societies, but only as an isolated element of traditionalism. In this vein, corruption is a result of narrow, particularistic demand in which parties could be involved in the short run (Scott, 1969a: 1145). Furthermore, Scott addresses corruption in the context of party loyalties and machine politics. By giving the different types of inducements, Scott fails to explain the causal evolutionary link among them. Scott (1969a: 1145) states different types of inducements with respect to the different stages of development of party loyalties but avoids the question of how the types of corruption change.

Second group of revisionists, led by Leff, claim that corruption is a regulatory

TABLE 3. NATURE OF LOYALTY AND TYPES OF CORRUPTION (SCOTT, 1969A: 1147)

Nature of Loyalties	Inducement
Traditional or charismatic orientation	Symbolic, non-material incentives
Community orientation such as local and ethnic groups	Communal incentives such as public works
Individual and small group orientation	Individual inducements such as material incentives, patronage, bribery
Occupational and class orientation	Sectoral incentives such as policy changes and legislation

market mechanism that serves positive functions. Leff (1964: 10-11) states five positive regulatory functions of corruption:

1. Corruption gives access to limited administrative resources that otherwise would be hard to get because of the rigid and inefficient bureaucracy;
2. Corruption reduces uncertainty and increases investment. Investment decisions take place in an environment of risk and uncertainty, and behavior of the government is one of these risks. Corruption gives the opportunity to investors to predict the behavior of the political environment. Thus, corruption can increase investment;
3. The potential innovator faces opposition from existing economic interests in developing countries. Therefore, innovation holders of economic interest could turn to the government for protection. In this case, corruption could give a chance for the innovator to introduce an innovation by bypassing these economic interests;
4. Corruption contributes to competition and efficiency between the economic actors. As the licenses and favors are limited, there is tough competition to get them. The highest bribe is the major criterion to get these limited resources. Leff (1964: 10-11) argues that in the long run, an entrepreneur with efficiency in production could have more savings and more chances to get administrative resources;
5. The government economic policies are not always well designed and are not always efficient. Corruption gives entrepreneurs the opportunity to stay aside or to minimize damage from the "bad economic policy."

Third groups of revisionists (also called the institutionalists) is represented by Samuel Huntington who argue the positive role of corruption in the process of modernization, and in particular, in the process of transition

from traditional to modern society. Like Scott (1969a; 1969b), they link corruption to the evolution of society in the sense of social and economic modernization. Corruption is seen as the remnant of traditionalism reflecting a lack of political institutionalization, an inherited function of praetorian societies as well as the logical result of the modernization process. Differences in the level of corruption across countries are considered as the reflection of differences in the level of political modernization (Huntington, 1968: 59).

For Huntington, modernization contributes to corruption in three ways. First, modernization changes the values and norms of the society. Corruption is considered as a product of public/private distinction. As a misuse of public power for private gain, the act of corruption requires strict separation between the public and private roles of the official. It would be impossible to define corruption when society does not differentiate the official's role as a head of the family and as a civil servant. In traditional societies, the distinction between public and private obligations of the official does not exist. Huntington argues that this public/private distinction comes with the process of modernization. The gradual acceptance of universalistic and achievement-based norms, the establishment of new individual and group identities, and diffusion of the idea of equal rights and obligations against the state are the central elements in the process of public/private distinction. Socially accepted nepotistic behavior becomes corrupt and unacceptable in the modernization process. Thus, corruption is "not so much the result of

the deviance of behavior from accepted norms as it is the deviance of norms from the established pattern of behavior” (Huntington, 1968: 59-61).

Second, Huntington claims that corruption becomes rampant during the most intense phases of modernization. Modernization creates new opportunities for corruption via new sources of authority and enrichment when the modern norms of public/private separation are not yet settled for the political establishment. Thus, corruption becomes a way for political groups to compete over the new resources, and a means for the political system to influence economic actors (Huntington, 1968: 61). Finally, modernization creates a source of corruption by expanding state authority and by letting government intervene in many areas of public life in developing countries. Furthermore, the corrupt government creates new sources of corruption by establishing laws that put some groups in a disadvantaged position (Huntington, 1968: 61-62).

According to Huntington, the interaction of corruption and modernization is mutually beneficial. Corruption is “a welcome lubricant easing the path to modernization” (Huntington, 1968: 69). Corruption has positive contributions to social, economic and political development in the modernization process (Huntington, 1968: 69). Huntington shares Bayley (1966), Scott (1969a) and Abueva’s (1966) opinion about the positive effect of corruption on social integration, especially by providing means for political groups not to be alienated from the government: “He who corrupts a system’s police officers is more likely to identify with the system than he who storms the system’s police

stations” (Huntington, 1968: 64). From the economic perspective, Huntington shares Leff’s (1967:10-11) point of view that corruption is a tool to bypass the heavy bureaucratic regulations that are obstacles to economic development. According to Huntington (1968: 69), “the only thing worse than a society with rigid, overcentralized, dishonest bureaucracy is one with a rigid, overcentralized, honest bureaucracy.” Corruption also stimulates the capital formation that may return to the economy as an investment. Furthermore, some types of corruption contribute to strengthening of political parties. Huntington (1968: 70) argues that “historically strong party organizations have been built either by revolution from below or by patronage from above.” Patronage as a mild form of corruption could support the consolidation of the party¹³.

Huntington (1968: 64) claims that the degree of corruption in the society during the modernization process mostly depends on three factors: cultural diversification, social stratification and transition characteristics of society (Table 4). In societies with competing cultures or value systems corruption is more intense, while in homogenous societies it is assumed to be less rampant. At the same time, societies with a high degree of social stratification tend to be more corrupt. Furthermore, Huntington (1968: 65) argues that during the modernization process societies with centralized bureaucratic systems are more corrupt than feudal systems. In this vein, the level of corruption in Islamic countries in the process of modernization is considered to be higher than in India.

13 Kopecky and Spirova (2011: 906) argue that party patronage is a necessary condition for corruption, but it does not always imply corruption. Party can utilize patronage as a legal tool to control policymaking and its implementation process. In fact, party appointments are necessary for parties to realize their policy agenda and fulfill promises to their constituencies.

TABLE 4. MODERNIZATION AND EVOLUTION OF CORRUPTION (HUNTINGTON, 1968)

Stages of Development	Characteristics of Corruption	Degree of Corruption
Traditional Society	Distinction between public and private spheres is absent. Incumbent is obliged to use entrusted power for enrichment of his family members.	Corruption is an inherent element of the traditional system. Some appropriate degree of corruption usually exists in the system.
Modernization Process	Modernization leads to the gradual evolution of public/private distinction. Traditional norms appear as intolerable and corrupt.	Corruption is rampant. Especially, in modernizing multicultural and centralized bureaucratic societies.
Modernity	Establishment of public/private distinction and modern norms undermines the conditions of existence of corruption. However, the imperfection of political institutions creates some opportunities for corruption.	Corruption is rare.

Like Scott (1969a), Huntington also analyzes corruption from a developmental perspective. This is mostly related to the nature of the modernization as a framework of analysis. And he goes even further as to not only giving a description of the corruption system at each stage of modernization, but he attempts to explain why corruption evolves. For Huntington, the starting point of the analysis of corruption is the traditional society where the public/private distinction does not exist, and, therefore, corruption as a use of public power for private gain is legitimate and acceptable. As modernization gradually brings the public/private distinction to the society, corruption evolves as an unacceptable and illegal element of the system. Evolution of corruption is not unilateral. It evolves together with modernization.

Corruption becomes rampant and intense at this stage due to the fertile conditions created by modernization. At the same time, corruption has positive economic, political and social effects on these transitions. Modernization brings the gradual establishment of political and socio-economic institutions which undermine the conditions favorable for corruption. In this sense, corruption for Huntington is a self-deteriorating element. According to the evolution model of Huntington, corruption should ideally disappear with the establishment of modernity. But because corruption is the result of weaknesses in political institutions, in reality, it will always exist as there is no perfect organization.

Unlike other revisionists, Huntington (1968: 66) not only explains the evolution of corruption with respect to the stages

of modernization but he also pays attention to the evolution of corruption forms within the stages. Huntington states that many forms of corruption represent the exchange of political favor for economic gain. The existence of either political favor or economic gain depends on the ease of access to either of the two. In a society with great economic opportunities and scarce political positions, economic means are normally used to have access to political power. In the modern history of the USA, economic wealth is mostly used to get political power. However, the opposite situation is commonplace in developing countries. Because traditional norms impose limited economic opportunities (economic monopolies controlled by clans, domination of foreign investment, etc.), politics facilitates the economic welfare. Huntington claims that in developing societies, the talented people who fail in business due to the economic limitations can still become rich through bureaucracy. As a result, the widespread use of the public office for private gain in modernizing societies could be accepted as normal. At the beginning of the modernization process, political influence over the economic wealth is prevalent, while with the establishment of modern norms, it frees room for the influence of the economic wealth over the political processes (Huntington, 1968).

The contribution of the revisionists to the literature of the institutionalization of corruption could be summarized in four points. First, the evolution of corruption for the revisionists is pre-determined. Corruption is considered to be an element of political and economic underdevelopment (Bayley, 1966: 731), the inherent function for traditional societies (Huntington, 1968:

59). From a developmental perspective, corruption would wane or disappear with the establishment of modern economy and society. For Huntington (1968: 71), corruption undermines its own existence as soon as its role as the catalyst in the process of modernization is finished. For Scott (1969a: 1145) and Bayley (1966: 731), corruption could exist in industrialized societies, but only as an isolated element of traditionalism. Thus, the evolution of corruption for the revisionists is determined as diminishing over time¹⁴.

Second, modernization scholars focus on functional aspects of corruption, but do not look at the actual corruption system. Corruption is an element of a traditional system which fulfills positive or negative economic, political and social functions (Bayley, 1966: 729-730; Abueva, 1966: 537-538; Scott, 1969b: 322-325; Leff, 1964: 10-11; Huntington, 1968: 69; Nye, 1967: 419-421). The corruption system itself is not the focus of research. Its structure and internal mechanisms are not investigated by the revisionists. This is mostly related to the absence of empirical explanations and the high level of generalization (Ben-Dor, 1974: 67) of revisionists' works. Even the presented case studies¹⁵ have a historical and descriptive character rather than an explanatory one.

Third, despite the fact that some authors like Huntington (1968) and Scott (1969a) try to link the stages of traditional/modern transformation to the dynamics of corruption, genesis of changes in the nature of corruption remains unexplored. Scott (1969a: 1146) states different types of inducement with respect to different stages of development of party loyalty ties, but

¹⁴ Bayley (1966: 731) claims that reducing "all vestiges of corruption may not be good thing" as it serves function to eliminate the venality in the government.

¹⁵ Cases of the USA, Thailand, Philippines by Scott (1969a), case of India by Bayley (1966), cases of the USA, Great Britain, Nigeria, Brazil etc. by Huntington (1968).

he does not explain how the types of corruption change. The same situation is with Huntington's explanations. He appoints the appropriate form and degree for each stage of modernization and explains the relationship between corruption and the appropriate stage of modernization. However, the evolutionary links between corruption forms in different stages are not explored. The reason is that the revisionists consider corruption as a dependent variable of development. Analytical evolutionary links are constructed only between central (independent) variables, and other elements of the system, such as corruption, are explained as stemming from these variables¹⁶.

Fourth, modernization scholars do not differentiate individual and systemic corruption (Caiden and Caiden, 1977: 301; Alam 1989: 441). In their analysis, corruption is considered in individual terms. Corruption is a norm in the public office under systemic corruption, and this kind of 'norm' cannot be referred to as corruption because this organization exercises public power according to the traditional practice which accepts and promotes corrupt behavior. Modernization scholars neglect the existence of organizations with systemic corruption in modern countries where corrupt behavior is so institutionalized that wrong-doing becomes a norm and, in contrast with the traditional society, corruption does not support the goals of the organization.

1.2.2 Post-Revisionist Approach

The 1970s witness big political scandals in the Western countries in the field of corruption¹⁷ (Watergate Scandal

in the USA (see Kutler, 1992), Arms Trade Scandal in Great Britain (see Gilby, 2005), Oil Scandal in Italy (see Bull and Rhode, 1997), Lockheed Bribery Scandals involving the USA, Germany, the Netherlands, Italy, Japan (see Lockheed Bribery, 1975)). These scandals demonstrate that corruption was not the problem of the patrimonial bureaucracy only, and it was not created by the still "functional" traditional elements. It exists in developed countries and even flourishes in some cases (Iga and Auerbach, 1977: 556). These events trigger academic drift in the corruption literature. Vast amount of research is carried out on corruption in developed countries. The new literature, named the post-revisionist¹⁸ literature is built upon the critics of the revisionists on three points: a) Corruption is not a traditional society's phenomenon only, it is also inherent to modern organizations; b) Corruption is not a self-destructive element. Economic, social, political development and maturation do not reduce corruption; c) Positive functions of corruption have an incidental character. In general, corruption is detrimental to the economic, political and social development.

Moreover, in the developed countries it may be subtle, more sophisticated and more institutionalized (Ben-Dor, 1974: 68-70). In this regard, the post-revisionists criticize the assumption of the revisionists that corruption would wane or disappear with the establishment of modern society (Ben-Dor, 1974: 78; Werner 1983a: 148). The post-revisionists claim that rather than being a mere transitory stage, corruption in developing countries is an independent process that may stimulate conditions of its own development

¹⁶ For the revisionists it is the economic, political and social development.

¹⁷ In the USA between 1970 and 1976 "the number of public officials indicted annually on federal corruption charges increased more than five times, from 63 to 337" (Sherman, 1978: xvi).

¹⁸ Some scholars refer to them as the post-functionalists (see Werner, 1983a: 147).

(Goodman, 1974: 147). Corruption has a self-perpetuating nature. It creates conditions for self-existence. It blocks organizational reforms and fosters more corruption. For Werner (1983a: 149), this feature of corruption is a “spillover effect.” Furthermore, for the revisionists corruption undermines its own existence in the process of development, and has a self-destructive nature. They do not propose any anti-corruption strategies. In contrast, the post-revisionists give special attention to combating corruption along with denying the functional nature of corruption (Werner, 1983a: 151).

The post-revisionists argue that corruption is dysfunctional and socially harmful (Caiden, 1979: 295; Alam, 1989: 448-452). Revisionists’ assumptions about the contribution of corruption to the economic development are considered to be unconvincing, and, at best, having an incidental character. Furthermore, “beyond a certain threshold even these incidental benefits seem to be lacking” (Ben-Dor, 1974: 71). Corruption provides strong obstacles, and it is highly detrimental to development (Myrdal, 1968: 951-952; Benson, 1978: 209-211; Werner 1983b: 638).

The post-revisionists argue that even in case of functional perspectives of corruption the legitimate alternative way of fulfilling these functions, in the long run, outweigh the benefits of functional corruption (Caiden, 1979: 295). Corruption manifests itself in the economic, political and social dysfunctions such as reducing economic development, discouraging political participation, creating impediments to social integration (Goodman, 1974: 147-148). Correlation between development and corruption

intensity is possible. However, it does not imply the existence of causality between them. Furthermore, it is still under question which one of these two variables is dependent/independent (Caiden and Caiden, 1977: 305).

At the same time, the post-revisionists become more moralistic than the revisionists (Lilla, 1981: 9). As a critical revisionist, Tilman (1968: 443) warns that “our writings on corruption become more numerous, more amoral.” The immoral aspect of the revisionist approach is the philosophy of justification of corruption as a positive lubricant of socioeconomic and political development. Alatas (1990: 161) states that “one consequence of such an amoral approach to social analysis is to make crime and corruption more acceptable, despite any vigorous protest from the author.”

Caiden and Caiden (1977: 301) state that one of the most important misconceptions of revisionists is that “they still think of corrupt behavior in individual terms without recognizing the existence of systemic corruption.” Definitions of corruption that revisionists offer reflect individual corruption¹⁹. Cases of systemic corruption are considered as a characteristic of traditional organization where traditional norms legitimize corrupt behavior, and thus they are not considered as corrupt acts. According to Huntington (1968: 60), “the distinction between the private purse and public expenditures only gradually evolved in Western Europe at the beginning of the modern period.” In other words, before this transformation that emerged at the time of the French revolution, corruption did not yet exist (Caiden and Caiden, 1977: 304). However, the post-revisionists argue that corruption was

19 The most famous definitions of corruption are given by Nye (1967: 419) as a “behavior which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains”, and by Huntington (1968: 59) as a “behavior of public officials which deviates from accepted norms in order to serve private ends”.

recognized already from the ancient times (Mauryan India, Athenian city-states, republican Rome and others, see Alatas, 1990). Even in Europe, despite the fact that corruption was used as a tool to serve the need of the crown, medieval monarchies established some strategies to combat corruption (Caiden and Caiden, 1977: 305). Throughout history, corruption had been regarded as a norm or as an exception from the norm. However, the functionality or acceptance of corruption in any regime does not put the existence of corruption under question, “rather it assumes a different form that of systemic as opposed to individual corruption” (Caiden and Caiden, 1977: 304).

Caiden and Caiden (1977: 306) define systemic corruption as “a situation where wrong-doing has become the norm, and the standard accepted behavior necessary to accomplish organizational goals according to notions of public responsibility and trust has become the exception, not the rule.” The main point which makes corruption systemic is the displacement of organizational (public) goals by particularized benefits for privileged individuals or groups of individuals. In systemic corruption, “the organization professes an external code of ethics which is contradicted by internal practice” (Caiden and Caiden, 1977: 306). These internal corrupt practices stimulate violation of the external code. The followers of the corrupt practices are supported, motivated, and protected, while the non-violators and whistle-blowers are penalized, intimidated and terrorized. Over time, corrupt practices rationalize and institutionalize. Unlike individual corruption, revealing and eliminating corrupt individuals does not guarantee the elimination of corruption

in the organization. Moreover, old internal practices will continue with the new players. These new actors will take into consideration the faults of the predecessors and will organize more rationalized practices of corruption (Caiden and Caiden, 1977: 307).

Sherman (1978), who is one of the early scholars writing about institutionalized corruption, also draws a line between systemic and individual corruption stemming from the change in organizational goals. Like for Huntington (1968: 59), for Sherman, corruption is also a deviant behavior from the accepted norms. From an organizational perspective, he distinguishes two types of deviance, namely, organizational deviance and individual deviance: “Deviance committed by an organization is a collective rule-breaking action that helps achieve organizational goals. Deviance committed in an organization is individual, or collective rule-breaking action that does not help to achieve organizational goals or that is harmful to those goals” (Sherman, 1978: 4). The author argues that organizations become deviant in two ways: first, by accepting organizational goals that are deviant from the societal norms; second, by using means that are not approved socially in order to achieve the legitimate organizational goals (Sherman, 1978: 7). Both ways of becoming deviant give rise to corrupt behavior, but they differ in the sources of deviance. Sherman (1978) shows that four police departments in his study were deviant organizations in which corrupt goals replaced official goals. These departments became corrupt in two different ways. So, the Oakland, Newburgh, and Central City police departments adopted corrupt goals as a result of capture by the

political environment. In contrast, in the New York police department, intra-organizational factors, such as motivation of the police officers to exploit the organizational resources for personal benefit, played crucial role in the subversion of organizational goals (Sherman, 1978: 32).

Sherman (1978: 45) argues that corrupt police departments maintain informal corruption rules. The purpose of these rules is “to minimize the chance of external control being mobilized against the department”. At the same time, social control influences the organization of police corruption. Instead of measuring the level of corruption, Sherman maps the scale that shows to which extent corruption is organized in the police departments before and after the mobilization of social control. He assumes that in post-scandal period, the level of organizational corruption will decline only in the short term unless “there is an internal system of social control using premonitory methods” (Sherman, 1978: 56).

In contrast to the revisionists who claimed that corruption has a self-destructive nature, the post-revisionists, such as Werner (1983a: 149), argue that corruption “feeds upon itself” and “more corruption is fostered as a remedy to existing corruption.” Such dynamic mechanism of corruption has a spillover effect. According to Werner (1983a: 149), there are three different mechanisms of the spillover effect: leader-follower spillover, dimensional spillover and institutional spillover. The leader-follower corruption spillover mechanism is initiated by the corruptive behavior of the leaders. Corruption of the leaders affects the “trust, loyalty, and personal integrity

of their followers” (Werner, 1983a: 149), and they start to act in a corruptive way. The diffusion of corruption in the leader-follower spillover has an osmotic manner that is reflected in three distinct manifestations. First, the leader holds the decision of monopoly on moral assessments inside the organization. Only he defines the differences between honest and dishonest graft. Second, the leader legitimizes the idea that under certain conditions a violation of the rules is inevitable, and it is normal to be a part of the ‘corruption engine’ for the sake of organization. Third, the leader legitimizes the corrupt behavior after corruption is widespread. Corrupt leaders “will blame the system rather than find guilt in themselves” (Werner, 1983a: 150).

To explain the dimensional spillover effect of corruption, Werner (1983a: 150) uses Heidenheimer’s classification of corruption. Werner argues that corruption may change dimensions, and these processes create the spillover effect supporting the self-perpetuating mechanism. In the beginning, there is a tolerable attitude to white corruption²⁰, both, by the public and by public officials. This attitude makes corruption widespread and prevalent. In this regard, trivialization and rationalization are manifested as self-perpetuating mechanisms of white corruption. With the rationalization (public tolerance and widespread character), white corruption is regarded as being innocuous and thus, becomes “legitimate.” Werner argues that this “legitimate” nature of white corruption contributes to the legitimization of gray and black corruption. This transitional process from one dimension of corruption of to the other constitutes the dimensional spillover effect.

20 Heidenheimer (1970: 26-28) distinguishes three dimensions of corruption on the ground of tolerance and evaluation of corrupt practices: black, grey and white corruption. Black corruption indicates that the corrupt act is condemned by both, the elites and the ordinary people, and it is expected to be punished in line with the legislation/ values of that society. Gray corruption indicates that some actors (the elite or common people) condemn the corrupt act and want it to be punished, while others do not. In case of white corruption, both, the elites and the ordinary citizens, are tolerant to corrupt behavior and do not want the act to be punished.

Werner (1983a: 150) claims that effective institutional corruption reproduces itself. The definition of institutional corruption involves corrupt behavior patterns of the organization and the groups within the organization. On the organizational level, if company A permanently uses corruption to win contracts from the ministry, and the company B keeps on losing, then the company B tends to or is compelled to use corruption to win contracts too. This kind of the institutional spillover effect of corruption may establish an informal coalition of corrupt politicians, businessmen and public servants. It may also involve different structures such as family and school.

Like Caiden and Caiden (1977), Werner (1983a: 151) also claims that the revisionists address corruption only in individual terms. For him, systemic corruption creates impediments for administrative reforms and, thus, introduces appropriate ground for the spillover effect. Furthermore, the “ultimate dysfunction of corruption” is manifested under systemic corruption. Legal codes of conduct are replaced by corrupt codes, and “institutionalization of corruption will become a modus operandi for subsequent organizational goals” (Werner, 1983a: 151). Under these circumstances, corruption manifests itself as the actual political and administrative order. Eliminated corrupt officials are replaced by equally or even more corrupt officials.

Werner (1983b: 638) argues that patterns of corruption change in response to the changing political, economic and social factors. In case of Israel, where he conducts his work, if ‘kol Yisrael chaverim’ (all Israelis are

friends) facilitated the elimination of corruption in the bureaucracy under the Ottoman rule, it would have eventually brought about a new form of corruption known as ‘protekzia’ (see Table 5). The relationship of corruption and political and socioeconomic factors is reciprocal. Corruption influences and changes political and socioeconomic situation and vice versa. In this vein, corruption demonstrates a dynamic mechanism of survival by spilling over and perpetuating itself. In case of Israel, “institutionalization of white bureaucratic corruption not only created an environment in which more serious types of corruption developed but also blocked the process of bureaucratization” (Werner, 1983b: 638). Werner (1983b: 638) claims that corruption is in equilibrium and cannot be eliminated, but it can only be changed in nature. Goodman (1974: 147) also tested the revisionist’s thesis with respect to the evolution of corruption in a case study of the state of Yucatan, Mexico. He claims that instead of stimulating the replacement of particularistic norms by more universalistic norms²¹, corruption in modernizing Yucatan reinforced the old traditional behaviors. One successful act of corruption gives incentive to commit another one. Alatas (1968: 52-54) argues that “corruption, like a parasitic plant, will creep around any suitable firmament serving its purpose.” The gift giving institution is a brilliant example for this. Giving presents was part of the traditional administration in Vietnam, and it substantially differed from corruption in several ways. It was not done in secrecy, and it did not involve violation of public rules. However, after French colonialization, gift giving, which was previously voluntary in its nature, turned

²¹ This thesis is introduced by Huntington (1968).

into an obligation. The governors began to regulate the size of the gift for each service. Alatas (1968: 55) concludes that any traditional institution risks to become corrupt when corrupt regime rules the society.

The contribution of the post-revisionists to the literature on the institutionalization of corruption can be summarized in three points. First, the post-revisionists introduced the definition of systemic corruption (Caiden and Caiden, 1977: 301; Alam 1989: 441). Before that, corruption was only considered in individual terms and not as a part of the system (revisionists' approach). Caiden and Caiden (1977: 306) define systemic corruption as a situation where organizational (public) goals are replaced by "particularized benefits for privileged individuals or groups."

Second, the thesis about the positive effects of corruption on development triggered the post-revisionists to begin examining corruption in a dynamic perspective. And soon they revealed that corruption elements (types, forms, actors, etc.) change qualitatively within the system over a certain period of time (Alatas 1968: 52-54; Werner 1983b: 638; Goodman 1974: 147). Thus, the evolution of corruption is first introduced by the post-revisionists. Werner (1983b: 638) analyzes the development of corruption in Israel from the mid of XIX century (embryonic corruption) till the beginning of the 1980s (maturation of corruption) and comes to conclusion that under the influence of changing environmental factors such as socioeconomic, cultural and political factors, corruption changes its character (see Table 5). Werner (1983b: 638) concludes that complete eradication of corruption cannot be

achieved. We can control corruption through alternations in its nature.

Third, the post-revisionists give special attention to the informal side of the organization that practices corruption rules. Sherman (1978: 45) argues that corrupt police departments are socially organized in relation to a number of informal rules regarding corruption. The purpose of these rules is to minimize the probability of external control. For example, the rules about dividing money gathered as a result of corruption minimize the frictions between the actors of the corruption network and lower the risk of having discontented individuals who mobilize external control. However, the early post-revisionist analyses of the institutionalization of corruption are limited to the theoretical assumptions, and lack empirical research.

1.2.3 Neo-Patrimonial Approach

The 1980s gave birth to another approach to corruption - neo-patrimonialism²², aimed to address the weaknesses of the revisionist analysis and to offer a fresh look at systemic corruption in developing countries, as well as in Western bureaucracies. First, despite the fact that both the revisionists and the neo-patrimonial scholars agree that traditional elements cause corruption in modern bureaucracies, the main focus of the revisionists is the formal institutions, rather than the informal ones. While the revisionists see corruption as a deviance from the formal rules²³, for the neo-patrimonial scholars, corruption is a rule of the game hidden in the informal norms and relations. In this vein, the neo-patrimonial school challenges the traditional political science perspective on the formal institution (Andvig and

²² It is claimed that the term 'neo-patrimonialism' as a form of traditional domination was first used by Eisenstadt (1973). (Erdmann and Engel, 2006: 8)

²³ One of the major contributions of the revisionists is the public office based definition of corruption as an abuse of the public office (entrusted power) for private gain which is considered as transformation of Nye's (1967: 419) definition. The public office based definition limits corruption to the normative framework of the public office that emerged in Western Europe in the last three centuries. It is based on the assumption that public and private life of the official exists in two separate domains where interactions between these domains are strictly regulated. By attaching corruption to the emergence of the public office the revisionists miss an obvious component of Weber's theory of domination, especially the traditional organizational framework where even a notion of public is not established. This makes the public office definitions of corruption significantly weak to apply, on the one hand, to the historical research, and on the other hand, to the modern cases; particularly where the traditional and legal-rational elements coexist together.

TABLE 5. EVOLUTION OF CORRUPTION IN ISRAEL (WERNER, 1983B)

Life-cycle of Corruption	Time Period	Main Types of Corruption	Evolution of Corruption
Embryonic Corruption	Under the Ottoman rule (middle of the XIX century - 1917)	Nepotism and baksheesh	Corruption was part of the daily life of the Ottoman bureaucracy, but it was rare among new Zionist immigrants who mostly lived in poverty.
	Under the rule of British Governments of Palestine (1922-1948)	Limited petty corruption and some elements of political clientelism	Changing political environment in the 1930s brought about elements of political clientelism, known as 'protekzia'. The new capitalist class employed clientelism for political influence and rent-seeking. Nevertheless, it remained limited to the party machinery, and it was not practiced in government organizations.
Development of Corruption	Independence and the Six Day War (1948-1967)	Clientelism, petty corruption, embezzlement	Political clientelism rapidly extended with the immigration of more than one million Eastern Jews with low education level and strong kinship ties. Votes of the immigrants were exchanged to the political support. Furthermore, the introduction of new egalitarian salary system in 1964 facilitated the rationalization of petty corruption in the bureaucracy.
Maturation of Corruption	From the Six Day War to the beginning of the 1980s (1967-1983)	Bribe, clientelism, embezzlement, rent seeking, etc.	In the absence of regular material support, political clientelism ties were mostly maintained by bribery. Increased inappropriateness of salary to the status, rank, and inflation facilitated bureaucratic corruption which in the 1970s became widespread and rampant.

Fjeldstad 2001: 39-40). Second, the neo-patrimonial scholars introduce empirical tools to study and explain systemic corruption cases by informal networks and structures, while, as it is discussed earlier (see Section 1.1.2), the revisionists think of corruption "in individual terms without recognizing the existence of systemic corruption" (Caiden and Caiden, 1977: 301).

The theoretical difference between the revisionists and the neo-patrimonial approaches is rooted in Weber's sociology of authority. Rubinstein and Maravic (2010: 34-35) distinguish two corruption explanations based on the ideal types of authority. Under the rational-legal domination, corruption is considered as the misuse of the public office for private gain (public-office based approach). In societies characterized by traditional domination, corruption is considered as an inherent feature of the political organization and manifested in the strategy of the patrimonial leader in distributing rewards to his loyalties via different corruption channels (favoritism-based approach)²⁴. On the one hand, corruption under traditional domination is an inevitable element of a political organization. On the other hand, in pure bureaucracy, corruption does not exist. Cases of corruption that still exist in pure bureaucracy can be explained by having an imperfect bureaucracy (not fully rationalized) where elements of irrationality still exist (Rubinstein and Maravic, 2010: 35).

Thus, the neo-patrimonial scholars (see Medard 1986; Bayart 1993; Reno 1995) mainly focus on the informal aspects of the political system and emphasize the role of hidden patrimonial relations behind corruption. The main feature

of the neo-patrimonial system is that it supposes that there is a very small distinction between public and private, and there is subsequent dysfunctionality of formal rules and institutions. Personal relations become the basis of the political system. Bayart (1993, 2009) studies the informal clientelist networks between the economic and political actors in the African countries. These clientelist networks control a wide range of activities: military operations, legal and illegal businesses, political sphere, family and tribal relations, and routine government affairs. In this vein, a bribe is an internal economic transfer within the network. According to Bayart (2009: 102), this criminalization of the state serves as an incubator for the dominant classes. Therefore, the author claims that corruption is not just coincidence or deviation from the established norms, but is a systemic part of the fabric of the state. Many officials try to involve family members and relatives in different activities related to the state apparatus, either directly or indirectly. And this is done not only because their own position at the office is not secure. This process of reciprocal assimilation of elites (Bayart 2009: 150) undermines the public/private distinction and creates obstacles in the way of its establishment at the public office (Andvig and Fjeldstad, 2001: 17).

In the case study on Sierra Leone, Reno (1995) claims that the anti-corruption policies of international organizations failed in the country, because the reforms did not consider the actual dynamics of power in the government. Being focused on formal institutions, they were not able to see the real informal network behind the office. The Shadow state in Sierra Leone blocked any economic reform which somehow

24 For Weber (1974: 245), "bureaucratic and patriarchal structures are antagonistic in many ways" and in the sense of corruption, too. In patrimonial authority "side by side with the system there is a realm of free arbitrariness and favor of the lord, who in principle judges only in terms of 'personal', not 'functional', relations. In this sense, traditionalist authority is irrational." (Weber, 1974: 296) It means that, corruption is also an element of irrationality, because it refers to the personal. This irrationality is substituted by rationality in the process of bureaucratization or rationalization (Weber, 1974: 245). Thus, in the bureaucratic structures irrationality, and with that corruption, disappears.

clashed with the interests of the network and strengthened the informal network relations. Therefore, the persistence of the corruption in the country was linked to its functionality for the elites and dominant groups (Reno 1995: 157). Another neo-patrimonial scholar, Médard (1991) claims that in Africa the widespread corruption feeds upon neo-patrimonialism and clientelism which is mainly related to the lack of distinction between the public and the private. So, in contrast to Africa, in Europe, the establishment of the legal-rational bureaucracy followed the patrimonial rule. While in Africa the imported bureaucratic models were patrimonialized by its agents. The formal existence of a public/private distinction was not reflected in the daily life for the reason that it contradicted their cultural norms (Andvig and Fjeldstad, 2001: 19-20).

1.2.4 Economic Approach

Following the Cold War, the academic interest for corruption increased. On the one hand, globalization and the internationalization of business opened new prospects for corruption (Nichols 1999: 272-274), which triggered increased involvement of multinational corporations in anti-corruption campaigns (Schmidt, 2007). On the other hand, the new corruption “boom” in post-Soviet countries drew a lot of attention.

Companies like BP, ESSO, Mobil, Shell and Statoil for the first time initiated special programs related to corruption (Alai 2000: 903-904). In parallel to this, corruption appeared at the top of the agenda of international organizations. The World Bank (1997) declared anti-corruption as one of the main pillars of

the institutional capacity of the state, while UNDP (1997) proclaimed corruption as the main danger to the fabric of public life. A lot of research was conducted with the cross-country analyses, and subjective indices were introduced to assess countries’ risk and then sold to multinational corporations (Noor 2009: 92). Moreover, in May 1993 Transparency International (TI), the first international non-governmental organization directly related to corruption, was found (Bull and Newell, 1997: 171).

The corruption discourse of the 90s has three distinctive characteristics. First, the corruption agenda is dominated by economists who ignore the moral facet of corruption and focus on the economic causes/consequences of the phenomenon. However, this amoral economic approach to corruption repudiates the revisionist thesis of positive corruption (Alai 2000: 904).

Second, an enormous amount of empirical studies is introduced. The post revisionist literature suffered from a shortage of empirical studies and had a large quantity of the descriptive works (Werner, 1983a: 152; Alam 1989: 443). Within a decade, research on corruption evolves from general theoretical surveys to detailed empirical analysis conducted with the help of the newly developed sophisticated techniques. At the same time, the field of corruption becomes more policy oriented and responsive to the needs of donors and governments (Williams 1999: 503; Doig and McIvor 1999: 657). Third, till the last decade of the century, the study of corruption has been a marginal part of the discipline of political science. With the development of the field in the 1990s, corruption becomes an integrated part of the discipline (Meny and Rhodes 1997: 96).

The revisionists' position is supported by some economists until the end of the 1980s. Lui (1986: 215) argues that corruption improves social efficiency as a bureaucrat may try to get more bribes by accelerating the administrative process. He particularly claims that "under some circumstances, there seems to be no need to prohibit corruption" (Lui 1986: 215).

Within the post-revisionist school, the first serious economic studies of corruption are conducted by Rose-Ackerman (1975, 1978) who was among the pioneers using the agency model to analyze bureaucratic corruption. The model distinguishes organizational roles of a principal and an agent: the principal represents the authority, and the agent fulfills his public task for the principal according to the contract and has a range of incentives (salary, social status, etc.) to do his job. From this perspective, "corruption occurs when an agent betrays the principal's interest in pursuit of their own" (Klitgaard 1990: 24). In her agency-principal model, Rose-Ackerman (1978: 17-24) assumes that corruption exists in a world of information asymmetry. In the model, legislators pursue their interest of being re-elected and their interest to increase their income. The voters who have complete information will direct the legislators to carry out their promises, or otherwise they will vote down the legislators for their corrupt behavior. Rose-Ackerman (1978: 34-84) develops the model based on the condition that the voters possess imperfect information, while some voters have a chance to buy votes. This situation creates favourable environment for corruption. Legislators will compensate the reduced chances for re-election with

the income from corrupt behavior. In her later work, Rose-Ackerman (1999: 127-142) uses the agency model to analyze corruption behavior in the democratic circumstances. Political institutions in the democratic systems, especially parties, and the way of financing of campaigns play a crucial role to control grand corruption. According to Rose-Ackerman, there are three determinants of corruption: first, "narrowly focused favors available for distribution"; second, "the ability of wealthy groups to obtain these benefits legally"; and third, "the temporal stability of political alliances" (Rose-Ackerman 1999: 132). In general, the principal-agency model assumes that corruption influences the incentives and constraints of the governors and explores the influence of these incentives on their decisions (Shleifer and Vishny, 1993: 3). The agency-principal model usually is used in the situation of information asymmetry where the principal does not have complete information about the action of the agent. In order to lead the agent to a desired way of action, the principal should establish a set of incentives to motivate the agent (Jain 2001: 86).

As the public organizations interact with their environment (economy, society, etc.), the number and characteristics of the actors involved in the corrupt act also change. A lot of versions of the principal-agent model have been developed in the 1990s. For instance, Groenendijk (1997: 207-229) introduces the revised principal-agent model within the neo-institutional economics. In this approach corruption is defined as a type of non-co-operative behavior by the agent in relation to the principal. The corruption potential emerges from the conditions where the utility of any

given task for the principal may fail to coincide with its utility for the agent. In this model, the fulfillment of principal's tasks is not determined by the agent's behavior but only affected by him. While the principals bear the costs of control of agents' actions, the agents incur the costs related to the anonymity of the corrupt act. Furthermore, the model introduces the second principal of who can influence the costs and benefits of the agent and offer subversion of the goals of the first principal for the sake of the second principal's goals. This design allows the principal-agent model to be applied to political corruption where the voters are considered as the first principal and any given individuals or groups as the second principal vis-a-vis politicians (Bull and Newell, 1997: 178).

The principal-agent model stems from the position of a benevolent principal who has full control over the legal framework. However, especially in the cases of the systemic corruption in developing countries demonstrate that the principal himself is not immune to corruption. In case the principal is

not benevolent, the principal-agent model may fail. Thus, the model of rent-seeking or resource allocation has been introduced by the economists (Lambsdorff 2002: 98). This model introduces economic incentives into the principal-agent model: as long as individuals are not thoroughly supervised and controlled they tend to maximize their self-interest and tend to engage in corrupt activities (Deysine, 1980: 451; Williams 1999: 508). The model views corruption as a form of rent-seeking activity. Corruption is a special means by which private actors pursue their interests in competition. It is a way to avoid market regulations and manipulate the policies to their own advantage. Corruption differs from other forms of rent-seeking by reference to the law. Corruption is an illegal activity while other forms of rent-seeking are not prohibited by law. Furthermore, corruption is a hidden transaction, while transactions in other forms of rent-seeking are open to observation by the competitors and the public (Lambsdorff 2002: 104).

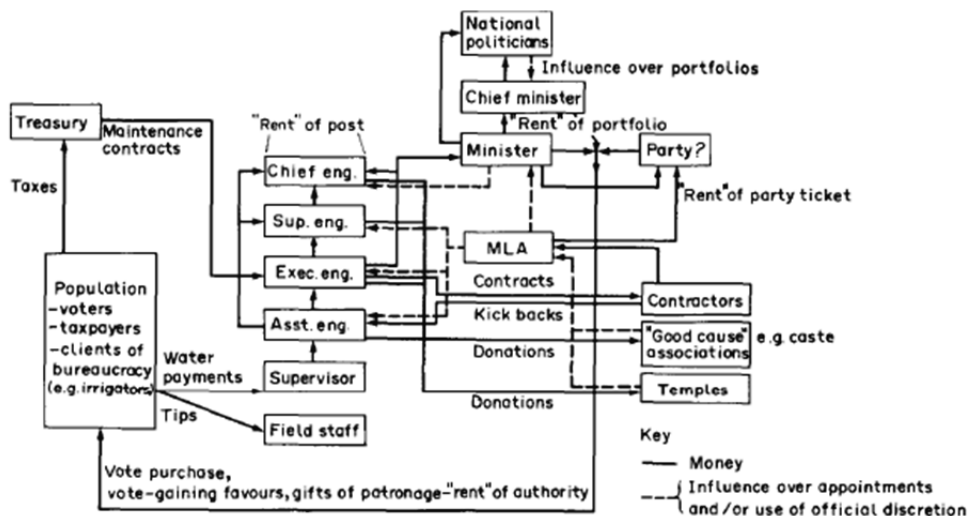


FIGURE 2. THE FLOW OF MONEY, POSTS, VOTES AND INFLUENCE IN THE TRANSFER MODEL (WADE, 1985: 485)

When analyzing the institutionalization of corruption, some economists point out the importance of institutionalized corruption structures. Robert Wade (1985), within a simple transfer model, demonstrates how corruption is organized hierarchically in the irrigation agency in one Indian state. The author (Wade 1985: 468) introduces a model where alongside with modern bureaucracy, positions are sold, the corrupt officials are not punished, and the electorate is guided by short-term material interest. Based on this model, Wade (1985: 485) presents empirical evidence using the example of the water irrigation system (see Figure 2). As demonstrated in Figure 2, the bureaucrats demand bribes from the villagers, but to get the position where they can ask for bribes, they need to give payoffs to the superior. This structure of corruption involves local politicians who have influence over bureaucratic positions. They, in turn, need this corrupted money to support election campaigns.

One of the most influential articles in the economic literature about institutionalized corruption structures is the article by Shleifer and Vishny's (1993). In the framework of their research of industrial organization of corruption, they introduce a model which contributes to understanding of systemic corruption, especially in communist regimes. The central thesis of the study is that corruption in the mid of the 1990s is much less organized than in the Soviet period, and it is, therefore, more detrimental to economic development. In line with this reasoning, Shleifer and Vishny (1993: 9) differentiate two systems that define different types of corruption- system with independent

monopolists and system with a single monopolist. In Soviet Russia, the local party organizations played a central role in channeling bribery. Party bureaucracy punished violations of the defined pattern of corruption. The bribe-payer got rights over the government goods and services. In contrast, in Russia in 1991, to start a business in many cases an entrepreneur needed to bribe various independent monopolists such as local executive office, ministry and other institutions that were formally involved in the set up of a new company.

Shleifer and Vishny (1993: 13) claim that the organizational structure perspective on corruption gives a chance to define the level of corruption across countries and brings into the spotlight the question about the factors that determine organizational structure in different corruption systems. The authors (1993: 13) argue, for instance, that in states with effective monitoring machine, small oligarchies and homogeneous society, the existence of joint bribe maximization is more probable than in states that have a more transparent and heterogeneous society. In this case, leadership's capacity to punish the officials who get unsanctioned bribes is crucial. For example, the failure to punish the officials in the regions as a result of weak central government in Russia after the collapse of the USSR led to the transformation of monolithic corruption system that existed in the USSR to the independent monopolistic system.

In the last decade of the century, the literature on the institutionalization of corruption is enriched with the studies based on game theory. Bicchieri and Rovelli (1995), for example, introduce a dynamic model of evolution of the

corruption system where corruption norms evolve, stabilize, or disappear and demonstrate conditions that trigger the end of the old and the appearance of the new norm system. The hypothesis proposed by the authors is that “a progressive, slow accumulation of social costs may eventually lead to a catastrophe, that is, to the sudden collapse of the entire system” (Bicchieri and Rovelli, 1995). One of the key results of the modeling is that the system where corruption is a norm can abruptly produce cooperative behavior. Accumulation of social cost as a result of cooperation is not sufficient for the systemic change. Only the existence of ‘irreducible honest individuals’ can trigger the emergence and establishment of new norms. These players never change their strategy. As a result, “in the presence of increasing social costs these infrequent attempts at honesty are sufficient to drive society towards the adoption of a new norm of honesty” (Bicchieri and Rovelli, 1995: 205). Thus, an ‘honesty revolution,’ is possible only when combining ‘irreducible honest individuals’ and accumulated social costs (Bicchieri and Rovelli, 1995: 205).

In another model, Bicchieri and Duffy (1997) take the example of the corrupt politician who induces the voters with material rewards and shows how cyclical corruption sustains and gains stability. Other authors, like Rinaldi et al. (1998), investigate dynamic patterns, especially, the cyclical patterns of the evolution of corruption. In contrast to Bicchieri and Rovelli (1995), in their dynamic model, transparency and disclosure of illegal activities of the politicians to the public means the end of the equilibrium of the corruption system.

1.2.5 Recent Discussions

The first decade of the XXIst century can be characterized as a period of rethinking in the corruption literature. It is initiated by the fiasco of the anti-corruption reforms in the developing countries in the 1990s. These reforms were built upon the predominant theory of corruption – the principal-agent model that its mainly developed by the economists (see 1.2.4. Economic approach).

Because the reforms of the 1990s were mainly designed to tackle the bad apples or individual corruption (Mungiu-Pippidi, 2006; Persson et al., 2010), a fresh look at the concept of corruption was needed for the cases where the individualistic concepts were insufficient in the construction of reality (Rothstein and Teorell, 2015). Thus, the focus of the new studies in the first decade of the century turned again from the individual to his environment: organization, system, and society, among others. It is not a surprise that the early reaction comes from the field of the organizational studies. These scholars (Brief et al., 2000; Anand and Ashforth, 2003; Aguilera and Vadera, 2008; Palmer, 2008) continue the traditions of the post-revisionists who argue that corruption is a systemic result of wide-range of organizational factors. Furthermore, understanding of the institutionalization of corruption that is introduced by the post-revisionist is conceptually developed, and the new theoretical tools are developed to study it.

One of the most fundamental works in the field of the institutionalization of corruption is introduced by Anand and Ashforth (2003) who propose a model to study normalization of corruption, namely, how it is “embedded

in the organization such that it is more or less taken for granted and perpetuated". The authors differentiate three "mutually reinforcing and reciprocally interdependent" stages of the normalization of corruption in the organization (Figure 3). "(1) institutionalization, the process by which corrupt practices are enacted as a matter of routine, often without

conscious thought about their propriety; (2) rationalization, the process by which individuals who engage in corrupt acts use socially constructed accounts to legitimate the acts in their own eyes; and (3) socialization, the process by which newcomers are taught to perform and accept the corrupt practices" (Anand and Ashforth, 2003: 3).

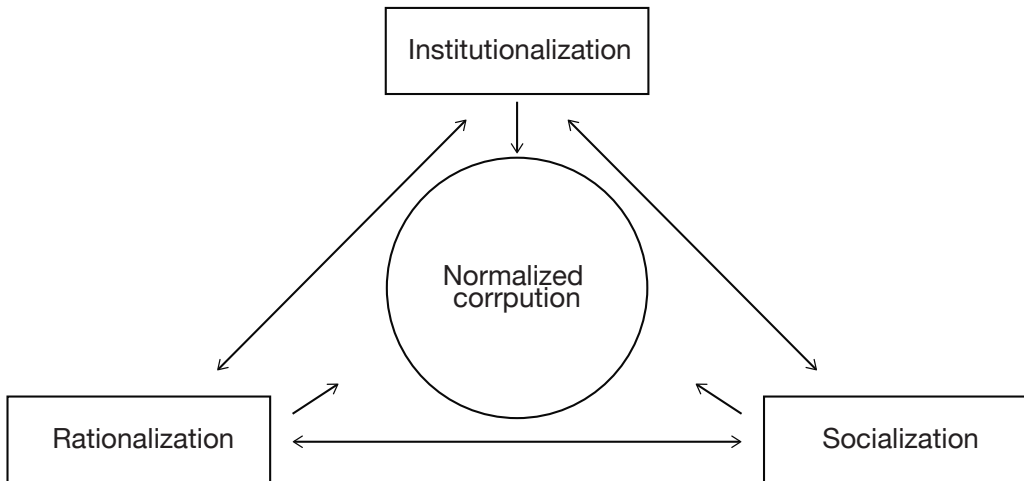


FIGURE 3. THE THREE PILLARS OF NORMALIZATION (ANAND AND ASHFORTH, 2003: 3)

Anand and Ashforth (2003: 4) define the institutionalized corruption as the "stable, repetitive and enduring activities that are enacted by multiple organization members without a significant thought about the propriety, utility, or nature of the behavior." Corruption becomes a collective property and can be embedded in a daily routine of the organization in such a way that members do not recognize the 'wrongness' of their action (Anand and Ashforth, 2003: 4). It institutionalizes in three phases (Figure 4).

First, the initial corrupt act is a result of the permissive ethical climate that creates an opportunity for the realization of financial goals. Individuals behave rationally and act corruptly based on the cost-benefit calculation (amoral and immoral calculation). Leadership plays a crucial role serving as a role model and legitimizing corruption in the organization (Anand and Ashforth, 2003: 5-7). Second, in case of the positive outcomes of a corrupt decision or act, it is embedded into organizational memory²⁵ through the sequence of the repetitive routines

25 "Organizational memory is the metaphor used to describe the process through which an organization acquires, stores and uses the knowledge that is applied to its activities" (Anand and Ashforth, 2003: 8).

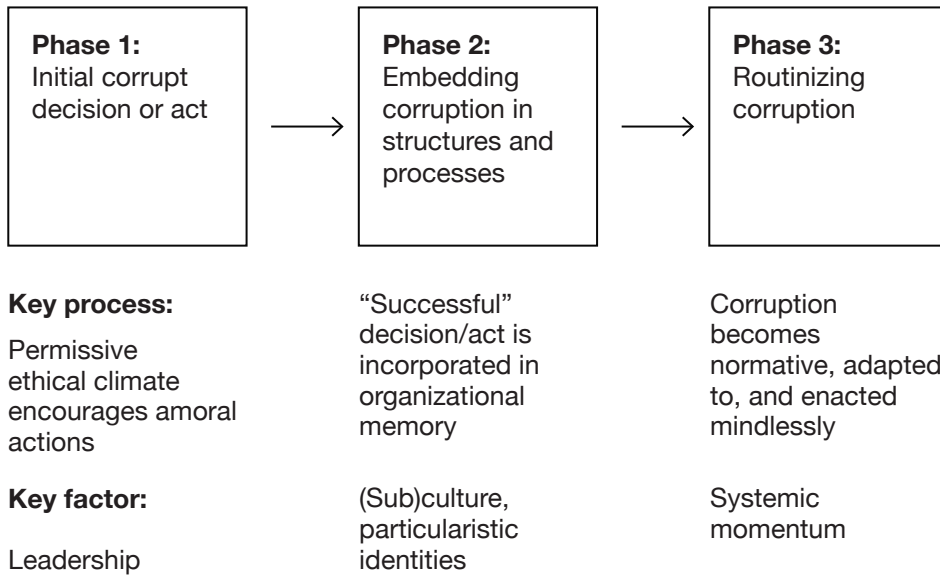


FIGURE 4. INSTITUTIONALIZING CORRUPTION (ANAND AND ASHFORTH, 2003: 5)

(Anand and Ashforth, 2003: 8), and, as a result, the deviant culture emerges to normalize corruption (rationalization and socialization phases). Third, corruption becomes routinized²⁶, and habitual and thus, institutionalized. Routinizing “blunts awareness that a moral issue ... is at stake”, “reduces the salience of corrupt practices” and enhance its legitimacy” (Anand and Ashforth, 2003: 12-13). Corruption appears as normative, adapted to and enacted mindlessly (Anand and Ashforth, 2003: 12). It is institutionalized “when it is stable, endures over time, resists change and is transmitted across generations” (Anand and Ashforth, 2003: 35). Institutionalized corruption exists as “social knowledge that perpetuates itself”, and it resists not only change but also examination (Anand and Ashforth, 2003: 5).

Anand and Ashforth’s (2003) work can be considered as a reincarnation of

the post-revisionist tradition at least in two aspects. First of all, Anand and Ashforth (2003) employ a post-revisionist definition of corruption that was introduced by Sherman (1980) and neglected by the economists: “the misuse of authority for personal, subunit and/or organizational gain”. By using this definition, authors solve the difficulty of applying the definition to systemic corruption cases where the corrupt act of the individual is an integral part of the complex corruption structure. Furthermore, Anand and Ashforth (2003: 33) continue the post-revisionists’ tradition by operationalizing corruption as a deviance from norms. The revisionists also consider corruption as a deviance, but only from the perspective of an individual. While in the post-revisionists tradition the organizations, staff units, subunits also can be corrupt (see Caiden and Caiden, 1977; Sherman,

²⁶ Anand and Ashforth (2003) employ Kelman’s (1973) definition of routinizing as “transforming the action into routine, mechanical, highly programmed operations.”

1978). For Anand and Ashforth (2003: 9), the collective corruption brings the emergence of deviant (sub)cultures which “neutralize the stigma of corruption.”

Nevertheless, Anand and Ashforth’s (2003) model of normalization demonstrates the weaknesses in answering two essential questions about the institutionalization of corruption: how and why does corruption institutionalize? First, Anand and Ashforth (2003: 8) present routinization as a sequential process where “the outputs of one routine trigger the initiation of the next routine in the sequence.” However, the authors leave out the process of change in routinization which brings certain deterministic character to the whole process of institutionalization where the “initial decisions and acts lead inexorably to institutionalized wrongdoing” (Anand and Ashforth, 2003: 41). Second, the input of the model is the initial decision or act. It is explained by the amoral or immoral calculation while excluding the genesis of corruption (Anand and Ashforth, 2003: 6). In this regard, the model does not give a comprehensive answer to the question of what is the reason that systematically produces corruption.

Another representative of the post-revisionist tradition, Aguilera and Vadera (2008: 432) suggest that Weber’s theory of legitimate power can provide an answer to the question mentioned above. Aguilera and Vadera (2008: 432) use Weber’s tripartite classification of authority as a departure point for a possible cause of a corruption act. Together with motivation and justification, the authority produces a specific type of corruption. The particular type of authority in the

organization (legal-rational, charismatic, and traditional) in combination with the particular type of salient motives (individualistic, collectivistic, or relational) and justification techniques²⁷ of individuals (rationalization, socialization, and ritualism) provides opportunities to engage in a certain type of the corrupt act (procedural, schematic, or categorical). There is a possibility of 27 different types of corruption, nine combinations of motivation and justification for each authority type (Aguilera and Vadera, 2008: 444). The most salient and conceptually linear types are demonstrated in Figure 5.

In case of procedural corruption, lack of formalization (formalized procedures or formal rules), individualistic gain maximization and justification of action by the absence of regulations bring about opportunities for the use of power for private gain. In an organization with a charismatic leader, members share collectivistic motives, justify the action by socialization and are more likely to engage in structured and uniformly organized corruption – the schematic corruption. Finally, in a traditional organization where members identify themselves with the small groups rather than the whole organization and justify their own behavior by ‘everyone else is doing it’, there is a higher probability that corruption is concentrated and delimited (usually, in organizational subunits) (Aguilera and Vadera, 2008: 436-444).

While the study can be considered as an important contribution to the theoretical study of corruption in the literature on ethics in organizations, it fails to differentiate Weber’s concept of authority from his concept of corruption (see Section 1.1). This can be seen in

27 “Justification are socially constructed accounts that individuals who engage in corrupt acts adopt to legitimate their behavior” (Ashforth and Anand, 2003).

two cases that challenge the deductive results of the model. First, the model predicts not corruption, but the appropriation types. Corruption implies illegal use of authority for private gain, while appropriation encompasses all kinds of use of authority for private gain. Second, Aguilera and Vadera (2008: 444) present the categories of authority, motivation, and justification as pure ones. Each authority type complies with nine

different combinations of motivations and justifications. Thus, the model predicts the possibility of 27 pure types of corruption. Taking into consideration the possibility of a combination of different authority types, then in every organization at least 18 corruption types can be expected. In this sense, the model is not so much predictive as the authors claim (Aguilera and Vadera: 433), but has rather an explanatory character.

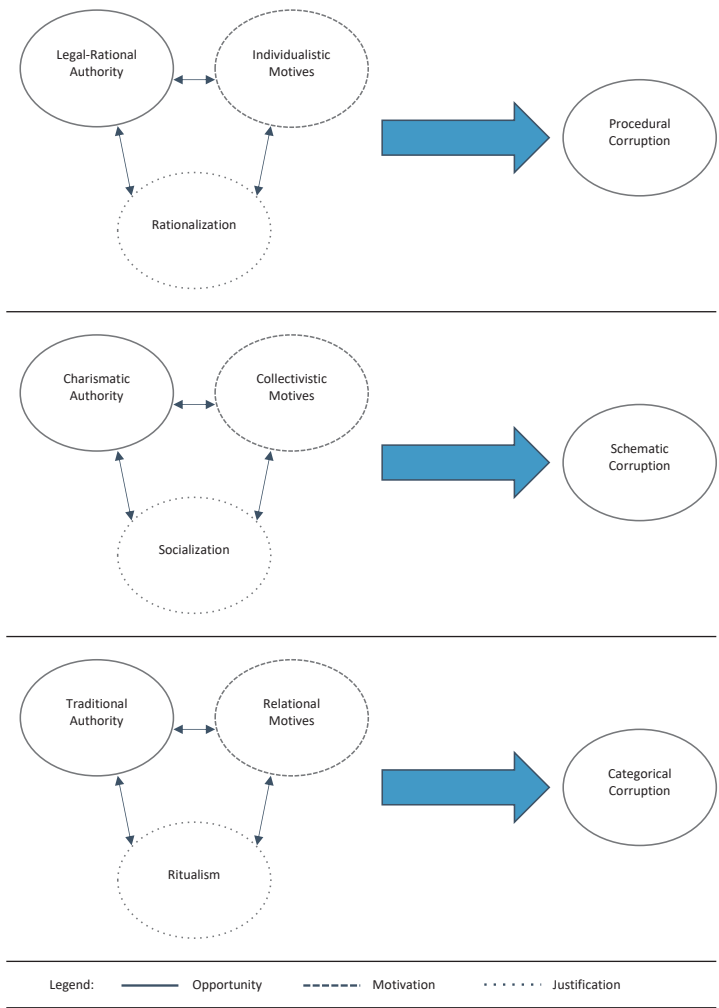


FIGURE 5.
THE RELATIONSHIP
BETWEEN INTERACTION
OF AUTHORITY
(OPPORTUNITY),
MOTIVATION AND
JUSTIFICATION,
AND TYPES OF
ORGANIZATIONAL
CORRUPTION
(AGUILERA AND
VADERA, 2008: 432)

1.2.6 Post-Soviet Studies

Despite the vast amount of works dedicated to corruption in the post-Soviet countries, the subject of the institutionalization of corruption in these states has not been the focus researchers until the first decade of the XXth century. It is related to the development of, on the one hand, the process-oriented approach to corruption, and, on the other hand, the field of post-Soviet corruption studies. Nevertheless, the contribution of two groups of scholars to the study of institutionalization of corruption can be distinguished: neopatrimonials and institutionalists.

Neopatrimonial and informality studies

Like revisionists, early post-Soviet studies depict corruption as a logical result of transition and modernization processes (see Varese, 1997; Ceobanu, 1998; Levin and Satarov, 2000). The failure of the anti-corruption initiatives in the 1990s triggers the reconsideration of revisionists' ideas. Contrary to the reincarnation of the post-revisionists, for these scholars (Sajo, 1998; Ledeneva, 1998; Mungiu-Pippidi, 2006; Holmes, 2012; Gelman, 2016) organizational corruption has an inherently political nature.

It is argued that corruption in post-Soviet countries is 'decidedly misunderstood' (Sajo, 1998: 37), and the main reason for the failure of most of the anti-corruption initiatives in the post-communist countries is the assumption that corruption is the same in developed and developing countries (Mungiu-Pippidi, 2006: 86). In the developed countries,

corruption is an individual case of infringement of the norm of integrity (modern corruption). In the developing and post-communist countries, it is "a mode of social organization characterized by the regular distribution of public goods on a non-universalistic basis" (pre-modern corruption) (Mungiu-Pippidi, 2006: 86-87, 90). Political actors compete over power and resources of the state. Most of anti-corruption reforms fail because they are realized in cooperation with the corruptor.

For neopatrimonial scholars, institutionalized corruption is institutionalized particularism (Sajo, 1998: 38; Mungui-Pippidi, 2006: 96). Universalism and particularism are two antagonistic organizational modes that imply distribution of public goods stemming from the distribution of power. Universalism is an attribute of individualistic societies, where the expectation of equal treatment from the state dominates (Mungiu-Pippidi and Johnston, 2017: 5). Particularism, on the contrary, is the dominant order in collectivistic and hierarchical societies where people are treated differently stemming from their status or position in society (Mungiu-Pippidi, 2006: 88).

By using corruption as the main variable, Mungiu-Pippidi (2006) differentiates three political regimes: purely particularistic state, competitive particularism, and liberal democracy (See Table 6). In purely particularistic society, the ruler and his clique have a monopoly over the power and have no accountability that shapes their arbitrariness. They treat property of the state as their own. Despite widespread corruption, there are formal or informal limitations to it in order not to face resistance of the other citizens.

Liberal democracy represents an absolutely opposite type of regime where gradually developed universal norms serve as the constraint to the distribution of power and public goods. Corruption as an individual infringement appears as a result of the weakness of the accountability and control mechanisms.

Transition from purely particularistic state to liberal democracy introduces the intermediate regime – competitive particularism. The monopoly of power of the pure particularistic regimes gives place to unconstrained competition that results in the unbalanced distribution of power to the benefit of particular social groups. The winner of the power competition takes both the authority and the associated resources (Mungiu-Pippidi, 2006: 89). Corruption explodes because of the missing accountability institutions. The main characteristics of the competitive particularistic regimes is the mix of modern and pre-modern (particularism) corruption.

Like the revisionists', Mungiu-Pippidi's (2006) model is also based on Weber's sociology, namely, on the concepts of legitimate authority and status groups.

While particularism and universalism correspond to the traditional and legal-rational authority, the distinction of pre-modern and modern corruption stems from Weber's public-office and favoritism-based definitions of corruption. The former is "a misuse of public office for private gain under rational-legal rule." The latter is an "inherent part of a patrimonial strategy of rulership to win personal royalties by distributing material rewards, commonly known as nepotism and patronage" (Rubinstein and Maravic, 2010: 35).

However, contrary to the revisionists, Mungiu-Pippidi (2006) focuses on the evolution of the distribution of public goods. She argues that modernization is a process of transition from the particularistic distribution of public goods to the universalistic one. At the same time, Mungiu-Pippidi (2006: 87) supports the revisionists' argument that corruption can truly be understood taking into consideration the level of development in the country. Prior to the modernization, the state was very rarely engaged in the universal delivery of the public goods. Both power and distribution of

TABLE 6. TYPOLOGY OF CORRUPTION (MUNGIU-PIPPIDI, 2006: 94)

I. Regime	II. Power distribution	III. "Ownership" of the state	IV. Distribution of public goods	V. Social acceptability of corruption	VI. Public / Private Distinction
Pure particularism	Monopoly	One or few owners	Unfair but predictable	Moderate	No
Competitive particularism	Uneven and disputed	Contested	Unfair and unpredictable	Low	Poor
Universalism	Relatively equal	Autonomous	Fair and predictable	Very low	Sharp

the public goods were particularistic in nature. In the transition to liberal democracy, corruption explodes. According to Mungiu-Pippidi, only in liberal democracy, corruption decreases and becomes less common. Moreover, he argues that only revolution against particularism can bring fundamental changes to public corruption (2006: 91).

Moreover, for Weber, not only the traditional but also charismatic authority is particularistic in nature (see Section 1.2). Thus, the particularistic elements are not only the result of the traditional obedience but also the result of a charisma of the leader in charge. In this respect, Mungiu-Pippidi (2006: 88) does not differentiate the charismatic and traditional elements in the source of power. Regardless of the source of power, “be it a charismatic leader or a privileged group,” the power in both cases appears to be particularistic. Therefore, it would be expected that charismatic leaders even in the liberal democracy bear the risk of the particularistic mode of organization, to which Weber (1968) refers to as bureaucratic absolutism. However, for Mungiu-Pippidi (2006), modern corruption is limited to individual infringement, while systemic corruption reflects on the presence of particularism. Furthermore, the fact that modern or ‘new’ corruption exists in the traditional authority as well, does not make it exclusive to liberal democracy.

Institutionalists

Institutionalization of corruption in the post-Soviet countries is also tackled by institutionalists (see Ledeneva, 1998; 2006; 2009; Karklins, 2002; 2005; Stefes, 2006; Darden, 2008; Barsukova, 2013). For these scholars, corruption is

an informal institution that, on the one side, serves a function in the political-economy of the post-Soviet state, and, on the other side, paralyzes formal institutions (Stefes, 2008: 7; Ledeneva, 2009: 265). It institutionalizes under systemic corruption where norms and rules of collective collaboration of organization members emerge and gradually replace official bureaucratic rules (Karklins, 2002: 24).

For instance, blat as an informal exchange of favors provides access to opportunities in the public sector (Ledeneva, 1998: 1). During the Soviet times, blat networks were mainly directed to provision of arrangements in short supply and circumvent formal rules and regulations. Ledeneva (2009: 257-258) argues that blat represented an element of the market in the centrally-planned Soviet economy and played a crucial role in bypassing political constraints. It was so institutionalized that the boundaries between private and public responsibilities of an official blurred and “people were unable to distinguish between friendship and the use of friendship” (Ledeneva, 2009: 258). The political and economic transformation after the collapse of the USSR led to ‘monetization of blat’ and emergence of new blat practices such as corruption schemes, kompromat (compromising material), black PR, krugovaia poruka (joint responsibility) (Ledeneva, 2006: 1-2). These practices had both supportive and subversive impact on the political and economic development (Ledeneva, 2009: 265).

Another post-Soviet scholar, Stefes (2008: 74-75) argues that corruption is so institutionalized in the post-Soviet countries that corruption rules

guide behavior of both officials and citizens. These rules are integral part of the informal networks that facilitate corrupt transactions and penetrate public institutes. Informal networks emerge within the state apparatus and can encompass private citizens as well as businesses. Engagement of public officials in corrupt practices have become so intense that the boundary between private and public spheres is very blur. Nevertheless, for Stefes (2008: 75), institutionalized corruption does not exist without systemic corruption. Institutionalization is just one of the defining characteristics of systemic corruption, next to its endemic character.

Stefes (2007: 7) claims that the dissolution of the USSR did not lead to the disruption of informal institutions. On the contrary, institutions of systemic corruption demonstrated high resilience as they were the source of regular income during radical socio-economic transformation (Stefes, 2007: 7). Institutions of systemic corruption survived in the post-Soviet countries in two forms: centralized and decentralized systemic corruption. Emergence of one or another form depends on the capacity of the government to control systemic corruption. This capacity is dominantly shaped by the transition of each post-Soviet country through 1980s and 1990s (Stefes, 2008: 74). For instance, smooth political transition in the 1990s and strong control of the state apparatus by political leadership in Armenia resulted in centralized systemic corruption in the beginning of 2000s. In contrast, civil war and weak political control resulted in the collapse of central apparatus and led to the decentralized or chaotic corruption system (Stefes, 2008: 74).

In conclusion, in spite of the fact that there is extensive literature available on the post-Soviet corruption, only limited research (see Stefes, 2006) is dedicated to the study of the process of institutionalization of corruption in public organizations. Next to that, the studies mentioned above have a macro focus and do not consider the process of institutionalization of corruption inside public organizations. While some studies use the process-oriented approach to study organizational deviance (for instance, Earle et al. (2010) who use process-oriented approach to study wage manipulations in the agricultural and industry enterprises in Russia in the 1990s), the process of institutionalization of corruption in a public organization remains unexplored.

1.2.7 Conclusion

The concept of institutionalized corruption was introduced in the 1970s by post-revisionists to describe the systemic corruption situation where “wrong-doing has become the norm” (Caiden and Caiden 1977: 306). Post-revisionists also introduced first organizational studies that focus on an organization as a unit of analysis and explore informal rules and routines of corruption within the organization (see Sherman, 1978; Werner, 1983b). However, the process-oriented approach to institutionalization of corruption emerged only in the first decade of the XXth century. Organizational scholars such as Brief et al. (2000), Anand and Ashforth (2003), and Palmer (2008) introduced models where institutionalization of corruption is presented as the process when corruption is enacted in organization

routines and norms.

While the models introduced by organizational scholars constitute a crucial step forward in the study of institutionalization of corruption, they also demonstrate several weaknesses. First, Anand and Ashforth (2003: 8) present routinization as a sequential process where “the outputs of one routine trigger the initiation of the next routine in the sequence.” This brings certain deterministic character to the whole process of institutionalization where the “initial decisions and acts lead inexorably to institutionalized wrongdoing” (Anand and Ashforth, 2003: 41). In this vein, the model assumes that the initial act of organizational corruption is initiated by the top officials, while changes in the role of the officials lower in the hierarchy have secondary importance (Palmer and Maher, 2006: 365).

However, the biggest challenge of the models mentioned above is the question of why corruption institutionalizes. The input of the models is the initial decision or act which is explained by amoral or immoral calculation (Anand and Ashforth, 2003: 6). According to the model, institutionalized corruption is a “self-fulfilling prophecy” (Anand and Ashforth, 2003: 32-33) that ensures systematic reproduction of corruption. To put it differently, it is argued that the self-reinforcing nature of institutionalized corruption is the main reason for the institutionalization of corruption in public organizations. It is acknowledged that the self-reinforcing nature of institutionalized corruption increases the probability of a repetitive act of corruption. However, the relationship of organizational corruption and organizational environment is crucial

for causal explanation, and it should be included in the scope of explanandum.

The explanatory weakness of the models (Brief et al., 2000; Anand and Ashforth, 2003; Palmer, 2008) is related to the fact that they are designed for studying wrongdoing and deviance, such as corruption, primarily in private organizations. In contrast to business organizations, organizational corruption in public organizations is inextricably linked to its political, social and economic environment. The cases of developing states such as post-Soviet countries demonstrate that organizational corruption, as a rule, is initiated, facilitated and sustained with the dominance of extra-organizational factors such as particularistic networks (Sajo, 1998; Mungiu-Pippidi, 2006; Stefes, 2006; Holmes, 2012).

Taking into account the main research question, the study of institutionalization of corruption in the last 60 years brings about two issues that are addressed in the theoretical framework (Chapter II and III). First, apart from the analysis of the definitions of corruption and the reasons for its institutionalization, the genesis of corruption and factors that lead to systematic production of organizational corruption are studied here. Second, an empirical model is presented to explore the process of the institutionalization of corruption in public organizations. It provides a tool to study the process of embedding corruption in organizational rules and routines.

2 Causes of the Institutionalization of Corruption

This chapter elaborates on the question why corruption institutionalizes in public organizations. In social sciences, corruption is usually explained either by “autonomous agents making (bounded) rational means-end calculations” or by the causes beyond individual control (De Graaf, 2007: 42). This study targets the latter stemming from the argument that institutionalization of corruption by nature infers the existence of a social structure that facilitates and guides the repetitive corrupt behavior of officials. Furthermore, to understand causes of institutionalization of corruption, it is important to look not only beyond individual, but also beyond individual organization (Ashforth et al., 2008: 674). Larger unit of analysis allows for a sound overview of systemic factors that reproduce organizational corruption and ensure stability of a repetitive corruption act. Especially in the post- Soviet countries, where corruption is inherently political (Mungiu-Pippidi, 2006), systemic corruption in a public organization cannot be comprehensively explained without consideration of state apparatus as a whole. In this respect, the works of classic German sociologist Max Weber are relevant.

Conventional Weberian studies of corruption can be separated into two groups: formalist and patrimonial studies²⁸. The difference between the two groups stems from the conceptual perspectives offered by the rational-

legal and traditional authorities (see Rubinstein and Maravic, 2010). In the formalists’ studies, the ideal type of bureaucracy appears as an analytical gauge for defining corruption in public organizations. Corruption as a misuse/abuse of public office for private gain is a deviation from the formal duties of the official (e.g. Nye, 1967; Scott, 1969; Huntington, 1968). Patrimonial scholars study corruption stemming from the traditional authority perspective. They focus on the informal aspects of a public organization with traditional elements. Corruption in these studies is not simply a deviation but an inherent element of the patrimonial strategy of the traditional ruler (e.g., Roth, 1968b; Médard, 1986; Bayart, 1993; Reno, 1995).

The first apparent distinction between the formalists and the patrimonial scholars is the definition of corruption. Eventually, definition of corruption determines not only the conceptual framework of the phenomenon, but also the questions that are posed (Schmidt, 2007: 221-223) and the causal explanation that is developed to make sure that it leads “to different discourses on corruption prevention and corruption control” (De Graaf, 2007: 76). Thus, the formalists define corruption as a misuse of public office for private gain. And the patrimonial scholars define corruption as “an inherent part of a patrimonial strategy of rulership to win personal loyalties by distributing material rewards” (Rubinstein and Maravic, 2010: 30, 33, 35). Although the formalists’ definition offers a clearer heuristic to study corruption in modern societies, it fails to address corruption out of the abstract framework of rational-legal authority. It particularly fails to study corruption from a historical perspective, for instance, during the Medieval Times,

28 The formalist and patrimonial studies are not contradictory, but rather complementary to each other. They represent two sides of the same coin. The formalist approach is dominantly used to study corruption in developed countries where the principles of the rational-legal bureaucracy is established and corruption is mainly sporadic and individualistic. The patrimonial perspective is usually used to analyse corruption in developing countries that are considered to be in transition from the traditional to rational-legal authority. Both groups share the assumption that corruption is the lack of rationalization on the way from patrimonialism to rational-legal authority (Hoetjes, 1977: 53-65 cited in Huberts, 2010: 150).

when even the existence of the notion of 'public' is arguable. In such a case, it is more logical to use the patrimonial definition that addresses corruption within the framework of traditional authority.

The above-mentioned binary approach is the result of the fact that most of the Weberian studies of corruption neglect the distinction between the concepts of appropriation and corruption. This approach results in the commonplace conceptual bias in the Weberian studies where corruption in one authority is analyzed through the lens or perspective of the other authority, which is fundamentally misleading²⁹.

The problem mentioned above stems from the fact that in spite of 70 years of research on modern corruption and an enormous number of studies of corruption based on the Weberian approach, Weber's personal vision on corruption has not been a focus of separate research. The literature does not give an unambiguous answer to what corruption is for Weber and what Weber's concept of corruption implies. In this respect, this section is dedicated to unraveling Weber's concept of corruption mainly based on the analysis of his writings. Weber's concept of corruption provides a lens to see systemic corruption and its causes in a radically new way, and it provides framework to explain systemic corruption in public organizations where not only the gain, but also the incentives are beyond the private profit of an official.

2.1 Weber's Definition of Corruption

In Weber's writings, the topic of corruption³⁰ is directly addressed in discussions of sociological categories of economic action, legitimate domination, and party systems. Although he did not explicitly elaborate on the definition of corruption, from the analysis of his essays it can be concluded that from his perspective, corruption is an illegitimate gain obtained by appropriation of power. In his essay on the mainspring of economic activity, Weber (1968: 204-205) defines bribe (*Bestechung*) as a gain from the position of political authority obtained by the appropriation of power³¹. However, not all gains derived from political authority constitute corruption. In fact, for Weber, a gain from authority is a dominant attribute of the big part of the history of civilization up to modern times. The fundamental sociological difference of corruption from other gains is the deviation from the legitimate order of use of authority for private gain.

Thus, the definition of corruption is located at the interception of two concepts: appropriation and legitimacy. The concept of appropriation views political organizations as a source of private gain, while the concept of legitimacy introduces a system of justification and distinct construction of appropriation in a typology of authority³².

2.2 Concept of Appropriation

Appropriation is one of the central but loosely utilized concepts of Weber's sociology. It is a way "in which it is possible for a closed social relationship to guarantee its monopolized advantages to the parties." These advantages are appropriated individually or collectively

29 In order to avoid this kind of conceptual challenges, some scholars prefer to focus on a certain type of corruption, e.g. bribe.

30 In his early works Weber uses term 'bestechung' (Weber 1922/1980: 120) which is translated into English both as bribe and corruption (Weber, 1968: 204, 240). Term 'korruption' appears in his later works where he makes clear differentiation between *Korruption* and *Bestechung*. In his famous series of lectures in Munich in 1919, later published in *Politics as a Vocation*, Weber (1946) states that bribe is just one of the many ways of getting income from political organization.

31 Weber (1968: 204-205) differentiates two principal sources and forms of income: a) "Incomes and receipts from personal services derived from specialized or specified functions;" b) "Incomes and receipts from property and from the exploitation of control over important means of production." Wages and gains are two major types of incomes from personal services. Wages comprise all kind of labour returns including salaries and in-kind remuneration of public officials and civil servants. Gains from personal services can be derived from procurement of goods and services on an entrepreneurial basis, from predatory activity and from "position of political authority, fee incomes of an office, bribes [note: *Bestechungs* [ger.] – bribe, corruption], tax farming, etc., obtained by the appropriation of power" (Weber, 1968: 204-205). We may derive at least one explicit statement from the above-mentioned quote: corruption is a gain obtained by the appropriation of power.

on a permanent basis and are more or less inalienable. Appropriated advantages are rights (Rechte) (Weber, 1968: 44).

Beginning from his early studies, Weber realized that vested interest is nested in the genesis of political organization. Appropriation of power is a way how this interest is realized. It is not limited to material goods. In fact, Weber (1968: 113) uses the concept of appropriation because of “limitation of the concept of ‘property’ to material goods.”³³ Administrative position gives access not only to economic resources, but it is also a source of these goods (Weber, 1968: 204-205).

Weber (1968: 113, 1032) distinguishes four types of appropriation based on the degree of autonomy of control over the object.

2.2.1.1 Temporary and Permanent Appropriation

Appropriated advantages are temporary when they are guaranteed to members³⁴ of the closed group for a limited period of times or on a certain occasion. In the case of permanent³⁵ appropriation, appropriated advantages are guaranteed to group members on a more or less permanent basis. In its most extreme version, appropriated advantages are inherited, and/or the holder is free to transfer them to another person. This kind of appropriated right is property (Eigentum).³⁶

2.2.1.2 Regular and Irregular Appropriation

The gain from the appropriation of power

may be regular or irregular. Regular appropriation has recurrent character, and it is usually embedded into daily routine. Irregular appropriation, on the contrary, has a more or less sporadic character, and, in most cases, it is unregulated.³⁷

2.2.1.3 Open and Closed Appropriation

Appropriation belongs to closed social relationships (geschlossene Beziehungen). The relationship is tended to be close when it provides the member or sub-groups “with opportunities for the satisfaction of spiritual or material interest, whether absolutely or instrumentally” (Weber, 1968: 43). Appropriation “is a case of closure within, as well as against outsiders” (Weber, 1968: 44). While being closed to the outsiders, closed nature of advantages and opportunities within the group may vary. Therefore, two extremes can be identified: (1) advantages and opportunities may be open for competition within the group, or (2) privileged members may monopolize them. The first extreme is considered to be open, while the second one is a closed appropriation.

2.2.1.4 Positional and Organizational Appropriation

The gain from authority can be derived from either the appropriation of a specified position in administration or the appropriation of administration or administrative organization (Weber, 1968: 204-205).³⁸ Appropriation of position is an act of appropriation of advantages that administrative position has access to, such as economic or/and political usufructs of the position. In this case,

³² It should be noted that Weber developed the category of appropriation before the category of legitimacy. In his search for universal stages of historical evolution, appropriation was a central element of his early comparative sociology (Roth, 1968: LX-LXI). In Economic History Weber states that “whether a military constitution rests on the principle of self-equipment or that of provisioning by the warlord who supplies horses, arms and food, is as fundamental a distinction for social history as is another: whether the means of production are owned by the workers or appropriated by a capitalist entrepreneur” (cited in Roth, 1968: LX).

³³ Weber (1968: 113) states that “Fichte, in his *Der geschlossene Handelsstaat*, was right in treating this limitation of the concept of “property” to material goods, along with the increased autonomy of control over the object which do fall under this concept, as characteristic of the modern market-oriented system”.

³⁴ Member is “a party to a closed social relationship”. If participation of the member is regulated “in such a way that to guarantee him appropriated advantages”, then he is a privileged member (Rechtsgenosse) (Weber, 1968: 44).

the position itself does not belong to the incumbent. He is a temporary holder of the position who can appropriate associated resources.

In appropriation of organization, governing powers and means of the organization are appropriated by individuals or groups. In this case, the incumbent owns the administration and its positions. He has a property right to the organization and its resources. Appropriation appears as a crucial element of the political-economy of authority and serves a specific function in the reproduction of organization.

2.3 Legitimacy and Appropriation of Power

A major factor that separates corruption from other modes of appropriation is the involvement of force (Weber, 1968: 205).³⁹ But force involved in corruption is by nature different from the one in predatory activities (such as robbery). It represents legitimate power, i.e., domination.⁴⁰ Those who appropriate power, defend their position by cultivating a belief in the legitimacy of their rule. Thus, legitimacy is a way of justification of appropriation of power.⁴¹ (Roth, 1968: CIII) Belief in legitimacy leads to fundamentally different types of domination and appropriation.⁴²

2.3.1 Expropriation, Appropriation, and Corruption

Weber sees history of civilization as the history of legitimate appropriation. In other words, in a substantial part of the history of humankind, use of authority for a private gain was a legitimate order of the system of domination.

Nepotism, patronage, sale of office, embezzlement, extortion, and other types of appropriation, as well as taxes, were legitimate sources of income of the ruler and his staff. With the emergence of the modern state, most forms of appropriation became illegitimate and thus, started to be considered as corruption. Expansion of the scope of corruption is a gradual process that began with the emergence of the modern rational-legal state in Western Europe.⁴³

The major reason for the illegitimation of appropriation and expansion of the scope of corruption is the separation of officials from the ownership of means of administration (Verwaltungsmittel), to which Weber refers to as a process of expropriation (Expropriation). Next to the increasing functional division and rationalization, one of the main sociological attributes of expropriation is the separation of the private and official spheres of the incumbent. As long as the incumbent owns the means of administration, an official position is perceived as a private business and becomes a personal property that is legitimately appropriated (Weber, 1968: 1028-1029).⁴⁴ Thus, expropriation and appropriation are antagonistic categories. When appropriation increases, separation of official and private matters disappears, and vice versa (Weber, 1968: 1041).

2.3.2 Typology of Domination and Appropriation of Power

At the heart of Weber's approach there is a three-way struggle between a ruler, staff⁴⁵, and subjects, where the first two represent a status group with vested interests. Material interest and calculations of advantages can be a

³⁵ It needs to be clarified that Weber (1968: 44, 46) used term permanent, on the one hand, to define general characteristic of appropriation, and, on the other hand, to describe mechanism of appropriation. In this classification we consider the latter.

³⁶ Contrary to Karl Marx, Weber relates want-satisfaction not to the modes of production, but to the modes of appropriation and expropriation (Roth, 1968: LXXX-LXXXI). Weber (1981: 26) argues that "purely economic considerations do not uniquely determine the form of primitive appropriation and division of labor, but military, religious, and magical motives also enter." In this respect, Weber (1968: 343) states that "all property in natural resources developed historically out of the gradual appropriation of the monopolistic shares of group members".

³⁷ Weber (1946) refers to the bribe (Bestechung) as an irregular gain from appropriation of power, while patronage in American party system of the 19th century is regarded as regular appropriation.

dominant basis for solidarity between the rulers and the staff while affectual and ideal elements usually supplement this interest. However, these elements are not sufficient as a reliable basis for stable domination. Weber (1968: 213) claims that in addition to the elements mentioned above, there is one more element – belief in legitimacy without which the authority relationship between the ruler and the ruled is unstable.

Fostering the belief in its legitimacy is an inherent attribute of every domination. Weber (1968: 215) classifies domination into three categories based on the kind of claim to the legitimacy made by each authority:

- “Legal authority rests on the belief in the legality of enacted rules and the right of those elevated to authority under such rules to issue commands;
- Traditional authority rests on the established belief in the sanctity of immemorial traditions and the legitimacy of those exercising authority under them;
- Charismatic authority rests on devotion to the exceptional sanctity, heroism or exemplary character of an individual person, and of the normative patterns or order revealed or ordained by him.”

The belief in the legitimacy of a system of domination leads to essentially different types of obedience, the mode of exercising authority and administrative staff (Weber, 1968: 213). Furthermore, each authority type represents a different political-economy of appropriation of authority and a different understanding of corruption.

2.3.3 Appropriation of Power in Charismatic Authority

Charismatic authority stems from the extraordinary quality of the ruler (Bendix, 1959/1973: 299). In contrast to the traditional and legal authority, it is not a domination of a daily routine, and it does not have permanence. Therefore, charismatic authority disregards any ordered economy. Economic activity of the charismatic leader and his followers is directed at the needs of the missions or spiritual duty, not to the private income. In Weber's view “in its ‘pure’ form, charisma is never a source of private gain for its holders in the sense of economic exploitation” (1948/1974: 247).

The charismatic leader has “no regular income by a continuous economic activity devoted to this end” (Weber, 1968: 244). He is supported, on the one hand, by voluntary contributions and gifts, and, on the other hand, by booty and extortion; though destination of this material wealth is not a private domain. The charismatic leader “disdains and repudiates economic exploitation” of the donations as a source of income (Weber, 1968: 244-245).

The administrative staff of the charismatic leader consists of followers rather than officials. There is no regular administration, no appointment or dismissal, no formal career, no formal promotion, no definite sphere of competence. There is a mission identified at the instance of the leader (Weber, 1968: 243-244). However, in the long run, charismatic authority may transform into other types of authority, especially into traditional authority. In this case, charisma may turn into “the form of the appropriation of power and economic advantages by the followers and disciples” (Weber, 1968: 249-250).

From the appropriation perspective,

38 ‘Appropriierte Herrschaftsrenten’ (Weber, 1922/1980: 120) is translated into English as ‘appropriated revenues derived from positions of political authority’ (Weber, 1968: 204). However, Weber here refers to an organization, rather than to a position within the organization. Weber clarifies that in this case, the cost of administration (‘Abzug der Verwaltungskosten’) should be deducted in order to get a ‘net rent’.

39 Weber (1968: 640) distinguishes two conceptually opposite categories of appropriation: (1) appropriation through free, purely economically rational exchange and (2) appropriation by coercion, especially by physical coercion. The political organization represents regulated exercise of the latter.

40 Power (Macht) is “the possibility of imposing one's will upon the behavior of other persons” (Weber cited in Bendix, 1959/1973: 290). Weber distinguishes two types of power depending on its source: (1) “power derived from a constellation of interests that develops on a formally free market, and (2) power derived from established authority that allocates the right to command and the duty to obey” (Bendix, 1959/1973: 290-291). Weber (1968: 53) refers to domination (Herrschaft) only in the context of the latter, and defines it as the “probability that a command will be obeyed”, and considers only the power derived from authority.

charisma brings the communistic appropriation, characterized by “the absence of formal accountability in the consumption sphere” (Weber, 1968: 1119). Hence for Weber (1968: 1119), every historical instance of communism is based either on the traditional power (household communism like in primary patriarchalism or gerontocracy) or the belief in charisma with two extreme versions: (1) the spoils communism of the camp represented by charismatic warriors’ organizations and (2) the monastery’s communism of love. As soon as the everyday economic interest dominates in the structure of charisma, communistic appropriation fades into the permanent structures of the traditional and rational-legal authorities. Weber (1968: 1119) puts it this way: “Every charisma is on the road from a turbulently emotional life that knows no economic rationality to a slow death by suffocation under the weight of material interests: every hour of its existence brings it nearer to this end” (Weber, 1968: 1120).

2.3.4 Appropriation of Power in Traditional Authority

The legitimacy of the traditional ruler is based on the belief in sanctity of age-old rules and powers. The ruler exercising the power of command is obeyed because of his by virtue inherited traditional status (*Eigenwürde*). While both charismatic and traditional dominations have the personal ruler, the sharp distinction of these authorities is rooted in the management of needs of daily life, where a traditional master exploits administration as “a useful adjunct of his private property” (Weber, 1948/1974: 245). Contrary to the

charismatic leader, under traditional authority, administration is a private domain of the ruler. “Personal loyalty, not the official’s impersonal duty, determines the relations of the administrative staff to the ruler. Obedience is owed not to enacted rules but to the person who occupies a position of authority by tradition or who has chosen for it by the traditional master” (Weber, 1948/1974: 245). ‘Rights’ of the officials are in fact privileges, freely granted or withdrawn by the ruler. Unless they violate traditions and the interest of the ruler, the officials can behave with the subjects as arbitrarily as the ruler acts toward them (Bendix, 1959/1973: 330, 334, 345-346).

The ruler’s “commands are legitimate in the sense that they are in accord with custom, but they also possess the prerogative of the free personal decision, so that conformity with custom and personal arbitrariness are both characteristic” of a traditional rule (Bendix, 1959/1973: 295). In this respect, Weber (1968: 226-227) differentiates a double sphere of the action of the ruler: a) sphere of the action that “is bound to specific traditions;” b) sphere of the action that “is free of specific rules.” In the sphere of personal arbitrariness, the ruler and the staff are “free to do good turns on the basis of his personal pleasure and likes, particularly in return for gifts – the historical source of dues (*Gebühren*)” (Weber, 1968: 226-227).

The traditional “master rules with or without the administrative staff.” As in most elementary types, in primary patriarchalism and gerontocracy, the traditional master has no personal administrative staff. Patrimonialism emerges when traditional authority develops administration and military force.

41 For instance, Weber argues that the feudal form of appropriation in Europe survived mainly because “the vassals needed the shield of legitimacy” (Roth, 1968: CIII).

42 In this respect, major aim of Weber’s sociology of legitimacy is to explain the relation of domination to want-satisfaction through appropriation of power (Roth, 1968: XCVIII).

43 Evolution of the scope of corruption, as an example, can be traced in the Anglo-Saxon legal thought from the late 1800s and early 1900s (see Génaux, 2004).

44 According to Huntington (1968: 60), “if the culture of the society does not distinguish between the king’s role as a private person and the king’s role as king, it is impossible to accuse the king of corruption in the use of public monies”.

2.3.4.1 Appropriation of Power in Patriarchalism

Appropriation of positions in primary patriarchalism does not exist simply because there is no administrative position. Appropriation of power by the patriarch is strictly bound by tradition. In a situation of complete absence of the personal staff and machinery of enforcement, the master “is largely dependent upon the willingness of the members” (Weber, 1968: 231). Members obey purely by tradition, and their belief in the legitimacy of domination comprises the exercise of power “as a joint right in the interest of all members and is thus not freely appropriated by the incumbent” (Weber, 1968: 231). Therefore, “means of administration are generally appropriated by the group as a whole or by the participating households” (Weber, 1968: 234).

2.3.4.2 Appropriation of Power in Patrimonialism

In contrast to patriarchalism where authority is a pre-eminent group right, in patrimonialism, it becomes the personal right of the master. Both military and civil staff are “purely personal instruments” of the ruler. The master appropriates authority “in the same way as he would any ordinary object of possession” (Weber, 1968: 231-232). Administration can be exploited by the patrimonial ruler like any economic asset – can be sold, pledged, inherited (Weber, 1968: 231-232).

Personal loyalty is a backbone of the relationship between the ruler and the staff. Therefore, consent of the ruler is central for the actions of officials. Officials derive income from the appropriation of power with the ruler’s consent which is, in general, reflected in the formal framework. In patrimonial administration, the incumbent is usually rewarded by the economic exploitation of his position. Hence, social prestige of the person is closely related to his position in the administration (Bendix, 1959/1973: 429). In patrimonialism the introduction of new administrative functions provides additional income sources for the officials, “and this may add to the power position and symbolic significance of the ruler” (Bendix, 1959/1973: 366).

The administrative staff is recruited either from patrimonial sources (from traditionally loyal persons like kinsmen) or from extra-patrimonial sources where not traditional ties, but purely personal loyalty of the incumbent is decisive for recruitment⁴⁶. Weber (1968: 1088) states that due to its very nature, patrimonialism leads to the rise of favoritism. The closer the incumbent to the ruler, the more powerful he is. A purely personal position of confidence appears as a crucial element in the promotion (Weber, 1968: 1088).⁴⁷

⁴⁵ Organization consist of leaders and persons “who are accustomed to obedience to the orders of leaders and who also have a personal interest in the continuance of the domination by virtue of their own participation and the resulting benefits” (Weber, 1968: 952). Masters (rulers) are “those leaders who do not derive from grant by others the powers of command claimed and exercised by them” (Weber, 1968: 952). Apparatus is “the circle of those persons who are holding themselves at the disposal of the master or masters” (Weber, 1968: 952).

⁴⁶ “... like free men who voluntarily enter into relation of personal loyalty as official” (Weber, 1968: 1088).

⁴⁷ “If specific structures develop, the most typical patrimonial case is one in which a court official, whose function involves the closest, purely personal position of confidence, also directs the central political administration, formally or in fact; this may be the keeper of the harem or a similarly employed person who deals intimately with the ruler’s personal affairs” (Weber, 1968: 1088).

TABLE 7. PATRIMONIAL APPROPRIATION OF ADMINISTRATIVE POSITIONS

Type of appropriation	Type of the support of staff	Description and level of autonomy
Prebendal Appropriation [lifelong, not hereditary or inalienable]	Benefices in kind	In kind allowance from the depot of the ruler. The ruler's control over the material wealth of the incumbent is weaker than in salaried administration.
	Fee Benefices	The assignment of certain fees, source of which is outside of ruler's household. This diminishes ruler's control in comparison with benefices in kind. Administrative position can be leased while the ruler holds the right over the position.
	Landed Benefices	Assigning office or land for incumbent's use. It provides even greater autonomy from the lord. It can potentially transform into the fief.
Estate-type Appropriation [lifelong, hereditary or alienable]	Appropriation of Benefices	Benefice becomes a property of the official. It can be inherited, given away or sold. It is typical of fee benefices. The official's right to the office is guaranteed by his 'irremovability' which increases official's autonomy.
	Fiefs	Rights over the land or territory are granted in exchange for military or administrative service. Fief is hereditary but inalienable. It is a property of the feudal lord who has the discretion of decision-making in his own patrimonial administration.

Appropriation of the position is a logical result and major mechanism of the patrimonial system. On the one hand, it is a personal prerogative of the ruler, on the other hand, it is a form of support of the staff. Weber (1968: 235) states that the ruler supports the patrimonial staff in three ways. (a) An official gets a fixed remuneration from the treasury of the lord. However, provision of the large apparatus with regular payments requires stable income which most of the

early patrimonial regimes fail to obtain (Weber, 1968: 964-965). Therefore, (b) the ruler gives the right to the official to appropriate income sources (such as fees, taxes) which the administrative position has access to (Weber, 1968: 222). This kind of support of the staff is a peculiarity of prebendalism (extreme case is sultanism⁴⁸). In contrast, (c) the rights to the office itself can be appropriated which is a peculiarity of estate-type patrimonialism like in the

48 "Where domination is primarily traditional, even though it is exercised by virtue of the ruler's personal autonomy, it will be called patrimonial authority; where it indeed operates primarily on the basis of discretion, it will be called sultanism" (Weber, 1968: 232). Oriental Sultanism is a pure (patriarchal) variant of patrimonialism and in contrast to Western feudalism is characterized by high level discretion of the ruler, rather than by traditions (Weber, 1968: 1091).

case of appropriation of seigniorial powers in Western feudalism. In this case, the incumbent has his own administration and costs of it are met from his treasury (see Table 7) (Weber, 1968: 235).

A. PREBENDAL APPROPRIATION

Prebendal appropriation is assigning rent payments deriving from an administrative position or economic usufructs of the position to an official in “compensation for the fulfillment of real or fictitious duties of the office” (Weber, 1968: 966-967). Prebendal appropriation is based on benefice (Pfründen), which implies “a definite right to the office and thus its appropriation” (Weber, 1968: 1031).

In its genuine form, benefice is “a lifelong, not a hereditary, remuneration for its holder in exchange for his real or presumed service” (Weber, 1968: 1074). It is an income of the office, not of the official. The official does not privately own benefice. The benefice-holder claims only some portion of the income, while part of the benefice is usually allocated to meet the cost of the administration (Weber, 1968: 1074).

Weber (1968: 1032) distinguishes three types of benefices. Historically early benefices were in kind allowances (Deputatpfründe) “from the depots and granaries of the ruler.” Fee benefices (Sportelpfründe), on the other hand, are “the assignment of certain fees which the ruler or his representative can expect for official acts” (Weber, 1968: 1032). Finally, landed benefices imply “assigning office or service land (Amtsorder Dienstland) for the incumbent’s own use” (Weber, 1968: 1032).

Major difference between the benefice types lies in the level of autonomy from the lord that each type provides. The benefices in kind were supplied directly from the depot of the ruler, and thus, material wealth of the incumbent was highly dependent upon the discretion of the ruler. The source of the fee benefices is outside of ruler’s household, which diminishes his control. Landed benefices provide even greater autonomy from the lord that brings it closer to the notion of the fief (Weber, 1968: 1032).

In patrimonialism, monopolistic control of authority also creates capitalistic profit-making opportunities for the patrimonial ruler and the administrative staff. To realize these opportunities, the ruler either maintains his own administration or develops political capitalism (Weber, 1968: 238, 240). Politically oriented capitalism (politisch orientierter Kapitalismus) is a form of the “capitalistic” orientation of a profit-making activity. It is exploitation of the profit-making opportunities “arising from the exercise of political power (ultimately violence)” (Love, 1991: 4).

Political capitalism encompasses three qualitatively different types of the capitalistic orientation of profit-making that involves authority. First, orientation to predatory profit-making opportunities from the political organization or affiliated persons, for example, financing party leaders, revolutions or coups-d’état. Second, it encompasses opportunities that emerge from the regular economic activity of political authority. These opportunities can be primarily business-oriented as in the case of colonialism⁴⁹, or they can be fiscal in nature as in the case of tax-farming and leasing of office (Weber, 1968: 164-165). Tax-farming is a

49 “Since the time of Hammurabi political capitalism has existed wherever there has been tax farming, the profitable provisions of the state’s political needs, war, piracy, large-scale usury, and colonization” (Weber, 1968: 480).

type of leasing relationship between the lord and the official where the exercise of administrative functions are outsourced. It was partially triggered by practical reasons when the lord transfers the risk of fluctuating income to the incumbent and ensures a stable income for himself. In this way, the lord may agree with the official on transferring part of the income or on rendering a fixed sum (Weber, 234-235).⁵⁰ Third, profit-making opportunities may arise from “unusual transactions with political bodies” (Weber, 1968: 165).

B. ESTATE-TYPE APPROPRIATION

Appropriation of position for private gain reaches its heights in estate-type domination (*ständische Herrschaft*) when “not only economic but also political rights are bestowed upon the official” (Weber, 1968: 967). The main difference between the estate-type and prebendal appropriation is that in the latter “there is complete separation of the functionary from the means of carrying out this function.” Exactly the opposite is true for the estate-type, when the staff owns at least part of the administration,⁵¹ and the official meets its cost from his own budget (Weber, 1968: 234).

By gaining control over the part of the administration, the staff appropriates positions and corresponding economic assets, material means of the administration and/or governing powers.⁵² The ruler’s discretion in selecting the administrative staff is limited because a part of the positions and seigniorial powers have been appropriated by a social group or individuals.

Estate-type appropriation can be based on the appropriation of benefices or fiefs.

i. Appropriation of benefices

Weber (1968: 1037) emphasizes that there is a universal tendency towards appropriation of benefices. Although, in its genuine form a benefice is inalienable, with the increased autonomy of the officials benefices can be inherited, given or sold. This tendency is typical for fee and landed benefices. For the landed benefices, for example, the incumbent’s “desire to find a family and to be independent” (Weber, 1968: 1032) results in the hereditary form of appropriation. Even in those cases (for instance, in China) when trading with the office was not legal, they were obtained by money in form of the bribe (Weber, 1968: 1037).

In the case of appropriation of fee benefices, administrative positions become “subject to purely commercial transactions” (Weber, 1968: 1032) and are treated as a private source of income (Weber, 1968: 966). They are leased or sold and “became a patrimonial possession of the leaseholder or purchaser” (Weber, 1968: 1033). This kind of appropriation of position makes the official almost irremovable. The ‘irremovability’ serves as a guarantee of his right to the office either legally or factually (Weber, 1968: 1038).

Trading in benefices is customary for the early period of the modern patrimonial-bureaucratic state when the money economy substantially advanced (Weber, 1968: 1033). On the one hand, benefices were considered as an investment in return for fee incomes. On the other hand, they were tickets to the privileged status group (Weber, 1968: 1037).

⁵⁰ The interest of the official in profit-maximization through exploitation of the paying capacity of the subjects may bring resistance of the subject and troubles to the lord. Therefore, the lord, usually, tries to gain control over the exploitation process by establishing regulations. “Depending upon the distribution of power between the lord and the farmer, the latter’s interest in the full exploitation of the paying capacity of the subjects or the lord’s interest in the conservation of this capacity may predominate” (Weber, 1968: 234, 965).

⁵¹ Weber (1968: 234) states that the feudal knights were in full possession of the means. They provided means to their own administration while taking the court fees and other prerequisites for themselves.

⁵² “It is also possible that the provision of administrative means and of the administrative staff itself is appropriated as the object of a profit-making enterprise, on the basis of fixed contributions from the ruler’s magazines or treasury. This was true in particular of the mercenary armies in the sixteenth and seventeenth century in Europe – examples of “capitalist armies”. (Weber, 1968: 233)

Therefore, the price of the benefices rises as income opportunities from the position and its status level increase (Weber, 1968: 1034).

Distribution of sources of fee incomes through the appropriation of benefices leads to decentralization and typification of the patrimonial administration. On the one hand, it is related to the increased interest of benefice-holders in maintaining the status-quo and preservation of “traditionalist stereotyped separation of political powers” which guarantees their right to the office (Weber, 1968: 1038). Officials in this respect may sabotage rationalization attempts of the administration through reforms (Weber, 1968: 1038). On the other hand, with increased appropriation, the separation of official and private matters of the incumbent disappears. Furthermore, as a consequence of treating the office as a private property, the incumbent deviates from the agency relationship with the ruler. A personal right to the office brings discretion to the exercise of power which, in its extreme form, is limited only by the sacred boundaries of the traditions (Weber, 1968: 1041).

This is especially true in the case of appropriation of local organizations. In a typical patrimonial state which disdains rationalization, position of the local ruler is strongly influenced⁵³ by his social prestige (Autorität) which is “mainly based on a capacity to maintain the style of life appropriate to a status group of notables” (Weber, 1968: 1040). Therefore, the local property-owning stratum tends to dominate local offices in patrimonialism (Weber, 1968: 1040). Weber (1968: 1040) notes that “only a strong autocratic ruler can

impose the opposite principle: rule through propertyless persons who are economically and socially completely, dependent upon him.” This requires the ruler to engage in a regular struggle with the local honoratiorees. He may succeed in the short run, but in the long run, the local honoratiorees as a cohesive interest group usually take over.

ii. Fiefs

Estate-type appropriation can also be primarily based on fiefs as in Western feudalism (Lehensfeudalität) (Weber, 1968: 235). Fiefs (Lehen) “are grant of rights especially of land use or of political territorial rights in exchange for military or administrative service” (Weber, 1968: 1071). A fief is hereditary, but inalienable because it is founded on a highly personal relationship with the ruler.

A fief is a property of a feudal lord. Contrary to the benefice, the lord as a fief holder pays the costs of his administrative and military staff from his own resources. Therefore, selection of the administrative staff is the monopoly of the lord. By this, the lord establishes his own patrimonial authority where his relationship with the ruler is built upon ‘conventional standards of status honor’ (Weber, 1968: 235-236).

2.3.4.3 Corruption in Traditional Authority

Most of the appropriation practices are legitimate mechanisms of appropriation of power in traditional domination and are not considered as corruption. Limits of the legitimate appropriation of power are guided, on the one hand, by traditions, and, on the other hand,

53 In case if the official is “completely — economically and socially — dependent upon the ruler’s favour could gain personal authority only under very conducive conditions”. (Weber, 1968: 1039-1040)

“by considerations of ethical common sense, of equity or utilitarian expediency” (Weber, 1968: 227). Otherwise, as it has been stated by Weber, the ruler and his staff may face subjects’ resistance and eventually end up with a traditionalist revolution. The exercise of authority is limited by the consideration of how far the ruler and administration can go without causing subjects’ resistance.

Corruption in patrimonial domination is an illegitimately obtained gain through authority. Because of the private nature of the authority, it is usually characterized as a betrayal (of trust) or ingratitude⁵⁴ and is predominantly reflected in deviation from the will of the ruler.

Imperfectness of domination is the main source of corruption⁵⁵ in the traditional rule. It is a result of mismanagement hidden in the disposition of appropriation practices. Therefore, Weber characterizes corruption in patrimonial domination (*Bestechlichkeit*)⁵⁶ as “simply a matter of disorganized unregulated system of fees” (Weber, 1968: 239). For instance, under traditional domination political capitalism (tax farming, lease, and sale of offices) represents the consent of the ruler and, at the same time, creates opportunities for corruption. Weber (1968: 240) states that “if offices are leased, the incumbent is put in a position where it is his immediate interest to get back the capital he has invested by any available means of extortion.”

2.3.5 Appropriation of Power in Legal Authority

In legal authority, the belief in legitimacy “is based upon an impersonal bond to the generally defined and functional duty of office” (Weber, 1948/1974:

299). Governing incumbents “are not personal rulers, but superiors who temporarily hold an office and possess limited authority” (Bendix, 1959/1973: 422). There is a principle of separation of staff from ownership of the means of production or administration. Officials themselves have no property right to the means of administration. The means are provided for functional use, and officials are obliged to render an accounting of their use (Weber, 1968: 219). The system of legal domination where authority is realized through implementation of enacted rules cannot exist without separation of public office and incumbent (Bendix, 1959/1973: 424). As long as various individuals or groups appropriate the basic functions of the government, a legal authority does not exist (Bendix, 1959/1973: 390). In its pure form, appropriation of power by an official is “completely absent” in legal authority (Weber, 1968: 219).

2.3.5.1 Bureaucracy and Appropriation

Bureaucracy represents an ideal type of the exercise of legal domination. Throughout history, bureaucratic organizations existed in different civilizations;⁵⁷ but these organizations are not considered rational-legal unless the officials appropriate their position (Bendix, 1959/1973: 383). In order not to appropriate the entrusted position and corresponding resources, the incumbent needs regular and stable support. Until the development of money economy, fixed income in kind from the depot of the ruler (like in patrimonial bureaucracies of China and Egypt) served as a source of regular income. But regularity of this kind of support of

⁵⁴ Gratitude is one of the regulatory categories of traditional relations. It implies reciprocity in the relations of the ruler and the official where the latter is expected to demonstrate appreciation to the lord in return to his ‘kindness’ for entrusting a position to the official. This gratitude can be materialized or not. In case if the lord decides that the official shows ingratitude, he may revoke the entrusted position as well as privileges and appropriations granted (Weber, 1968: 1041).

⁵⁵ Appropriation of authority is a legitimate prerogative of the traditional master. Therefore, there is no systemic corruption, at least in the instance of the ruler.

⁵⁶ For German version see Weber (1922/1980: 138).

⁵⁷ According to Weber, ancient Egypt (in the period of the New Kingdom), China (after the decline of feudalism), and different periods of Roman and Byzantine empires can be considered as patrimonial bureaucracies (Bendix, 1959/1973: 383).

the staff was not consistent. Payments in kind were usually allocated from the taxes in kind. As soon as the power of the lord diminished taxes in kind and payments in kind became irregular. In this case, the incumbent began to support himself by the appropriation of his position, irrespective of whether he was authorized or not. Only with the emergence of the money economy, it became possible to provide the officials with a stable fixed regular income (Weber, 1968: 964).

Thus, provision of the officials with the stable compensation in the form of money is crucial for the expropriation of the incumbent from the ownership of the means of administration and establishment of modern bureaucracy. With complete expropriation, the incumbent has no right to the position and to the office.

However, rights to the office are not completely absent in bureaucracy. They exist only to secure “the purely objective and independent character of the conduct of the office” (Weber, 1968: 219) and “do not serve the purpose of appropriation” (Weber, 1968: 959). In this connection, the modern bureaucratic organization implies “strict and systematic discipline in the conduct of the office” in respect to the appropriation (Weber 1968: 221).

2.3.5.2 Corruption in Legal Authority

Under legal domination, income obtained by appropriation of power is a deviance from the legitimate order that is guided by the principles of impersonality and the rule of law (Rubinstein and Maravic, 2010: 32). Corruption is treated as an

illegitimate reward and encompasses all kinds of activities of deriving gain from the appropriation of power. In its pure form, the bureaucratic organization repudiates corruption. A bureaucratic official receives a fixed salary and rejects an acquisitive drive and use of power for private gain. Weber (1968: 1108) states that the bureaucratic official is “ideally incorruptible” and his “performance finds its dignity precisely in the fact that it is not a source of commercial enrichment.”

Corruption in legal authority is either (1) a result of the imperfectness of the rational-legal bureaucracy caused by the lack of the rationalization, or (2) a result of particularistic structures that stem from the personalist nature of power relations.

The establishment of the rational-legal bureaucracy is a process of increasing rationalization. In its pure form, the use of power for private gain is thoroughly regulated and controlled. However, the process of rationalization is associated with the administrative loopholes in regulations and control that gives the official an opportunity to appropriate power and means of administration. Thus, the official may profit from the appropriation forms that are not regulated or take advantage of the lack of control. Petty embezzlement in the public office is a perfect example of this type of corruption in legal authority as a type of appropriation that is tolerated in modern bureaucracies. In this vein, Weber’s (2001/1904: XXXI) ‘dishonest official’ refers to the first type of corruption in legal authority, where the appropriation is formally classified as corruption.

The particularistic appropriation structures in rational-legal authority

are manifested, from one side, by the traditional and charismatic power structures, and, from the other side, by the usurpation of authority by the closed groups in the form of bureaucratic absolutism.

A. CORRUPTION AND BUREAUCRATIC ABSOLUTISM

First, in its pure form, bureaucracy is immune from positional and organizational appropriation. However, Weber warns about the danger of monopolistic appropriation of authority by bureaucracy (bureaucratic absolutism) as a result of “the same measures that ensure a bureaucracy against the abuse of authority and the encroachment of privilege” (Bendix, 1959/1973: 452). Bureaucracy developed with the support of the democratic movements that demanded the rule of law and legal guarantees against bureaucratic arbitrariness. The rule of law is reflected in the impersonal exercise of authority by the rulers and officials recruited solely based on their technical qualifications. Technical and organizational knowledge of the official is a sign of his indispensability and, hence, his power. Nevertheless, any bureaucratic organization tends to conceal its knowledge and operation unless it is compelled to disclose them. It can even manipulate information about the existence of hostile interests to justify concealment (Bendix, 1959/1973: 452-453).

To avoid control, bureaucracy can usurp political and legislative processes of rule-making (or decision-making). This kind of practice subverts the rule of law and brings opportunities of appropriation of authority for private (or group) gain. Weber argues that

“administration that cannot be inspected and controlled tends to become a law unto itself” (Bendix, 1959/1973: 452-453). Bureaucracy usurping the authority loses its responsibility to the outside and exploits *patronage*⁵⁸ as a recruitment tool to handle appointments and promotions to the top positions in the government. Usurpation of political processes leads to an exaggerated form of power struggle behind the closed doors without any responsibility of control (Weber, 1968: 992; Bendix, 1973: 452-453).

B. CORRUPTION AS A TRADITIONAL RELIC IN LEGAL AUTHORITY

Corruption in legal authority can also be caused by the elements of traditional authority that continue to exist within the legal authority, namely, the patrimonial practices of appropriation of power.⁵⁹ Vast majority of the appropriation practices in patrimonial domination can be classified based, on the one hand, on structural differences (centralized and decentralized), and on the other hand, on the peculiarity of the relationship between the ruler and the official (Table 8). In this sense, systemic corruption in public office can be analyzed by the predominance of the appropriation elements.

2.4 Discussion

Conventional Weberian studies of corruption neglect the distinction between the concepts of appropriation and corruption. Appropriation is a wider concept that encompasses corruption. Corruption represents only an illegitimate part of it. The political economy of traditional authority is based on

⁵⁸ Patronage is a form of favouritism “in which a person is selected, regardless of qualifications or entitlement, for a job or government benefit because of political affiliations or connections” (Ti, 2009: 32).

⁵⁹ It is crucial to note that patrimonial appropriation of power is not simply a cause-consequence dichotomy, but rather an inherent part of the quasi-systems of domination that serves certain functions.

TABLE 8. FORMS OF TRADITIONAL APPROPRIATION

	Appropriation of position	Appropriation of administration
Patriarchalism	Communal appropriation	
	Appropriation of position does not exist simply because there is no administrative position.	Authority is pre-eminent group right. Tradition strictly binds appropriation by patriarch. Community appropriates means of administration as a whole.
Pure patrimonialism	Centralized system of appropriation	
	Complete separation of the official from the means of carrying out his function. The official can appropriate income and economic usufructs of position with a permission of the ruler, but has no property right over the office and does not own his position.	Authority is a personal right of the ruler. He appropriates authority like his private property. Administration and military are his purely personal instruments.
Estate-type domination	Decentralized system of appropriation	
	The official has personal control over the means of administration. He owns the position and freely appropriates corresponding economic assets, material means of the administration and/or governing powers.	Due to the appropriation of part of the administration by the staff, appropriation by the ruler is limited either to the central administration or to the non-appropriated positions by the staff.

legitimate appropriation,⁶⁰ for example, embezzlement, nepotism, the sale of offices and even extortion that cannot be referred to as corruption. Corruption in traditional authority exists in the same way as in rational-legal authority. It is a deviation from the legitimate order and reflects imperfectness or malfunction of the system of domination. In the discussion of the traditional economy, Weber (1968: 239) notes that traditional practices themselves are not corruption,

but disorganization and absence of regulations in patrimonial domination cause corruption (see 2.3.4.3 Corruption in Traditional Authority).

Inability to distinguish the concept of appropriation from corruption also leads to a fallacious focus on the cause of corruption. To begin with, appropriation for Weber is an organizational phenomenon. In the ruler-staff-subject triangle, it addresses the relationship

60 Weber's theory of domination is built on two extremes with respect to the appropriation of authority. On the one hand, there is an absolute absence of appropriation in legal authority. On the other hand, the appropriation of authority is a backbone of the traditional authority, where it varies vastly from the absolute appropriation by the ruler (pure patrimonial domination) to the absolute appropriation by the staff (estate-type domination).

between the ruler and the staff although it is usually manifested in the interaction of the staff and the subject. From the methodological perspective, the cause of appropriation stems from the meaning that an actor attaches to his relation with the ruler which is a result of the power relation of the ruler and the staff. It is the probability that arises from the personalization of authority. As long as the power is personal, the ruler has a personal right to the power which can be realized by appropriation and can vary depending on the autonomy of control over the power.

In this regard, contrary to the approach in the conventional Weberian studies on corruption, not only the traditional but also charismatic authority is personal (Weber, 1968: 600, 1117). While the traditional ruler enjoys devotion of the staff and authority to being a bearer of norms, staff's loyalty to the charismatic leader and his authority is based on "a mission believed to be embodied in him" while the mission is not always revolutionary. In contrast to traditional power, charisma is not based upon habituation and respect of the norms (Weber, 1968: 1118). It implies that regardless of the dominant permanent authority, charisma results in personalization, and thus, the probability of appropriation⁶¹. In other words, it can be argued that even in the rational bureaucracy the charismatic leader may surrender to the temptation of appropriation, and thus, corruption. For Weber (1968: 1117-1118), both the personal structures of charisma and traditional power are not exclusive to the political organization but can be found in all the areas of life.

In this context, it is also important to

clarify the link between corruption and the public-private separation that is often emphasized in traditional Weberian studies. Contrary to Karl Marx, Weber believed that the process of expropriation appears in the economy not only as expropriation of workers from the means of production but also as expropriation of authority (Swedberg, 2005: 163). Bureaucratization of state leads to expropriation of officials from the means of administration. Expropriation brings a clear conceptual separation between legal order and private rights of the individuals and results in division of the public and private law (Weber, 1968: 998). It implies conceptual separation of personal authority from the state which is "the abstract bearer of sovereign prerogatives and the creator of legal norms" (Weber, 1968: 998). Historically, an early reflection of this separation can be found in the urban communities where, because of the periodic elections, the official is no longer associated with a person who possessed authority as his personal right (Weber, 1968: 998). Thus, comprehensive separation of the public and private spheres of the official is achieved, on the one hand, by "the complete depersonalization of administrative management by bureaucracy" and, on the other hand, by the rational systematization of law (Weber, 1968: 998). In this vein, Weber notes that "all states may be classified according whether they rest on the principle that the staff of men themselves own the administrative means, or whether the staff is 'separated' from the means of administration" (Weber, 1946: 81).

To sum up, Weber's concept of corruption gives answers to two questions of the theoretical framework:

⁶¹ Indeed, in its pure form the charismatic authority does not imply organizational structure with the ruler and the routine. But it does not involve chaos either. It has "a definite social structure with a staff and an apparatus of services and material contributions... although they are formally voluntary, unregulated and irregular" (Weber, 1968: 1119).

⁶² Weber (1968: 26) uses the term social relationship "to denote the behaviour of a plurality of actors insofar as, in its meaningful content, the action of each takes account of that of the others and is oriented in these terms."

what is corruption and why it becomes repetitive and recurrent? Corruption is an illegitimate gain obtained by the appropriation of power. The definition is reflected differently in ideal type authorities because the role of appropriation in political-economy of authorities is different. While rational-legal bureaucracy disdains appropriation of power, corruption is identified as an abuse of public power for private gain. Traditional authority is founded on the appropriation of power, at least in an instance of the ruler. Therefore, most of the appropriation practices are not corruption. Only those appropriation practices that violate legitimate order of a traditional domination are considered corruption. Being a non-permanent authority type, charismatic authority as a personal power also legitimates appropriation of power. However, as it is not a domination of the daily routine, there is no staff, but there are followers and, thus, there is no understanding of corruption as an organizational phenomenon.

The answer to the second question is in Weber's concept of order (*Ordnung*). Corruption is a deviation from a legitimate order. The content of a social relationship⁶² is referred to as an order when a social act is oriented towards the determinable maxims (Weber, 1968: 31) that "the parties concerned expect to be adhered to by their partners on the average and approximately" (Weber, 1968: 28). The order is valid (*Geltung*), if there is a probability that social action will be guided by belief in its legitimacy. In this case, the orientation of the actor towards the maxims is "regarded by the actor as in some way obligatory or exemplary for him" (Weber, 1968: 31).

The valid order is more or less stable and binding (Weber, 1968: 31).

As a relatively stable social relationship, the order is based upon a probability of repeated recurrence of the expected action that corresponds with a subjective meaning.⁶³ The order changes when the subjective meaning a social relationship changes (Weber, 1968: 28). For instance, a political relationship once based on belief of sanctity of irrational traditions may transform into the relationship based on rational regulations. For the actor several, even conflicting, orders simultaneously can be valid (Weber, 1968: 32, 33). In other words, different orders to which an actor orients himself may exist simultaneously. For instance, a civil servant may refer himself both, to the formal order of a public organization which does not allow nepotism, and to the social order that promotes it. Moreover, the coexistence of different valid orders simultaneously is crucial for the understanding of corruption as a deviation in the mixed authority types. Weber (1968: 32) states that partial or sporadic deviations are common for an order. However, when a deviation from "an order has become the rule, the order can be said to be "valid" only in a limited degree and, in the extreme case, not at all" (Weber, 1968: 32).

The major difference of the order from other regular behaviors like customs⁶⁴ is a mechanism of external sanction (Weber, 1968: 29). In this regard, two types of legitimate order are identified: convention and law. An order is called convention "so far as its validity is externally guaranteed by the probability that deviation from it within a given social group will result in a relatively general

63 For Weber (1968: 8-9), the social sciences are concerned with two kinds of meaning: 1) the meaning (*Sinn*) that an individual actor ascribes to his action; 2) the complex meaning (*Sinnzusammenhang*) "that is constituted by such factors as a local context, a religion, a political ideology". Weber states that "sociology is not so much concerned with meanings as constructed by individuals but with meanings as constructed by many people – with types of meaning and as a rule also with complexes of meaning". "An order may either be part of what Weber calls a "complex of meaning" (*Sinnzusammenhang*) or constitute such a complex itself" (Swedberg, 2005: 186).

A social scientist can study the meaning of a social action by means of understanding (*Verstehen*). Weber (1968: 8-9) differentiates 'direct observational understanding' (*aktuelles Verstehen*) and 'explanatory understanding' (*erklärendes Verstehen*). In case of a police officer receiving bribe, direct observational understanding implies abusing power to get money, while explanatory understanding implies why the police officer receives bribe (for instance, to compensate his low salary). Furthermore, an actual course of understandable action is interpreted in the complex of meaning.

and practically significant reaction of disapproval" (Weber, 1968: 34). The order is a law if the validity is "guaranteed by the probability that physical or psychological coercion will be applied by a staff of people in order to bring about compliance or avenge violation" (Weber, 1968: 34).

Thus, the meaning that an official attaches to his repetitive and recurrent act of appropriation is a result of a valid order(s) that facilitates, rather than punishes appropriation. In modern bureaucracies that identify appropriation as corruption it indicates that there are simultaneous conflicting valid orders with respect to appropriation: on the one hand, personalist power relations that facilitate the validity of a repetitive appropriation, on the other hand, the formal, impersonal legal-rational bureaucracy that labels this kind of practices as corruption.

Thus, repetitive corruption in modern public organizations is the result of either the personalist power that leads to the appropriation structures, or the lack of the rationalization of bureaucracy that leads to individual appropriation of power and the means of administration. Appropriation structures are manifested, on the one hand, by the traditional and charismatic power structures, and on the other hand, by the usurpation

of authority by closed groups in the form of bureaucratic absolutism. Individual appropriation represents an individual infringement as a result of the administrative loopholes, such as lack of control or absence of regulations.

While Weber's sociology gives answers to what corruption is and why it becomes institutionalized in public organizations, it fails to explain how corruption becomes part of a valid order. In other words, how do prescriptions of corrupt acts emerge in a public organization? To answer this question, a model of institutionalization of corruption in public organizations is introduced in the next section.

64 Weber (1968: 29) differentiates three empirical uniformities to which an actor may regularly orient himself: usage (Brauch), custom (Sitte) and self-interest (Interessenbedingtheit). Usage implies that the probability of the existence of an orientation within a group towards social action is based on actual practice. Custom is a usage "based upon long standing" (Weber, 1968: 29). A uniformity of orientation is based on self-interest if "the actors' conduct is instrumentally oriented toward identical expectations" (Weber, 1968: 29).

3 Theoretical Model of Institutionalization of Corruption

The purpose of this section is to introduce the theoretical model needed to study processes of corruption change, when new corruption practices start to evolve and institutionalize over time. The starting point of this model is the assumption that organizational corruption constitutes more or less stable rules and routines. Then, as an organizational change, corruption is studied with a special focus on organizational rules, routines, structures and their institutionalization using the institutional model developed by Burns and Scapens (2000) and the recursive model of Barley and Tolbert (1997). The latter is built upon the duality of structure developed in the structuration theory of Giddens (1984).

3.1 Rules, Routines and Institutions

The primary focus of the model is intra-organizational processes of corruption change. Corruption manifests itself as a routine and an organizational action that tends to lead to institutionalization. Institutionalization of corruption implies a process where corruption gradually becomes “the ‘taken-for-granted’ ways of thinking and doing in an organization” (Burns and Scapens, 2000: 5). Institutionalized corruption is a result of this process.

Institutions are “ways of thought or action of some prevalence and permanence, which is embedded in the

habits of a group or the customs of the people” (Hamilton, 1932: 84 cited in Burns and Scapens 2000: 6). It “imposes form and social coherence upon human activity through the production and reproduction of settled habits of thought and action” (Burns and Scapens, 2000: 6). The evolution of institutions occurs through the process of routinization of human activity. There exists a reciprocal duality of actions and institutions which have been widely discussed in social science.

Rules are defined as “the formally recognized way in which things should be done” (Burns and Scapens, 2000: 6). Rules provide coherence and coordination to the actions of social groups. Repeated realization of rules may bring programmatic behavior, which is mainly based on tacit knowledge that is acquired through reflexive monitoring of daily activity. “Such programmatic rule-based behaviors” are routines, - the way in which “things are actually done” (Burns and Scapens, 2000: 6). Routines represent habits adopted by groups of individuals. The habits of thought and action have “self-actualizing dispositions to engage in previously adopted forms of action” (Burns and Scapens, 2000: 6).

Rules could be modified in the process of routinization as the group finds mutually feasible ways of realizing them. For instance, within the centralized corruption system in the organization, there could be a rule that defines a certain amount of bribe to be taken for certain services by officials. However, this rule is subject to deliberate or unconscious modifications. The deliberate modification could occur due to a rationalization intention of the management. For example, this rule

could be modified in a sense that officials don't get bribes themselves, but send a citizen to a "cashier" who collects all bribes. This modification could be made with the intention to eliminate officials' opportunities of taking more bribes than the defined amount. Unconscious changes may be introduced when the circumstance is inappropriate or when the rules are misunderstood. Thus, with the introduction of corruption rules, routines will emerge, and these routines will be reproduced and institutionalized over time. This interaction between rules and routines is reciprocal. Rules can also be established as a result of reproduced routines. In this connection, the source of routines is not always the rules and the source of rules is not always the routines (Burns and Scapens 2000: 7). Routines can occur as a result of a violation of the rules on behalf of self-interest like corruption, and its reproduction over time may establish the institutionalized behavior of an individual or a group or individuals originated from the violation of rules. This kind of reproduction of institutionalized corruption could give ground to the new corruption rules within the corruption system.

To sum up, "rules are the formalized statement of procedures" (Burns and Scapens 2000: 7). In a centralized corruption system, rules reflect corruption structures and procedures. Routines are the actual implementation of these procedures that are habitually adopted by individuals. In a corruption environment, routines reflect the institutionalized corrupt behavior of the officials. The changes in rules occur at discrete intervals, while the potential of change in routines has cumulative character as they repeatedly reproduce. In the end, there is a continuous

reciprocal relation between rules and routines while they are not always the source of each other (Burns and Scapens 2000: 7).

3.2 Actions and Institutions

To construct the relationship between actions and institutions, Burns and Scapens (2000) use the agency-structure relationship from Giddens' (1984) structuration theory. Giddens (1984: 131) distinguishes systems, which are "patterns of relations in groupings of all kinds, from small, intimate groups, to social networks, to large organizations" formed by "enduring cycles of reproduced relations" and structures (institutions) that bound social acts to systems. For Giddens (1984) institutions are not only the constraint on human action, but also its product. Figure 6 demonstrates Giddens's model of structuration. Accumulation of actions and interactions produces rules and typifications that form the realm of a social structure. Structural orders involve principles that draw upon systems of legitimation, domination, and signification. The realm of human action implies actual arrangements that occur over a certain period of time. The modalities are used to link the knowledgeable capacities of human action (in the form of interpretive schemes, resources, norms) to the behavior patterns of individuals (Barley and Tolbert 1997: 98).

Although the structuration theory of Giddens is very useful to understand the relationship between actions and institutions, it does not significantly contribute to the exploration of the process of change. In this vein, Barley and Tolbert (1997: 100) translated

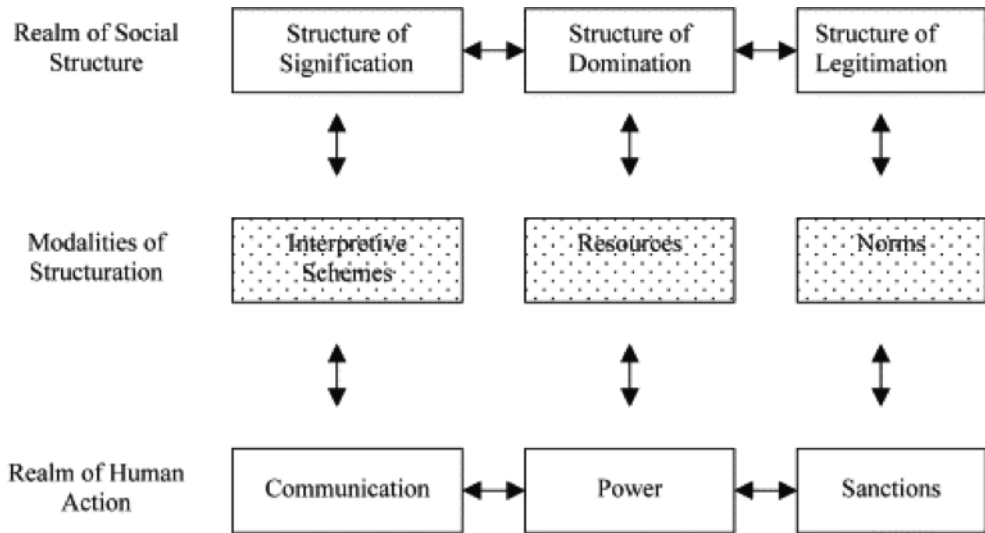


FIGURE 6. GIDDENS'S (1984: 29) MODEL OF STRUCTURATION

Giddens' model of structuration into a more dynamic recursive model that establishes continuous link between change in institution and action. The recursive model also moves beyond theoretical application and introduces a framework for empirical study of process of Institutionalization.

Barley and Tolbert (1997) explored relations between actions and institutions over time and introduced a recursive model describing the process of institutionalization. In Figure 7, the amended and modified version of Barley and Tolbert's recursive model is introduced to develop a theoretical model of institutionalization of corruption. Institutionalization is a continuous process which is possible to observe only through a time frame. The upper and lower boundaries of the model indicated by bold horizontal arrows represent the institution and action that are the extensions of Giddens' realms

of social structure and human action. The duality of social systems is reflected by the diagonal and vertical arrows that connect realms of institution and action. While diagonal arrows represent "the changes of the institution through action," vertical arrows refer to "the institutional constraints on action" (Barley and Tolbert 1997: 100). In this vein, "social behaviors constitute institutions diachronically, while institutions constrain action synchronically" (Barley and Tolbert 1997: 100). Instead of Giddens's modalities, this study uses scripts (in this case, the corruption scripts). Scripts are "observable, recurrent activities and patterns of interaction characteristic of a particular setting" (Barley and Tolbert 1997: 100). The corruption scripts manifest themselves as corruption rules and routines.

The corruption scripts may encompass a wide variety of intra and extra organizational rules and routines that

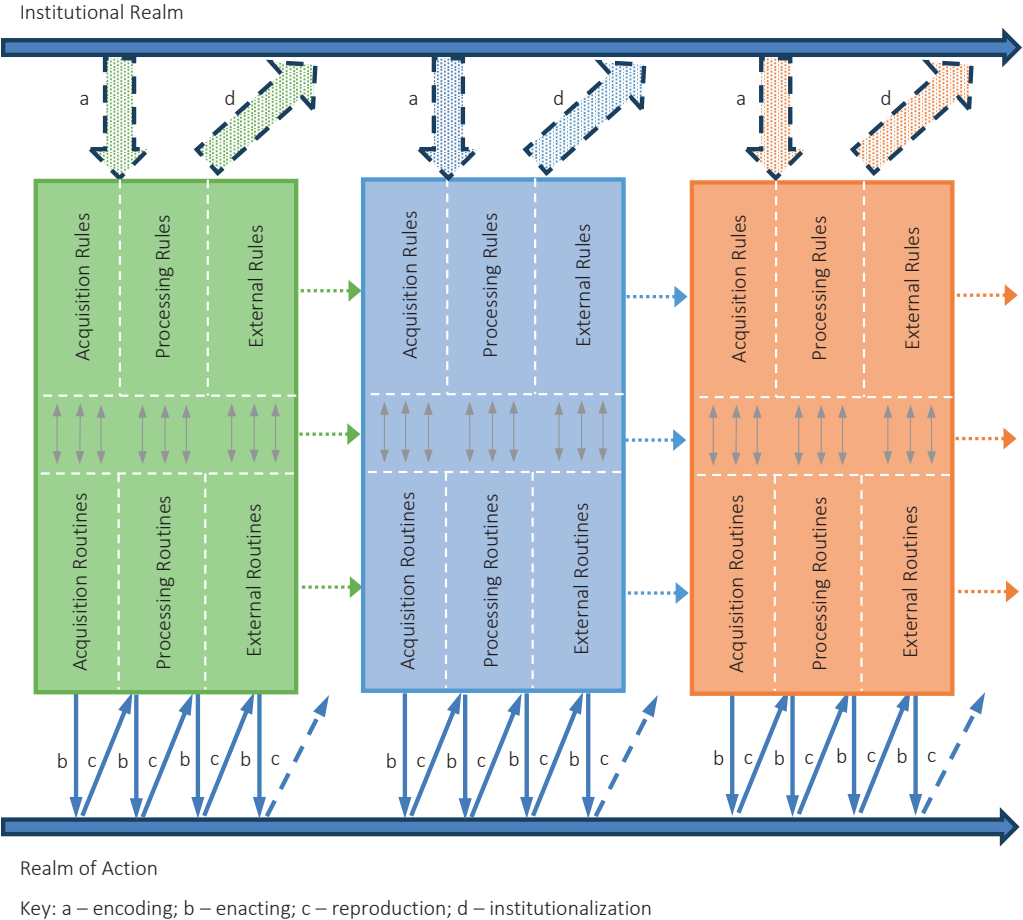


FIGURE 7. MODEL OF INSTITUTIONALIZATION OF CORRUPTION; MODIFIED FROM BURNS AND SCAPENS (2000)

make it impossible to follow the changes in the scripts. Therefore, we differentiate three categories of corruption scripts: acquisition, processing and external scripts. Acquisition scripts include corruption rules and routines of obtainment of corruption. They focus on the interaction of the official with the object of appropriation, for example, with a citizen. Processing scripts contain handling corruption inside

the organization, for instance, sharing and distribution of corruption income. Extra-organizational scripts or external scripts describe relationships with external actors. They mainly concern rules and routines of maintenance and endorsement of external relationships related to the corruption activities in the organization.

In order to demonstrate changes in the corruption scripts, different

colors and different depth of color are used. For example, orange indicates institutionalized corruption, while blue implies sporadic or individual corruption. Green is used to indicate the absence of both. The depth of the color (its darkness) indicates the level of the phenomenon. The darker the orange color used in the model, the more institutionalized corruption scripts are; the darker the blue color, the more individual the corruption is. It should be noted that colors mentioned above are conditional and have only demonstrative purpose.

Arrow “a”, as a first process (Figure 7), involves encoding of the institutional realm (principles) into rules and routines (in this case, corruption rules and routines) (Barley and Tolbert 1997: 100). Routines represent the dominating institutional principles and form the rules. Rules themselves form and modify the existing routines. The initial position of rules and routines is conditional. In the continuous process of interaction of rules and routines, rules can also define and modify the routines. The process of encoding of institutional principles to rules and routines engages the ‘taken-for-granted’ assumptions that comprise these principles through the representation in the form of values, meanings, and power (Burns and Scapens 2000: 10). Arrow “b”, as a second process, involves the reflection of rules and routines in the realm of action. The realization of rules and routines are not always resilient, but it may be subject to resistance, particularly, if they contradict the existing values and meanings (Burns and Scapens 2000: 10). Arrow “c”, as a third process, reflects repeated behavior that leads to the reproduction of rules and routines. As

discussed earlier, in this reproduction process rules and routines could be consciously or unconsciously modified. Arrow “d”, as a final process, presents the institutionalization of scripts (rules and routines). Thus, routines and rules reproduced through the individual or group behavior in their historical circumstances take a normative quality and “become the way things are” (Burns and Scapens 2000: 11). In other words, rules and routines become institutions. Through the ongoing encoding, these institutions will be reflected and modified in the new rules and routines (Burns and Scapens 2000: 10-11). The institutionalization of new practices is a dynamic process, and not all rules and routines are equally institutionalized. Institutionalization infers the internalization of new practices and a change in the daily routines and activities. The variation in the levels of institutionalization depends on the time of operation of the institution (how long it exists) and on the internalization of the institution by the members of the organization (Barley and Tolbert 1997: 96).

To understand the described theoretical model in studying institutionalization of corruption, a particular example is used, namely, the example of change imposed by a newly appointed government manager at a Customs Office who introduces a centralized system of bribing. It means that along the formal structure of the organization, the new hierarchy of corruption is established, which comprises new rules of bribing (fixed amount of the bribe, the scheme of allocation of corrupted money and other rules). With the introduction and realization of new corruption rules, new routines appear. In other words,

centralized corrupt procedures will be developed and reproduced by different groups and individuals within the office. These procedures function along established organizational routines and are formed by current institutions (Burns and Scapens, 2000: 12).

When introduced, a new corruption system will be easier to establish when it is consistent with the existing routines inside the institution, rather than when it starts to challenge them. In this respect, the emerging routines after the introduction of the new bribing rules will be influenced by the existing routines and institutions. The reproduction of corruption routines can also lead to the changes in the rules that can be influenced and changed in line with the understanding and values incorporated in the existing routines and in line with the power of the involved groups and individuals (Burns and Scapens, 2000: 12).

It would not be so easy to predict the emerging new corruption routines in particular cases, but they can be explained. The introduction of a new centralized system of bribing may involve the intention of rationalization of control in corruption system, but the newly appointed manager and the remaining staff of the Customs Office may also be influenced by other institutions, for example, by extra-organizational institutions (Burns and Scapens, 2000: 12). Government officials could, for instance, be affected by patrimonial institutions of the society which impose new rules regarding the nepotistic or clientelistic behavior. In the end, any introduced rules and emerging new routines are path-dependent (Burns and Scapens, 2000: 12) in the sense that existing routines and institutions define the process of emergence and realization of scripts.

When emerging corruption routines become broadly accepted in the Customs Office in a way that they are an unquestionable form of behavior, then they are institutionalized. They become more than a series of corruption actions realized by customs officers. Institutionalized corruption routines are an essential part of the corruption system, and “represent the expected form of behavior and define the relations” (Burns and Scapens, 2000: 12-13) among the different individuals and groups inside the organization. They affect further organizational activity and become very resistant to challenges, such as anti-corruption policies, for example. However, some changes in the centralized corruption system could involve fundamental changes to existing routines and institutions. These radical changes are highly probable as a result of major external extra-organizational turbulences such as economic cataclysms, political coup-de-tats, revolutions (Burns and Scapens, 2000: 12).

After the introduction of theoretical underpinnings of institutionalization of corruption in public organizations, the next two chapters explore the process of institutionalization in the post-Soviet countries. Chapter IV presents the genesis and cause of institutionalization of corruption in the post-Soviet countries by utilizing Weber's concept of corruption and building links between the Soviet and post-Soviet periods. Elements of institutionalization of corruption, its stages, causes, and consequences are discussed at the macro and meso levels. Chapter V demonstrates case studies of institutionalization of corruption in the Georgian traffic police and Azerbaijan real estate registration offices from the beginning of the 1980s till the mid of the first decade of the millennium.

4 Origins and evolution of institutionalized corruption in post-Soviet countries (1917-1991)

The first decade after the collapse of the USSR is characterized by a corruption boom. Widespread and rampant corruption permeates the state apparatus from top down. Most scholars attribute this to the peculiar nature of the transition period. Like revisionists from the 1960s and 1970s, these scholars (see Tiryakian, 1995; Leiken, 1996; Hellman et al., 2000; Kaufmann et al., 2000; Stefes, 2006) also believe that widespread corruption is a result of the collapse of the old institutions, when new institutions start to emerge, but are not established yet. It is believed that institutional changes will subsequently lead to the gradual decline of corruption.

At the beginning of the new millennium, it becomes apparent that corruption does not decline in most of the post-Soviet countries; on the contrary, it becomes not only systemic, but also institutionalized. According to the Corruption Perception Index of Transparency International, in the period from 1995 to 2010 these countries⁶⁵ systematically score as highly corrupt. On the one hand, this trend puts under question the effectiveness of the institutional reforms led by the international organizations, such as the World Bank, OECD, and IMF. On

the other hand, it brings corruption in the 1990s into the spotlight. It is clear that corruption is not just a part of the peculiar nature of the transition period, but it is also the result of the systemic factors that flow from the genesis of the post-Soviet state.

Another important question is whether corruption of the 1990s is a new kind. The last decade of the USSR demonstrates that use of entrusted power for private gain and appropriation, both in administrative and economic spheres, are regular. In this respect, it can be argued that corruption in the 1990s is a continuation of the same appropriation of the old *nomenklatura*⁶⁶ but in a new disguise and under new conditions.

Thus, this chapter elaborates on the question of why corruption institutionalizes, with a special focus on authority relations that lead to the emergence of appropriation of power and its reproduction for a given period of time, essential to the institutionalization of corruption rules and routines. It demonstrates the evolution of the institutionalized corruption in the post-Soviet public organizations since 1917 and builds an explanatory bridge between the Soviet and post-Soviet transformations.

The chapter is divided into three parts. In the first part, the theoretical approach and methodology of the study are discussed. Based on the findings, the second part discusses the stages of the institutionalization of corruption, namely the evolution of the institutionalized corruption from the early days of Soviet government until the collapse of the USSR. This part considers the political and economic

⁶⁵ Excluding Baltic States: Latvia, Lithuania, Estonia.

⁶⁶ Party bureaucracy.

factors that shape the dynamics of the institutionalization of corruption and that contribute to its change. In the third part, the relationship between Soviet and post-Soviet corruption is discussed. In particular, this part addresses a question whether a post-Soviet corruption is a continuation of Soviet practices and traditions to elaborate on the explanatory link between the Soviet and post-Soviet periods of the institutionalization of corruption.

4.1 Theoretical Approach and Methodology

The theoretical background of the chapter is based on Weber's concept of corruption (see Chapter 1.2). It predicts that each authority type leads to essentially different modes of appropriation distinguished by the degree of autonomy of control over the object. In other words, particular appropriation modes emerge from a particular power relation. Therefore, the first methodological step includes sketching the map of appropriation modes throughout the history of the post-Soviet countries. The appropriation mode encompasses different manifestations of appropriation of position and appropriation of organization⁶⁷. Though both modes are different in nature, appropriation of position is realized through the appropriation of organization. However, various modes of appropriation can have relatively similar manifestations. For instance, both bureaucratic absolutism and prebendal appropriation represent a kind of social closure that is reproduced through the appointments by favoritism. While prebendal appropriation implies favoritism dominated by kinship relations,

bureaucratic absolutism entails a more impersonal clientelistic bond between the actors. Hence, as shown in Table 9, three contextual variables can be added that correspond with the appropriate authority: types of obedience, appointment and promotion of staff, and support of staff.

The first step aims to identify the dominance of four categories of appropriation that stem from three ideal types of authority: communal, bureaucratic, prebendal, and estate-type (see Table 9). Communal appropriation results from the devotion to the exceptional character of an individual, i.e., from domination by charisma. Although the ruler has a private right over the authority, it is not a source of personal enrichment for him. There is no regular administration, and appropriation by followers of the charismatic leader has an extortive nature. They legitimise the appropriation practices, such as booty and extortion, by the mission identified at the instance of the ruler.

The use of entrusted power for private gain is thoroughly regulated and controlled in the rational-legal bureaucracy. Contrary to the charismatic authority, the rational-legal bureaucracy implies impersonal domination based on staff's obedience stemming from the legality of enacted rules. However, the rational-legal authority is not prone to appropriation. On the one hand, the official may profit from appropriation forms that are not regulated, (e.g. petty embezzlement); or take advantage of the lack of control. On the other hand, the bureaucracy can usurp political and legislative processes of rule-making and decision-making. By usurping authority, it loses public accountability, monopolizes

67 We classify two main categories of appropriation in USSR based on Weber's concept of appropriation: (1) appropriation of position and (2) appropriation of organization. Appropriation of position is an act of appropriation of advantages that administrative position gives access to, such as means of administration, economic, political and social usufructs of the position. An official is a temporary holder of position who appropriates associated resources. In case of organizational appropriation governing powers are individually or collectively appropriated. The incumbent has an increased autonomy over the entrusted power that in its extreme becomes a property of its holder. It is different from the positional appropriation, although it is realized through it. Thus, it is crucial to clearly understand what an object of appropriation in a particular case is: whether appropriation of the means of administration is a result of positional or organizational appropriation.

advantages and becomes law itself. As soon as the bureaucratic absolutism emerges, bureaucracy leaves the mode of legal-rational authority and transforms into a patrimonial bureaucracy. Therefore, bureaucratic absolutism is a transition phase and beginning of a departure from the legal domination.

The traditional authority leads to prebendal (centralized) and estate-type (decentralized) appropriation. Both appropriation categories stem from the obedience of the staff based on the belief in the 'sanctity of immemorial traditions.' The authority is personal, and thus, it is a private domain of the ruler. In case of prebendal appropriation, the official can appropriate income and economic usufructs of a position with permission of the ruler, but he has no property right over the office. On the contrary, staff owns at least part of the administration in the estate-type appropriation and, through this, limits the authority and appropriation of the ruler. It is worth to note that the domination types mentioned above are theoretical, and they exist as abstract categories for analytical purposes. In reality, different combinations of domination elements form a unique synthesis. For instance, patrimonial-bureaucracy implies that "the characteristic traits of the respective phenomenon belong in part to the rational form of domination, whereas other traits belong to a traditionalist form of domination" (Weber, 1948/1974: 300).

The second step is intended to sketch out the periods of institutionalization of appropriation and to explain the changes in the structure of appropriation routines in different periods. The institutionalization of corruption has two preconditions: (1) repetitiveness

of appropriation practices and (2) emergence of rules (formal or informal) that regulate appropriation of power and resources. What is the reason of change of the appropriation modes? How are these changes related to the transformations in authority relationships? How do these changes contribute to the institutionalization of corruption? Answers to these questions establish logical links between the different stages and demonstrate the evolution of institutionalization of appropriation. In this respect, we want to clarify at least two fundamental challenges of studying corruption in the USSR: definition and scale of administration. What is corruption in the USSR? How should we define it? What kind of practices does it entail? Is it the same 'corruption' as in the capitalist West or is there a socialist understanding of it? How is it related to the post-Soviet corruption?

Scholars usually study corruption in the USSR through the lens of a Western definition of corruption as a misuse/abuse of power for private gain. Both the main reason and the challenge of this approach is that despite the existence of a formal understanding of some types of corruption like bribery and embezzlement, neither formally, nor informally is there a term 'corruption' in the political and administrative system of the Soviet Union. And this has ideological reasons.

The Soviet understanding of 'corruption' takes its roots from the Marxist-Leninist ideology. For Marx and Engels, corruption is a problem of class consciousness triggered by embourgeoisement - the predominance of material gain over the class interests

of the proletariat (Mayer, 1993: 636, 639, 641). In its essence, corruption is inherent to capitalism and will gradually fade away with the rise of proletarian class consciousness and establishment of communism. In this respect, Lenin continues the tradition of Marx and Engels by claiming that venality (Podkup) is a product of the commodity-money relationship. Connections and relationships in politics, economy, healthcare, education, and science become the commodity that can be bought and sold; this, in its turn, leads to widespread venality. The financial capital plays a crucial role in widespread venality both as the major facility and facilitator (Lenin, 1967: Vol. 39, p. 98). It allows private persons to appropriate the product of social labor (Lenin, 1967: Vol. 1, p. 223).

Thus, from the perspective of Marxist-Leninist ideology, the existence of venality and 'corruption' is an attribute of capitalist bourgeois relations that cannot be tolerated in a socialist system. Thus, the Marxist-Leninist class approach predicts that with the abolishment of the capitalistic institutes, venality and corruption will also vanish. However, soon after seizing power at the beginning of the 1920s, in contrast to Marx and Engels, Lenin argues that corruption persists not only because

of the commodity-money relationship and capitalistic trade but also because of the 'evil instincts' of human nature. The officials and people with 'petty proprietary instincts' demonstrate the weakness of their will in the face of the lust for private gain, money, and bribery. These two causal views of corruption are employed throughout the history of the USSR.⁶⁸ While the formal understanding of 'corruption' as a capitalistic betrayal is dominant in early decades, especially during the War Communism and Stalinism, the view of corruption as a result of individual 'evil' becomes dominant in the post-Stalin period.

⁶⁸ For instance, according to a Supreme Court order, published in 1949, "On Court Practice in Cases of Bribery," bribery is "a remnant of capitalism in the consciousness of the people" (Heinzen, 2007: 394).

TABLE 9. TYPOLOGY OF APPROPRIATION

Type of authority		Type of obedience	Appointment and promotion of staff	Support of staff	Appropriation of position	Appropriation of administration
CHARISMATIC		'Devotion to the exceptional character of an individual person.'	No appointment or dismissal, no formal career, no formal promotion, no definite sphere of competence.	No regular administration. The staff of charismatic leader consists of followers, rather than officials.	Communal Appropriation	
					The absence of formal accountability in the consumption sphere. The main source of income is extortive appropriation, such as booty and extortion.	Charisma implies personal power over authority. The leader has no regular income by a continuous economic activity devoted to this end. He mostly relies on the economic support of his followers in for the form of voluntary contributions and extortive appropriation. Though destination of material wealth is not a private domain, but a mission.
RATIONAL-LEGAL		'Legality of enacted rules. Impersonal and formal order.'	'Appointment by free contract. Promotions on the judgment of superiors. Domination through knowledge obtained from technical training, experience.'	The separation of official from the ownership of means of administration. He receives fixed salary and is provided with social security, such as a pension.	Bureaucratic Appropriation	
					Use of entrusted power for private gain is thoroughly regulated and controlled. The official may profit from the appropriation forms that are not regulated, such as petty embezzlement or take advantage of the lack of control.	Bureaucracy usurps political and legislative processes of rule-making and decision-making. By usurping the authority, it loses responsibility and accountability to the outside and monopolises recruitment process to handle appointments and promotions, especially to the top government positions.
TRADITIONAL	Pure patrimonism	'Sanctity of immemorial traditions.'	'Appointment and promotions by traditions or nepotism and favouritism.'	The separation of official from the ownership of means of administration. He has no fixed regular salary. He receives benefices for the fulfilment of real or fictitious duties based on discretion of the ruler.	Centralized system of appropriation	
					The official can appropriate income and economic usufructs of a position with permission of the ruler, but has no property rights over the office and does not own his position.	Authority is a personal right of the ruler. He appropriates authority like his private property. Military and administration are personal tools of the ruler. He has 'discretion in the sphere which traditions leave it open to him.'
	Estate-type domination		Official's right to the office is guaranteed by his irremovability. The right is granted in exchange for military or administrative service.	The dominant source of income is an appropriation of power.	Decentralized system of appropriation	
					The official has personal control over the means of administration. He owns the position and freely appropriates corresponding economic assets, material means of the administration and/or governing powers.	Due to the appropriation of part of the administration by the staff, appropriation by the ruler is limited either to the central administration or to the non-appropriated positions by the staff.

The main difference between the Marxist-Leninist and the Weberian formal approaches to corruption is the absence of private gain. For the Marxist-Leninist approach, not the private gain of the official who appropriates power, but the harmfulness of his action to the socialist property and society is the major criteria for classifying the act as venal or 'corrupt.' Thus, the Marxist-Leninist definition based on the class approach to venality includes cases when the act of appropriation is not motivated by private gain. As it will be demonstrated later in this section, officials, groups of staff members, and organizations often have to resort to illegal practices of appropriation to fulfill the plans determined by the center. The above-mentioned Marxist-Leninist formal approach to venality can be clearly seen in the first Criminal Code of the Russian Soviet Federative Socialist Republic (RSFSR) from 1922.⁶⁹ Two sections of the Criminal Code dedicated to the 'administrative crimes' and 'economic crimes,' cover a broad range of acts of misconduct by the officials in which not a private gain of a staff member, but the impact of his action on the regime is a decisive ground for prosecution.

As an organizational phenomenon, corruption addresses the relationship between the ruler and the staff, although it usually manifests in the interaction of the staff and subject. Thus, the second challenge of studying Soviet corruption is the scale of administration that the study focuses on. It is important to address such questions as who rules Soviet administration; and who or what is the administration; as well as whether all the workers of state-owned organizations can be considered as officials, taking into account the fact that all the property in

the USSR is the property of the state.

Most of the studies on corruption exclude categories of organizations that are not 'public' in the Western capitalism. Namely, enterprises operating in the Soviet economy are compared with business organizations in the market economy and, normally, they are left out of focus of study. The major advantage of this approach is the possibility of comparison of corruption in the USSR with corruption in Western countries. Otherwise, taking into consideration that economic organizations in the USSR are the property of the state and are managed by the state, the scale of corruption in the Soviet Union can be bigger compared to liberal democracies due to the system-wide differences (Holmes, 1993: 70).

In the market economy, profit-making is a natural drive for business organization that mainly represents a private interest, which is not the case in a Soviet enterprise. Economic organizations in the USSR are extensions of the administrative system which distinguishes them from the Western business organizations. While production is self-regulated in the market economy, in a planned economy, it is formally oriented at the instructions of the administrative staff, the existence of which is indispensable (Weber, 1968: 109). For this reason, economic organizations are also included into the scope of this study.

Thus, within the framework of this chapter, understanding of the Soviet administration will cover the following organizations and their staff⁷⁰:

(1) Party organizations, including party committees, secretaries, departments

⁶⁹ Lenin was heavily involved in the process of preparation of the first Criminal Code of the RSFSR. For instance, by his order, punishment for receiving and giving bribes increased to the death penalty. Only in 1927 penalty for economic crimes by officials in the Soviet Union was abolished (but restored in the 1930s) (Tishkov et al., 2007: 54).

⁷⁰ Hence genesis of appropriation practices and dynamics of change can be different at macro, mezzo and micro levels of administration, this chapter focuses on central, regional and local public organizations with the emphasis on power relationships between the levels.

and divisions of party and Komsomol⁷¹ agencies, as well as administration of trade-unions.

(2) State administration, including councils of ministers, ministries, state committees, executive committees (of territories, regions, districts, and towns), principal administrations and departments of the Council of Ministers, ministries and state committees, administrative apparatus of the Supreme Soviets and the national republics.

(3) Law enforcement organizations, including secret police (such as the People's Commissariat for Internal Affairs (NKVD), Committee for State Security (KGB), The Joint State Political Directorate (OGPU/GPU)), Ministry of Internal Affairs (MVD), and offices of the courts and public prosecutors' departments.

(4) Administrative representatives and their offices in economic, military, scientific and other types of organizations. These administrative units exercise state authority in subordinated fields.

This chapter is mainly based, on the one hand, on the secondary sources, such as research papers and reports that are coming from archival records of the party and state organizations, daily and periodical Soviet press for the period of 1917-1990, and on the other hand, on interviews with the former Soviet officials. Interviews are of a particular interest to the study because from the end of the 1920s until the end of the 1980s, information about 'corruption' cases had been kept secret. For instance, the related crime statistics were published for the first time only in 1988 (Holmes, 1993: 147).

However, relying on secondary sources has two limitations. First, the Soviet media is an ideological continuity of the propaganda machine, and only those corruption cases that had been approved by the party nomenklatura were published. Therefore, there is a lack of information about corruption in higher echelons, especially in the top positions of the party. The mentioned limitation can be overcome by the data from the Soviet archives, especially such organizations as the Committee of Party Control (KPK), which was responsible for the investigation of the party and state managers. However, even the archive sources do not sufficiently reflect on the content and dynamics of informal relations, which are particularly relevant for the investigation of corruption in the post-Stalin period when informalization of political and economic relations significantly increases.

4.2 Brief history of the institutionalization of corruption in the USSR

There are three stages of the institutionalization of corruption, i.e., appropriation of power in the USSR: (1) transition to the (new) patrimonial appropriation (1917-1927), (2) (extreme) centralization of the patrimonial appropriation (1927-1956), and (3) decentralization of the patrimonial appropriation (1956-1991).

4.2.1 Transition to the (new) patrimonial appropriation

From their early days, the Bolsheviks declared corruption as one of their archenemies. Just two months after the October Revolution, on December

⁷¹ Political youth organization of the Communist Party.

20, 1917, Lenin signed a decree on the establishment of the Emergency Committee (Cheka), an organization to combat anti-revolutionary activities. Crimes in the state apparatus, especially bribery, were considered as an anti-revolutionary activity, and a special department of Cheka was set up to fight these kind of activities. On May 2, 1918, the Moscow Revolutionary Tribunal examined the case of four members of the investigative commission accused of bribery and blackmail and sentenced them to six months in prison. Lenin was not satisfied by the 'softness' of punishment and insisted on their re-trial. Cheka re-considered the case, and as a result of that second trial, three of the four officials were sentenced to ten years' imprisonment (Tishkov et al., 2007: 52). After six days of this trial, on May 8, 1918, by Lenin's order, the Council of People's Commissars⁷² (SovNarKom) issued a Decree "On bribery" (1967: Vol. 35, p. 271). The decree stipulated that bribery was to be punished by imprisonment for a term of not less than five years, in conjunction with forced labor for the same term.

Lenin's sensitivity on the issue of corruption had both ideological and practical reasons. First, it was related to his Marxist ideas about the origin of corruption that was unequivocally linked to the capital, especially, financial capital. In this regard, an essential condition for overcoming corruption was the protection of society and state institutions from corrupt influence of the capital. In fact, this meant that legal mechanisms had to be created to dilute authority from financial capital and to separate business from the political decision-making centers (Eremenko, 2007). Therefore, it was argued that with

the abolishment of capitalistic trade, private property, and bourgeoisie class, corruption would have eventually been eradicated.⁷³ So, the communist plan of transformation involved liquidation of capitalist institutions, expropriation of 'everyone' from the means of production and establishment of a centrally planned administrative command system where all productive resources were owned by the State that carried out decision-making authority over the distribution of the means of production (Lenin, 1967: vol. 27, 262-263). Authority was realized by the political supremacy of the Communist Party (CP) and justified by the Marxist-Leninist doctrine (Feldbrugge, 1984: 529). Officials were depicted as selfless public servants whose purpose was to increase social welfare (Anderson and Boettke, 1997: 38).

Second, attention to the issue of corruption had practical reasons. Widespread corruption could have sabotaged the implementation and realization of the reforms that were crucial for the fundamental changes claimed by the Bolshevik revolution – establishment of decision-making monopoly over the distribution of power and wealth through central planning (Voslensky and Eby, 1985: 105). In this respect, contrary to Marx, for whom corruption was a capitalist phenomenon that would vanish over time, Lenin could have been challenged by corruption in the socialist movement itself (Mayer, 1993: 636).

Thus, corruption in the first decade of the Soviet state can be defined as transition to patrimonial appropriation. While the early years of the Soviet state can be characterized by the symbiosis of different appropriation modes,

⁷² SovNarKom was a government body liable for the governance of the state affairs and responsible to the Congress of Soviets of Workers', Soldiers' and Peasants' Deputies – the supreme governmental body. It was replaced by the Council of Ministers in 1946.

⁷³ As a result, the corrupt officials, on the one hand, are considered as a functionary of capitalism and bourgeoisie class, on the other hand, as saboteurs of the socialist revolution.

mainly communal and patrimonial appropriation, the second half of the 1920s demonstrates explicit dominance of patrimonial appropriation.

4.2.1.1 Communal Appropriation

Certain elements of communal appropriation can be observed during the first years of the Bolshevik rule, namely, in the period of the War Communism (1918-1921). War Communism involved a set of policies intended to eliminate Institutes of capitalism such as private property, free trade, and money economy in order to build a centrally planned socialist economy based on product exchange, rather than commodity economy (Nureev and Gretchenko, 2008: 135). The major tools of the policy were total nationalization of the means of production and other economic assets, requisition of production surplus (more than an absolute minimum) from peasants (*prodrazvyorstka*) and centralized distribution of the requisitioned goods to the population by means of rationing.

In the central government, the communal appropriation was reflected in egalitarian policies, such as equalization of the salaries of the managers and workers, and asceticism at the instance of a charismatic leader – Lenin. Material wealth was not in the immediate interest of Lenin. Although in October 1918 Lenin moved⁷⁴ to the confiscated estate of tsarist general in Gorki (35 km south-west of Moscow), upon his order all the luxurious items were removed from the property (Voslensky, 1984). ‘Asceticism’ of Lenin was not merely a part of his personality, but it was also related to the communist ideology and the mission of the revolution. In this regard, during the

first years after the October revolution, Lenin insisted “that top-level pay should not exceed that of a skilled worker. This is reflected in Lenin’s instructions about maximum pay in the party; the pay of a party member is not to exceed the modest level that is laid down (Voslensky, 1984: 181)⁷⁵.

Thus in 1920, the Central Executive Committee (CEC) adopted a decree on establishing a single table of fixed salaries for all communists, including the party, state, trade union and enterprise managers. The maximum level of their wages was not supposed to exceed the salary of a highly qualified specialist. The party nomenklatura was divided into seven categories. The salary of each category corresponded to the wages of the highest seven ranks in the 17-level salary table. However, because of hyperinflation, the salary had little real value. For example, for 6,500 (old) rubles that Lenin received in 1920, one could buy only 30 cucumbers on the black market (Pipes, 1993: 447). Therefore, in-kind payments (*paek*) and bribery were the main sources of income for an official. Contrary to the workers, party officials had access to special markets, which was a privilege in the conditions of permanent shortage of consumer products.

In regional and local public organizations, another manifestation of communal appropriation can be observed, namely booty and extortion. Booty and extortion were justified, on the one hand, by coercive expropriation, nationalization of the economy and eradication of private property; on the other hand, it was justified by the main economic policy called *prodrazvyorstka* that implied requisition of agricultural surplus from

⁷⁴ The estate of the prince Yusupov in Arkhangelsk was taken over by Trotsky, while country house of an oil oligarch in Zubalovo was given to Stalin (Pipes, 1993: 442).

⁷⁵ Lenin noted that the “bourgeois specialists” would temporarily receive high salaries and “for the sake of money will contribute to the construction of the communism that they hated” (cited in Voslensky, 1984: 181).

peasants above an absolute minimum.

Extortion and booty were consistent with forced nationalization of the economy accompanied by the military campaign of the Red Army and police terror of the Cheka. It also became an integral part of the economic policy of the new government. Implementation of the major economic policy - *prodrazvyorstka* was left to the arbitrariness of the officials both at the central and local levels. The amount of foodstuff required for requisition was defined by the Commissariat of Supply, based on the approximate estimation of needs of city inhabitants and the military. The requisition plan was divided into quotas and distributed among the provinces, districts, and villages regardless of production capacity of a unit. For instance, *prodrazvyorstka* for Moscow in 1920 was planned at 9.5 million tonnes, but the authorities were able to collect only half of it (Pipes, 1993: 389-390).

The exaggerated requisition plans put a pressure on both, the peasants and the officials, who were engaged in collecting the foodstuff. In principle, the basic idea of *prodrazvyorstka* was that a peasant was obliged to give to the authorities all the food that exceeded the needs of his household. The more the peasant produced, the more he should have given away. In that respect, the policy killed motivation of the peasants to produce more and created incentives for peasants to hide the surplus and to sell it on the black market. Furthermore, it had a boomerang effect on the action of collectors by establishing a prejudice that peasants hid excessive food.

This prejudice was supported by the communist ideology, which portrayed peasants as petty bourgeoisie⁷⁶

(Bogdanov, 2012: 14). As a result, collectors usually confiscated not only the 'surplus' and the 'essential' foodstuff, but also grain reserved for sowing in the next season (Pipes, 1993: 373, 390).

Taking into account that the peasantry was the main economic constituent (up to 95 percent in some provinces) (Pipes, 1993: 372), coercive extortion of peasants resulted in famine⁷⁷ and uprisings through the whole territory of Russia which took place in 1920 and 1921. Approximately 1,700 collectors were killed only in Ukraine (Pipes, 1993: 372). One of the biggest revolts took place in Tambov, around 450 km south-east of Moscow (Box 2). Moreover, confiscations of peasant food "surplus" resulted in the reduction of the sown acreage, and expansion of the black market where peasants were selling their products in defiance of government prohibitions (Pipes, 1993: 372).

Lenin saw former bureaucrats as the main source of corruption in the early years of communism (Pipes, 1993: 448).⁷⁸ In this respect, a unique characteristic of the War Communism is the dominance of the ex-tsarist officials in central administration (Table 10). The average ratio of old (tsarist) and new (communist) staff members in the commissariats in 1918 was 3 to 1 (Pipes, 1993). Corruption trials of 1918-1920 demonstrate that Lenin had a solid ground for these accusations.⁷⁹ The Tsarist system of *kormlenie* or feeding from an entrusted position had a long history and was deeply rooted in the tradition of the administration.

⁷⁶ The depiction of the peasantry as petty bourgeoisie was related to the fact that unlike in Western Europe, in Russia, most of the small producers were rural inhabitants (Pipes, 1993: 391).

⁷⁷ Because of adverse weather condition in 1920, production and supply of bread worsened not only in major cities but also in the regions (Pipes, 1993: 372). The People's Commissariat of Food was responsible for collection and distribution of bread which led to the deterioration of the situation even further because often shortages in food were created artificially (Latov, 2006: 12).

⁷⁸ Lenin (cited in Pipes, 1993: 448) noted that "with the exception of the Commissariat of Foreign Affairs, our state apparatus, most of all, represents a survival of the old apparatus, least of all subjected to the smallest changes. It is only slightly adorned at the top; in other respects, it is the most typically old of our old state apparatus." Moreover, not only the former officials themselves, but also their children were considered as a potential source of corruption and therefore they were even removed from the Pioneers, a youth scout-like organization operating under the CP (Fitzpatrick, 1991: 19).

TABLE 10. PERCENTAGE OF OLD (TSARIST) OFFICIALS IN THE COMMISSARIATS IN 1918 (PIPES, 1993)

Commissariat of the Interior	48.3%
Supreme Council of National Economy	50.3%
Commissariat of War	55.2%
Commissariat of State Control	80.9%
Commissariat of Transport	88.1%
Commissariat of Finance	97.5%

4.2.1.2 Transition to Prebendal Appropriation

In the second half of the 1920s, the communal appropriation transformed into patrimonial appropriation at both central and local levels. Two processes predominantly shaped the transformation: (1) the emergence of the bureaucratic caste and establishment of patrimonial bureaucracy, and (2) the backshift in the economic policy.

4.2.1.2.1 BACKSHIFT IN THE ECONOMIC POLICY (NEP)

Despite the fact that by the beginning of 1921, the Bolsheviks largely reached their goal on the nationalization of the economy and eradication of private property, they failed in their economic policy that brought the Russian economy to a deplorable state and created widespread social discontent. Challenged by the economic collapse and massive rebellions of peasants who faced famine and starvation, on March 15, 1921, the Bolshevik government abolished⁸⁰ prodrazvyorstka in favor of the tax in kind (prodnalog) (Pipes, 1993: 369–371). Prodnalog imposed a

regular tax on grain and other foodstuff in peasants' households. Henceforth, the peasants were required to turn over a fixed amount of foodstuffs to the government agencies; arbitrary confiscations of surplus were terminated. But prodnalog was only a part of the New Economic Policy (NEP) that also implied the restoration of private trade in grain and other foodstuffs, conventional monetary practices, small and middle scale private enterprises that could employ a limited number of employees while large enterprises remained in the state's hands and continued to benefit from governmental subsidies. Most of the state-owned small and middle size enterprises were transferred into the khozrazchet system which implied economic 'self-sustainability' and autonomy in economic relations. Furthermore, it became possible to rent and lease⁸¹ state property to private actors (Rosenberg, 1991: 1–2; Pipes, 1993: 391–392).

The NEP shaped the appropriation of power by the state organizations in several ways. First, the transition to khozrazchet resulted in a sudden increase of embezzlement practices. In fact, the policy aimed to create

79 Lenin had a ground for such accusations even towards the top-level officials. One of them, Yury Vladimirovich Lomonosov (24 April 1876 – 19 November 1952), was a Russian railway engineer, professor and a major tsarist dignitary, to be more specific, the Deputy Minister. He had a huge contribution to the forces that came to power after the February Revolution, resulting in a brilliant career with the Bolsheviks. In 1920, Lomonosov got appointed as an official responsible for the rail road issues reporting to the Council of People's Commissars. He left for Berlin to organize the purchase of German and Swedish locomotives for replenishment of the existing railroad transport. Thanks to the efforts of Lomonosov, the Swedish firm "Nidkivist and Holm" owned by Gunnar Andersson won the main order. The Swedish company was contracted to build 1,000 locomotives for Soviet Russia and to purchase 100 locomotives in Germany from the supplier "Victor Ber". It is not clear why the mediator with the inevitable commission was needed in this case, because the second agreement with Germany for the purchase of 600 locomotives was concluded by the Soviet government approximately at the same time without any mediator. The Swedish firm received several money instalments from the Soviet Russia: 17 million Swedish krona in May 1920, approximately 59 million Swedish krona in June 1922, and 34 million Swedish krona in January 1923. The total of these instalments exceeded the total amount of shares of "Nidkivist and Holm", which was only approximately 3.5 million Swedish krona. For unclear reason, Lomonosov did not include any provisions in the contract that would make it possible to terminate the contract with the Swedish company or get compensation in case they fail to meet the deadlines. Finally, only 36 Swedish locomotives were delivered to Russia by May 1922. Next to that, the locomotives were of very poor quality and had to be repaired shortly after the start of operation. The factory did not give any warranty, it was not included into the contract. At the end of the 1920s Lomonosov moved to Europe and adopted British citizenship (Igolkina, 2004).

an economic 'self-sustainable' organization that did not depend on government subsidies. To realize 'self-sustainability,' these organizations were given freedom of action in economic relations.⁸² Taking into consideration that enterprise managers were in control of organizational resources, including inventory (Pujals, 2001: 262-263), economic freedom increased risk of embezzlement through economic manipulation and falsifications in accounting. Because of low egalitarian salaries of the officials and fast devaluation of the currency under the condition of transition to a new monetary system, access to the administrative resources led to widespread embezzlement across the Soviet administration. The embezzlement accounted for more than 50 percent of the total number of administrative and economic crimes revealed by the NKVD during the NEP (Tishkov et al., 2007: 54).

Second, in the situation of increased bureaucratization of state institutions and relatively low wages in the economic sector, bribery became the main tool of access to the monopolized advantages by a new semi-independent economic actor called nepman (Bogdanov, 2012: 16).

Third, transition to *khozrazchet* led to partial legalization of black market relations as well as its expansion. Regular shortages in various products stimulated the emergence of strong economic ties on the black market. Despite the economic freedom provided by the NEP, tightened political control and ideological animosity to bourgeoisie imposed a significant threat to the complete legalization of the black market actors and relations. Thus, during

the NEP these relations were further sustained and developed in a semi-legal way. On the one hand, it was necessary for the nepman to conceal the information about his real wealth, and on the other hand, semi-legal relations provided the officials with the opportunities of appropriation of position.

Additionally, the black market relations were expanded to the spheres where the government still held a monopoly, such as foreign trade. This can be seen from the sudden increase of smuggling among other economic crimes during the NEP (see Table 11). The expansion of the black market was also related to the realization of *prodnalog*. The government planned to collect part of the grain as *prodnalog* (tax in kind), and the other part on a barter basis – industrial goods for the surplus grain. Because of the absence of production of industrial goods to carry out an exchange, *prodnalog* resulted in the emergence of private trade (Pipes, 1993: 392) and subsequently, expansion of the black market. Furthermore, *prodnalog* significantly strengthened the economic position of the local Soviet who determined its amount based on the size of the land that could be cultivated.

4.2.1.2.2 EMERGENCE OF PATRIMONIAL BUREAUCRACY

The NEP became the major policy that shaped the appropriation in the economic sphere during the 1920s. However, the overall picture of appropriation of power in that decade was dominated not by the economic, but by the administrative transformation. It was connected with the rapid expansion of bureaucratization⁸³ of the party and the state that created new forms

⁸⁰ Lenin immediately faced accusation of retreat from the ideas of the revolution, as peasants were a "petty bourgeoisie" (Bogdanov, 2012) while he justified it by the temporary transition period that provides an "economic breathing spell" (Pipes, 1993: 391).

⁸¹ Over 4,000 of such enterprises, a high proportion of them being flour mills, were leased either to their previous owners or to cooperatives (Pipes, 1993: 34).

⁸² The transition to *khozrazchet* forced the abandonment of the elaborate structure of free services and goods, by virtue of which in the winter of 1920-21 the basic needs of some 38 million citizens were provided at a government expense. Postal services and transportation were to be paid for. Workers received money wages and had to purchase whatever they needed on the open market. Rationing, too, was gradually eliminated. Step by step, retail trade was privatized. Citizens were permitted to deal with urban real estate, to own publishing firms, to manufacture pharmaceuticals and agricultural implements. The right of inheritance, abolished in 1918, was partially restored (Pipes, 1993: 394).

TABLE 11. THE NUMBER OF THE USSR CITIZENS PROSECUTED ON CHARGES OF ECONOMIC AND OFFICE CRIMES IN 1924-1930 (BOGDANOV, 2012: 16)

Crimes	1924	1925	1926	1927	1928	1930
Embezzlement, appropriation and forgery	220	368	1817	1947	3634	3151
Receiving bribe	364	454	2564	113	4407	2849
Smuggling	604	578	8880	9542	9357	3638
Counterfeiting	729	999	1979	1388	1551	502

of appropriation. At the same time, it manifested itself in the elimination of Lenin and the establishment of dictatorship of the bureaucracy in the center.

The ideological prerequisite for a new bureaucracy was formed just before the events of 1917. According to Lenin, the question of power was a crucial challenge for a revolution. Revolution brought to power the vanguard of the proletariat headed by the professional revolutionaries that executed authority in the interest of the proletariat. The professional revolutionaries were not the workers, but a bureaucratic organization of highly skilled and reliable persons. Their main task was to ensure total economic and social transformation. For Lenin, it was “an independent social organism obeying its own rules” (Voslensky, 1984: 23, 27; Kaminski, 1989: 79).

In 1919, the structure of the Central Committee grew by two new bodies: Political Bureau (Politburo) and Organizational Bureau (Orgburo). Politburo included five members (Lenin, Stalin, Trotsky, Kamenev, Krestinskii) and was responsible for the decision-making on urgent matters without

the general meeting of the Central Committee. Orgburo was engaged in the organizational issues, namely, appointments and supervision of the personnel. One member of Orgburo led the third body of the Central Committee, the Secretariat, whose main task was to manage the paperwork of Politburo, namely, preparation of its agenda and appropriate materials and delivering its decisions down to the party hierarchy (Pipes, 1993: 461). After Stalin's appointment⁸⁴ as its head, the Secretariat took control over the personnel functions (Pipes, 1993: 439).

While loyalty was the major criterion for appointment, patronage became the major tool of recruitment and promotion. The appointments to the key party and state positions were concentrated in the hands of the special department of the Secretariat – Uchraspred, under personal supervision of Stalin (Voslensky, 1984: 49). The Uchraspred was organized into seven departments that monitored the personnel in the different branches of the state apparatus (Voslensky, 1984: 48-49). Only in 1922, it made more than 10,000 appointments⁸⁵ (Pipes, 1993: 444), while 26,000 candidates were on the waiting list. Most of these candidates, approximately 90 percent of

83 By the end of the War Communism in 1921, the number of government officials reached 2.4 million while in 1917 it was only 576 thousand (Pipes, 1993: 446).

84 While formally the appointment took place on Kamenev's recommendation (Pipes, 1993: 461), in fact, it was Lenin who recommended him. “Lenin was afraid of “a small internal struggle” that might weaken the authority of the Bolshevik old guard, and he brought to power the man whose plan was just to foment internal struggles” (Voslensky, 1984: 45; Pipes, 1993: 462).

85 “In December 1923, Trotsky mentioned that even when the civil war was at its height the number of party appointments (instead of elections) did not reach 10 percent of those reached in 1923” (Voslensky, 1984: 49).

them, got their positions in the following years (Pipes, 1993: 462). Uchraspred and Orgburo merged into the Organization and Distribution Department (Orgraspred) which was in charge of 8,761 appointments between the end of 1925 and 1927 (Voslensky, 1984: 50-51).

The candidates were carefully screened for a number of qualities, most importantly loyalty. Formally, there were four qualification criteria defined by Lenin: loyalty to the party, reliability, job skills and administrative ability (Voslensky, 1984: 76). In practice, loyalty to the party implied loyalty to the party boss who had a monopoly over the recruitment, promotion, and dismissal. The KPK noted that party functionaries were accountable only to their superiors who appointed them rather to the party masses (Pipes, 1993: 441). Thus, the position was granted as a favor by a superior and could be revoked anytime which could also result in a lethal outcome. Stalin's famous "with us no one is irreplaceable" implied the principle mentioned above (Voslensky, 1984: 46).

Thus, the key positions in the regional and local organizations were occupied by the party members with the revolutionary past. Since 1922, only those who joined the party before October 1917 were entitled to lead the regional committees (Gubkom). The local party secretaries (Ukomy) were selected among those candidates who were the party members for at least three years (Pipes, 1993: 443). Formally, the secretaries of the regional and local committees were elected by the committee members. In fact, they were appointed through the "recommendation" system that implied 'election' of the Secretary based on the recommendation of the higher party

committee (Voslensky, 1984: 49). The selection of the delegates to the party congress was also realized by the 'recommendation' policy (Pipes, 1993: 444) that guaranteed the loyalty of the majority in the party congress. As a result, at the 13th Congress held in May 1924, there was no opposition at all (Pipes, 1993: 444).

To get a position in these organizations, an applicant should have been of not bourgeois or noble origin, he had to be a member of the party and had to have a 'recommendation' of the local party organization (Voslensky, 1984: 46). That recommendation implied discretion of the local party secretary who had to take personal responsibility for the performance of the selected applicant before the higher party authorities. The education level among the members of the party was low; 92.7 percent were semiliterate, while only 0.6 percent of the members had higher education. 79 percent of the party members were engaged in different government positions while 21 percent were workers (Pipes, 1993: 439).

The loyalty based recruitment resulted in the emergence of the 'family cliques', especially in the local organizations that were loosely supervised during the 1920s (Maslovski, 1996: 301) and had strong economic positions because of *prodnalog* - a major tax in kind, as its determination and collection was left to the discretion of the local soviets that were under control of the family cliques (Rigby, 1981: 25).

While during the first years of the Bolshevik rule, Lenin insisted on modest wages for top bureaucrats, at the beginning of the 1920s the situation changed. Based on a Decree of the

Orgburo "On the improvement of the living conditions of active party workers," a new salary scale for the party officials was adopted. According to the new rules, next to relatively high wages and extra allowances for family members, the range of privileges, such as free housing (as well as dacha (summer house) for senior officials), medical care, paid vacation abroad,⁸⁶ and additional in-kind allowances were granted to the party officials (Pipes, 1993: 442). In 1924, an average rate of wages of the party official was 175 rubles, while an average salary for an industrial worker was 50 rubles (Golovin, 2008: 180-181).

Lenin's attitude towards corruption also gradually changed with the New Economic Policy (NEP). This can be seen from his famous report in the 2nd Congress of Political Enlighteners on October 17, 1921. Lenin confessed that he did not succeed in tackling corruption in the government despite the introduction of the harshest and merciless type of punishment for this kind of crime. From the situation in the years after the revolution, it can be seen that with the abolishment of the capitalistic institutes corruption did not decrease. On the contrary, it increased and became rampant. Next, to the commodity-money relationships that led to the venality of officials, Lenin emphasized the 'evil instincts' of the human nature as a cause of corruption. He admitted in 1922: "Our worst internal enemy is the bureaucrat - the Communist who occupies a responsible (or not responsible) Soviet post and enjoys universal respect as a conscientious man" (Lenin cited in Voslensky, 1984: 43).

The police transformed from a 'blind' terror organization to a bureaucratic

organization with the vast network all over the country. In 1922, Cheka was changed to the GPU (Gosudarstvennoe politicheskoe upravlenie) which was also supposed to combat bribery and economic crimes. Upon Lenin's advice, the GPU was granted the power to execute the offender without a trial (Pipes, 1993: 398-400). Alongside with the GPU (OGPU from 1924), special units of the Commissariat for Internal Affairs, or NKVD (Narodniy Komissariat Vnutrennikh Del) also worked on combatting theft, embezzlement, bribery and other economic and administrative crimes. The NKVD department of criminal investigation revealed 3,086 cases of bribery in 1922, and 2,778 cases in 1923 (Tishkov et al., 2007: 53).

As a result, with increased economic liberalization, repressions also augmented (Pipes, 1993: 398-400). During the NEP, persons accused of economic and administrative crimes were either sent to a concentration camp or sentenced to death. For instance, in big cases, such as the case of Leningrad Commercial Port, the case of the State Bank employees, the case of the senior officials of People's Commissariat of Transport, most of the defendants ended having a death sentence. In the case of the Leningrad Provincial Court, 42 judges and prosecutors who were accused⁸⁷ of bribing, and 17 of them were convicted to death (Tishkov et al., 2007: 54). The number of concentration camps also increased during the NEP: from 84 in late 1920 to 315 in October 1923 (Pipes, 1993: 400).

After 1922, when Lenin distanced himself from the work because of his progressing disease, Stalin controlled information flow in and out of the Politburo and the

86 In November 1921, at least six top-level Communists received medical care in Germany: one of them (Lev Karakhan) went there for haemorrhoids surgery. Allocations of such benefits were made by Stalin's Secretariat, whose staff included approximately 600 people. In the summer of 1922, the number of persons entitled to special benefits exceeded 17,000; in September of that year, the Orgburo raised it to 60,000" (Pipes, 1993: 442).

87 According to the Criminal Code of the RFSSR, not only accepting, but also giving a bribe was a crime.

Central Committee. He established a regular bottom-up reporting personally to him that enabled him to be in charge of the party and state affairs (Pipes, 1993: 462). By controlling the document flow, he created an information asymmetry between the party and the Politburo, whose meeting's protocols were confidential and used it to eliminate his rivals.

4.2.2 Centralization of appropriation of power: Sultanism

The 1930s witnessed two crucial changes in the Soviet administrative system that radically influence the appropriation of power in the following three decades. First crucial change was "The Great Turn" in the economic policy in 1928-1929 that implied abandoning the NEP and transition to a centrally planned administrative command economy. And second crucial change was related to the centralization of patrimonial bureaucracy that followed the strategic victory of Stalin in the Politburo through establishing his dictatorship over the authority.

4.2.2.1 Transition to a centrally planned administrative command economy

The grain procurement crisis in 1928 played a decisive role in the abolishment of the NEP. The government was not able to gather the planned grain by *prodnalog*, and as a result of this, 2 million tons of grain was imported. Stalin accused the small and middle size peasantry - kulaks⁸⁸ of hiding the grain from the government and based

upon the decision of the Politburo, 2.5 million tons of grain was confiscated. The restoration of requisition led to widespread discontent⁸⁹ and hoarding of grain which resulted in the decline of the collection of grain in 1928. In the face of such situation, the Politburo abolished *prodnalog* (as well as the NEP) and declared countrywide collectivization (Voslensky, 1984).

The collectivization implied the establishment of collective farms (*kolkhoz* and *sovkhoz*) based on the property seized from the peasants. In fact, collectivization was the continuity of the expropriation process that began with the Bolshevik rule (Voslensky, 1984: 117), but was disrupted by the NEP that made the existence of private property and free trade indispensable. The Soviet ideology depicted the expropriation as a voluntary organization of peasants in collective farms that became a second form of socialist property next to the state property.⁹⁰

Formally, decision making over state property was the responsibility of the party bureaucracy - *nomenklatura*. A *kolkhoz* was the collective property of its members - peasants. In fact, the collective farms were also under direct control of the party through its president who was the local party committee member and represented the *nomenklatura*. The president was 'elected' by the collective farms' members upon the 'recommendation' mechanism (Voslensky, 116-117).

Collectivization resulted in radical changes of appropriation in contrast to the NEP period. During the 1920s, the village soviets that were in control of the local family cliques played a central role in the economy of the village. They were

⁸⁸ "The word kulak originally referred to independent farmers in the Russian Empire who emerged from the peasantry and became wealthy following the Stolypin reform. During Stalin's collectivization "peasants with a couple of cows or five or six acres more than their neighbours" were being labelled kulaks" (Conquest, 2001).

⁸⁹ Resistance of peasants to the requisition of grain was particularly prevailing after establishment of Ural-Siberian Method in 1929. The Ural-Siberian Method of grain procurement involved a pseudo-democratic procedure of grain requisition based on the decision of the village gathering (*skhod*). The kulaks were not allowed to participate in the meetings of the *skhod* (Hughes, 1994: 76-77).

⁹⁰ In the constitution of 1936, two forms of the socialist property were defined: "Socialist property in the U.S.S.R. bears either the form of state property (the possession of the whole people) or the form of co-operative and collective farm property (property of separate collective farms and property of co-operative associations)" (Constitution of the USSR, 1936).

in charge of the allocation of prodnalog (tax in kind) that they discretionally determined, and this special power position allowed for opportunities of enrichment through kulaks. With collectivization, control over the economy of the region moved to the hands of the regional and local party functionaries. Thus, collectivization resulted in reduction of the autonomy of control of family cliques over the local economic resources.

The expropriation of peasants from the ownership of means of production led to inevitable widespread embezzlement of the kolkhoz and sovkhoz property. To combat the appropriation of collective property, on August 7, 1932, the Central Executive Committee of the Soviet Union, published the Decree "On strengthening protection of property of state enterprises, kolkhozes, co-operatives and public property" known as the "Law of three spikelets." Regardless of the amount of damage caused to the socialist property, even if the offender embezzled a spikelet, he received ten years' imprisonment or execution. The Gulag labor camps were actively filled by convicted peasants, a semi-slave labor of these peasants were used extensively in many major construction projects (Tishkov et al., 2007: 55).

Next, to collectivization, abolishment of the NEP also led to the complete transition to the centrally planned economy that initiated the reproduction of new appropriation structures which survived until the end of the USSR. The first five-year plan introduced in 1928 was the beginning of the transition to the top-down centrally planned administrative-command system in the

economy. While the party set general goals and intervened in particular cases, the State Planning Committee or Gosplan set objectives for industrial ministries and regional authorities. The plan was a to make a kind of a contract between khozyaystvenniki (ministries and enterprises) and the ruler – Stalin. The industrial ministers and enterprise managers were personally responsible for this plan, which was considered to be the law. Their performance was assessed by the fulfillment of concrete economic plans (such as production plans, labor plans, cost reduction plans) that guaranteed the position. The failure to carry out that plan could lead not only to the loss of position, but could also cost them their lives. Therefore, khozyaystvenniki used any means in their disposition to achieve the formal plan targets (Belova, 2001: 131 - 133).

The centrally planned administrative command system marked a sharp distinction between the two categories of positions: (1) position that provided access to the recourses; (2) position that provided an authority over the distribution of resources. As such, most of the administrative positions belonged to the first category. Most of the officials had direct access to the administrative resources, mainly for work-related reasons. In the situation with low wages, inelasticity of supply (Galasi and Kertesi, 1987: 387-388) and subsequent economy of shortage, petty embezzlement of administrative resources became common practice not only among peasants who stole from the kolkhoz, but also among ordinary workers on the factories. The second category of positions included positions that provided authority over the distribution of resources.

It mainly included managers in the industry and enterprise organizations, directors of collective farms. Taking into consideration constant economy of shortage, both in the consumer and commercial goods, and plan fulfillment struggle, access to the resource distribution was very valuable and very treasured by these officials. The industrial managers were in charge of not only distribution of materials, but also the privileges, such as housing, allowances, and vacation.

Making the official plan targets became the top priority for the managers. Combined with the loyalty system and the information advantage over the actual economic transactions, it led, at best, to widespread falsifications and fraud, but, in most cases, it led to the appropriation of organizations. The latter was mainly based on the collusion of managers and employees who were required to conceal the vast scale plan deviations and illegal practices, and, at the same time, maintain 'good relationships' with the related party and state authorities by gift-giving and bribery.

To begin with, khozyaystvenniki had an information advantage over the people working in the center that they used to secure their position by making the plan. They were the primary source of data for the planning. The planning in Gosplan was mainly based on the information from the bottom – which was under control of the khozyaystvenniki. The distorted information increased the probability of making the plan and resulted in more surplus resources. Therefore, highly generalized plans⁹¹ reduced production targets, and requesting more resources was the main strategy of the khozyaystvenniki in the plan negotiations with Gosplan (Belova

and Gregory, 2002: 273-274, 280). Thus, the asymmetric information diminished the center's ability to control and made 'optimal planning' (that the communist ideology strived for) a kind of planning of the appropriation.

In this regard, the files registered by the party control commission (KPK) demonstrate that reduced plan targets were widespread and common across economic organizations. While the punishment for such acts was not severe, it became the easiest way to increase the probability of making the plan. For instance, in one case, the director and the deputies of the Mozherez metal plant received only a reprimand for the "artificially reduced production program". However, reducing the plan targets was not always successful as it had to be negotiated with the Gosplan (Belova, 2001: 145) which could set inflated plan targets.

With the reduced plan targets, there were many dangers to the realization of plan targets. In the end, the reduced plan targets did not guarantee making the plan. Disruptions in the supply chain that were common for the centrally planned Soviet economy could cause delays and even failure to make the plan (Kornai, 1992: 102). Delivery failures, construction delays, and worker shortages caused challenges to the manager who was in charge of multidimensional plans (such as production targets, cost reductions, capital investment plans, delivery plans). Informing higher authorities (syn.) about such kind of problems were usually unsuccessful (Belova, 2001: 139). The Soviet archives of this period were full of complaints and allegations about the failure to execute the plan due to someone else's mistake (Belova, 2001: 134).

91 "In April of 1933, GP complained that the documents submitted by the ministries lacked details, economic justification and suffered from such an incompleteness that it was impossible to use them. Even in the case of a relatively homogeneous commodity – cars and trucks – which was allocated at the highest levels, Gosplan could not plan at the level of supply plans" (Belova and Gregory, 2002: 274).

Facing unexpected supply disruptions, the managers use illegal intermediary services of *tolkachi* (lit. trans. expeditors) to get the required resources. Tolkach's job was to find an enterprise that agreed (usually, as a result of bribing) to offer the needed materials and organise their delivery while undermining the plan discipline (Kornai, 1992: 102; Belova, 2001: 140-149). By the end of Brezhnev's rule, their intermediary activities were involved not only in the supply of materials, but also the supply of financial and labor resources required by the organization (Feldbrugge, 1984: 531).

Tolkach's job was associated with high risks and, therefore, costs. To use such kind of intermediary services, the enterprise manager needed to maintain additional sources of income that were not regulated by the plan (Belova, 2001: 140). In fact, *tolkachi* were not the only additional expenses of the manager. The manager had dozens of other unplanned expenses such as regular and unplanned inspections, presents to the local party and law-enforcement officials to sustain 'good relationships.' Thus, additional income was obtained either by the appropriation of organizational resources through falsifications⁹² and manipulations⁹³ or by providing the services either directly or through *tolkachi* to other enterprises.

The appropriation arsenal of a manager was as big as the size of intra-organizational collusion and loyalty network outside the organization. Collusion was a logical result of collaborative work that was required to conceal falsification and manipulation. Collusion of at least the three key employees was necessary to realize the simple act of falsification: the manager, the (chief) accountant, and deputy

manager who was usually in charge of the main activity of the enterprise. The colluding network enlarges with the involvement of other employees⁹⁴ to the appropriation operations. In one case, at least 151 employees from 33 regional branches of Zagotpushnina (enterprise producing fur) colluded for production manipulation. Four of them were charged and punished by death sentence (Belova, 2001: 152).

To realize the appropriation of resources the manager needed to maintain at least two loyalty networks outside the organization: (1) local authorities including the party leaders and police, and (2) officials in the respective ministry. Not only the enterprises, but also the regional and local authorities were responsible for making the enterprise plans. The party leaders exercised control over the implementation of the plans by enterprises and were political responsibility for them. The failure of the enterprise meant the failure of the party leadership controlling it (Belova, 2001: 136). The enterprises also had close economic relations with a local Soviet, especially with its Executive Committee (*Ispolkom*) which was in charge of regional/local affairs, including construction. Together with the local party leaders, industry managers and *Ispolkom* were responsible for the economy of the region. It is noteworthy that all the three groups were members of the regional/local party committees. This collusion originated from the design of the Soviet regional and local administrative systems where political, administrative and economic functions overlapped (Ganev, 2009: 672). Therefore, regional elites consisting of these groups formed a kind of clique formed around the mutual target.

⁹² Falsification of documents was the most direct and safe way of additional income as it was hard to detect from outside of the organization. According to the KPK archives, it was common practice (Belova, 2001: 146) that was systematically employed across the Soviet economy.

⁹³ Manipulations, as a rule, were related to the corrections and changes in the target plans. For instance, based on the Decree "On the order of sales of consumer goods produced by utilization shops" from 1933, enterprises were manipulating with the production output by classifying normal materials as defective (Belova, 2001: 142) and realizing them on the black market.

⁹⁴ Thus, not only managers, but also colluding employees were closely engaged in the process of appropriation. Organizations in supply and trade industry were particularly vulnerable for bribery and embezzlement. As it was noted in one of the reports from February 1947, "Practical experience confirms that in these systems [trade and supply], bribery is most widespread, but also most difficult to expose" (Heinen, 2007: 396).

Relationships within an industrial ministry were dominantly built around the plan negotiations and its fulfillment, in particular, the distribution of resources. As in the case with the local authorities, loyalty was key to the success of the negotiations with the ministry. Both ministry and local authorities were usually not involved in the actual transactions of the enterprise. In fact, the party, police and even Gosplan lacked punitive power (Belova and Gregory, 2002: 272) and had virtually no control over the actual transactions between the sellers and the buyers that provided autonomy of action to the *khozyaystvenniki* (Belova, 2001: 133). They merely served as protection from the retribution of Stalin.

Gift-giving and bribing were common methods of maintaining a relationship with local authorities and the ministry, even though not necessarily always used, in particular, with the top-level officials. The KPK archives reveal many cases of bribery and extortion of money from the regional/local enterprises (Belova 2001).

Because of the monopolization of advantages, access to the opportunities became essential for successful survival. In this respect, a specific form of corruption, namely *blat* was flourishing. Contrary to gift-giving and bribe, *blat* was a personalized long-term social interaction based on reciprocity of favors that provided access to the resources of participating actors (Jowitt, 1983: 279-280; Belova, 2001: 2). *Blat* represented a closed appropriation where reciprocity in the relationship was maintained by mutual trust and sense of 'fairness' of exchanged favors as well as material things (Belova, 2001: 3).

Stalin was aware of the vast scale systematic appropriation created by the centrally planned economy, as there were frequent conflict situation between the enterprise managers and Gosplan that usually led to the setting up of the 'compromise' commissions initiated by Stalin (Belova and Gregory, 2002: 276). Gosplan even suggested "to establish criminal responsibility for exaggerated orders, incorrect information about supplies, and receipt of funded materials and equipment without [financial] funds" (cited in Belova and Gregory, 2002: 272).

Although Stalin wanted to eliminate widespread appropriation in the economy (Belova and Gregory, 2002: 279), his adherence to the loyalty system and reluctance to commit to the rule-based system led to the reproduction of appropriation of power (Belova and Gregory, 2002: 281). As a result, *khozyaystvenniki* had control over the supply plans and significant autonomy over the distribution channels. In fact, most of the operational planning and distribution of resources was in their hands (Belova, 2001: 133).

4.2.2.2 Centralization of patrimonial bureaucracy

The key change in the appropriation of power is related to the centralization of patrimonial bureaucracy that results in the approximation to sultanism, an extreme form of prebendalism that can be observed in the period close to the end of the 1930s. Although centralization of patrimonial bureaucracy was a consistent process that took place in the 1920s and 1930s, its final accord on the way of the establishment of sultanism was the Great Purge of 1936-1938

(Khlevnyuk, 1996; Maslovski, 1996: 301) that maximised the discretion of Stalin over the execution of authority.

The Great Purge included liquidation of two groups and replacement of them by personally loyal agents that allowed Stalin to establish his personal discretion over the execution of power: (1) the Leninist Old Bolsheviks in the central government, and (2) regional elites and family cliques in the regions.

By the beginning of the 1930s, the party apparatus consisted of two categories of the officials: (a) Leninists who received their positions because of their revolutionary past, and (b) Stalinists who were appointed by the Stalin personally and were his loyal protégés. Stalinists held only 31 percent of the positions in the regional party and local secretary offices in 1930, while 80 percent of participants of the 17th Congress (26 January – 10 February 1934) joined the party before 1920 (Voslensky, 1984: 53).

With the Great Purge (1936-1938), Stalin eliminated Leninists both in the center and in the regions with one fell swoop. The classic stigma approach was used: arrested persons were accused of being traitors of communism. The communists who were at the origins of the revolution, such as Bukharin, Kamenev, Krestinsky, Zinoviev, Rykov, Pyatakov, Radek plead guilty (they confessed) of being Hitler's and Trotsky's spies who secretly worked for the restoration of capitalism (Voslensky, 1984: 58). Most of the old Bolshevik leaders in the regions were liquidated in the same way by the populist attacks of the Stalin's protégés (Getty, 1993: 131). Overall, 1,548,366 persons were arrested by the NKVD in 1937-1938, and 681,692 of them were executed (Pipes, 2003: 67). By

1939, there were only 6.5 percent of the regional and local party secretaries who joined the party before 1924, while 92 percent of them were under 40 years old, which meant that during the 1917 Revolution they were teenagers (Voslensky, 1984: 61).

The Great Purge was the final stage of the approximation to sultanism, which led to the extreme prebendalization of appropriation and ultimate discretion of Stalin. Prebendalization implied increased centralized support of staff and reinforced control of the center over the income of the staff, as well as the appropriation of power.

By the beginning of the 1930s, the Soviet government cancelled the egalitarian salary system with its minimization of discrepancies between salaries of workers and managers, and, especially, of party nomenklatura. Many restrictions on high salaries of the workers were abolished. Most importantly, the partmaximum (maximum limit of the party official's salaries) was abolished by the secret decree of Politburo on February 8, 1932 (Golovin, 2008: 181). Wages were then determined not only by a number of work hours and skills, but also by the arbitrary decision of the bureaucracy. Within the administration, the status benefits started to be hierarchically provided according to the rank. Beginning from 1934, the Soviet government halted the publication of salary information of different categories of the population (Golovin, 2008: 181).

Thus, by the end of 1930s, salary discrepancies between workers and managers substantially increased. Monthly salary of the regional party secretary and a director of the big enterprise was approximately 2,000

rubles. Middle nomenklatura officials of the regional party committee earned 660 rubles a month. The average monthly salary of unskilled workers was 150 rubles; and skilled workers earned 240 rubles a month. In general, the ratio of the average wage of the managers to workers became 5 to 1. The ratio of the average of the highest 10 percent wages to the lowest 10 percent wages increased from 5 to 1 in the 1920s to 8 to 1 by the end of the 1930s (Golovin, 2008: 182).⁹⁵

After the war, Stalin added one more, but a confidential source of income for top bureaucrats – a ‘packet.’ Those officials, whose names were on a special list received an envelope with money every month (Voslensky, 1974: 184–185). Its primary destination was not the private domain of the official, but it was considered as additional unplanned expenses of top bureaucrats.

Next, to the salary, an extensive system of status benefits for the position established in the 1920s was further expanded. The privileged status groups were stratified according to the post in the hierarchy and social status. The highly privileged status groups included such groups as the party nomenklatura, state bureaucracy, the military commanders, law-enforcement agencies, academic and cultural elites. A standard set of benefits provided by the status included additional soldering, arranged housing and compensation for the maintenance costs of the house, special holiday houses and vacation villas, additional payments from the fund for singular expenses and allowance fund. Moreover, status benefits provided a priority access to the goods at the lowest prices, and the possibility of traveling

abroad on business trips or for medical treatment (Golovin, 2008).

In-kind support of the staff was a peculiar characteristic of the Soviet administration from its beginning. The main reason behind this policy was the economy of shortage created by the centrally planned administrative-command system. Initially, the system of in-kind support targeted senior party officials in the central government. But under Stalin, the range of civil servants eligible for the in-kind support was regularly extended. This process continued even during the Second World War.

An approximation to sultanism led to tightened control that was achieved through the expansion of controlling agencies and severe punishments. Thus, on March 16, 1937, a special unit of NKVD was established – Otdel po bor'be s khishcheniyami sotsialisticheskoy sobstvennosti i spekulyatsiyey (OBKHSS), or Department for combating theft of socialist property and speculation. Provincial, regional and local offices of the OBKHSS were established all over the country.⁹⁶ Until the end of the USSR, OBKHSS remained a major militia unit to combat theft of the socialist property, as well as embezzlement and bribe in the economy (Tishkov et al., 2007: 55).

To further increase control over the appropriation in the regional and local party organizations, in 1934 Stalin separated the Rabkrin (Office of Worker-Peasants' Inspection) that was established in 1920 to oversee abuses in state institutions, into two new commissions: the State Commission of Soviet Control (KSK), and the Commission of Party Control (KPK). Especially, the latter has the authority to

⁹⁵ It should be noted that between 1928 and 1941, consumer prices increased 6.3 times and salaries increased 6.4 times (Golovin, 2008).

⁹⁶ As a result, there were 268 organized groups revealed in supply and procurement organizations in 1939 and only 538 groups in 1940. 5,459 organized group member had been arrested (Tishkov et al., 2007: 58).

interrogate top-level officials, such as ministers, even in the law enforcement agencies (Belova, 2001: 132, 142). As an autonomous organization, the main task of the KPK was to monitor regional and local party organizations and directly supply the Central Committee with the information about the cases of discipline violations and appropriation of power for further investigation (Belova, 2001: 135).

Punishment for an unsanctioned appropriation of power also became more severe under Stalin. Despite the draconian laws such as “Three spikelet law” during the collectivization period, punishment for bribery and embezzlement was not so severe until the post-war period. The Procuracy archives (Heinzen, 2007: 393) show that the harshest punishment for a case of bribery and embezzlement was two years of imprisonment (in aggravating circumstances, such as extortion or repeated act, punishment could lead to the death penalty), but in most cases, softer punishments were meted out, such as assigned workplace labor or probation. After the Second World War, the officials convicted of bribery and embezzlement, in most cases, were punished by imprisonment up to five years. Furthermore, the decrees from 1946, 1947 and 1951 substantially expanded the power of OBKHSS and made this organization the main institute to combat appropriation in the economy (Tishkov et al., 2007: 63-64).

Despite the abolishment of the egalitarian salary system and expansion of the categories of officials eligible for additional in-kind support, a chronic shortage of consumer and industrial goods and considerable freedom of discretion of staff members in decision making created opportunities for

embezzlement and bribery. Thus, embezzlement was especially common in economic organizations where an official had a direct access to the means of production; while the bribery was widespread in law-enforcement agencies that were supposed to control the embezzlement. Bribery usually took in-kind forms because of shortages. Especially in the post-war period of critical shortage and famine, officials⁹⁷ mostly received bribes in-kind (Heinzen, 2007: 396). Thus, despite the harshened laws and several purges over the theft of the socialist property and resources, appropriation of resources that administrative position had access to was the main source of income for the officials.

4.2.3 Decentralisation of appropriation of power

There were two processes that shaped the appropriation of power in the post-Stalin period: (1) decentralization of patrimonial bureaucracy, and (2) expansion of informal practices that utilize irrationalities of a centrally planned administrative command economy.

4.2.3.1 Decentralisation of patrimonial bureaucracy

During Stalin’s rule, the state security agencies, such as NKVD, carried out intimidating supervision over the state and party machine. This coercive control resulted in decreased autonomy and reserved appropriation of power by the party, especially, with respect to the appropriation of the organization. Everyone was aware that no one’s position was secure and an imprudent act of appropriation could lead to fatal

97 Most of the bribery cases in 1946-1947 involved officials working in the law enforcement agencies, local executive authorities (Ispolkom) and trade organizations (Heinzen, 2007: 138).

consequences. When Stalin died, the party immediately proceeded to the submission of the state security agencies. It took three years of purge that resulted in the elimination of the key actors of Stalin's coercive machine including Beria (1953-1954) and Malenkov (1955) (Voslensky, 1984: 85-87). The famous speech of Khrushchev during the 20th Congress in 1956 denouncing Stalin marked the end of Stalin's era and unconditional submission of the state security agencies to the party.

The submission of the state security services implied their dispossession of substantive action against the party and the state elite that formed a coalition of oligarchs (Kaminski, 1989:82) from *nomenklatura* and *khozyaystvenniki*. After Stalin's death, they became principals rather than agents (Jowitt 1983: 285-286). In 1954, the KGB (Komitet Gosudarstvennoy Bezopasnosti) was separated from the Ministry of Internal Affairs (MIA) (NKVD was part of it up to 1946) and fell under the supervision of the Administrative Agencies Department of the Central Committee (Voslensky, 1984: 87).

The first signs of the decentralization of appropriation and the attitude of the senior party *nomenklatura* can be seen from the notorious scandal of the late-Khrushchev era. Under Stalin, senior party and state officials were granted a *dacha*, a suburb villa for personal use. While *dacha* was the property of the state, an official was considered to be its temporary user. The allocation of the *dachas* to private ownership was rare, and only with the permission of Stalin. For instance, in 1949, the creators of the Soviet nuclear bomb were awarded

orders, academic degrees, and titles, as well as *dachas* (Zhirnov, 2007). After Stalin's death, senior officials began construction of private *dachas* in the best places all across the country. The process was simple. An official wrote a letter to the minister or deputy minister with the request for the allocation of a plot of land for the construction of the *dacha*. Personal connections and bribery in the form of gifts were a common way of getting the land. After the land was allocated, the owner was supposed to build a villa on his own money. However, in most cases, the construction materials and even labor force were appropriated from the state organizations. For instance, in 1957 soldiers-constructors from Arkhangelsk wrote Khrushchev the following letter:

"We, the soldiers of the Arkhangelsk construction site at the Arkhangelskoye sanatorium in the Krasnogorsk district of the Moscow region, are now building dachas for Marshals Vasilevsky, Grechko, Colonels-General Zheltov, Smirnov, Nedelin, and others. In total, about two dozen of cottages are planned to be built near the sanatorium "Arkhangelskoe". The dachas of Marshal Konev, Meretskov, Timoshenko, and others (about ten dachas) have already been built. They are surrounded by high fences and guarded by Shepherd dogs. The population living in the area - collective farmers and workers say: before there was one mansion of Prince Yusupov, and now there are many "yusupyat" - Soviet landowners. We believe that the dachas should not be concentrated in one area in this way. After all, many people with excursions come here. On the one side, they see the mansion of Prince Yusupov - now a museum, on the other side, dozens of newly built (and constructing)

marshals and generals' estates with servant houses, garages, big gardens, poultry houses and other farm buildings. In addition, there are also many dachas of ministers built earlier" (Zhirnov, 2007).

Thus, by the beginning of the 1960s, it was common for the senior party and state officials to build a private dacha at the expense of the state. Despite the launched campaign, the reaction of the center to the widespread and open privatization of state resources by senior officials was relatively modest in comparison with the reaction that would have happened during the period of Stalin's reign. In 1959, some regional committees adopted a resolution on the withdrawal of dachas of those officials who had an apartment. For instance, in the summer of 1959 the Kharkiv Regional Committee of the CP adopted a resolution "On serious violations of the established procedure for the construction of their own houses and dachas for individual housing construction, allocation and use of land". According to this resolution, those officials who owned both, a dacha and an apartment, is given a chance to keep either of them and to transfer the other one to the housing fund (Zhirnov, 2004). After first confiscations, the center suspended the implementation of the resolution and abolished their decisions on the confiscation of property. Thus, the matter on the confiscation of dachas was postponed by the senior management.

By the summer of 1962, the Presidium of the Communist Party instructed the Supreme Soviet Presidium of the Union Republics to issue a decree "On the uncompensated seizure of houses, villas and other buildings, constructed or purchased by citizens on unearned

income." The goal of this decree was to verify information about the real estate built on the income that was not declared as earned and to oblige local authorities to forward the cases of proved misconduct to the court for the seizure of the property (Zhirnov, 2007).

Thus, in 1962 the Soviet authorities began a controversial campaign for the confiscation of the dachas and houses. Immediately after the decree, there were 'illustrative-exemplary' trials. For instance, according to the Pravda - leading newspaper of the party, Ivan Sablin worked as a salesman in one of the shops in Moscow. Being the only working person in the family of four, Sablin was able to buy a car called "Pobeda" (a very expensive car at that time), while families with two working parents were not able to afford it. Then he purchased a dacha with three rooms and a terrace for 170 thousand rubles. And already five years after that purchase, Sablin moved to a comfortable metropolitan apartment, while his dacha was rented out to generate even more income.

The decree mentioned above was controversial from two perspectives. First, it showed that the party was above the law by violating an ex-post facto law principle and by confiscating property in cases when guilt was not proven. Second, officials whose property was confiscated were not punished. Confiscation was the punishment. For instance, when the party found out that exemplary comrade Ivanov built a dacha that cost 200,000 thousand rubles which was equal to 70 years of his salary, the dacha is confiscated because comrade Ivanov could not have built that dacha on his own means. However, the question

of how and where comrade Ivanov got that money and materials to build such a dacha - was left unanswered (Zhirnov, 2007).

In the first two years of the campaign, only in the RSFSR more than 1,500 houses and dachas were confiscated. However, the active campaign against such “unearned income” did not last long. When Brezhnev came to power, it gradually lost intensity. Even though formally the campaign was formally in force until the end of the USSR. In some countries, like Belarus, the decree was canceled only on November 27, 2006 (Bogomolov, 2013).

4.2.3.1.1 RISE OF REGIONAL POWER AUTONOMIES

What was the tendency under Stalin, became common practice in the 1960s. During Stalin’s rule, the regional leaders were unquestioningly carrying out the will of the ruler. They were under strict vertical and horizontal supervision, namely, by subject organization, by the local party organization (as a rule, 2nd secretaries of the regional party organizations were representatives of the center) by and the state security agencies whose main target was to combat appropriation of the officials (Anderson and Boettke, 1997:44) that resulted in expropriation of staff members from the ownership of the means of administration. The submission of the KGB to the party nomenklatura under Khrushchev led to relative decentralization and increased the autonomy of the political and economic actors. Under Brezhnev, the regional law-enforcement agencies were de facto transferred to the subordination of the regional leaders, despite the

fact that formal structure still implied subordination to the center. As a result, the horizontal and vertical collusion of the party and state officials led to the appropriation of regional organizations. On the one hand, it was reflected in the emergence of appropriation modes typical to decentralized prebendal appropriation, such as the lease of offices. On the other hand, with the increased autonomy, the officials began exploiting the irrationalities of the centrally planned administrative command economy not only from the inside of the system but also from the outside of the system by political capitalism – rent-seeking and patronage of illegal economic organizations and activities on the black market.

Corruption cases revealed at the end of the 1960s demonstrate how great the autonomy of the regional leaders increased in comparison to the Stalin period. The case of the sale of offices revealed on the eve of the change of power in Azerbaijan in 1969 (Table 12) indicates a vivid decentralization of prebendal appropriation.

A similar case of leasing the office was made public in 1972-1973 in Georgia. The anti-corruption initiative led by the Minister of Internal Affairs (1965-1972) Eduard Shevardnadze (Ekedahl and Goodman, 1997: 11-12) resulted in the dismissal of four members of Georgian Bureau and the first secretary, V. Mzhavanadze, as well as many high-level state and party officials who were engaged in the sale of office, bribery and extortion in university admission, and the traffic police who were engaged in abuse of their positions and embezzlement. (Holmes, 1993: 222) However, instead of criminal prosecution, most of the

TABLE 12. LEASE OF OFFICE IN AZERBAIJAN (1969) (ZEMTSOV (1976), VOSLENSKY (1984), RAZZAKOV (2009))^{98 99}

According to the 1969 scale of bribe tariffs, appointment on a position of the district public prosecutor would cost 30,000 rubles. That was a relatively modest amount of money that could transform a party member into the guardian of socialist legality (under condition that the vacancy was available). Position of the guardian of public order, a much more onerous one, the chief of the district militia, could also have been bought for the price of 50,000 rubles.

For the same amount, one could be appointed as the president of a kolkhoz. This appointment was formally executed by election, but, like all Soviet citizens, members of a kolkhoz voted for the candidate that was "recommended" to them. The president of the kolkhoz belonged to the nomenklatura of the district party committee. The position of a manager of a sovkhoz, similarly reserved for the nomenklatura, was more expensive (80,000 rubles). This was a more profitable position, with better prospects of growth in the nomenklatura hierarchy.

The secretaries of the district committee would formally decide to recommend the appointment after pocketing the purchase price, which would come as a welcome supplement to their nomenklaturist salary and special allowances.

It cost 200,000 rubles to be appointed as the First Secretary of a party district committee in Azerbaijan, and only 100,000 rubles to be appointed as the Second Secretary. In such cases, payment had to be made to the Secretaries of the Central Committee in Baku, as the jobs in question were this Committee's nomenklatura jobs. Secretaries of district committees were in a very lucrative situation; they had wide powers and were in an excellent position to be able to secure illicit handouts. Hence, the high price.

Cheaper positions were also on offer in the Azerbaijan nomenklatura. Thus, becoming a theatre manager would cost between 10,000 and 30,000 rubles, and director of a research institute - 40,000 rubles, while the title of member of the Academy of Sciences of the Soviet Socialist Republic of Azerbaijan was reasonably priced at 50,000 rubles.

Becoming the head of an institution of higher education was much more expensive; the amount, which varied per institution, could reach 200,000 rubles, which was considered fair, bearing in mind that this position would open up the opportunity to charge students a fee upon each admission (which also varied per institutions). To be admitted to the Institute of Foreign Languages, for example, the fee would be 10,000 rubles. To be admitted to the University of Baku would cost between 20,000 and 25,000 rubles.

Medical schools had an unofficial admission fee of 30,000 rubles. And to secure entry to the Institute of Agricultural Studies, one would have to cash no less than 35,000 rubles.

There were specific tariffs not only for important positions at the district level but also for some positions in the scientific and cultural spheres. Even positions in the government of the Azerbaijan Republic were for sale. The position of the Minister for Social Security was cheap, it was rated at 120,000 rubles, for extracting additional profit from the costs of extremely inadequate pensions was hardly possible. The almost equally unpromising position of the Minister of Communal Economy was available at 150,000 rubles. However, it was more expensive to become a Trade Minister (250,000 rubles), though the functions of that office were theoretically on a par with the others: the chronic shortage of goods held out the prospect of enormous profits.

⁹⁸ The figures are taken from a secret report by H. Aliyev, first secretary of the central committee of the Azerbaijan party. The report was presented at a plenary meeting of the central committee of the Azerbaijan party on March 20, 1970.

⁹⁹ Ilya Zemtsov worked in the information department of the Azerbaijan central committee before he emigrated to Israel. After emigration, he published secret documents related to the case mentioned above.

accused officials only lost their jobs, and only one was expelled from the party (Scott, 2007: 18). Shevardnadze became the first secretary of the Georgian CP (1972-1985).

4.2.3.1.2 EMERGENCE OF POLITICAL CAPITALISM

The corruption cases of the beginning of the 1960s in the economy revealed another tendency inherent to the decentralized prebendal appropriation of power, namely, political capitalism. Embezzlement, bribery, falsification, and other appropriation acts were common in state enterprises since the transition to the centrally planned administrative command system. However, appropriation took place within the government system. After Stalin's death, next to the 'old' ones, the new appropriation forms emerged that took place partially outside of the government system. The officials acted as a political patronage to the illegal production of consumer goods, aiming to exploit the irrationalities of the centrally planned economy.

Because of the legal constraints of the centrally-planned administrative command economy on logistics, distribution and realization of produced goods, production was normally organized under the cover of an enterprise, while the range of produced goods was in line with the main production (Sampson, 1987: 129).

In this respect, two cases of the beginning of the 1960s deserve attention. The first case was related to the textile fabric N 11 in Moscow, where KGB found an organized group of 25 people led by B. Royfman. At the end of the 1950s, he

organized the illegal manufacturing of tricot using labor of disabled persons. Royfman colluded with the managers of the psycho-neurological clinic and used the work therapy of the patients for the production of the scarce tricot and sold them on street markets and at railway stations. Textiles were obtained for bribes from Kabardino-Balkaria. Because the product was in high demand, underground production expanded, and new equipment was purchased. The investigation committee confiscated approximately 100 kg of gold, 262 carats of diamonds and other jewelry worth 2.5 million rubles (Tishkov et al., 2007: 68).

Another bright example of political capitalism at the beginning of the 1960s was the case of Heyfets. He organized underground manufacturing in the center of Moscow, in a famous department store (univermag). Manufacturing was so successful, that after a while it almost supplanted the products of the state factories in the univermag. In the same building, Heyfets produced nearly half of the t-shirts and underwear sold in the univermag. He had 'good connections' within the party nomenklatura and local authorities whom he regularly provided financial support. The underground enterprise lasted for five years and embezzles around 2.5 million rubles of state property (Tishkov et al., 2007: 68).

Examples of illegal underground manufacturing mentioned above demonstrate the tendencies to alternative profit making that were almost impossible to carry out under Stalin. It should be noted that in all the cases of economic appropriation revealed during Khrushchev's campaign at the beginning of the 1960s, none of the party or state officials who acted as political

patronage of the underground production were severely punished. The key actors who realized the production, however, received harsh punishments, including the most severe form of punishment - death penalty (Tishkov et al., 2007: 68). This shows a twofold approach to the situation of the party leadership. It is clear that without protection from above, underground manufacturing would not have been possible. It is also vivid that despite heavy involvement, the senior party and state officials had impunity that was not the case under the rule of Stalin.

By the 1970s and 1980s, the institutionalized elements of the political capitalism emerged, especially in the underground production and distribution. Institutionalized functions were the following: producer (tsekhovik), seller and patron (tenevik). Mafia was a functional unit. It was claimed that tsekhoviki were attending the mafia meetings to seek protection - protection in prison and protection against uncertainty and unpredictability. It was more predictable to work with one person from the mafia, rather than with many officials who, in case of emergency, would step back and instantly remove the 'protection'.

4.2.3.2 Expansion of informal practices that utilize irrationalities of centrally planned administrative command economy

The decentralization of appropriation was fuelled by the promotion of informal policies that supported the achievement of formal plan targets and the maintenance of economic growth by any means (Clark, 1993: 259, 278). Since Stalin, there had been one major postulate that served as a

base for creation and institutionalization of informal rules and routines: the supremacy of the party interests over all the other interests, including the legal ones. The secondary importance of the legal framework initiated a set of informal practices to sustain the party interests, which were of equal importance as the public interest (Schwartz, 1979: 431). This kind of approach brings about a differentiation between functional and dysfunctional corruption that in fact reflects two sides of the same coin. The former (functional corruption) served the party interest including the achievement of the state plan targets, while the latter (dysfunctional corruption) was considered harmful to the former. However, the border between functional and dysfunctional corruption was highly blurred and highly dependent on the interpretation of the act which created opportunities for maneuver in case of conviction (Schwartz, 1979: 436).

The combination of the unquestionable supremacy of the party over the legal framework and big discrepancies between the exaggerated development plans and limited opportunities for their fulfillment (mainly because of scarce resources and their irrational distribution) resulted in the expansion of informal rules and practices beyond the formal organization (Schwartz, 1979: 431).

Under Brezhnev, the expansion of informal practices to achieve plan targets boomed (Grossman, 1977: 36-37). Particularly during the stagnation period in the economy, the party leadership de facto permitted the employment of informal arrangements that supposed to support the achievement of plan targets (Clark, 1993: 278). This inevitably resulted in the expansion

of the broad range of appropriation acts, namely, embezzlements, dubious economic transactions, manipulations with the plan targets and all kinds of falsifications in the book-keeping that were systematically reproduced by the centrally planned administrative command economy (Sampson, 1987: 129).

Furthermore, the deficiencies of the centrally planned economy in the distribution of resources were compensated by the black market that facilitated the distribution of goods and services. The manager's ability to survive was directly related to his ability to maintain black market relationships, for example, relationship with the illegal procurement agents (*tolkachi*) (Sampson, 1987: 128). But, contrary to Stalin's era, the freedom and autonomy of his actions were much bigger. Hewett (cited in Clark, 1993: 260) claims that by the end of Brezhnev's period approximately 20 million citizens were involved in some activities on the black market. While level and structure of the black market varied across the USSR countries (Sampson, 1987: 131), Kim (2003: 532, 545) estimates that the share of the black market expenditures in the total household expenditures in the post-Brezhnev period was steady at approximately 23 percent on average.

Thus, with the increased tolerance of the government towards the appropriation in the economic organization, punishment for such acts also softened. Although, in the 1960s and 1970s there were several campaigns against appropriation and updates of the legislation in the economy¹⁰⁰ (for instance, death penalty was reintroduced on false reporting (24 May 1961) and on bribery (20 February

1962))¹⁰¹, all of them faded away shortly after the beginning (Holmes, 1993: 221). Moreover, these campaigns targeted not the appropriation of the senior nomenklatura officials, but mostly appropriation in the small and mid-size economic organizations (Holmes, 1993: 221).

With the legitimization of functional appropriation of power, an official caught in such an illegal act received milder punishments than those whose main motive was pure personal gain (Feldbrugge, 1984: 542; Clark, 1993: 277). For instance, at the beginning of 1970s, report padding was considered as the most frequent misdemeanor in the economy (Schwartz, 1979: 429). According to Article 152-1, added to the RSFSR Criminal Code in May 1961, officials engaged in the padding of economic reports should have been sentenced to up to three years imprisonment. However, in 1971 only 13.3 percent of the convicted officials received harsher punishments, while 87.7 percent of them received administrative punishments without losing their jobs (Clark, 1993: 276).

4.2.3.3 Dismantling of patrimonial bureaucracy

When Brezhnev died, the decentralization of patrimonial bureaucracy and informalization of the economy reached such a level that some elements of the estate-type appropriation came to the surface (Bialer, 1991: 170). The monopoly of regional leaders over authority was so pervasive that in some cases not only an ordinary Soviet citizen but also senior executives of law enforcement agencies could not reach Moscow and were powerless in front

100 In 1960, a new Criminal Code was introduced, which remained in force till mid-1990s when the independent states introduced their National Criminal Code.

101 The introduction of death penalty was related to the Rokotov Case trial of 1961. Y.T. Rokotov and V.P. Faybishenko were counterfeiters whose yearly turnover was around 20 million rubles. Based on the decree of May 1961, they were convicted and sentenced to 15 years of prison (maximum term). Having learned that the major currency dealers had been sentenced to 15 years of imprisonment, Khrushchev was outraged and demanded to revise the current legislation. On July 6, 1961 a new decree was issued according to which death penalty could be applied to economic crimes. Rokotov case had been revised and both defendants were shot in Butyrskaya prison. Rokotov case was considered as a precedent and within a year after the trial, 183 people were sentenced to death (Tishkov et al., 2007: 67).

of a country leadership. For instance, the chief prosecutor of the Azerbaijan SSR, Gamboy Mamedov, had to flee to Moscow to save his life after criticizing Aliyev of fraud and falsifications in the achievement of the 'economic miracle' (Kalinichenko, 2017). Aliyev's monopoly over the authority in the country was so tight that even a complaint letter of an ordinary citizen could not reach the center. Thus, they were using the guest book of the Lenin Museum to write a complaint (Zemtsov, 1976: 5-6).

As the most anti-corruption purges in the history of the USSR, campaigns initiated at the beginning of the 1980s also had a tint of political struggle. With the rise to power (General Secretary), the former head of the KGB, Andropov, immediately declared that fighting appropriation was the main constituent of his agenda. As in the case of his predecessors, a new anti-corruption law was passed (18 December 1982) to increase penalties for a wide-range of appropriation acts. The day before, the Minister of Internal Affairs, Shchelokov, one of the central pillars of Brezhnev's rule and his close ally, was fired being accused of demonstrating tolerance towards widespread appropriation. A few days later, Shchelokov shoot himself in his dacha in Moscow (Holmes, 1993: 223-224) and the head of the KGB Office in Ukraine at that time, V. Fedorchuk, was appointed as a new Minister of Internal Affairs.

A month later, in January 1983, from the rostrum of the Presidium of the Supreme Soviet, Andropov called for even more pervasive combat of appropriation: "completely to eliminate such phenomena as instances of the use of state and public property and

official positions for purposes of personal enrichment" (cited in Holmes, 1993: 224). After the initiation of reforms in the Ministry of Internal Affairs in 1982 (restructuration, termination of several departments and strengthening OBKHSS), Andropov launched an all-union anti-corruption campaign (Holmes, 1993: 224).

Andropov's anti-corruption purge consisted of two groups: regional elites (Uzbekistan, Georgia, and Kazakhstan) and trade networks. The result of these campaigns demonstrated the shocking scale of the decentralized prebendal appropriation and its consequences. The campaign continued during the Chernenko's rule and in the early Gorbachev's period and declined in the period close to the collapse of the USSR (Holmes, 1993: 225-227).

4.2.3.3.1 APPROPRIATION IN THE REGIONS

The anti-corruption campaign in Uzbekistan consisted of two interrelated cases built upon several investigations that took place between 1983 and 1989: the Cotton case led by the investigator Kalinichenko, and the Uzbek case run by the investigators Gdlyan and Ivanov. The former was the investigation of bribery and abuse of power in the Uzbekistan state and party machine, while the latter was related to fraud in cotton production.

A. THE UZBEK CASE

The investigation of bribery and abuse of power in the state and party authority, as well as in the law enforcement agencies in the Uzbekistan SSR goes back to the 1970s (Staples, 1993: 30). However, all

these investigations were reined up by the leadership of the country, namely, by the first secretary of the party; one case being initiated at the direct order of Brezhnev. In the last investigation before the Andropov's campaign, Buturlin (head of the Investigation Department of the USSR Procurator's Office) visited Tashkent in 1980, but again the investigation was halted by Rashidov (Holmes, 1998: 227-228).

The former head of the KGB, Andropov, was aware of the scale of appropriation in Uzbekistan. Therefore, just before the anti-corruption raid, Andropov verbally uttered Rashidov at the beginning of 1983 and postponed his dismissal till the end of the year, probably waiting for the results of the campaign (Gdlyan and Ivanov, 1994: 4). In the end of 1983 (on October 30), Rashidov died and, as an honor, he was buried in the center of the capital Tashkent, next to the Lenin's memorial.

At the beginning of 1983, initial investigations were realized by the KGB office in Uzbekistan under the operational supervision of the center. Knowing the level of competence of the national law security agencies (by that time not only Rashidov's son but also children of many party leaders worked in the KGB office in Uzbekistan), in August of 1983 the case was referred to the investigation team led by the investigators of the USSR Procurator's Office, Gdlyan (head of the investigation) and Ivanov (chief assistant of the head) (Gdlyan and Ivanov, 1994: 5-9).

The case started with the arrest of Muzaffarov, the head of the OBKHSS in the city of Bukhara (special militia unit combatting the theft in the economy), who was also known as Mr. Almihity.

In his house, the investigators find more than 1 million rubles and other valuable items. After the confession of Muzaffarov, investigators arrested other officials in Bukhara, namely, the director of the Department of Trade in Industrial Goods (Gorpromtorg) of the Bukhara Region, Kudratov, the head of the Regional Department of Internal Affairs (UVD), Dustov, the head of the Regional Department of Material and Technical Supply, Sharipov, officers of the OBKHSS, Gafarov and Dzhumayev, the head of the District Consumer Organization (Raipo) (Gdlyan and Ivanov, 1994: 5-7).

After the first arrests, the investigation faced resistance from the country leadership. While Rashidov was still alive, he succeeded in the elimination of all key actors of the initial anti-corruption investigation in Bukhara. In May 1983, he replaced the Second Secretary of Uzbekistan CP Grekov, who was the representative from Moscow and the supervisor of the law enforcement agencies in the country. Rashidov's protégé Osetrov became the new Second Secretary. The head of the KGB office in Uzbekistan Melkumov, and his deputy Logunov were replaced too. Golovin became the new head of the KGB. The head of the Investigations Department of the KGB Ganikhodzhaev, who led the first anti-corruption investigations was forced to retire while some other investigators were sent to Afghanistan (Gdlyan and Ivanov, 1994: 8-9). As a result, the pace of the investigation decreased significantly.

It took approximately a year until the next arrests were carried out. That year Andropov was succeeded by Chernenko, while Usmankhodzhaev was promoted to

Rashidov's position (the First Secretary). The investigation team reported to Moscow on all the undeniable facts of bribery by the former First Secretary of the Bukhara Regional Party Committee (Obkom) Karimov, and the former Ministry of Internal Affairs Ergashev. By the order of Chernenko, Karimov was arrested on August 11, 1984, while Ergashev committed suicide on August 15 (Gdlyan and Ivanov, 1994: 12-13).

Based on the investigation materials, Figure 8 demonstrates the structure of organized corruption in the Bukhara region. The First Secretary of the Obkom was not the only a key figure in regional management but also the head of organized corruption in the region. Formally, he was responsible for safeguarding the public order and fulfillment of plan targets in the region and maintained increased autonomy for the realization of these responsibilities (Gleason, 1991: 621).

In course of the case, almost all state and party leadership of the country were arrested while the size of the investigation team was only 200 investigators. The corrupt network revealed by the investigation included the presidents of collective farms (kolkhoz and sovkhoz), directors of economic enterprises, hundreds of party functionaries, the KGB and the Ministry of Internal Affairs officers, prosecutors and judges. Among them, there were more than two dozen generals, sixteen First Secretaries of the regional party committees, the whole bureau of the Central Committee of the country, ministers of the USSR, senior officials of the CPSU Central Committee and other representatives of the highest party-state elite. Brezhnev's son-in-law Yuri

Churbanov, who was the First Deputy Minister of Internal Affairs of the USSR at a time and held the military rank of a general, was also arrested (Gdlyan and Ivanov, 1994: 190).

The investigation revealed corruption of thousands of officials, while only persons who organized the crimes faced criminal responsibility. After six years of work, the investigation team brought to justice 62 officials (Gdlyan and Ivanov, 1994: 46). In 19 court trials, 40 high executive officials were convicted to imprisonment (Holmes, 1993: 228), and other three officials (Ministry of Internal Affairs K. Ergashev, his deputy G. Davydov and the First Secretary of Kashkadarin RCP R. Gaipov) committed suicide (Gdlyan and Ivanov, 1994: 44).

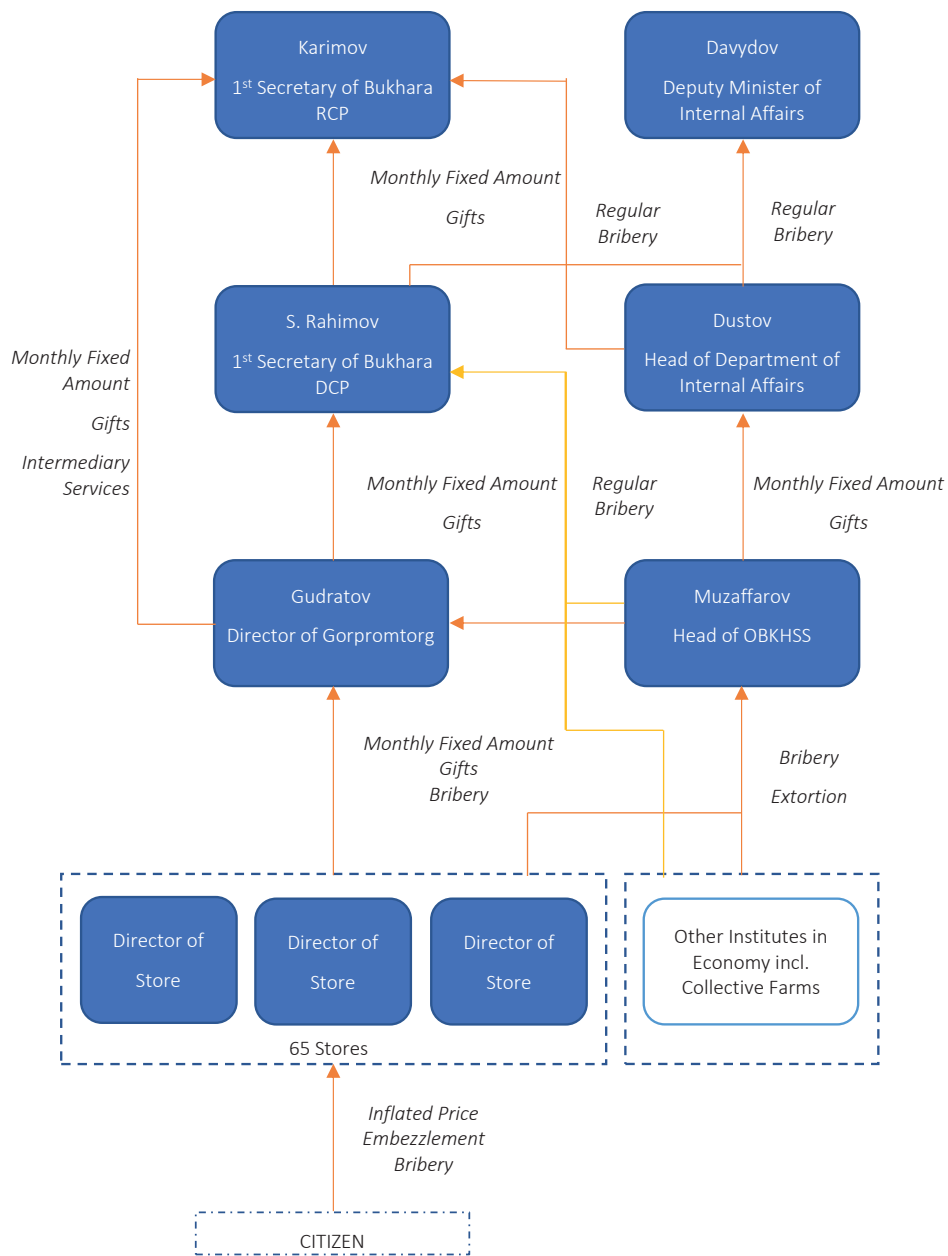


FIGURE 8. SYSTEMATIC CORRUPTION IN BUKHARA REGION (BASED ON MATERIALS OF INVESTIGATION 18/58115-83 (GDLYAN AND IVANOV, 1994))

Investigators Ivanov and Gdlyan who lead the corruption investigation in the high echelons of the administration soon become heroes and were elected to the Congress of People's Deputies in 1989. The investigators became famous all across the USSR after mentioning the names of the four 'bribe-takers' (who were also the delegates of the 19th All-Union Conference of the Communist Party of the Soviet Union)¹⁰² in an article in the popular magazine called *Ogonek* (Gdlyan and Ivanov, 1994: 86). All these four delegate members were arrested; and later one of them was released with an apology (Holmes, 1993: 228).

Gdlyan: *"Prosecutor General, note that there is no Uzbek case. The case investigated is most likely a Moscow case, and to be even more precise, it is a Kremlin case". (uproar in the hall)*

Gorbachev: *"Well, Comrade Gdlyan, that's too much."*

From I Congress of People's Deputies of the USSR (Ivanov and Gdlyan, 1994: 3)

However, the situation changed dramatically when the prosecution reached investigation of corruption in the Kremlin. On October 19, 1988, among others,¹⁰³ the investigation team arrested the First Secretary of the CP of Uzbekistan SSR Usmankhodzhaev and the chairman of the Presidium of the Supreme Soviet Salimov. In the interrogation on November 1, 1988, carried out by the deputy-head of the USSR Procurator's Office Vasilyev, Usmankhodzhaev indicated the names of the highest party-state officials of the USSR he bribed, among them being the Politburo members Romanov

(10,000 RBL) and Ligachev (60,000 RBL) (Gdlyan and Ivanov, 1994). After this incident, the anti-corruption campaign that was initiated by Andropov instantly declined all across the USSR. On May 6, 1989, Gdlyan and Ivanov were officially dismissed from the investigation. After seven days major newspapers published the statement from the Presidium of the Supreme Soviet on the condemnation of accusation of Politburo members in corruption, and at the end of the same month, the Prosecutor General of the USSR Sukharev initiated a criminal case against the investigators. At the end of 1991, all arrested officials were pardoned.

B. THE COTTON CASE

The Cotton case involved an investigation of fraud in the cotton production industry that progressed in parallel to the Uzbek case, that is why, they are often confused with each other. Cotton was the main agricultural product of Uzbekistan SSR. The essence of the fraud was a falsification of output results to achieve the increased plan targets on a collection of raw-cotton. The purpose of the investigation team led by Kalnichenko (Kalinichenko, 2017) was to identify the scale of fraud, find out its mechanisms, unmask its actors, and identify the real amount of theft.

A simple mechanism of the cotton fraud was as follows. The country had a plan target to collect 5 million tonnes of cotton per year.¹⁰⁴ The plan was carried out through the top down allocation from the ministry to the collective farms (kolkhoz and sovkhoz). After the collection, the cotton was sent to the cotton processing factories and plants that were mostly located outside the

¹⁰² The Second Secretary of Moldova SSR CP V. I. Smirnov, the deputy head of the Department of Organizational-Party Work of the CPSU Central Committee K.N. Mogilichenko, the First Secretary of the Bukhara Regional Committee of the CP I. Dzhabbarov and the First Secretary of the Samarkand Regional Committee of the CP N. R. Radzhabov.

¹⁰³ The First Secretary of the Bukhara RPC I. Dzhabbarov and the First Secretary of the Samarkand RPC N. Radzhabova

¹⁰⁴ During the 10th five-year plan (1976-1981) cotton production targets of Uzbekistan regularly increased reaching up to 6 million tonnes by the end of it. According to official figures 6.245 million tonnes of cotton was gathered in 1980 which accounted for 25 percent more than in the previous year (Staples, 1993: 35-36).

Uzbekistan, all across the USSR.¹⁰⁵ However, instead of 5 million, only 4 million tonnes of cotton was gathered. To cover up a missing 1 million tonne (Kalinichenko, 2017), the managers colluded with the processing factories¹⁰⁶ and plants and changed the book-keeping records by reporting the missing amount as already received by the factories. A cotton processing factory received either a semi-empty train wagon with low-quality cotton mixed with waste or an absolutely empty wagon, but the papers stated that all the wagons were full of quality cotton. For an empty train wagon the bribe was 20,000 rubles, for a half-empty or low-quality cotton (lint) 10,000 rubles (Kalinichenko, 2017). In its turn, the processing plant covered the fictitious received cotton either through internal accounting falsifications, such as defected production or production waste, or other enterprises in the production chain, such as fabric manufacture plants. That way, the missing one million of the cotton dissolved through bribery and accounting falsifications.

For the fictitious collection of cotton, the USSR budget allocated to Uzbekistan approximately 3 billion rubles within five years, while 1.4 billion rubles covered salaries of fictitious employees, such as collective farmers that existed only on paper.¹⁰⁷ Part of the money received was redistributed through bribery, and the other part of the money was embezzled by the colluding actors in the cotton industry hierarchy and distributed in the form of a fixed amount to the leadership of the District, Regional and Central Committee of the CP, the Ispokom (Executive Committee), the Prosecutor's Office, the Ministry of Internal Affairs and the KGB offices (Kalinichenko, 2017).

Thus, the Cotton case concerned not only about Uzbekistan, but most of the cotton industry of the USSR because significant part of the country were supplied by the Uzbek raw cotton. The first arrests in the Cotton case investigation took place not in Uzbekistan, but on the factories in Moscow, Ryazan, Voronezh regions that falsified the fact of receiving the cotton. In total, as a result of the Cotton case investigations, 805 prosecution cases were initiated and more than 18,000 officials were found guilty, 3,000 police officers lost their job, 4,000 local party officials were arrested, top officials responsible for the cotton industry were executed (Lipovsky, 1995: 538). On December 25, 1991, most of the arrested prisoners were pardoned by the decree of the Supreme Soviet of Uzbekistan.

C. THE KAZAKH CASE

Uzbekistan was not the only country that was the target for the anti-corruption campaign. After the Cotton case investigation, the investigator of the USSR Procurator's Office Kalinichenko was sent to Kazakhstan by the chief procurator of the USSR Rekonkov to investigate bribery and theft in Kazakhstan's road transport industry.

The object of investigation was the Karaganda Passenger Auto-Transport Department (Karagandinskoye passazhirskeye avtomobil'noye upravleniya). The appropriation scheme was as follows. Instead of tickets, all bus drivers (more than 300 drivers) took cash payments from the passengers. At the end of the day, the drivers reported a reduced number of carried passengers and included only a small part (part 1) of the collected cash into that report. Part

¹⁰⁵ While two-thirds of the cotton produced in the USSR in 1975–1985 was supplied by Uzbekistan, only very small part was processed in the country. In 1984, 96 percent of collected raw cotton was sent to the cotton processing factories outside Uzbekistan (mainly concentrated around Moscow region) or exported. (Rumer 1989).

¹⁰⁶ The official statistics indicate the fictitious amount of cotton as 600,000 tonnes per year (Lipovsky, 1995: 538). According to the conclusion of economic expertise investigation, only in 1983 the amount of frauded raw-cotton was 991,700 tonnes (Gilyan and Ivanov, 1994: 36).

¹⁰⁷ In comparison to other agricultural products, raw cotton production is a labor-intensive field. According to the Soviet standards, 36 person hours are required to produce 100 kilograms of raw cotton. Twenty-three times less labor force is required to produce the same amount of cereal. (Rumer, 1989)

of the remaining amount (part 2) was appropriated by the drivers, while the other (fixed) part (part 3) was handed to the head of the garage. Part of the collected cash (part 3.1) was shared with the controlling and auditing authorities, while periodic fixed amount (part 3.2) was delivered by the head of the garage to the director of the Passenger Auto-Transport Department and his deputies (part 3.3 remained in the hands of the head of the garage). The director, in his turn, kept part of the cash for himself (part 3.2.1), and the other part of the money (part 3.2.2) was handed to the regional party and law enforcement agencies, while the fixed amount of it (part 3.2.3) was also passed on to the Minister of Road Transport Karavaev. In return, Karavaev allocated new buses, spare parts and most importantly, protection. During five years in the Karaganda Passenger Auto-Transport Department, drivers appropriated and shared 21 million rubles only on the intercity routes.

Kalinichenko was especially surprised by the First Secretary of the Chardarin district Bekzhanov who bought a Mercedes-Benz but was not able to use it openly. Therefore, he kept the car in his rural farm in the middle of nowhere. In the weekends, Bakzhanov visited the farm and drove his Mercedes in the steppe for few hours and returned to the city on his official Volga¹⁰⁸ (Kalinichenko, 2004).

From the Ministry of Road Transport the investigation soon reached the high-level state and party officials including the First Secretary Kunaev. Taking into consideration the investigation materials, the Kremlin preferred the dismissal of Kunaev instead of his arrest. Under

the pretext of retirement, Kunaev was replaced by G. V. Kolbin on December 16, 1986. The dismissal of Kunaev resulted in rallies and riots in Kazakhstan that went down in history as the nationalist uprising that symbolized the end of the USSR (Bransten and Jiyenday, 1996).

4.2.3.3.2 APPROPRIATION IN TRADE INDUSTRY

Simultaneously with the anti-corruption investigation in the regions, at the end of 1982, Andropov launched the purge in the trade industry in Moscow which was led by a team of investigators of the USSR Procurator's Office headed by Oleinikov. The case was named after the well-known Yeliseevsky store whose head Sokolov was among the first targets and was sentenced to the death and executed.

The scale of the Yeliseevky case was unprecedented. More than 700 executive officials only in the food industry were engaged in bribery and theft between 1976 and 1983 (Duhamel, 2004: 190). The directors and their assistants in almost all the local trade organizations of the Chief Administration of Trade (Glavtorg) (94 percent) were involved in bribery (both receiving and giving) and embezzlement. In the grocery stores, the situation was even more deplorable. More than 5,000 employees in 2,000 grocery stores that were subjects to the local trade organizations were involved in appropriation practices (Duhamel, 2004: 191).

Thousands of officials were arrested in food trade industry organizations as participating in the production and supply chain from the beginning till

¹⁰⁸ Volga is a car brand produced by the Gorky Automobile Plant (GAZ). It was known as 'a car of nomenklatura' and symbol of authority and power as it was mainly utilized by the Soviet officialdom.

the end customer. Such organizations involved restaurants (such well-known restaurants at a time as Sofia, Riga), hotels (such as Cosmos, Rossiya), food complexes (Drugovoi, Chmyrevoi, and Ochakovo), tourist complexes (Ismailov Complex), food factories and especially alcohol production plants (Samtrest), shops, market, transport organizations (346 employees were arrested only in Moscow transport administration - Mosavtolegprom). Within the first two years of the investigation, 45 officials of the Food Trade Administration were convicted. (Duhamel, 2004: 193) Many of the arrested received harsh penalties, while some of them committed suicide and some were placed into psychiatric hospitals (Duhamel, 2004: 193).

To sum up, in general the centrally planned administrative command economy established under Stalin remained functionally unchanged until the Gorbachev's perestroika reforms that included modernization of the economy with the emphasis on quality control, anti-alcohol campaign, replacement of traditional plan targets with state orders, provision of increased autonomy in negotiations and in decision-making over the distribution of internal funds, such as salary and bonuses, decentralization of foreign trade, initiated dismantling of the centrally plan economy (IMF, 1990: 2-7).

4.3 Discussion

In the previous section, the stages of evolution of appropriation in the USSR were discussed. In this section, the question of how appropriation is related to the institutionalization of corruption in the Soviet public organizations has been addressed, and more importantly, the questions of what it implies for the

institutionalization of corruption in post-Soviet public organizations.

Appropriation of power is an inherent feature of the Soviet authority that accompanies it from the early days until its collapse. It is a unique manifestation of traditional appropriation facilitated by political, administrative and economic systems that resulted in the reproduction of appropriation modes. Despite a huge bureaucratic organization, the identified appropriation modes indicate the prevalence of patrimonial domination where appropriation is part of the valid order that provides stability to repetitive recurrence of appropriation acts. In this respect, the Soviet bureaucracy is approximated to patrimonial rather than to rational-legal bureaucracy.

Contrary to the popular perception, widespread appropriation is not a product of the post-Stalin period but a permanent phenomenon that had been part of the whole period of the Soviet rule, including the years of the war. So, a major difference between Stalin and post-Stalin periods is not in the existence of permanent appropriation, but in the control of appropriation that resulted in different manifestations of appropriation.

Control of appropriation is a key function both in rational-legal and patrimonial bureaucracies. It reflects a valid order that facilitates rather than punishes the recurrent act of appropriation. In contrast to the rational-legal bureaucracy, where the staff is provided with a regular fixed salary (and social security), and control is maintained in order to preserve the legality of enacted rules; patrimonial control implies supervision of appropriation by staff and disregard of legality. To put it differently, priority for the patrimonial ruler is not the

prevention of appropriation, but rather it's monitoring. Furthermore, the way how control of appropriation is realized reflects upon the prebendal and estate-type appropriations distinguished by the level of autonomy of appropriation.

In this connection, we need to distinguish legitimate and illegitimate appropriation in the USSR. The former is tolerated and even encouraged by the leadership, while the latter is a deviation from the will of the leadership. Legitimate appropriation is supposed to support organizational goals that are in line with the party interests, while the illegitimate one is harmful to those goals. Legitimate appropriation represents a consent of the leadership and, therefore, despite its illegal status, it is not punished or punished mildly while illegitimate appropriation acts face severe punishment.

However, there is no clear regulation of the legitimate appropriation but only a common sense of authorized direction. Furthermore, the difference between legitimate and illegitimate appropriation lies not in the practices of appropriation, but in the destination of appropriation. So legitimate appropriation can easily transform to the illegitimate one. The probability of such kind of transition is directly proportional to the autonomy of the incumbent over the appropriation. In other words, decreased control over the appropriation of the incumbent leads to the increased probability of illegitimate appropriation. That is exactly what happens in the post-Stalin period.

The first decade after the 1917 Revolution witnesses grand political, administrative and economic transformations that result in the manifestation of charismatic and

traditional appropriation modes on different levels of the state. The decade of transition results in the emergence of patrimonial appropriation that survives until the collapse of the USSR. While appropriation is an inevitable product of Stalin's patrimonialism based on personal obedience, loyalty, and patronage, the way in which Stalin controls it is radically different from the post-Stalin leadership.

Stalin maintains control over the patrimonial appropriation through bureaucratization and coercive supervision, which results in prebendalization (centralization) of appropriation. By the beginning of the 1930s, he surrenders from Lenin's egalitarian salary system and establishes a sophisticated salary hierarchy supported by appropriate status benefits and in-kind benefits. By the end of his rule, Stalin moves even further and establishes a confidential source of regular income for senior managers – 'packet.' In this respect, the key characteristic of prebendalization of appropriation under Stalin is the enhancement of control over appropriation by staff through the allocation of income from top down and its formalization.

The success of Stalin's prebendalization of appropriation is to a high degree related to the tightened control maintained through the coercive machine and brutal punishments. The huge coercive apparatus as a personal tool of Stalin carries out control over the whole administration including the party nomenklatura, industrial managers, and even military itself in order to eliminate the deviation from the legitimate appropriation. At that point, expropriation

of officials from the ownership of the means of administration under Stalin is not so much the effect of the rational-legal authority but prebendalization of appropriation.

Despite having a big the party apparatus and vast state administration, Stalin cannot reach the same success in the prebendalization of the economic sphere. The rigid administrative apparatus is not able to solve the discrepancies between a plan and its actual implementation. The system of personal responsibility for carrying out the plan compels the manager to find solutions outside of the formal framework and utilize information asymmetry that results in a deviation from the legitimate order. Stalin is the first Soviet leader who not only tolerates, but also legitimizes such kind of deviations by the justification of goal achievement. The increased plan tensions combined with coercive control and personal responsibility system result in consolidation of appropriated resources towards the legitimate goals, while the scope of illegitimate appropriation remains limited.

The control of patrimonial appropriation in the post-Stalin period radically transforms. The crucial change comes with the submission of Stalin's coercive machine to the party apparatus. The state security agencies that used to be the key institutes of the center to control appropriation of power by staff, are, in fact, deprived from such a power and become a watchdog of the party. Under Brezhnev, the controlling power of the state security agencies decreases further, and they de facto are given into subordination of the regional party leaders. Furthermore, under Brezhnev, the promotion of legitimate appropriation

in economic organizations takes place. The combination of loosened control and promotion of legitimate appropriation as a solution for irrationalities of the economic system produces the appropriation boom, especially in respect to the illegitimate appropriation modes.

The emerged illegitimate regular appropriation modes such as trade in office and political capitalism represent a deviation from a valid order and a kind of transformation of 'old' legitimate appropriation modes. For instance, trade in office in the USSR does not represent a classic sale or lease of the office example where a position is "subject to purely commercial transactions" (Weber, 1968: 1032) and is guaranteed by the irremovability of purchaser. On the contrary, trade in office in the USSR represents, on the one hand, an extension of the patronage system where a purchaser of the position becomes a member of patron's network, on the other hand, one-time trade in opportunities which is reflected in the guarantee of the appointment as an opportunity rather than guarantee of irremovability from the office. The latter is approximated to the purchase of office, while the former implies bribery.

As a legitimate act of appropriation patronage originated in the form of appointment and promotion system that is realized by recommendation of higher authority in the hierarchy. Every appointment to any position in the career hierarchy of the USSR (from the head of the kolkhoz to the First Secretary), including the elected positions, required a recommendation of higher authority. Taking into account the fact that loyalty and not qualifications was the main criteria for appointment and promotion,

the recommendation system inevitably led to the emergence of patronage networks. While under Stalin the process was accompanied by gifts, blat, and nepotism, in the post-Stalin period it transformed into the monetary form. This kind of trade in office represents a closed appropriation where advantages and opportunities are closed to the outsiders.

Another example of transformation of legitimate appropriation is political capitalism. The infrastructure of political capitalism had been established under Stalin. The legitimate appropriation that supports the plan fulfillment together with other activities also involves product exchange. Part of the product exchange represented a deviation from the plan and referred to the economic exchange outside the plan economy. For instance, in 1934 Yaroslavlsky tire factory received an order of ten Buick tires, whereas this kind of tires were not in the production range (Belova, 2001: 149). Taking into consideration that most of the underground production was organized under an enterprise, the political capitalism emerged with institutionalized legitimate appropriation practices. In this case, production of goods is not aimed at making the plan as it happens in the case of legitimate appropriation, but at personal gain that can be achieved through selling goods on the black market.

Thus, in contrast to Stalin, post-Stalin leadership cannot effectively control traditional appropriation. By the end of Brezhnev's rule, increased autonomy of appropriation resulted in an unprecedented scale of illegitimate appropriation of position and organization. Reproduction of appropriation modes led to the

institutionalization of appropriation rules and routines in the organization. It became the way of thinking and doing things in the organization. In this case, it can be argued that the crisis of legitimacy in the last decade of the USSR is related not so much to traditional (legitimate) appropriation, but rather to illegitimate appropriation, namely, traditional corruption.

Traditional corruption as illegitimate appropriation leads to the erosion of the legitimacy of patrimonial domination. It changes the subjective meaning of social relations through emerged discrepancies between the promoted justification of the Soviet rule and reality. As long as traditional appropriation supports formal goals, it maintains the legitimacy of domination. With the domination of illegitimate appropriation, formal organizational goals are replaced by particularized deviant goals.

The crisis of legitimacy that was the result of this process can be seen from the confession of the director of one local organization: "The party members used fancy words that did not reflect the reality. Because of that, it was difficult to believe other things that they said. In turn, I also acted as in a rehearsed play in the meetings with my subordinates who certainly did not believe in what I said" (Smirnov and Averbukh, 1986).

In the last years of the USSR, Gorbachev's perestroika challenged the whole system of Soviet appropriation which, despite decentralization of prebendal appropriation, was still dominated by the top-down distribution of wealth. First, the perestroika reforms implied legalization of illegitimate appropriation in the economy through liberalization. In fact, in some sense,

it manifested the return to the New Economic Policy of the 1920s by replacement of traditional plan target with the state orders, promotion of khozraschet system and liberalization of private entrepreneurial activity that was a departure from the public ownership of the means of production. In this way, the perestroika initiated the legalization of bottom-up distribution of wealth, while the role of the centrally planned administrative command system in the economy was reduced. Second, under the condition of the absence of strong centralized, hierarchical control over appropriation of power in the bureaucracy, the policy of glasnost (openness) brought about the emergence of public control through transparency in the bureaucracy. The combination of glasnost policy with the intense anti-corruption purge once initiated by Andropov created enormous pressure on the Soviet bureaucracy that used to survive by systematic appropriation of power. Together with the crisis of legitimacy in the bureaucracy and the rise of ethnic consciousness, Gorbachev's 'perestroika' resulted in the dismantling of the patrimonial bureaucracy and, consequently, prebendal appropriation that was manifested in the dissolution of the USSR.

5 Institutionalization of Corruption in Post-Soviet Public Organizations: Case Studies

During the 1990s, institutionalization of corruption took place in many public organizations across the post-Soviet region. However, the corruption literature lacks empirical works and first-hand data (Ashforth and Anand, 2003; Stefes, 2006) about the institutionalization of corruption in the post-Soviet public organizations (see 2.1. Literature Review). The major reason for that is the difficulties with the access to the data. Most of the data about corruption come from the non-public sector, namely, from the citizens, civil society, and business. This approach suggests that the environment of an organization can give more or less precise information about the corruption situation. The famous Corruption Perception Index (CPI) of the Transparency International is mainly based on the analysis of the data gathered from outside the public office.

These external sources have limited capacity to reflect the intra-organizational processes, and access to internal sources of data is also very limited. Access to internal information is especially difficult in case of institutionalized corruption. Individual corruption, such as bribery, is a collusion of a bribe-giver and a bribe-taker; secrecy of transaction is crucial for the success of such corrupt act. In institutionalized corruption, there is a

collusion of a bribe-taker with another bribe-taker. It is a situation where the principal himself is corrupted. Therefore, the information about the price and the person to pay it to is openly discussed with a bribe-giver and is not a secret. Secrecy here applies to the transaction between the actors of the corruption system. The task of this study is to put this collusion in the spotlight and reveal its structure and evolution.

In this respect, the first identified challenge is to get access to the direct source of the data – the organization and its members. These access difficulties are related but not limited to the legal risks. Usually, the respondent is a beneficiary of the corruption system. He knows that corruption is a crime, and hiding information about the crime is another crime. Furthermore, the disclosure of information contradicts the ethics of collusion, and the respondent is afraid of social condemnation and subsequent exclusion. For that reason, the interviewer avoids using a recorder and note taking as this can harm trust relationship between him and the respondent. In order to decrease both legal and social risks for the respondent and to increase the possibility to access the data targeted a specific time frame in the past and focus on those countries where the corruption of the past is publicly discussed. Based on this, the scope of the study is limited to the period from the end of the 1980s to the beginning of the 2000s. Initially, Georgia and Ukraine were chosen as target countries for the case study. Taking into consideration that both countries experienced ‘anti-corruption revolutions’ in 2003 and 2004 respectively, it was supposed that officials would not be afraid to reveal the corruption details of the past.

To ensure the symbolic representation of the study, the cases were selected among the public organizations where corruption institutionalized by the beginning of the new millennium. The institutionalized corruption implies that in these public organizations corruption rules and routines are taken-for-granted ways of thinking and doing things. As a result, a list of potential public organizations with institutionalized corruption was developed.

The Georgian fieldwork was realized within five weeks between 10 October and 12 November 2013. The main target was to find former officials, especially those who worked in public organizations before the 2003 Rose Revolution, and experts from Transparency International in Georgia, scholars, and journalists who work on the corruption research and investigation. Snowballing was chosen as a sampling strategy because of the difficulty to access the target group. By using snowballing, we planned to get access to other members of the organization through the current respondent.

In spite of that, the fieldwork in Tbilisi demonstrated that the snowballing strategy did not work as planned. Most of the respondents accessed through the snowballing were not eager to talk about corruption in their organizations. Moreover, they did not want other members of their organization to know about their interviews. Finally, our fieldwork coincided with the 2013 presidential elections in Georgia. After ten years in power, Saakashvili left the country for his opponents, namely, the Georgian Dream coalition headed by Bidzina Ivanishvili. Most officials fired during the anti-corruption purge of

Saakashvili got a chance to return to the office after the victory of Ivanishvili. Ultimately, during the interviews, extended answers were expected from the respondents. Yet some of them were very cautious in their statements and did not provide the open answers to the questions posed.

The fieldwork turned out to be a blind valley. Initial plans did not meet expectations. In the struggle to find the former officials, it turned out that they were not only fired, but also a big part of their savings and property was confiscated. While traveling by taxi in Tbilisi, the researcher of this study found out that some of the drivers were former officials who experienced the above-mentioned purge. They were eager to talk about corruption with a stranger because there were no social links attached which made them feel safe to share some of the information that was needed for this research.

At that point, a new sampling strategy was adopted - to find random former officials and interview them. For that purpose, the researcher took happenstance taxis and traveled around Tbilisi. During these taxi trips, the researcher talked to the drivers on the topic that was relevant at that time for all the citizens - the upcoming presidential elections. If in the course of the conversation it was clear that the driver was a former official, he was asked for his contact information to call him again for the second taxi trip. And during the second trip, the researcher tried to find out if the formal official/taxi driver was willing to share information on corruption. Additionally, the first taxi trips resulted in the observations that determined the typical visual features of the taxi drivers

who were the former officials, such as a clean-shaven face and a shirt. The search for these visual patterns in the taxis was organized in the standby mode, as it was more difficult to see if the driver was clean-shaven and had a shirt while the car was moving. In total, 42 taxi trips helped identify 12 former officials and conduct three interviews. Next to that, five interviews with the Georgian experts were carried out.

The fieldwork in Ukraine was scheduled for January 2014. However, due to political unrest and subsequent escalation of the situation the fieldwork was halted. Later, it was substituted with the fieldwork in Azerbaijan that took place in the period from August, 2014 to September, 2016.

After the difficulties faced in Georgia, several corrections were made to the case selection and sampling strategy. First, the focus was on specific public organization in one of the cities in Azerbaijan. The Bureau of Technical Inventory¹⁰⁹ (BTI) was chosen as a case study (hereinafter “the BTI case”). It is a public organization that carries out state registration of property rights and

technical inventory of property such as technical plans and measurements.

Second, the fieldwork in Georgia demonstrated that the respondents did not want other members of their organization (former colleagues) to know that they shared information about corruption. This fact raised particular attention to internal confidentiality issues. In general, this study deals with external and internal confidentiality issues in several ways. External confidentiality, namely, protection of identities of the respondents from the actors outside of the organization (Tolich, 2004: 101) is provided by codifying all identification characteristics such as name, organization, position in organization, city. Internal confidentiality (or deductive disclosure), namely, possibility of identification of the respondents by other respondents in the final publication of the study (Sieber and Tolich, 2013: 154) was provided in two ways. First, information that can reveal characteristics and patterns of the respondents, such as data about a specific act that is known only to a very limited number of persons involved in the action, is not included

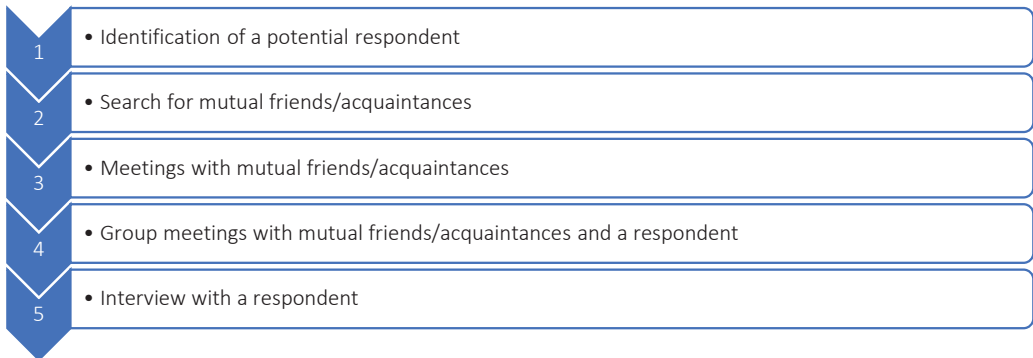


FIGURE 9. PROCESS OF ADJUSTED SNOWBALL SAMPLING

¹⁰⁹ The official name of the BTI has been changed several times both in the USSR and independence period. Within the framework of this dissertation we refers to these organizations as “the BTI.”

in the final publication. Second, we amended the initial snowballing strategy (see Figure 9) and instead of reaching out to the next respondent via the current respondent, we identified potential respondents, i.e. other members of the organization, during the interview and tried to reach out to them via other trusted channels.

Third, to establish a trusted relationship and make an impression of a reliable person (literally trans. *bizim adam* – our man) the first meeting with the potential respondent always occurred during a group dinner/lunch. It was organized by a common friend(s) – trusted person(s) of the interviewer and the respondent. In some cases, the common trusted person organized a party and invited many guests, including the respondent. After this meeting, it became clear how willing the respondent was to give the interview. If he was positive about it, already then the next meeting could be arranged. Depending on the level of established trust, the interview could happen in person or the presence of the mutual acquaintance.

During the fieldwork in Azerbaijan, introductory part of the meetings were approached differently than in Georgia to increase the chance for an interview and its efficiency. Usually, the respondents were cautious about the intentions of the interviewer, especially when it came to collecting corruption related data. In Georgia, for example, if the respondents did not have a clear understanding why the interview was conducted and how the interviewer was going to use the information, they could ruin the interview by giving general answers with no specific details. Unfortunately, the introduction like “I am a Ph.D. researcher from the Rotterdam Erasmus

University, and I study corruption in the post-Soviet countries” was not helpful if the respondents were not familiar with the Western academic standards and science in general. For instance, one of the respondents in Tbilisi several times asked questions about what the interviewer was doing and why he was interested in corruption issues. He could not figure out how information about corruption can be useful for the university. In the fieldwork in Azerbaijan, introduction to the interviews was approached differently. It was presented that help was needed to finish the Ph.D., it was explained how important it was for the researcher to finish his research which was only possible with their help as they could provide the relevant information.

Preparation for the interviews on such sensitive topics as corruption is crucial for maximizing the efficiency of data collection (Lee, 1993). Fieldwork preparation in this study was realized in two parts: (1) development of the interview questions, (2) planning of the interviews. To prepare the interview questions, the theoretical model was squeezed into specific statements (see Annex 1). These statements formed the roadmap of the data that was planned to be obtained in course of the interviews. To ensure consistency across the interviews, the list of interview questions, namely aide memoire (Minichiello et al., 1990; Burgess, 2002) was developed (see Annex 2 and Annex 3) based on the statements. It served as a guide to issues that the interview aimed to cover. Generally, aide memoire doesn't define the order of questions, but offers a flexible approach that adapts questions to interview settings and assumes their revision during the field work.

Planning of the interviews is important to increase efficiency of the obtained data when the subsequent analyses are undertaken (Lee, 1993). Its importance comes from the fact that the interviews are of different length and they are conducted in different and sometimes challenging conditions. For instance, one respondent was interviewed three times and the total time of the conversation took six hours in total, while the other respondent was interviewed only once in a lunch interview of approximately 40 minutes. Furthermore, the possibility of taking notes or using an audio recorder in most interviews was significantly limited which also limited the efficiency of collecting the data. Therefore, the interviews that supposedly take longer were conducted at the beginning of the fieldwork, and the shorter interviews were scheduled for the end. This kind of interview sequencing increased efficiency by focusing on the key points during the short interviews and by using them as a crosscheck of the data provided during the long interviews.

The analysis of the collected data is performed according to the general steps of qualitative data analysis (Patton, 2002): transcribing the interviews, reading through the data, generating patterns and themes and interpreting their meanings. Following the interview strategy, the period between transcribing and reading through data was very short. After each interview, we retrieved the data at first opportunity and put it in the chronological map of the data. Like pieces of a puzzle, each interview made the picture of institutionalized corruption in organization more clear and richer, and revealed unanswered questions and increased the validity of data through the crosschecks of the data from other interviews.

In order to decrease the deteriorating influence of the inability of note taking, a memory technique, namely memory anchor (or memory palace) was used. Memory anchors represent such events as change of government that happens and develops in parallel with the changes in the object of study. This technique is widely used in ethnographic research and helps not only memorize the events, especially during the long unstructured interviews where the possibility of note-taking is limited, but also reveals important characteristics related to the subject and the questions in focus such as the age of respondents which helps remember it without asking additional questions.

Generating patterns involves identification of corruption rules and routines and their change, while themes represent the stages of institutionalization of corruption in the organization. Interpretation of the meanings of patterns and themes is realized by applying the model of institutionalization of corruption.

In order to develop the in-depth exploration of institutionalization of corruption in the studied cases, expert interviews were used as the main research technique. Field experts and former officials who worked in the public organizations in that period were selected for the qualitative semi-structured and open interviews. Taking into consideration sensitivity of the topic, the scope of the studies was limited to the period from 1985 to 2009. Selection of the indicated time frame was justified, on the one hand, by the turning-points in the history of the studied organizations, and on the other hand, by the idea that the selected respondents should be more eager to talk about corruption in the past. The qualitative data was

also obtained from the secondary sources which included journal articles and books, archived materials related to the institutional and legislative developments, investigative newspaper articles and reports of international organizations.

This chapter is structured in three sections. First two sections are dedicated to the case studies that demonstrate how corruption institutionalized in the post-Soviet public organizations, in particular, in the local BTI in Azerbaijan and in the local traffic police office in Georgia. The last section discusses the conclusions of the case studies and elaborates on the question of why corruption rules and routines institutionalized exactly in the way it happened.

5.1 Institutionalization of corruption in the Azerbaijani BTI (1985-2009)

The (BTI) case focuses on the emergence and institutionalization of corruption rules and routines in the local BTI. It sheds light on the following questions: how corruption institutionalized in the BTI from the late Soviet period till the end of the first decade of the new millennium and why exactly in a way it happened. First, a brief history of the BTI is presented. Here the focus is on the institutional developments of the BTI as a public organization and its structural transformation after the collapse of the USSR. The following sections of the case study demonstrate different stages of the development of corruption in the BTI from 1985 until 2009. Each section describes specific corruption rules and routines of that period and elaborates on the process of their evolution.

5.1.1 Brief history and organizational structure of the BTI

The BTIs were established in the 1920s in order to register property in the local soviets.¹¹⁰ There were two reasons for the institution of the BTIs. After the 1917 Revolution, the government had a weak control over the nationalization process. In fact, without proper documentation questions about property ownership, its nationalization and subsequent fate created a big headache for the Soviet government. Therefore, in 1923, the financial department of the People's Commissariat for Internal Affairs (NKVD - Narodnyi Komissariat Vnutrennikh Del) was assigned to register all the property of the local soviets in a special inventory book.¹¹¹

However, with the monopolization of property rights, the Soviet government faced another challenge – property management. First, the local soviets spent a substantial part of their budgets on the maintenance of the buildings and houses which was impossible for the central government to control. Simple registration of the property in the inventory book did not provide accurate information about the condition and maintenance requirements of the property. Second, during the New Economic Policy (1921-1928), most of the economic organizations were transferred to self-financing mode (*khozrashet* lit. trans. cost accounting). Subject to full monopolization of the property, the self-financing economic organizations rented out the property of the state. Due to the absence of the property market, the rental price of the property was arbitrarily defined by the local soviets. As a result, on the basis of the Decree of 1927,¹¹² the

¹¹⁰ Local Soviet was an elected government body, kind of a council that carried out local public management.

¹¹¹ Resolution of the Central Executive Committee of the USSR "On regulations of the property of the Local Soviets" dated 12 November 1923.

¹¹² Resolution of the Economic Meeting of the RSFSR "On Approval of the Regulations on the Inventory of Local Soviets' Property" dated 21 May 1927.

Soviet government established new organizations for technical inventory. They were responsible not only for the registration of the property, but also for the provision of information about the technical condition of the property, its amortization costs, and value.

The BTI remained subordinate to the General Directorate of Communal Services (GUKKH – Generalnoe Upravlenie Kommunalnogo Vedeniya) within the NKVD until 1930. After the reforms in the central government in 1930-1931, it became a subordinate organization of the Ministry of Communal Services.¹¹³

After the World War II, the USSR turned into a large construction site. Especially with the transition to mass industrial construction methods such as prefabricated housing, the number of new buildings significantly increased. As the organization responsible for the inventory of all new buildings, the BTI became overloaded. As a result, the organizational structure and the number of staff members of the BTI increased too.

The BTI became a self-financing (khozraschet) organization in 1975. It meant that the BTI's budget was not anymore subsidized by the central budget, and its financial survival

depended on the services it provided. Thus, the budget of the BTI came from three sources: 1) orders of the Ispolkom, 2) orders of the Ministry of Housing and Communal Services, 3) orders of citizens.

The Ispolkom was responsible for the management of the property of the local soviets. It carried out the construction of new buildings, and all the buildings should have been inventoried by the BTI. The ministry's orders usually consisted of the planned inventory that was derived from the five-year target plans. The planned inventory included the periodic inventory of buildings to reveal maintenance needs and the inventory of those territories that the Ispolkom did not cover.

The citizen's orders included the inventory of personal property, such as a countryside house. Until 1985 the individual orders made up a marginal part of the BTI's budget. The BTI was responsible for the inventory of property in the cities and the suburban territories. According to the Resolution of the Council of Ministries of the USSR from 1985,¹¹⁴ the BTI became the organization responsible for the inventory of the property not only in the cities, but also in the regions and villages. After that Resolution, the number of the citizen's orders increased in the budget of the BTI by 10-15 percent.

¹¹³ The GUKKH became a directorate of the Council of People's Deputies in 1930. On the basis of the GUKKH, a new central government organization, the People's Commissariat of Communal Services (Narkomat Kommunalnogo Khozyaystva) was established in 1931. The People's Commissariat became a ministry in 1946.

¹¹⁴ Decree of the Council of Ministers of the USSR N 136 "On the order of state registration of housing funds" dated 10 February 1985

The BTI became a public organization of dual subordination within the structure of the Executive Committee (the Ispolkom) of the City Soviets (see Figure 10). All public organizations in the city were subordinate to the City Soviet of People's Deputies (the City Soviet).¹¹⁵ Members of the City Soviet were elected every five years by direct elections. The City Soviet formed an executive organization, the Ispolkom, that implemented its decisions and carried out routine management of the city. It was an apparatus that organized the activity of the City Soviet and the Commissions (both, permanent and temporary ones) that dealt with specific issues, for example, drug addiction (Az. SSR Const. pt. 18, 1978). As a rule, the head of the Ispolkom and his deputies were selected from the members of the City Soviet. Each deputy coordinated several departments, offices and organizations of the Ispolkom. The dual subordination implied that the

BTI was, on the one hand, subject of coordination to the Ispolkom, and, on the other hand, to the central governmental organization – the Ministry of Housing and Communal Services.

The director of the BTI was appointed by the Ispolkom based on the consultation with the Ministry. He had one deputy who carried out the operational management of the bureau. There were four departments of the BTI: accounting department, legal department, HR department and department of the registration of the property rights (see Figure 11).¹¹⁶ The core activity of the BTI was carried out by the engineers. The engineers were organized in groups that were responsible for a specific region of the city. Each group consisted of at least two types of engineers: engineers-appraisers and engineers-technicians.

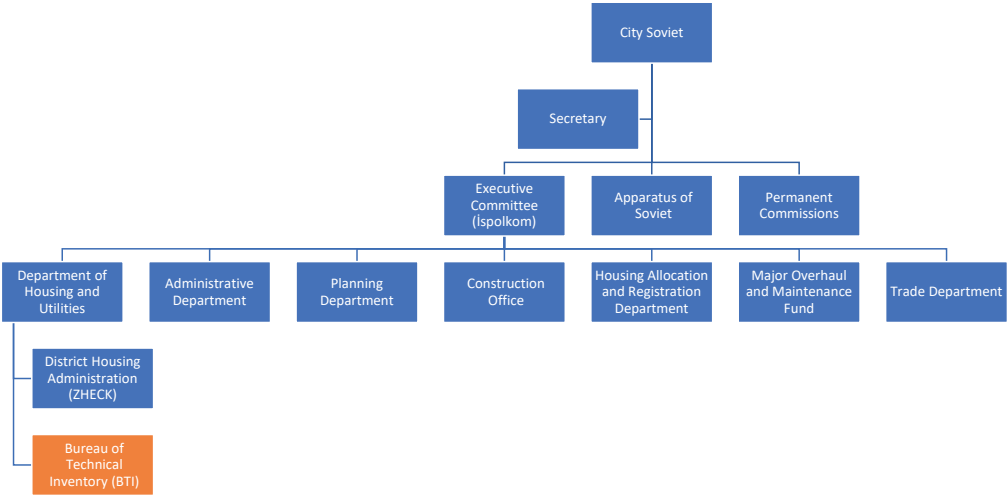


FIGURE 10. THE BTI IN THE SOVIET ADMINISTRATIVE HIERARCHY

¹¹⁵ According to the Article II of the USSR constitution (1977), public organizations are subordinate to the soviets of people's deputies established in every level of administrative unit (village, settlement, city region, city, region, autonomous region, autonomous republic, republic). Each soviet forms its executive committee – the Ispolkom. Every Ispolkom is subordinate to the Ispolkom of the bigger administrative unit. For instance, decision of the Ispolkom of the village can be revoked by the regional Ispolkom.

¹¹⁶ The department of the registration of property rights was established after the collapse of the USSR.

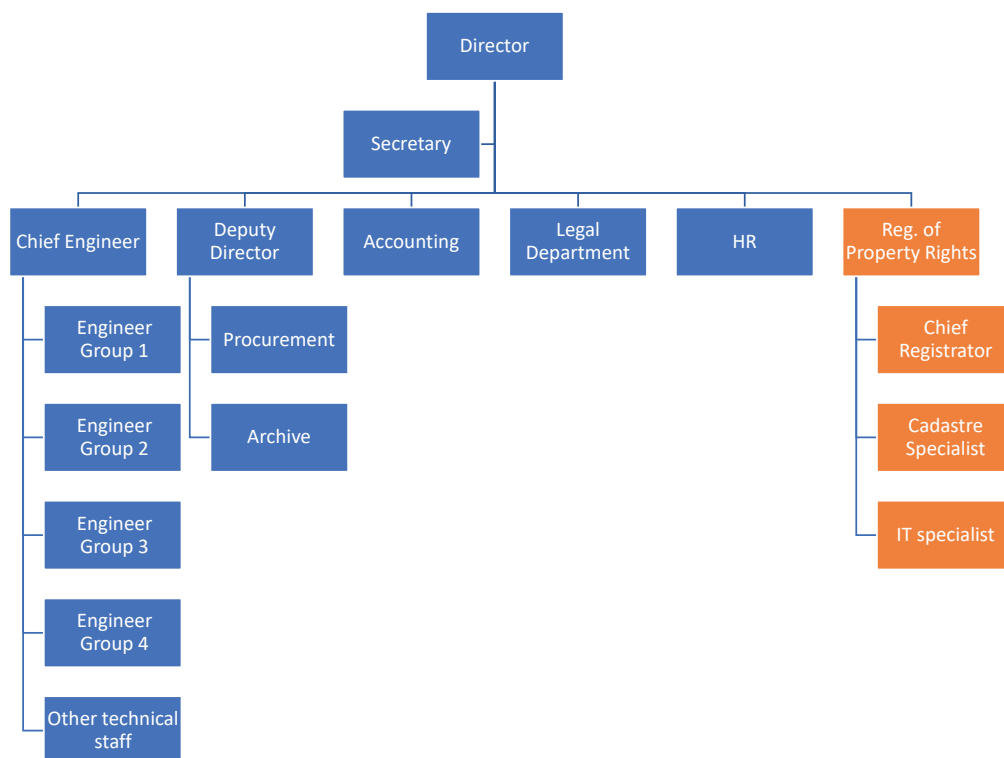


FIGURE 11. ORGANIZATIONAL CHART OF THE BTI

5.1.2 Corruption schemes in the late Soviet period: 1985-1992

There were two major schemes of corruption related to the housing industry in the Soviet Union: housing allocation and housing construction. Despite being part of both mechanisms, the BTI did not profit from any of them.

5.1.2.1 Corruption in housing allocation

According to Article 42 of the Azerbaijan SSR Constitution (1978), every citizen had a right to housing. This right was

realized by the provision of housing, namely, an apartment. A Soviet citizen had three ways of getting an apartment: (1) registration in the waiting list of the Ispolkom, (2) registration in the waiting list of the organization that was his current employer, and (3) registration at a housing corporative. In the first two options, the apartment was provided to the citizen free of charge, while in the third option the citizen should have paid for the construction costs of the building. The housing corporative implied that the future owners of the apartments financed the construction of the building by forming an association.

The nominal requirement of being able to register in the waiting list was the shortage of living space. The City Soviet defined the minimum amount of living space per person. The living space in the apartment included rooms and the kitchen, meaning that corridors, balcony, toilet, and bathroom were excluded from that footage. The shortage emerged when the living space per person registered on a specific address fell short of the defined minimum. For instance, there was a shortage if more than three persons were registered in one apartment with a living space of 30 m² while the established minimum living space per person was 9 m².

The registration at the address (*propiska*) was not an easy task. The Soviet government had a tough control over migration. A change of the registration address had to be justified in front of the *Ispolkom* and confirmed by the local police office. Furthermore, in order to get the *propiska*, the citizen had to get the reference letter from the District Housing Administration known as the *ZHECK*, where the latter indicated a number of persons living in the apartment and housing conditions. Based on this reference letter, the police officer registered *propiska* on a special page in the passport.

The *propiska* was not only a key to the waiting list for the apartment, but it was also crucial when selling and gifting the apartment to other person(s). According to the USSR Constitution (Art. 11, 1977), most urban housing was considered to be the property of the state.¹¹⁷ Approximately 80 percent of the apartments where people lived belonged to the state and were registered in the balance sheet of the housing fund

(state and social fund).¹¹⁸ According to the State Committee of Statistics (*Goskomstat*), by 1 January 1989 there was 2,9 million m² floor space in the urban areas of which 2,1 million m² was owned by the state (the *Ispolkom* owned 1 million m², while other 1,1 million m² was the property of other state organizations, such as factories and plants); only 0,6 million m² floor space belonged to individual owners (Kalinina, 1992: 203).

When a citizen moved from one state apartment to another one in accordance with his needs, the old apartment was then returned to the disposal of the State Housing Fund. The citizen had no rights to sell or gift the apartment as it did not belong to him personally. However, in order not to lose the old apartment, the *propiska* fraud was practiced across-the-board. For instance, a family of three persons (a husband, a wife, and a child) used to live in an apartment with living space of 25 m². After the birth of the second child, they moved to a new apartment provided by the state. In order not to lose the old apartment, they registered their relatives at their old address before leaving. In case of selling the apartment on the black market, people who bought the apartment were registered at the address (V.A., personal interview, August 18, 2014). Taking into consideration the importance of the *propiska* both, for the apartment queue and manipulations with the property, both *ZHECK* and local police registration office became lucrative organizations where bribe and extortion were common.

As soon as the nominal requirements were ready, a citizen had to register in the waiting list either at his place of work or in the *Ispolkom* (see Figure 12).

¹¹⁷ The socialist property is separated into two categories: state and collective property.

¹¹⁸ The Soviet House Fund consisted of state and social funds. The State Housing Fund controlled apartments and buildings that were in the balance of state and government organizations such as local authorities, ministries, state enterprises, factories etc. The Social Housing Fund included buildings of voluntarily housing cooperatives and social organizations such as labour unions.

The apartment waiting list was available only in relatively big organizations such as factories and plants. In these organizations, local trade unions were responsible for the apartment waiting list. Usually, the head of the trade union was a protégé of the head of the organization, and they worked in collusion to control the apartment list (V.A., personal interview, August 18, 2014).

As it had already been mentioned, those citizens who were not registered in the apartment waiting list at the place of work could register in a special department of the Ispolkom – the Department of Registration and Allocation of Apartments. The waiting list in the Ispolkom, especially in big cities, was very long and people could wait for a decade before they got an

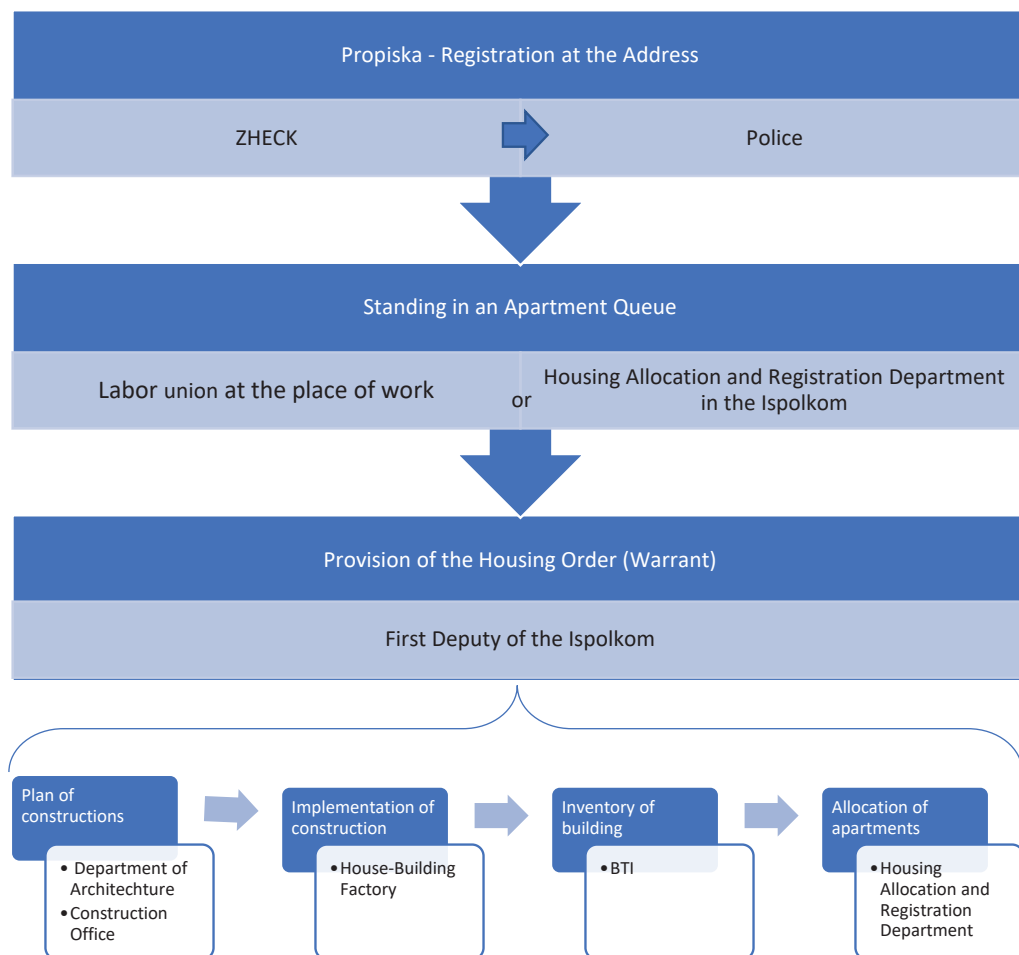


FIGURE 12. THE HOUSING CONSTRUCTION AND ALLOCATION IN THE LATE SOVIET PERIOD

apartment. People with a special status like party members, war veterans and 'heroes of labor' (labour veterans) had a priority. Besides them, those citizens who paid bribes could reduce the waiting list up to several months. The head of the department, as customary, was the central actor in the queue corruption. He was in collusion and close cooperation with the first deputy of the head of the Ispolkom who coordinated both, construction of buildings and allocation of apartments (V.A., August 18, 2014). He was the highest person in the city hierarchy responsible for housing. He signed all the warrants of the apartments issued by the department.

As soon as it was his turn to receive the apartment, the citizen was provided with the apartment based on the settlement warrant of the Ispolkom (see Figure 12). The order was the only document issued to the citizen on the apartment. All the other technical documents of the apartment remained at the disposal of the Ispolkom in the Housing Fund.

5.1.2.2 Corruption in housing construction

After the war, in order to meet the housing demand, the Soviet government built multi-storey (usually, five and nine-storey) prefabricated buildings. The Construction Office of the Ispolkom was the only organization responsible for the construction of buildings in the city. Its budget was financed from three sources: (1) the budget of the Ispolkom, (2) public organizations,¹¹⁹ and (3) housing cooperatives.

The Ispolkom implemented construction of the buildings in three steps: planning, construction, and inventory (see

Figure 12). As soon as the plan of the construction was approved by the Department of Architecture and the Construction Department (Upravlenie Kapitalnogo Stroitelstva – UKS), the Ispolkom allocated money to the house-building factory (Domostroitelnyy kombinat – DSK). After the construction was finished, the BTI prepared the inventory of the building. Based on the inventory documents prepared by the BTI, the Housing Allocation and Registration Department issued warrants of the apartments that were signed by the first deputy of the Ispolkom.

Corruption at this stage involved sale and appropriation of construction materials, as well as embezzlement of the construction fund. Because of the absence of free construction materials market, they had always been a deficit commodity in the USSR. People used to get the needed construction materials either from the black market or by stealing them from the organizations (V.A., personal interview, August 18, 2014). Moreover, the routine control over both, construction planning and implementation, were in the hands of the first deputy of the Ispolkom who easily manipulated spending of construction as long as there was no revision from the center (D.A., personal interview, August 25, 2014).

In conclusion, despite being part of the housing construction and allocation process, the BTIs did not generate systemic corruption in the late Soviet Period. They were used to provide technical and statistical services to the government. They carried out registration and inventory of the property in cities and villages and provided statistical information both, to the

¹¹⁹ Public organizations in the USSR that had the apartment waiting list had a housing budget. The purpose of that budget was to provide employees with apartments. The money in the housing budget was transferred to the Ispolkom to get apartments for the employees.

local and to the central authorities. They did not participate directly in the corruption schemes of the construction of the buildings or their allocation (D.A., personal interview, August 25, 2014). Furthermore, the BTIs had no contacts with citizens, and, therefore, appropriation opportunities via the citizens were limited. The BTI engineers had only little side earnings in the form of a bribe from the managers of small enterprises (V.A., personal interview, August 18, 2014). For instance, when the BTI engineer discovered a storage room in the backyard of the supermarket that was not indicated in the technical plan, the supermarket manager gave a small bribe to the engineer so that the storage room was not reported. The bribe could be both, in the form of money or in kind, including daily products in short supply (K.I., personal interview, September 3, 2014).

5.1.3 Corruption rules and routines in the early independence years: 1992-1997

The financial situation of the BTI deteriorated in the first years of independence. By the end of the Soviet Union, the orders of the Ispolkom and the Ministry of Housing and Communal Services constituted around 70-80 percent of the BTI budget¹²⁰. The institutional ties between the national and the USSR level central government organizations moldered away. That seriously harmed the budget of the national Ministry and its capacity to finance the BTI. Furthermore, with the collapse of the USSR, the system of city administration transformed from the elected Soviets to the appointed Executive Authorities. The Soviets and

elections were canceled and the city Ispolkom became the city Executive Authority with the head of the Authority being directly appointed by the president. The BTI began to function as an organization of dual subordination within the Executive Authority. By the beginning of the 1990s, both the city Executive Authority and the Ministry halted the funding of the BTI as a result of the collapse of the administrative financial system (I.G., personal interview, November 5, 2013; D.A., personal interview, August 25, 2014). Furthermore, the BTI had to survive in an atmosphere of uncertainty created by political and economic transformations.

The new demand for the BTI emerged from the government needs of taxation purposes. Contrary to the Soviet epoch, the taxes became the main source of budget income for the new government. To define the amount of specific taxes, such as the property¹²¹ and land¹²² tax, the government demanded the related information from the BTI. But that demand did not cause big changes in the financial situation of the BTI (D.A., personal interview, August 25, 2014). The radical change for the BTI came with the establishment of direct contacts with the citizens based on the fundamental shift in the property relations.

As mentioned above, at the moment of the collapse of the USSR most of the apartments where people lived belonged to the state and were registered in the balance sheet of the State Housing Fund. The government used to build houses and distribute apartments among the proletariat according to their needs. When the citizen moved to another apartment in accordance with his needs, the old apartment was returned to the

¹²⁰ A number of orders from the citizens in the budget of the BTI increased after 1985 reforms.

¹²¹ For instance, in order to calculate property tax the Cabinet of Ministers of Azerbaijan spent 1.926,4 million AZN in 1999 to find out the inventory prices of the houses in private property.

¹²² For instance, according to the decree about the calculation of the land tax issued in 1999, information that the BTI provided as central to determine the land tax.

disposal of the State Housing Fund. The citizen had no right to sell or gift the apartment as it did not belong to him.

As soon as the USSR collapsed, the privatization of apartments became one of the important topics on the agenda. In Azerbaijan, the privatization of apartments was delayed mainly because of the absence of the agreement on the privatization reforms and the war with Armenia (M.A., personal interview, August 20, 2014). As a result, some local authorities issued arbitrary orders to transfer the apartments into the property of the citizens. For example, on May 22, 1992, the head of the Executive authority (the successor of the Ispolkom) of Gusar region signed a decree for the transfer of all apartments into the property of the residents of the region.¹²³

In 1993, a new law about the privatization of the housing fund was adopted.

According to the law, the citizens had a right to privatize the apartment that was given to them during the Soviet period. Article 4 of the law indicated that privatization of apartments was carried out free of charge by the BTIs. Thus, the BTIs became a key public organization in the process of the privatization of apartments.

The procedure of the privatization of apartments was defined as follows (M.A., personal interview, August 20, 2014) (see Figure 13):

- The citizen received the certificate No. 2 from the District housing administration, known as Zheck. In that certificate, the Zheck indicated a number of persons registered in the apartment and the living conditions.
- The citizen applied to the BTI for the privatization of the apartment with the following documents: certificate No. 2, distribution order of the apartment given by the Ispolkom and written permission of the persons registered in the apartment.
- Based on the application of the citizen, the BTI engineer visited the apartment and issued a technical passport of the apartment. The example of the technical passport is presented in Annex 3.
- Based on the technical passport of the apartment the BTI registered the apartment as a private property of the citizen and provided a so-called certificate of sale. The BTI also notified local authorities and tax authorities about the privatization of the apartment.

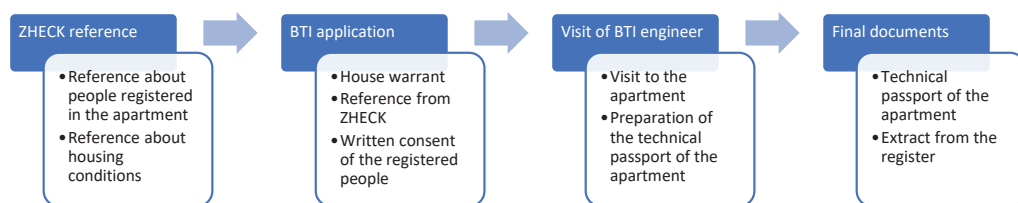


FIGURE 13. PROCESS OF THE PROPERTY PRIVATIZATION

¹²³ The Decree of the Gusar Executive Authority was cancelled by the Decree No2 of the President of the Republic of Azerbaijan, dated July 31, 1992.

A new stage began in the history of the BTI with the privatization process. The BTI was suddenly face-to-face with the crowd that wanted to privatize their apartments. Despite the fact that according to the law, privatization should have been carried out free of charge, in reality, it was almost impossible to do that without paying a bribe. The central figure in the BTI was the director who had total control over the organization. There was no document issued without her permission. Prior to the BTI, for a long time, she used to work as a chief lawyer in the Ispolkom. There was a dominant opinion among the employees that she had protection of the head of the biggest petrochemical company of the country - Azerkimya ASC that was located in the city (I.G., personal interview, November 5, 2013; E.A., personal interview, August 23, 2014; B.A., personal interview, September 2, 2014; M.G., personal interview, September 3, 2014). The head of Azerkimya was the most powerful person in the city. Most of the high positions in the city authority, including the head of the Executive authority, were 'his people'.

Because the director was in charge of everything in the organization, any citizen who wanted to privatize the apartment had to 'come by her office.' To put it differently, every applicant became subject to extortion (B.A., personal interview, August 17, 2014). Before visiting the office of the director, the applicant was 'prepared' for the meeting. Only those applicants who did not mind paying were allowed to meet with her. Nevertheless, price negotiation was carried out in person with the director (B.A., personal interview, August 17, 2014).

However, a year later, price negotiations almost stopped. By the spring of 1994, there was already a 'price-list' for frequently used services determined and introduced by the director. Those services were standardized; prices were fixed and well-known to all the employees. For example, the abstract of the title was fixed at the rate of 100 US dollar per abstract (M.G., personal interview, September 3, 2014). For standardized services, there was no need 'to come by the office of the director.' The citizens who wanted to privatize their apartments had to pay the indicated amount to the employee who provided the service (M.G., personal interview, September 3, 2014). Those who did not agree to pay or tried to avoid paying were subject to the never ending red tape. For instance, the BTI engineer simply did not even start working on the technical passport of the apartment of the person who refused to pay the 'fee', referring to heavy workload. Or, if he started working on the case and came to inspect the apartment, he easily found incompatibilities in the technical structure of the apartment, meaning that privatization was not possible until the other government body checked the apartment and issued special certificates (M.G., personal interview, September 3, 2014). The BTI could drag the process of the privatization for years, which was not in the interest of the citizen for financial reasons.

Nevertheless, some services could not be standardized, but the director still had to price them. There were many factors such as location, technical structure, and facilities that affected different pricing. For example, the price would be different for the same apartment type if the apartments were located on different

streets. Similarly, the price would differ for an apartment and a house, even if they were located on the same street. In that case, the citizen paid either directly to the director or to the employee providing the service. As soon as the amount was received, the director gave a green light for the privatization process (M.G., personal interview, September 3, 2014).

A large part of this amount was initially received by the engineers, because they did the actual privatization work and they were in contact with the citizens. But at the end of the day, all extorted amount was reported and passed on to the director (see Figure 14, orange line) (B.A., personal interview, September 2, 2014). Afterwards, the director defined the amount to be paid to the engineers based on the number of the privatization

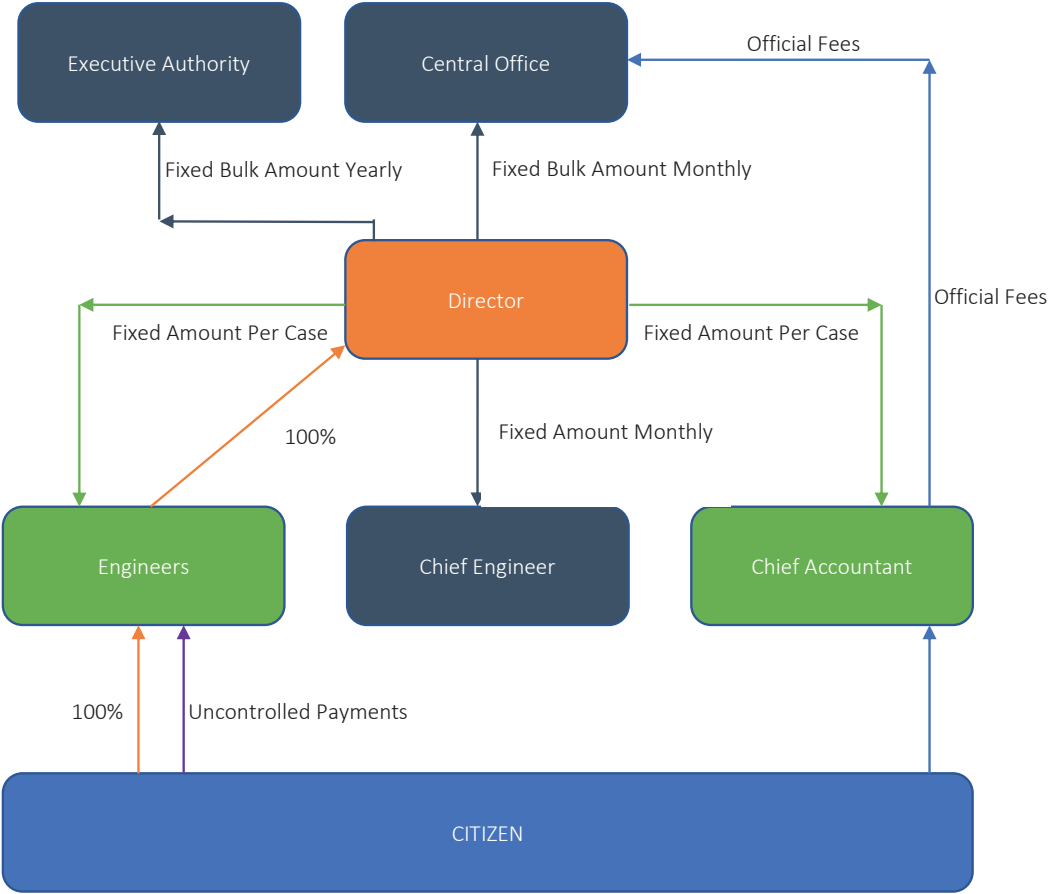


FIGURE 14. CORRUPTION SCHEME IN THE BTI (1992-1998)

cases they were involved in; however, the amount per case was fixed and did not change regardless of the circumstances (see the green line). For instance, in a situation when an engineer performed privatization of three apartments, and the amount to be paid to him was defined at the rate of 25 US Dollar per case, at the end of the process he would get 75 US dollar in total. Even if the total amount paid by the citizens to the BTI was substantially higher than his fee (i.e. 10.000 US dollar), the fee for an engineer would not increase depending on the fee paid by the citizens, but it would stay the same (B.A., personal interview, September 2, 2014).

Next to the engineers, the chief engineer also received a fixed amount per case. But unlike the engineers, he was paid for controlling their work (B.A., personal interview, August 22, 2014). The engineers could make mistakes and sometimes even deliberately. They visited the apartments, and they received first-hand information. The citizens could collude with them in order to hide or change some technical details of the property (see the purple line). For example, the engineer could discover that actual size of the apartment was different from the one indicated in the technical documents. Then he could be bribed by the citizen to hide that incompatibility which could substantially influence (usually decrease) the price (M.G., personal interview, September 3, 2014). To mitigate the risks, the director preferred to meet with the citizens in person. However, she could still miss a lot of information due to the technical details which were known only to the engineers. Therefore, the chief engineer was responsible for this task, and he also

received a fixed amount per case that he was in charge of.

The accountant also received a fixed amount per case. He did not participate in the extortion process directly, but his role was vital both for formal financial reporting and embezzlement of the allocated resources. He was the one who received the official fees from the citizens and reported them to the higher instances (B.A., personal interview, August 22, 2014).¹²⁴ Furthermore, embezzlement of the allocated funds could not be realized without the accountant (B.A., personal interview, August 17, 2014).

The director shared the collected money with two higher offices. She paid a monthly bulk amount to the head of the central government body – the Central Office of State Technical Inventory and Registration of the Property Rights (hereinafter “the Central Office”) (E.S., personal interview, August 27, 2014). As the Central Office also received the detailed official statistics about the provided services, the monthly bulk amount could change depending on the performance level of the BTI (B.A., personal interview, September 2, 2014). Another government body that received the bulk payment from the director was the city Executive authority (B.A., personal interview, September 2, 2014). Formally, the BTI was one of the subject organizations of the Executive authority with dual subordination. But contrary to the Soviet period, the Executive authority had no supervision or control functions over the daily activities of the BTI as that was the responsibility of the Central Office. The Executive Authority’s power over the BTI was limited to the

¹²⁴ Note, that according to the law, privatization was free of charge; nevertheless, inventory and issuance of the technical passport were not indicated in the law explicitly, and the BTI employees usually abused that fact.

nomination of the director of the BTI. Therefore, the head of the Executive Authority received the annual bulk amount as a loyalty payment from the BTI director (E.S., personal interview, August 27, 2014).

5.1.4 Revolt on the ship: 1997-2005

The monopoly of the director over the corruption in the BTI lasted four years. In summer 1997, one citizen applied to the BTI to get the abstract of the title and other technical documents for his apartment. He was asked to pay 300 US dollar, but he refused to do so. 'No money – no documents' policy was explained to him. The citizen applied to the city prosecutor office regarding the case. Based on his application, the office of the city prosecutor organized a special anti-corruption operation. One engineer and the chief accountant were arrested while receiving bills marked with a special powder (B.A., personal interview, August 22, 2014; M.G., personal interview, September 2, 2014)).

The chief accountant and the engineer were detained in the temporary detention facility for 13 days. During that period, the chief prosecutor met with them a few times. He explained to them that they were caught in the act, and in order to close the case he would need 80.000 US dollars. At the same time, he let them know that he was aware of the money allocation scheme in the BTI and that 300 US dollars requested from the citizen were intended for the BTI director. So they should either bring 80.000 US dollars or confess and testify against the director. The arrested employees sent the request of the chief prosecutor to the director. The director refused to pay 80.000 US dollars (B.A., personal interview, August 22, 2014).

On the 13th day, the engineer was transferred to prison, and the case was passed to the judge. It meant that according to the criminal code, he could be convicted to seven years in prison. Seeing such a turn and negligence of the BTI director, the chief accountant made a confession. As a result, the chief accountant was freed, the engineer received two years of suspended sentence, and the director paid 150.000 US dollars to the chief prosecutor to close the case (B.A., personal interview, August 22, 2014).

As soon as the chief accountant and the engineer came back to the BTI, the big scandal began. The director accused them of betrayal, while they accused the director in negligence and in being avaricious. The scandal became even more dramatic when director claimed 150.000 US dollars paid to the prosecutor (B.A., personal interview, August 22, 2014). Ultimately, the other engineers supported their colleagues. The story reached its climax when the engineers refused to work with the director (M.G., personal interview, September 2, 2014).

After one week of continuous confrontation, the engineers and the director reached an agreement on the new rules. According to those rules, the engineer was given 30 percent of the amount received from the citizens (B.A., personal interview, August 22, 2014; M.G., personal interview, September 2, 2014). In that way, the old system of the fixed amount paid to the engineers per case was abandoned, and the new money distribution system was introduced (see Figure 15).

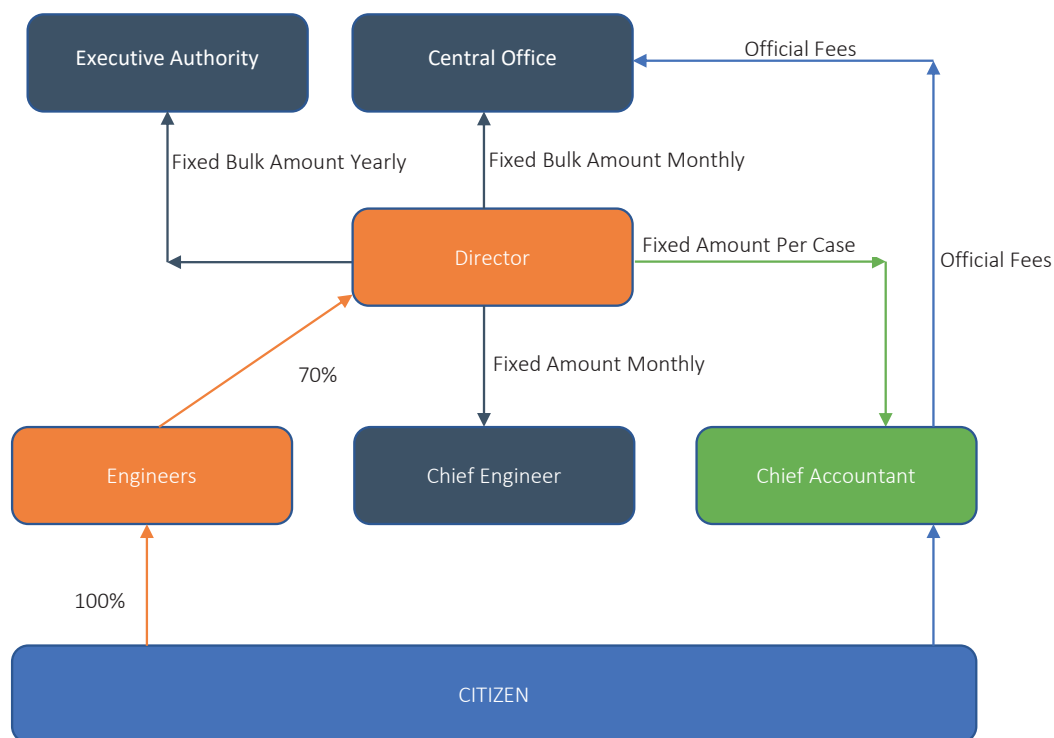


FIGURE 15. CORRUPTION SCHEME IN THE BTI (1998-2005)

This shift in the distribution of corruption changed the relationship between the director and the engineers; it became more informal. Despite the fact that old price-list for the standard services remained untouched, now the engineers and the director discussed and negotiated the prices of the non-standardized services (M.G., personal interview, September 3, 2014). Furthermore, in some cases, they could even oppose the director which was impossible in the previous situation (B.A., personal interview, August 22, 2014).

Another change in the distribution of corruption was related to the chief engineer. In the previous scheme, he

received the fixed amount per case. In the new scheme, he received a monthly fixed amount – ‘an envelope’ from the director, next to his official salary (B.A., personal interview, August 22, 2014; M.G., personal interview, September 3, 2014).

The rest, especially the relationships with the higher offices, remained the same. Similarly, the BTI director provided the monthly bulk amount to the Central Office and the yearly bulk amount to the city Executive Authority (E.S., personal interview, August 27, 2014; S.A., personal interview, August 30, 2014; B.A., personal interview, September 2, 2014).

5.1.5 Big brother is in charge:
2005-2009

On August 30, 2005, a new central government body – the State Service for Registration of Real Estate (hereinafter “the State Service”) was established. All the local BTIs became subordinate to the State Service. The dual subordination of the BTIs to the local executive authorities was cancelled. The BTI director in Baku city became the head of the State Service (E.S., personal interview, August 27, 2014).

With the establishment of the State Service, the appropriation system

that existed from 1997 until 2005 was substituted by a new radically different one. The deputy director in the BTI was immediately replaced by the ‘man of the center.’ Noone, including the director, was allowed to engage in corruption and get payment from the citizens; that became the prerogative of the ‘man of the center.’

The old price-list was replaced by the new one that was sent from the State Service. The money asked and received from the citizens had to be strictly in line with the price list, not approximately the same amount as on the list but exactly the same one. People included in the

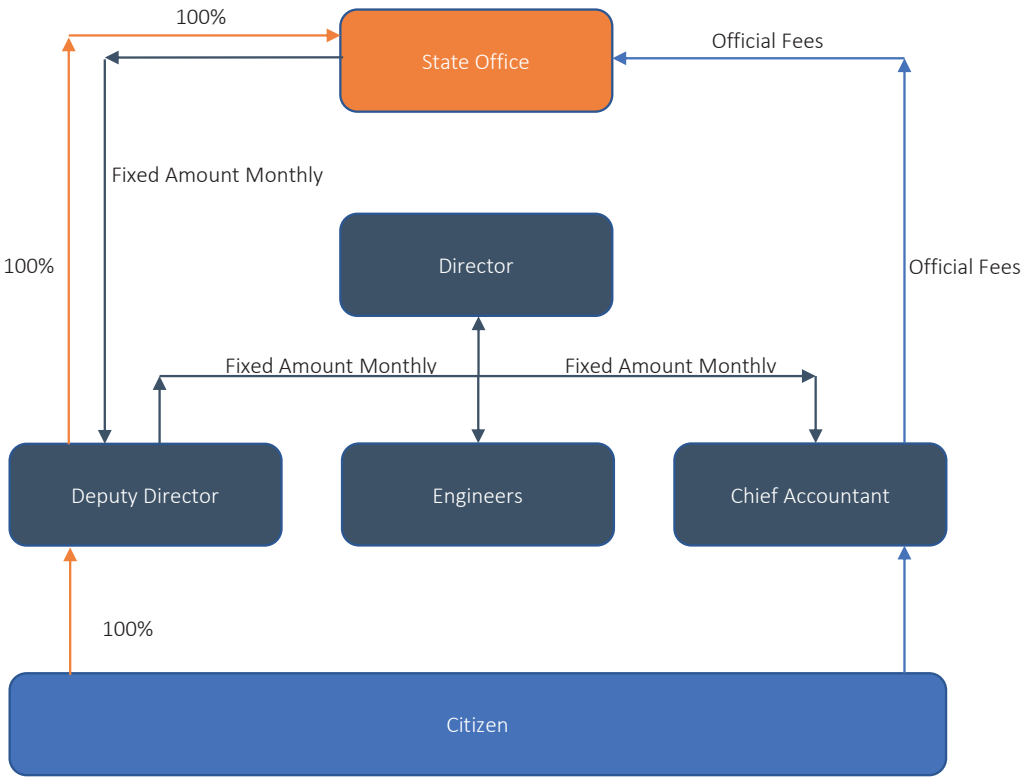


FIGURE 16. CORRUPTION SCHEME IN THE BTI (2005-2009)

previous scheme started receiving a monthly fixed amount, or so-called package or envelope, next to their official salary (B.A., personal interview, August 22, 2014; E.A., personal interview, August 23, 2014) (see Figure 16). The amount in the envelope depended on the status of the employee, as well as on his role in the appropriation process (E.A., personal interview, August 23, 2014). By this, the power of the director over the organization was formalized. The deputy director – ‘man of the center’ was given the decision-making authority with respect to all the issues related to the activities of the BTI, and, in comparison with all the other positions, he receives the highest amount of ‘remuneration’.

Depending on the collected amount, once or twice a week the employee of the BTI delivered money to the deputy-head of the State Office (M.A., personal interview, August 20, 2014; S.A., personal interview, August 30, 2014; B.A., personal interview, August 22, 2014). Because of the liquidation of the dual subordination, the yearly bulk amount given to the local Executive authority was then halted (B.A., personal interview, August 22, 2014).

5.2 Institutionalization of corruption in the Georgian traffic police (1989-2003)

By the beginning of the new millennium, Georgia was considered as one of the most corrupt countries. According to the Corruption Perception Index of 2003, it was the 124th among 133 countries (TI 2004: 286). Although corruption was widespread in most public organizations,

in police, it was particularly organized. A GRECO (2001: 3) report concluded that the level of corruption was deeper within the law enforcement agencies, especially in the police. In another survey (GORBI 2003 cited in Di Puccio 2010b) conducted between 2001 and 2003, more than two-thirds of the respondents believed that either most or almost all of the police officers were involved in corruption.

In this regard, the following case study focuses on the evolution and institutionalization of corruption rules and routines in the local traffic police in Georgia in the period from 1989 until 2003. The section begins with a brief introduction of institutional development of the traffic police and continues with three stages of the institutionalization of corruption.

5.2.1 Brief history and organizational structure of the traffic police

The history of the Georgian traffic police goes back to the Soviet period. The Soviet traffic police or the State Automobile Inspectorate (Gosudarstvennaya Avtomobilnaya Inspekciya, hereinafter “GAI”) was established on July 3, 1936, by the Decree of the Council of People’s Commissars^{125 126}.

The GAI was one of the 28 directorates of the Ministry of Internal Affairs. Its major institutional development took place in the post-war period, especially in the 1970s, after the development of the mass production of passenger cars in

¹²⁵ Decree on the State Automobile Inspectorate of the Main Directorate of the Workers’ and Peasants’ Militia of the NKVD of the USSR.

¹²⁶ The Council of People’s Commissars (Sovet Narodnikh Komissarov) was the supreme executive organ in the USSR from 1923 to 1946.

the USSR. Along with traffic patrol, new departments, such as the department of the registration of automobiles, technical inspection, traffic management, and examination center were introduced (see Figure 17).

The traffic police were organized in platoons. A platoon commander was also the head of the local traffic police office. He was appointed by the head of the GAI. The platoon commander's deputy managed the garage, penalty area, and documentation of the local office. The main activity of the traffic police was carried out by the traffic patrol officers. As a rule, they worked in groups of two officers (see Figure 18).

5.2.2 Chaos in law: 1989-1994

After the World War II, the first mass protests against the central government in the USSR erupted in Tbilisi in early March 1956; it happened shortly after Khrushchev's famous speech denouncing the cult of Stalin. The four-day protests resulted in violent intervention of the central government and death of dozens of people (Bakradze, 2013: 48). That date was a symbolic beginning of the Soviet period in the history of the Georgian corruption characterized by the "the comparative freedom to pursue corrupt practices" (Kukhianidze 2009: 217). Despite the regular anti-corruption campaigns,

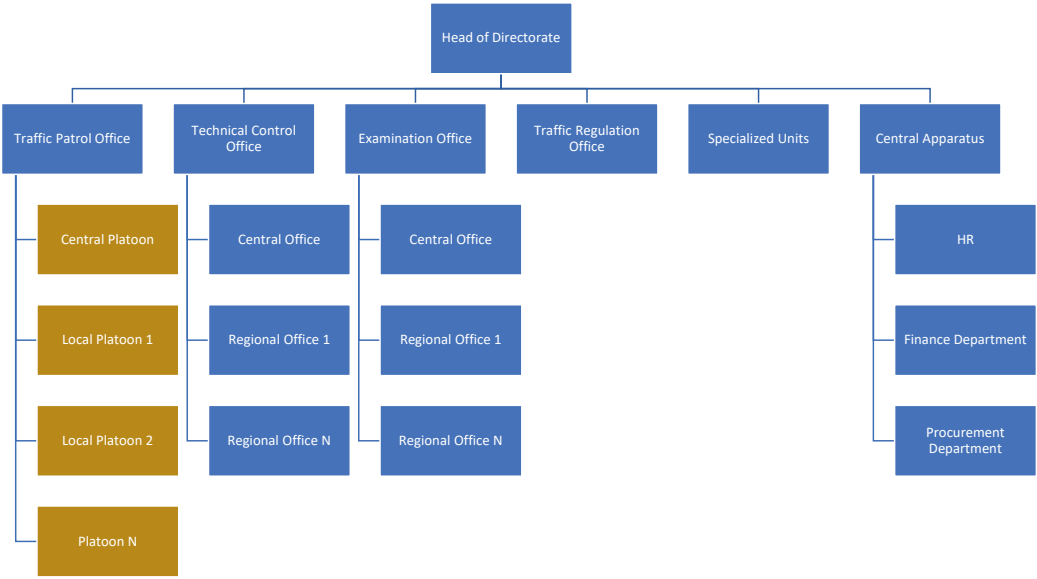


FIGURE 17. THE ORGANIZATIONAL STRUCTURE OF THE GAI (1991-2003)

Georgia had always been one of the most corrupt countries in the history of the USSR.

The GAI was not an exception. The traffic police used to have a reputation of one of the most corrupt public organizations during the Soviet times. The relative autonomy of Georgia in the appropriation of power in the 1970s led to regular appropriation of the organization in the traffic police that resulted in the emergence of institutionalized corruption by the second half of the 1980s (Kukhianidze A., personal interview, October 17, 2013; Ghonti G., personal interview, October 20, 2013).

After the declaration of glasnost (lit. trans. openness) by Gorbachev in 1986, Georgia became a country with regular mass demonstrations led by the nationalist Gamsakhurdia. Violent dispersion of demonstrators by the Soviet Army in April 1989 that resulted in 21 people dead was the breaking point in the relationship with Moscow. Exactly two years after the April tragedy, in 1991 the Supreme Council of Georgia declared the country's independence. When the nationalist leader Gamsakhurdia became the president, the country was drawn into the bloody civil war that resulted in the emergence of paramilitary groups and collapse of the state institutions.

The collapse of the state institutions and military turmoil resulted in its turn in the mass arbitrariness of the traffic police (Ghonti G., personal interview, October 20, 2013). The first studied period of institutionalization of corruption in the Georgian GAI was characterized by the extortive chaos on the roads of the country (D.D., personal interview, November 5, 2013). A traffic officer would stop a driver without any reason

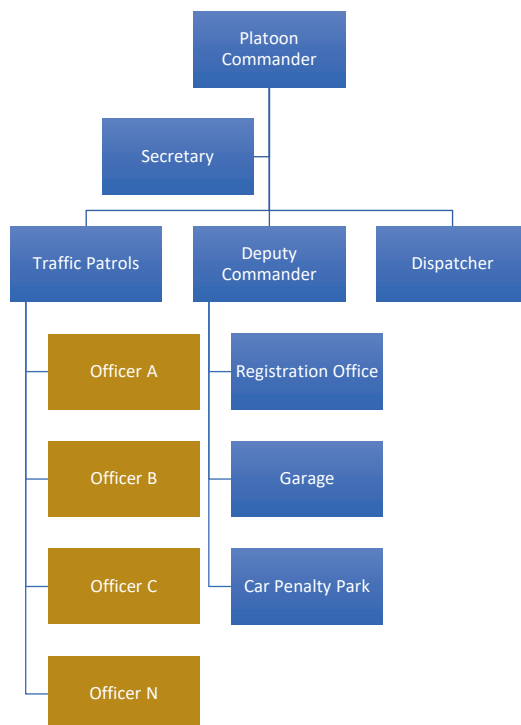


FIGURE 18. THE ORGANIZATIONAL STRUCTURE OF THE LOCAL GAI PLATOON (1985-2003)

under the guise of the check of the documents. And almost every driver that they stopped had to pay either cash or anything in kind. The amount of bribe varied depending on the case. The severity of the traffic offense increased the size of the bribe while the ability of the driver to pay was also a deciding factor. But there was almost no case that could not have been solved by a bribe (D.K., personal interview, October 27, 2013; G.G., personal interview,

November 2, 2013). In case of the ‘documents check’, the amount of bribe was relatively low as there was no traffic offense committed (D.K., personal interview, October 30, 2013).

The platoon commander was not only the head of the local police office, but also the head of organizational corruption. His major source of income was illicit profits from the extortion of drivers and bribery. Although a crucial part of that income

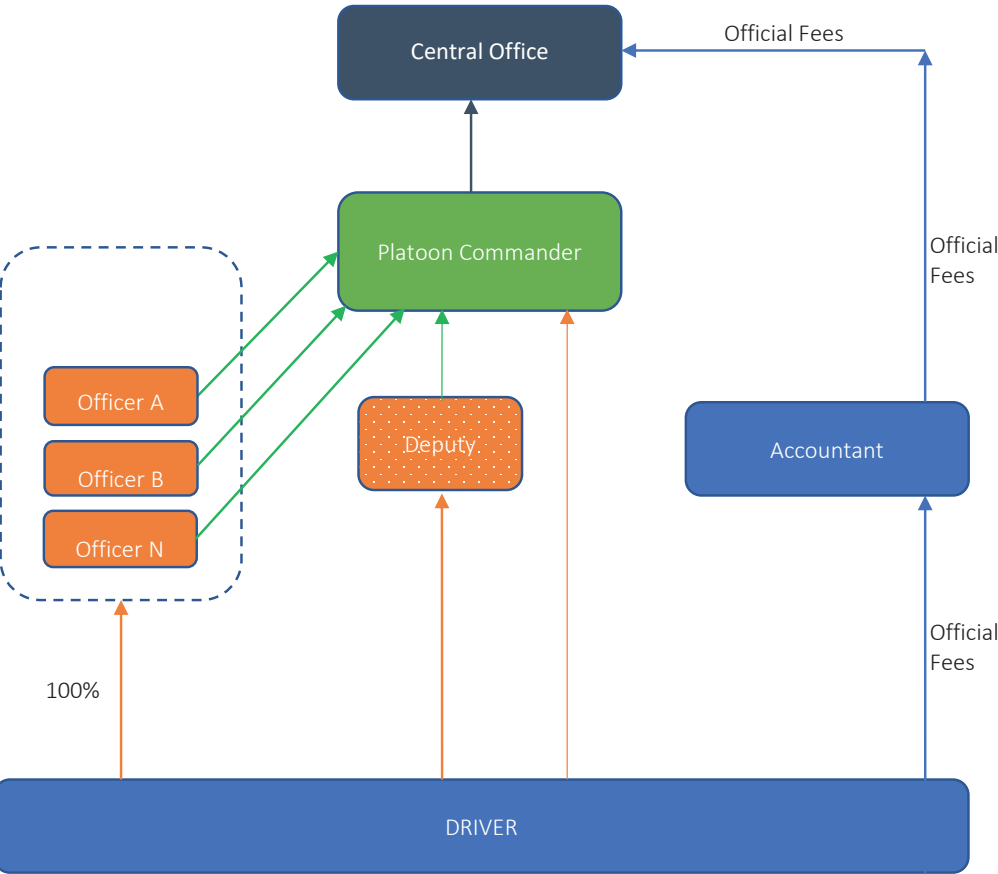


FIGURE 19. CORRUPTION SCHEME IN THE LOCAL TRAFFIC POLICE OFFICE (1989-1993)

came through the traffic patrol officers and the deputy commander, the platoon commander also had other sources of income such as embezzlement of organizational resources (D.K., personal interview, October 30, 2013).

Because of frequent rotation of the police heads in 1989-1993, for the discussed period there was no clear dominant structure of the corrupt activities. Usually, every patrol officer delivered a certain bulk amount to the platoon commander. It could be an amount per duty, a daily, weekly or monthly amount. Every new platoon commander imposed his own rules on the division of corrupted money (D.K., personal interview, October 30, 2013; G.G., personal interview, November 3, 2013) (see Figure 19).

As a rule, the cases that were not 'solved' by the patrol officers, were transferred either to the deputy-commander or to the commander (D.K., personal interview, October 30, 2013). As soon as the case was transferred, the patrol officer lost control over it. At the same time, he would lose his share of the money that was extorted by the managerial staff. Therefore, it was not in the interest of the patrol officers to pass the case to the managerial staff.

5.2.3 Centralization of predatory policing: 1994-2003

After the 1992 parliament elections, Shevardnadze became the Head of State and Chair of the Parliament. One of the first steps of Shevardnadze was to establish discipline and control over the police. Being the former head of the Ministry of Internal Affairs, within a few years he appointed his protégés, mainly

former communist colleagues, to the key positions in the Ministry of Internal Affairs (Kukhianidze 2009: 222). Traffic police was not an exception. The nephew of Shevardnadze, Avto Baramashvili, became in charge of the car inspection (Koridze Z., personal interview, October 21, 2013), while his brother, Temur Baramashvili, was appointed as a high-rank traffic officer (Chiaberashvili and Tevzadze, 2005).

The rise of Shevardnadze to power brought stability to the corruption rules and routines in the local traffic police. Extortion of drivers was still the main source of income, but the way how corrupted money was handled, changed.

The system of personal responsibility survived but in a different way. As in the previous period, the patrol officers delivered the periodic bulk amount to the platoon commander (see Figure 20). However, this time division of the corrupted money in the initial stage changed. According to the legislation, under normal conditions, two patrol officers could cruise in one car. This rule was de-facto abandoned in the period of turmoil (1989-1993). There could be four officers in one patrol car, each 'working' for himself (D.K., personal interview, October 27, 2013). In the late 1990s patrol officers used to have a common budget that was equally shared at the end of the duty (D.K., personal interview, October 30, 2013; G.G., personal interview, November 3, 2013).

Nevertheless, the platoon commander's authority over the organization was disputable. Most of the officers either bought their position or got it through patronage (D.D., personal interview, November 5, 2013; G.G., personal

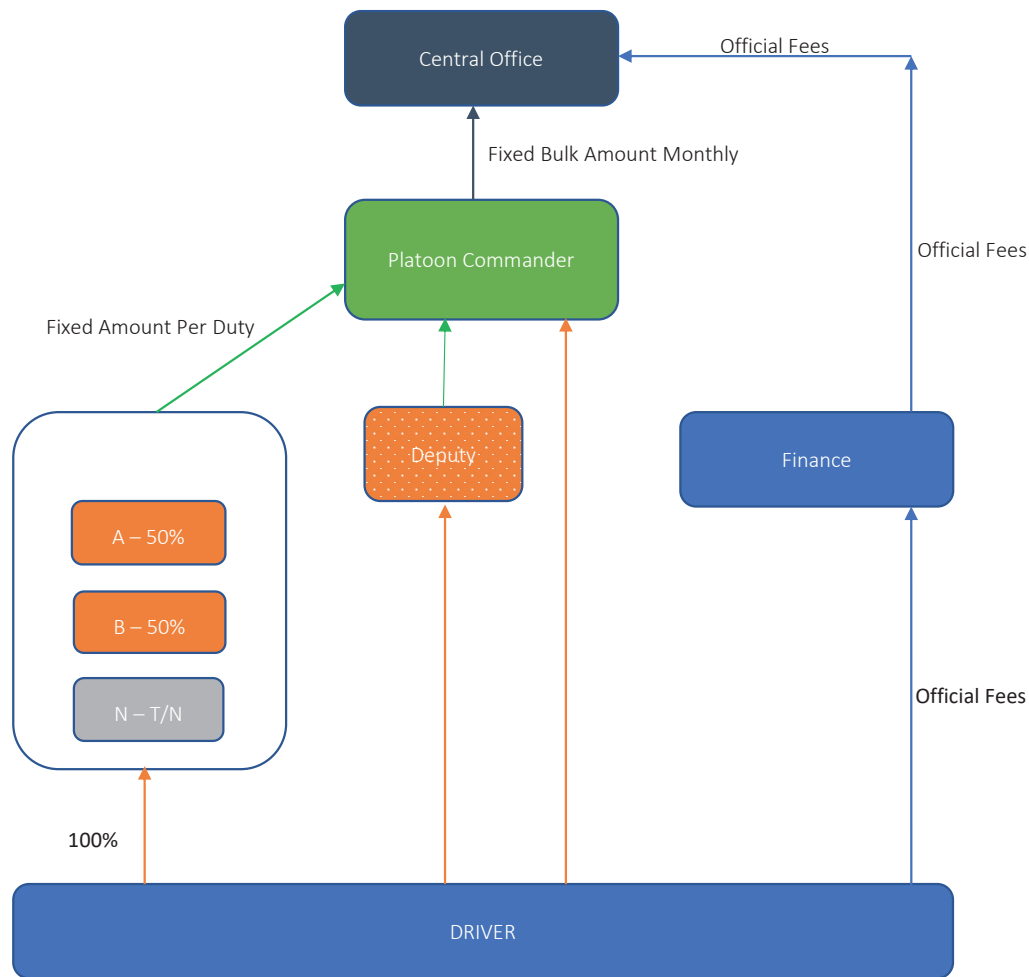


FIGURE 20. CORRUPTION SCHEME IN THE LOCAL TRAFFIC POLICE OFFICE (1995-2003)

interview, November 3, 2013). Thus, a group of untouchables appeared among the police officers; those who could not be fired because of their patrons and those who bought their way to the office during the office of the current head of police. Due to the frequent rotation of the top police managers, their significance was weakened while the importance of having a powerful patron increased significantly.

5.2.4 Standby mode: 2003-2004

The Rose revolution in 2003 and subsequent change of government influenced the corruption situation in the platoon in two ways. First, the patronage relationship with the center was disrupted. After the victory in the presidential election in January 2004, Saakashvili's first target for reforms was law-enforcement agencies, namely, the Ministry of Internal Affairs (MIA) and the Ministry of State Security (MSS – former KGB) (Urushudze E., personal interview, October 13, 2013; Gogidze L., personal interview, October 13, 2013). Many high-ranked officials were laid off which led to the collapse of corruption relations (see Figure 21).

The swirl of reforms in the center brought about the second identified change in the corruption scripts. While before the revolution, traffic officer, as a rule, extorted drivers, after the revolution that process turned into bribery (D.K., personal interview, October 30, 2014). The latter implied voluntary payments, while in the former, a coercive element was present.

In July 2004, the traffic police were shut down as a symbol of the anti-corruption will of the post-revolution Saakashvili

government. More than 2.700 traffic police staff were laid off (Kukhianidze 2009: 227).

5.3 Discussion

The aim of this section is to elaborate on the question of why corruption institutionalized in the demonstrated case studies exactly in the way it happened.

The BTI and the traffic police cases represent two different initial positions of corruption scripts and respectively, institutional realms. The BTI used to serve the Ispolkom – the organizer and beneficiary of the corruption chain in the housing construction and allocation sphere during the Soviet period. Nevertheless, it remained on the sidelines of the organized corruption and the money flow. Being the employees of a small technical subordinate organization of the Ispolkom, they received a salary and rare petty bribes from the citizens or representatives of small enterprises. Despite the fact that after 1985 regulation, allowing the BTI to serve citizens in the regions and villages, the number of bribery cases increased, their irregularity, inconsistency and unorganized character implied the absence of institutionalized corruption rules and routines (see Figure 22, Script A). The converse is also true about the initial position in the traffic police case. The Georgian police was considered as one of the most corrupt police organizations in the USSR (Kukhianidze, 2009). Its connections with the mafia and wide scale appropriation of police organization were profoundly investigated. The traffic police was not an exception. Corruption in the Georgian traffic police was not only organizational,

but it was also institutionalized by the 1980s (see Figure 23, Script A). The corruption rules and routines were an unquestionable part of the daily routine in the platoon. In this respect, the traffic police case is about the evolution of institutionalized corruption rather than the institutionalization of new corruption scripts.

The beginning of the traffic police

case, the difference between the initial positions of the corruption scripts in the discussed cases explains why the corruption scripts in the traffic police case do not demonstrate radical changes after the collapse of the Soviet Union. On the one hand, the stability of the institutionalized corruption scripts, on the other hand, the institutional stability of the traffic police during the transition in

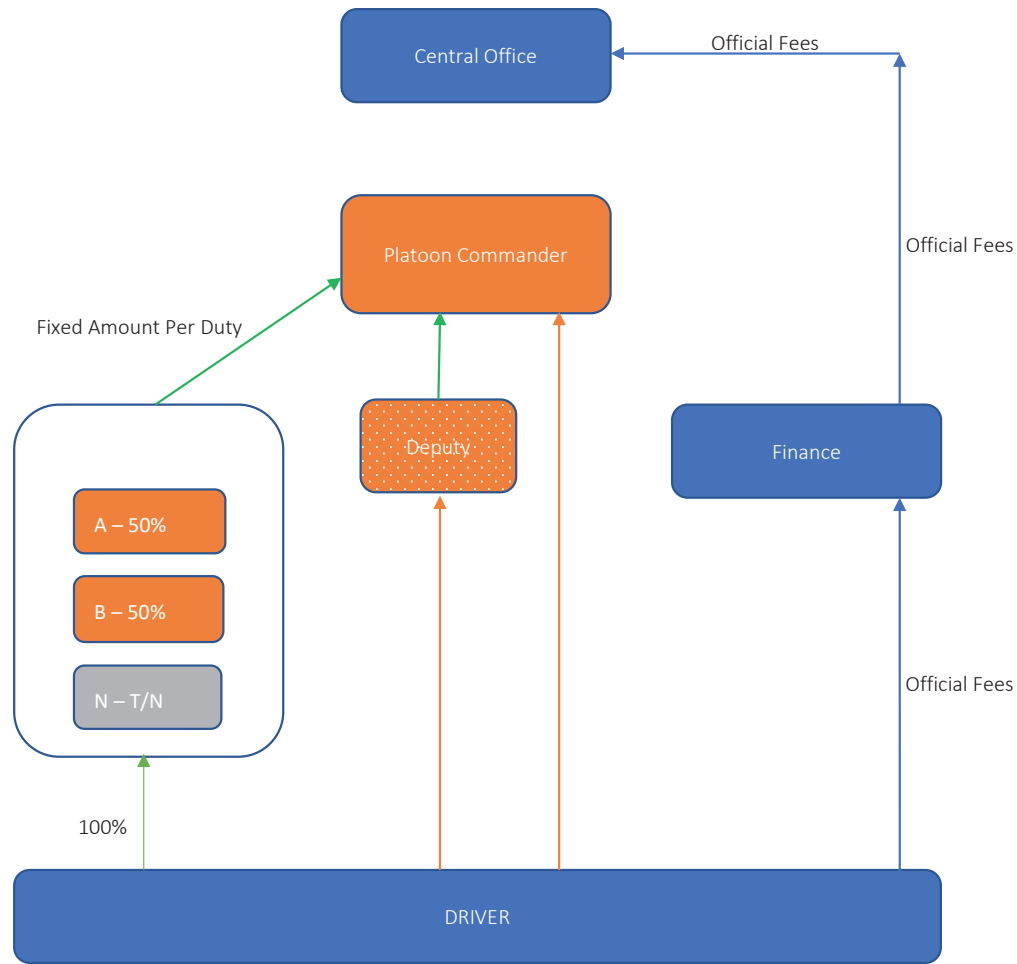


FIGURE 21. CORRUPTION SCHEME IN THE LOCAL TRAFFIC POLICE OFFICE (2003-2004)

the 1980-90s brought about the stability of the corruption rules and routines.

The same is true about the difference between the first two stages in the traffic police case. The minor change in the corruption scripts is related to the processing of bribes (see Figure 23, Script C). The relationship of the platoon commander with an officer resembles tax farming. During the first half of the 1990s, not the patrol group, but every officer separately brought

a bulk amount per patrol duty to the platoon commander. While during the second half of the 1990s, the patrol group as a whole was taxed per duty. One of the reasons for that change laid in the strengthened discipline in the traffic police in the second half of the 1990s, especially during Minister Kakha Targamadze's rule in 1995-2001 (Koridze Z., personal interview, October 21, 2014). The strengthened discipline in the traffic police brought stability to the traffic police staff serving in one platoon

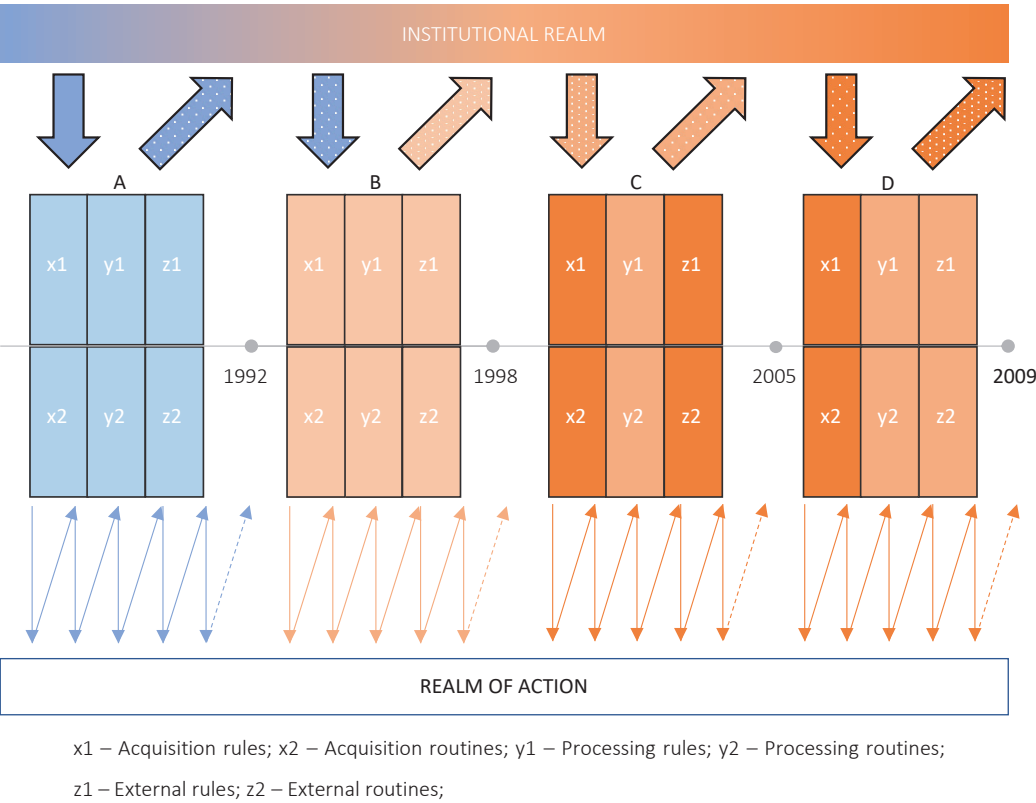


FIGURE 22. INSTITUTIONALIZATION OF CORRUPTION IN THE AZERBAIJANI BTI (1985-2009)

which eventually led to the routinization of mutual activities and the emergence of new processing routines embedded into the realm of action.

In this respect, the fundamental trigger of the change in the corruption scripts in the traffic police was hidden in the realm of action. Despite the ongoing processing rules of individual taxation, collected money was shared among patrol members equally at the end of the duty. It implies that realization of corruption rules is subject to resistance as they contradict the existing routines. As a result, corruption processing rules

that changed by the second half of the 1990s; individual taxation was replaced by group taxation (see Figure 23, Scripts B and C).

Notwithstanding the relative stability of the intra-organizational corruption scripts in the traffic police during the 1980-90s, the rules regulating the acquisition of corruption changed drastically (see Figure 23, Script B). The bribery of the Soviet patrol officer transformed into extortion at the beginning of the 1990s.

Bribery implies voluntary participation of a citizen in a corrupt act, while extortion involves a coercive threat that

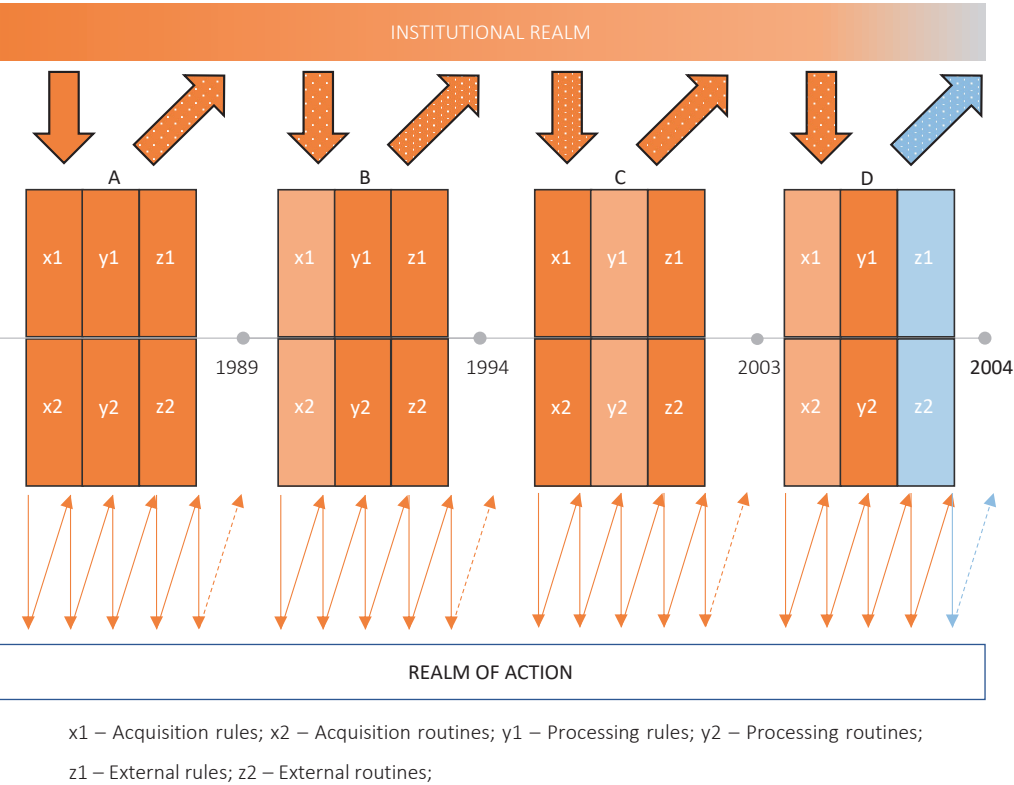


FIGURE 23. INSTITUTIONALIZATION OF CORRUPTION IN THE GEORGIAN TRAFFIC POLICE (1989-2004)

accompanies the acquisition. This kind of transformation is linked, on the one hand, to the lease of traffic patrol positions, and on the other hand, to the arbitrariness of the officials. The leasing of the office was widely practiced in the Georgian traffic police during the Soviet period as well as in the 1990s. The major difference between the sale and leasing of the office is that sale implies a property right to the position and is guaranteed by 'irremovability', while in office leasing the incumbent is a temporary exploiter of the position.

Those who invested the money to get the position of the patrol officer wanted to get back their investment as soon as possible by any available means. Particularly in 1989-1993, the accelerated rotation of the top police management due to the political turmoil brought insecurity of the lease contracts and triggered routinization of extortive corruption. Extortion remained the main source of income in the second stage too, but then it was reinforced by the predatory policing of the center rather than by political instability.

As to the BTI case, even though initial position did not imply institutionalized corruption, the organizational stability of the BTI led to the gradual institutionalization of corruption rules (see Figure 22). In that respect, steady leadership of the BTI's director played a crucial role in shaping the institutionalization of corruption. The director was appointed in 1992 and retired in 2009 from the same position. Before that appointment, she worked as a chief lawyer in the epicenter of the local corruption system - the Ispolkom. Her experience in the Ispolkom helped a lot in the fast emergence of new corruption

scripts as soon as the first opportunity appeared.

Extortion was the dominating acquisition script in the BTI in its relationship with the citizens (see Figure 22, Scripts B, C and D). However, contrary to the traffic police case, extortion rules in this case were initiated by the leadership of the BTI. To maintain extortion rules, the director regularly sustained several patronage channels, mainly the local authority and the ministry, by yearly and monthly bulk payments. Despite the fact that the Ispolkom was the responsible body, and it appointed the director of the BTI based on the consultation with the ministry, it was the ministry that carried out daily supervision of the local BTI office. Furthermore, the BTI was directly responsible to the ministry rather than to the city authority. Therefore, yearly payments to the local authority were goodwill payments. The amount of the goodwill payments was not discussed and agreed with the local authority but it happened at the discretion of the director. It was a kind of gift that demonstrated loyalty. While the monthly bulk payments by the director of the BTI to the ministry were agreed beforehand. This represented a kind of tax farming structure that provided the ministry with a stable income and the BTI with the bigger autonomy of action in contrast to the traffic police platoon.

The external scripts regulating the relationships of the BTI and the ministry changed in 2005 (see Figure 22, Script D). The change was initiated by the ministry following the structural reforms in the sphere of property registration that took place in 2004-2005. That increased the authority of the ministry. After structural reforms, new corruption

rules imposed by the ministry led to the centralization of corruption system. The authority of the local BTI over the acquisition and division of the corruption was minimised.

At first sight, structural reforms lead to the change in the corruption scripts. This thesis is also dominant in the current studies of the institutionalization of corruption (see Stefes, 2006; Ateljevic and Budak, 2010; Langr, 2017). However, this is not always the way how it works. In the BTI case, the initiator and the implementer of the structural reforms was A. Garashov who used to be the director of the Baku BTI, the biggest local BTI in the country. The amount of corruption turnover between 1992 and 2005 in the Baku BTI was estimated to be at approximately 1,2 billion US dollars (E.S., personal interview, August 27, 2014). Contrary to the previous minister, Garashov knew that there was a huge discrepancy between the real corruption incomes of the local BTI and the bulk amount paid monthly to the center. Therefore, the first step of Garashov was to take control over the corruption incomes of the local BTIs. He replaced almost all the directors with his protégés in the local BTIs. Only two old directors of the local BTIs including the one in from the case used in this study remained in the office, but their responsibilities within the corruption system were formalized. A director appointed by Garashov was in charge of everything related to the corruption scripts and their realization. To conclude, contrary to the belief of the mainstream literature, the source of structural reforms was the local corruption king who becomes the main beneficiary of the subsequent changes in the corruption scripts in the BTI although he was unexpectedly overthrown in 2009

in a similar scenario after which both, the formal and corruption structures, become centralized (S.M., personal interview, August 24, 2014).

The director from the case study mentioned in this research remained in the office because of high-level patronage. Up to the 2005 reforms, the BTI patronaging field was fragmented. Not only the directors but also some employees within the BTI were patronaged by different groups and officials (B.A., personal interview, August 22, 2014; E.S., personal interview, August 27, 2014; S.A., personal interview, August 30, 2014). The fact that the director was removed from the informal money flow, but stayed in position with limited formal responsibilities indicates that Garashov could not reject the request of the director's patron, but also could not allow the director - an 'outsider' to stay within the corruption structure. In this respect, the 2005 reforms implied the monopolization of money-generating opportunities in the BTIs and resulted in closed appropriation.

The manager's desire to control the corruption system in the organization significantly shapes the corruption rules and routines. In the BTI case, the director used to meet almost with every citizen personally to decrease the chance of possible manipulation of the engineers. Moreover, the director initiated a new functional role within the corruption system. She assigned the chief engineer a role of the inspector of other engineers and allocated him a fixed bulk amount on a monthly basis.

However, the managers are not always successful in controlling the corruption system. It is particularly true for

those situations when because of the specificity of the work the manager has no possibility to monitor the official's corrupt behavior. In the case of the traffic police, the platoon commander had no possibility to control the earnings of a patrol officer because of the asymmetric information about the interaction between the officer and the driver.

Therefore, the platoon commander did not share the corruption income based on percentage but took a fixed amount per duty. The platoon commander also could not take a periodic (weekly or monthly) amount from the officer because of the disparity of patrol duty per period. There was a possibility that an officer had 30 patrol duties in one month and only 10 in the next month. Therefore, the amount per duty was considered as a mutually feasible way of sharing the corruption income.

The process of centralization of the corruption system that took place in the BTI case resulted in the expropriation of officials from ownership of accumulated corruption income. It was a gradual process that led to the expropriation of staff on each level from bottom to top. It can be seen from the changing significance of the personality in the acquisition, processing, and appropriation of corrupted income. In the early 1990s, when corruption in the BTI was irregular and sporadic, the official had a significant autonomy in the corruption transaction that was reflected, on the one hand, in a possibility of negotiation of corruption amount, and, on the other hand, in further appropriation and sharing of the corruption amount.

While corruption became organizational, the roles and functions within the

corruption system emerged and led to quasi-expropriation of the officials between 1993 and 2005, including the director who held the decision-making power in the system and was its primary beneficiary. The act of an engineer who was in charge of the realization of a corrupt deal was not only a personal business anymore, and it was restricted by the rules that governed organizational corruption (the price-list of standardized services). Furthermore, the conflict between the director and the staff that occurred in 1997 and resulted in the change of processing rules, namely, a switch from the fixed amount per case to the fixed (30 percent) share, indicated dominance of intraorganizational dynamics in shaping the corruption system.

The centralization of corruption system after the 2005 reforms resulted in the complete expropriation of employees and impersonalization of position within the corruption system. Authority of all the staff, including the new head of organizational corruption (in our case the deputy-director) in the corruption transaction, was reduced to the implementation of the rules imposed by the ministry. Then, the system of fixed share was abolished, and in return, they were provided with a monthly fixed 'package' or 'envelope' that represent an additional salary within the corruption system.

Although the centralization of the corruption system also took place in the case of the traffic police due to the reduced control of the manager over the actual corruption transaction as a consequence of the specificity of the patrol duty, it did not result in the expropriation of traffic officers in Georgia.

Conclusion

By the time this dissertation was completed, 100 years have passed since the events of 1917. These 100 years will be remembered by political, economic and social transformations of the states that once were a part of the USSR. One of the permanent features of this period was corruption in public organizations that was never defeated. Moreover, in the last 20 years of independence, the post-Soviet countries¹²⁷ systematically scored very low on the Control of Corruption Indicator (Figure 1) representing one of the most corrupt regions in the world.

However, the story of post-Soviet corruption has another feature that is not reflected by scores and rankings. The repetitive act of corruption leads to its gradual institutionalization. Corruption becomes a 'taken for granted way of thinking and doing' in the post-Soviet public organizations. It is embedded in organizational culture in such a way that officials engage in corrupt activities not even fully realizing the nature of their action. Corruption is not a mere act of infringement upon conventional norms of public integrity that can be eradicated by eliminating involved officials. It is an integral element of functioning and survival of a post-Soviet public organization.

This study tackled not only the questions of why and how corruption institutionalized in the post-Soviet countries, but also the question of why exactly it happened in the way it did. So, our study aimed to give a comprehensive analysis of the emergence and institutionalization of corruption rules and

routines in public organizations from the last decade of the USSR until the end of the first decade of a new century.

Design of Thesis

In this study, a qualitative research design is developed consisting of the theoretical and empirical parts. Following extensive literature review, Weber's concept of corruption is introduced to understand the genesis of corruption beyond the simple act of infringement upon conventional norms of public integrity, and the way corruption is related to power and authority that provide stability to the reproduction of corruption rules and routines. Furthermore, a model of institutionalization of corruption is devised as an exploratory tool to study institutionalization of corruption rules and routines in public organizations. The model provides the link between the past and ongoing transformations at the organizational level.

The empirical part of the study consists of two studies. The first study (Chapter IV), designed in a deductive way, explores the origins of the post-Soviet corruption and its relationship to the institutionalization of corruption. The primary task of Chapter IV is to elaborate on the question of why corruption institutionalizes by focusing on authority relations that lead to the emergence of appropriation of power and its reproduction for a certain amount of time, which is essential to the institutionalization of corruption rules and routines. It identifies the factors that shape the form and dynamics of the institutionalization of corruption and contribute to its change, demonstrates

¹²⁷ excluding Georgia after 2007

the evolution of institutionalized corruption in the post-Soviet public organizations since 1917 and builds an explanatory link between the Soviet and post-Soviet transformations. The findings of the chapter are interpreted through analytic induction. Weber's concept of corruption is defined as a starting point, while patterns and stages of institutionalization of corruption are formulated based on the findings received from the qualitative data.

The second empirical study (Chapter V) is developed inductively using the case studies. It explores the process of institutionalization of corruption in the post-Soviet public organizations, namely, in the local BTI in Azerbaijan and in the local traffic police office in Georgia. It discusses the findings of the case studies and elaborates on the question of why corruption rules and routines institutionalized exactly in the way they did. The collected data from the semi-structural and open interviews with the field experts and former officials who worked in the discussed public organizations are translated into the findings by coding the data and identifying themes and patterns. These findings are presented in the interplay of, on the one hand, inductive analysis through the examination of themes and patterns, and, on the other hand, the deductive analysis by applying the developed model of institutionalization of corruption.

Interpretation of the Findings

The overall outcomes of the dissertation are interpreted through the synthesis of findings and interpretations of the deductive (Chapter IV) and inductive (Chapter V) chapters. The bridge

between the past and ongoing transformations both, at the level of the organization and at the level of the country, is established at the intersection of the way how corruption rules and routines institutionalize, and the factors that systematically reproduce corruption rules and routines and ensure stability of a repetitive act.

Key Findings of the Research

Findings of Study in Macro Level

One of the main conclusions of this study is that corruption in post-Soviet public organizations is not a mere act of abuse of power, but a living, transforming, evolving organizational phenomenon that is not only the product of the power relations, but it also shapes these relations. The findings of this study indicate that the use of power for private gain is an inherent feature of the post-Soviet state which can be observed from the early days of the USSR until its collapse. The Soviet state represented a unique manifestation of patrimonial and bureaucratic appropriation facilitated by the political-economic system and resulted in the reproduction of appropriation modes. Despite the enormous bureaucratic organization, the identified appropriation modes indicate the prevalence of patrimonial domination where appropriation is part of the valid order that provides stability to repetitive recurrence of appropriation acts. In this respect, Soviet bureaucracy approximates patrimonial system rather than to rational-legal bureaucracy.

The study identifies three stages of institutionalization of corruption in the USSR between 1917 and 1991 as follows: (1) transition to a (new) patrimonial appropriation (1917-1927), (2) (extreme) centralization of the patrimonial appropriation (1927-1956), and (3) decentralization of the patrimonial appropriation (1956-1991). While the early years of the Soviet state can be characterized by the symbiosis of different appropriation modes, mainly communal and patrimonial appropriation, the second half of the 1920s demonstrates explicit dominance of patrimonial appropriation facilitated, on the one hand, by the emergence of the Soviet bureaucratic caste and the establishment of patrimonial bureaucracy, and, on the other hand, by the relatively liberal economic policy, namely, the New Economic Policy.

Two fundamental changes in the political-economic system in the 1930s led to the emergence of systematic organizational and positional corruption that remained dominant until the collapse of the USSR: the transition to the centrally planned administrative command economy, and the centralization of patrimonial bureaucracy following the strategic victory of Stalin in the Politburo and establishing his dictatorship over the authority.

After Stalin's death, decentralization of the patrimonial bureaucracy and promotion of informal practices that utilize irrationalities of the centrally planned administrative command economy led to the decentralization of prebendal appropriation and the emergence of appropriation modes inherent to estate-type appropriation.

The study identifies that one of the key features of Soviet corruption is legitimization of organizational appropriation that led to the institutionalization of organizational corruption through its reproduction. Legitimate organizational appropriation emerged under Stalin with the transition to the centrally planned administrative command economy in the 1930s. It was supposed to compensate for the discrepancies within the administrative command economy and to increase effectiveness through prioritization of goal achievement at the expense of legality. To put it differently, violation of legality is not a problem, if the plan targets are reached. Increased pressure to reach these targets, personal responsibility for the fulfillment of a plan and coercive control through state security agencies which had a vast network all across the country resulted in the consolidation of organizational appropriation towards the legitimate goals represented by the party interest. Cases of illegitimate appropriation, namely, deviation from the legitimate organizational goals for private gain were severely punished while officials caught in the act of legitimate appropriation received a mild punishment, such as reprimand.

The study suggests that the post-Stalin leadership failed to control the legitimate appropriation which resulted in gradual transformation and domination of illegitimate appropriation, particularly, patrimonial corruption. Increased autonomy of the regional leadership after the submission of the state security agencies facilitated further decentralization of patrimonial corruption and the emergence of

appropriation modes inherent to estate-type appropriation, such as sale/lease of offices and political capitalism.

Reproduction of both legitimate and illegitimate appropriation resulted in the emergence of institutionalized appropriation rules and routines in public organizations. Anti-corruption campaigns in the last decade of the USSR demonstrated the unprecedented scale of illegitimate organizational appropriation. Systematic use of authority for private gain was manifested as the dominant way of thinking and practice in public organizations. In this respect, the study claims that the crisis of legitimacy in the Soviet bureaucracy before the collapse was also related to the illegitimization of appropriation, and the rise of patrimonial corruption initiated after the death of Stalin. In the last years of the USSR, attempts of Gorbachev to legalize illegitimate appropriation in the economy and to bring accountability to the bureaucracy through transparency and public control failed under pressure of the rise of nationalism and resistance of regional leaders triggered by the anti-corruption campaigns once started by Andropov in 1982 and controversially halted in 1989.

Summing up the results, it can be concluded that the process of decentralization of appropriation of power initiated after the death of Stalin lasted until the extreme decentralization in the first decade after the collapse of the USSR. Thus, following the dissolution of the USSR, the corruption boom was the result of disintegration of the Soviet appropriation system in the situation when state institutes collapsed. Although the contextual factors of the process differed significantly across

the post-Soviet countries, overall, the appropriation system obtained a new shape common to all the states on the territory of the former USSR. This newly shaped appropriation system was characterized by the emergence of a new corruption system accompanied by the monopolization of money generating opportunities through the establishment of control over the state apparatus.

Findings of Studies at Micro Level

Initial findings of the study indicate that despite the wide scale corruption in the Soviet administration, before the collapse of the USSR, not all public organizations faced the institutionalization of corruption. It was mainly related to the limited availability of profit-making opportunities that came up from the execution of power and provision of services. This situation is reflected in the difference between the initial positions of corruption scripts and institutional realm in the case studies despite the fact that both cases represent public organizations with institutionalized corruption by the beginning of the 2000s. In contrast to the traffic police officers who faced an abundance of corruption opportunities during the patrol duty, the engineers of the BTI did not directly interact with citizens but provided the technical and statistical services to the local authorities who managed the housing funds. Until 1992, the BTI used to be the organization responsible for the registration and inventory of the property in cities and villages. Although the BTI engineers were engaged in irregular petty bribery from the managers of small enterprises, corruption remained sporadic and unorganized. In this regard, the BTI case is about the emergence

and institutionalization of corruption while the traffic police case reflects transformations of institutionalized corruption.

The findings of the study show that a turning point in the process of institutionalization of corruption in the BTI was related to the emergence of corruption opportunities associated with the transition to the market economy that brought about the change in the responsibilities of the BTI. The new law about the privatization of the housing fund adopted in 1993 made the BTI a key public organization in the process of the privatization of apartments. The BTI became responsible for preparation of a technical passport of the apartment, registration of the apartment as a private property of the citizens and provision of a so-called certificate of sale.

The study reveals that institutionalization of corruption resulted in the emergence of rules that set boundaries to the actions of the officials who took part in the corruption act. In respect to the corruption acquisition rules and routines, the institutionalization of corruption led to the standardization of corruption elements, such as the price that resulted in abolishment of price negotiations. Despite the fact that additional payment for privatization of the apartment in the BTI case was compulsory already in 1993, there was no fixed rate, and the price could be negotiated with the director of the BTI in person. A year later, in the spring of 1994, the price negotiations for standardized services halted and the price-list for frequently used services was introduced by the director. The price-list was further enhanced and updated but remained in force during the whole period of the case study.

Furthermore, the study findings demonstrate that institutional instability was a significant factor that contributed to the emergence of extortive acquisition immediately after the fall of the USSR. The collapse of the state institutions and military turmoil resulted in their turn to the mass arbitrariness of the traffic police that in combination with the sale of positions resulted in extortive chaos on the roads of the country. The increased rotation of the staff in the traffic police caused insecurity in the sale of 'contracts' and triggered extortive corruption by the officers who strived, by all means, to get the invested money back. The situation was so critical that a traffic officer stopped a driver without any reason and extorted either cash or anything in kind.

With respect to the corruption processing rules and routines, the study found out that institutionalization leads to the emergence of explicit rules and procedures within organizational corruption. A large part of the extorted amount was initially received by the engineers in the BTI case. At the end of the day, all extorted amount was reported and passed on to the director. Afterwards, the director allocated a fixed amount per case to the engineers, based on the number of the privatization cases they were involved in. Like the engineers, the chief engineer and accountant also received a fixed amount per case. However, unlike the engineers, they did not directly participate in the extortion process. The chief engineer was paid for controlling and inspecting engineers work to prevent technical faults, while the accountant ensured formal financial reporting and covered embezzlement of the allocated resources in the organization.

The study also revealed that institutionalization of extra-organizational corruption rules and routines took place in the 1990s. The extra-organizational actors consisted of patronizing persons/groups and administrative superiors to whom organization was formally subordinate. In the BTI case, extra-organizational scripts included the transfer of cash to the two higher authorities to which the BTI was subordinate. The amount of the monthly bulk payment made to the head of the central government was agreed beforehand and represented a kind of tax farming structure that provided the ministry with a stable income and the BTI with the bigger autonomy in its actions. In contrast, the yearly bulk amount given to the head of the local Executive Authority represented a goodwill payment and was meant to enhance loyalty ties. It was kind of a cash gift, the amount of which was not discussed and agreed upon.

The findings of the study also indicate that institutionalization of corruption resulted in the centralization of corruption system in the cases discussed above. Despite the existence of centralized corruption system in the traffic police case by the end of the 1980s, failure of the state institutions and military turmoil between 1989 and 1994 resulted in the fragmented patronage of the platoon commanders by different governing powers. With the rise of Shevardnadze to power, the centralized corruption system was re-established, all platoon commanders became subject to the regular payments, and part of the corruption system was managed by the ministry.

In the BTI case, centralization of

corruption system took place with the emergence of organizational corruption in 1993 and in contrast to the traffic police case it progressed even further after the 2005 reforms that imposed a new corruption acquisition and processing rules, while old extra-organizational corruption relations were terminated. Until the 2005 reforms, despite the existence of the center (namely, the Ministry) and a regular money flow, distribution of corruption was bottom-up. The reforms abolished this system and initiated a top-down distribution of corruption. All the key players in the corruption system were replaced by protégés of the minister that led to the monopolization of money-generating opportunities in the BTIs and resulted in closed appropriation.

Centralization of corruption system in the BTI case was accompanied by the expropriation of officials from ownership of accumulated corruption income which was inherent to extreme prebendalization of appropriation. Initial expropriation of the officials began after the emergence of organizational corruption in 1993. However, corruption processing rules and routines were mainly shaped by intraorganizational dynamics that was reflected in the conflict of the director with the staff in 1997. The conflict started after the arrest of two employees who were caught in the act of extortion. After the incrimination of the director by the employees, the director paid to the prosecutor 150.000 US dollars to close the criminal case. The escalation of the confrontation between the director and staff members resulted in the strike and refusal to work with the director. After a week of negotiations, the new rules of processing the corruption amount were agreed. According to the new processing

rules, the engineers received not a fixed amount per case, but 30 percent of the corruption amount per case.

The 2005 reforms led to complete expropriation of all the officials within the corruption system in the BTI. Their autonomy of action in acquisition and processing of corruption income was reduced to the implementation of rules imposed by the center, while, in return they were provided with regular periodic fixed payments within the corruption system that resembled salary.

However, centralization of corruption system did not unequivocally lead to the expropriation of officials from ownership of accumulated corruption income. When the possibility of management control over the actual corruption activities was limited because of specificity of the delivered services, officials maintained decision-making power over the corruption transaction and appropriated the corruption income. In case of traffic police, due to the asymmetric information, the platoon commander had no possibility to control the earnings of the patrol officers who within eight hours of duty engaged in multiple one-off interactions with coincident drivers across the patrolled territory. Therefore, the patrol officers did not share the corruption income with the platoon commander but provided him with the fixed payment per duty which approximated corruption relations to the lease of the office.

The study also revealed that institutional stability was a crucial factor not only for the centralization of the corruption system, but also for the change of institutionalized corruption routines. While extortive acquisition scripts remained relatively unchanged and were

reinforced by the predatory policing of the center, especially during the office of the Minister Kakha Targamadze (1995-2001), the discipline in traffic police was strengthened, and the regular bottom-up hierarchical money flow from the patrol officer to the ministry was ensured. Strengthened discipline in traffic police brought stability to the traffic police staff serving in one platoon that made it possible to routinize mutual activities and to change the processing routines embedded into the realm of action. Thus, in the second half of the 1990s, individual taxation of patrol officers serving in the same unit was replaced by group taxation where a patrol duty unit as a whole was taxed, and the rest amount was equally divided among the officers.

Contribution of the Study

Theoretical Contribution

The study contributes to the literature of corruption in several ways. To begin with, the study contributes to the intellectual debate that emerged after the failure of anti-corruption reforms led by international organizations such as the World Bank, IMF, and OECD in the 1990s. The main focus of the debate was the theoretical mischaracterization of the post-Soviet corruption that resulted in the breakdown of anti-corruption campaigns. The anti-corruption campaigns were built upon the principal-agent model that failed to address systemic corruption where the corrupt behavior of the agent is not prevented, but rather facilitated and organized by the principal.

In this respect, this study introduces Weber's concept of corruption as a theoretical solution that embraces the comprehensive understanding of corruption beyond the simple act of infringement upon conventional norms of public integrity not only in the post-Soviet countries, but also in other developing countries. It offers a conceptual tool to study the evolution of corruption and its transformation in a historical perspective, as well as to explore systemic corruption in modern public organizations where both the motivation and reward for the corruption act lie beyond the private gain of the executor. While the principal-agent model relates the problem of corruption exclusively to the agent and allots the principal role of controlling corruption (Persson et al., 2010), Weber's concept takes a fundamental approach to corruption as a power-related phenomenon and assumes that both administrative position and administration as a whole are subject to individual and group appropriation. Thus, income obtained by the appropriation of power is not only the result of the cost-benefit analysis but also a logical consequence of the general character of administrative practices.

Furthermore, Weber's concept of corruption brings a clarification of unambiguity about the position of the category of corruption in Weber's sociology. Scholars have extensively used different elements of Max Weber's sociology to study corruption. His influence on the literature can be traced from the early corruption studies after the World War II until today. However, Weber's own vision of corruption has not been a focus of active research. This is mainly related to the fact that Weber did

not explicitly elaborate on corruption.

In the recent literature, several attempts have been made to construct Weber's concept of corruption (see Mungiu-Pippidi, 2006; Aguilera and Vadera, 2008; Rubinstein and Maravic, 2010). These studies continue the Weberian tradition in the literature and focus on the concept of legitimacy and its implications related to corruption. However, legitimacy is just one of the two main pillars of Weber's concept of corruption. Only in combination with the concept of appropriation the entire picture of Weber's concept of corruption can be seen. Appropriation and legitimacy are the two complementary and dialectically connected analytical categories of Weber's sociology. The former offers lenses to view the political organization as a source of private gain, while the latter introduces a system of justification of appropriation and its distinct construction in a typology of authority.

This study contributes to the post-revisionist agenda by developing a model of institutionalization of corruption as a tool for empirical study. The institutionalization of corruption is a relatively new field of study. Despite introduction of the concept at the end of the 1970s by the post-revisionists (see Caiden and Caiden 1977; Sherman 1978), the study of institutionalization of corruption was limited to theoretical assumptions and lacked empirical studies. The revival of the post-revisionist tradition took place at the beginning of the new millennium with the introduction of the process-oriented approach to the study of institutionalization of corruption (see Brief et al., 2001; Ashforth and Anand, 2003; Palmer, 2008). Nevertheless, the developed

models had limited application to the empirical studies of institutionalization of corruption in public organizations for a number of reasons. First, the introduced models were designed for the wrongdoing in the business organizations and did not consider the specificity of the public organizations, where organizational corruption could be a consistent part of the strategy of the principal. As it is demonstrated in the BTI case, the corruption scripts can be shaped by rules imposed from the outside of the organization. Second, the emphasis on leadership as a key factor in the process of institutionalization of corruption was identified as the weakness of the developed models. As the BTI case illustrates, in public organizations the dominance of extra-organizational scripts may result in expropriation impersonalization of the role of all actors, including the leadership participating in the organizational corruption.

Furthermore, one of the main challenges for the empirical study of institutionalization of corruption in public organizations is the process of the data gathering which is accompanied with weak control of interview settings and unpredictability. During a short period allotted for the sensitive unrecorded conversation, the researcher should be able to gather sufficient information to establish a trajectory of changes in rules and routines within the studied period. Therefore, the model of institutionalization of corruption used in this study, instead of Giddens' (1984) abstract notion of modalities, uses the scripts introduced by Barley and Tolbert (1997). In this model, the scripts are "observable, recurrent activities and patterns of interaction characteristic of

a particular setting" (Barley and Tolbert 1997: 100) and manifest themselves as corruption rules and routines. Taking into consideration the weakness of the post-revisionist models mentioned above, the model developed in this study introduces three key scripts, namely, acquisition, processing and extra-organizational scripts that provide the researcher with a possibility to maintain the focus on key variables of change and to obtain a comprehensive picture of the process of institutionalization of corruption in public organizations.

Policy Contribution

In the USSR, anti-corruption policy was dominantly employed as a tool of political struggle. From Stalin's repressions in the 1930s to Andropov's anti-corruption purge in the 1980s, many anti-corruption initiatives were strongly politicized. The collapse of the USSR and the end of the Cold War brought anti-corruption into the focus of international organizations. By the mid-1990s, such organizations as the World Bank, OECD, EBRD and the EU had already conditioned loan agreements to the post-Soviet countries on anti-corruption efforts (Schmidt, 2007: 210). However, by the end of the 1990s it became clear that corruption in the post-Soviet countries did not diminish which is also reflected in the Control of Corruption Indicator (Figure 1). Moreover, it boomed and blossomed in its new ways and forms (Sajo, 1998; Ledeneva, 1999).

The failure of anti-corruption reforms triggered an academic debate and led to the revision of anti-corruption strategies by international organizations. While mischaracterization of post-Soviet corruption as an individual infringement (Mungiu-Pippidi, 2017) and neglecting

the level of political will of the principal were identified as the main reasons for the failure (Fjeldstad and Isaksen, 2008: 2), international organizations came up with a new anti-corruption agenda based on good governance (Kaufmann et al., 1999; 2003). The following decades the good governance and integrity agenda of anti-corruption remained in force but was strengthened in several areas which culminated in the emergence of international documents such as the United Nations Convention against Corruption (2004) and the Global Declaration against Corruption (2016).

The key empirical implication of this study for the anti-corruption agenda in the post-Soviet countries is that institutionalized corruption requires a different approach than individual corruption. In contrast to individual corruption where control is the key factor of anti-corruption success, institutionalized corruption requires a powerful external shock (Ashforth and Anand, 2003). It is related to the self-sustaining nature of institutionalized organizational corruption that has the ability to resist changes and adapt to the changing environment. In the traffic police case, after the Rose Revolution in 2003, the acquisition scripts transformed from extortion to bribery. Although it indicated the reduction of corruption as an output, it was also the result of the adaptation of organizational corruption to the changing political environment.

Moreover, it is helpful if international organizations realizing projects in the post-Soviet countries identify institutionalized corruption patterns, such as, for example, corruption rules in target public organization or industry, and trace their change. Without such

information, not only the impact of anti-corruption measures, but also overall effectiveness of the project cannot be comprehensively assessed. For instance, the World Bank approved a 30 million US dollar loan to the Azerbaijani government for a Real Estate Registration Project in 2007. The project involved the BTIs as the main agencies responsible for property registration. One of the declared objectives of the project was “a strong line on anticorruption measures to help ensure that property registration is transparent and fair to all citizens.” (World Bank, 2007: 2) Taking into account the fact that the project’s approval date overlapped with the last phase in the BTI case, the question is as follows: would the World Bank approve such a project knowing the information presented in the BTI case? While it is outside the scope of this study, it can be noted that it would be useful if upon completion of such projects, a report was published to present project results, its impact on corruption and other important lessons learnt that could be taken into consideration in future projects and programs. In case of the World Bank project, although it was finished in 2015, unfortunately, at the moment of writing of this study, there was no report published on the results and effectiveness of the actions carried out (World Bank, 2016).

Furthermore, while developing anti-corruption initiatives, it should be taken into account that the post-Soviet corruption is inherently political (Mungiu-Pippidi, 2006). It is a product of patrimonial bureaucracy that is maintained by particularistic power relations coexisting with the formal authority. In this respect, an external anti-corruption shock should target not only a particular organization, but

the whole system by changing the dominant order towards the principles of rational-legal authority. Historically, such a transition is initiated through democracy and maintained by the rule of law, accountability, and transparency in bureaucracy. To put it differently, only with the emergence of the modern state in the post-Soviet countries, the use of power for private gain and its institutionalization will be downgraded to the category of deviation. It is suggested, for example, that following the Rose Revolution, anti-corruption reforms in Georgia succeeded largely because they accommodated a combination of the shock approach and the grass-root change in bureaucracy.

Shortcomings and Suggestions for Future Studies

Finally, a number of potential shortcomings of this study need to be considered. The first shortcoming is related to the data access which is one of the most challenging aspects of an empirical corruption study. Taking into consideration that corruption facts involve violation of the secrecy of colliding actors and criminal responsibility, the respondent acts in the role of a whistleblower who is protected neither by law, nor from the anger of the leadership of the corrupt enterprise. Because of the peculiar character of the organizational corruption, the whistleblower is labeled as betrayal and is often imposed to social and, in some cases, coercive pressure.

As this study demonstrated, to find the respondent and convince him to share information requires a flexible and creative approach to the situation.

There are no standard field techniques that successfully work across different cases. Taking into account that validity of the provided information is strongly related to the role of the official within the corruption system, we strived to maximize the number of staff members who agreed to provide information about the corruption situation. Nevertheless, interviewing all the key actors was quite challenging, in particular, the leaders of the organizational corruption (for example, the director of the BTI and the platoon commander) who could shed light on many aspects of institutionalization of corruption, especially related to the aspect of extra-organizational corruption rules and routines. The absence of the leaders' insights was compensated by the information from the actors who were directly involved in the realization of the extra-organizational scripts (for instance, persons that delivered monthly payments to different parties). That's why, we suggest that for a more comprehensive understanding of the process of institutionalization of corruption and understanding the role of the leadership therein, future studies need to focus on the leaders as the key actors and source of crucial information.

Moreover, the second identified shortcoming is that this study did not elaborate on the role of the public official in the process of institutionalization of corruption. It is mainly related to the theoretical underpinnings of the study, namely, Weber's concept of corruption that maintains focus on authority, and the model of institutionalization of corruption that concentrates on the rules and routines of the organizational corruption. From this perspective, future research

should address the role of public officials in the process of institutionalization of corruption and focus not only on the organizational culture and socialization processes, but also on the emergence of a unique 'portrait' of a civil servant that combines different identities including the public one.

Further limitation of this study is related to the selection of the cases. Institutionalization of corruption is different not only across the countries and sectors, but also across similar public organizations functioning in the same field. As an exploratory study, this research does not aim to generalize findings but to establish a groundwork for future studies of institutionalization of corruption in the post-Soviet public organizations. In this respect, in order to produce more generalized knowledge, further research may focus on comparative case studies of institutionalization of corruption in similar public organizations in different countries or organizations operating in the same field.

Moreover, conceptual tools developed in this thesis are applicable and can be utilized to study systemic corruption cases not only in post-Soviet countries,

but also in other developing countries in Africa and Latin America. At the same time, its applicability is not limited to developing countries. It is important to note that developed countries are also exposed to institutionalization of corruption. One of the biggest corruption scandals in the recent history of the European Commission that resulted in resignation of all commissioners in 1999 is a bright example of institutionalized patronage (Shore, 2005). In this connection, it may be useful if future studies could address the process of institutionalization of corruption not only in systemic corruption situation, but also in highly bureaucratic settings.

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Annex 1.

Statements of the theoretical model

- Corruption can, over time, root deep enough in the organization to become the common practice.
- Evolution of institutions occurs through the process of routinization of human activity.
- The habits of thought and action have self-actualizing dispositions to engage in previously adopted forms of action. This reveals the path-dependent character of the institutionalization process.
- Rules can be defined as “things that should be done”, while routines can be defined as “things that are actually done”.
- With the introduction of corruption rules, routines will start to form, and these routines tend to turn into common practice and gradually institutionalize over time.
- Rules could be modified in the process of routinization as the group often finds mutually feasible ways of realizing them.
- Interaction between rules and routines is reciprocal. Rules can also be established as a result of reproduced routines. Thus, the source of routines is not always the rules and vice-versa.
- Rules are ‘the formalized statements of procedures’. In centralized corruption system they reflect upon the corruption structures and procedures introduced by management or group.
- Routines are either the actual implementation of these procedures or the thought and action habitually adopted by individuals or groups. In a corruption environment, routines reflect on the corrupt behavior of the officials.
- Institutionalization is a continuous process which is possible to observe only through a time frame.
- Existing routines represent the dominating institutional principles.
- Realization of rules and routines may be subject to resistance, especially if they contradict the existing values and practice.
- Repeated behavior leads to reproduction of rules and routines.
- Routines and rules reproduced through the individual or group behavior, from the historic perspective, tend to be perceived as a norm become “the way things are”.
- The institutionalization of new practices is a dynamic process, and not all practices and behavioral patterns are equally institutionalized. Institutionalization infers the internalization of new practices and a change in the daily routines and activities.
- New corruption rules are easier to introduce and establish when they are consistent

with the existing routines and institutions and not when they are challenging them.

- When corruption routines are broadly accepted in the public organization in a way that they become the unquestionable form of the management system, then they are institutionalized.
- Institutionalized corruption rules and routines represent the expected form of behavior and determine the relationships between the different individuals and groups of individuals inside the organization.

Annex 2.

Key questions of the theoretical model

- Corruption rules in the '80s
- What corruption rules emerged at the beginning of the '80s?
- What was the aim of new corruption rules?
- What was the source of new corruption rules?
- Corruption routines at the beginning of the '80
- What were the corruption routines before the corruption rules were introduced?
- How did corruption routines change after corruption rules were introduced?
- Were the new corruption rules consistent with the existing corruption routines/institutions?
- Institutions at the beginning of the '80s
- Were corruption routines an expected form of behavior in the organization?
- How did corruption determine relationships between different groups and individuals inside the organization?
- Corruption rules at the beginning of the '90s
- What corruption rules emerged at the beginning of the '90s?
- What was the aim of new corruption rules?
- What was the source of new corruption rules?
- Corruption routines at the beginning of the '90
- What were the corruption routines before the corruption rules were introduced?
- How did corruption routines change after corruption rules were introduced?
- Were the new corruption rules consistent with the existing corruption routines/institutions?
- Institutions at the beginning of the '90s
- Were corruption routines an expected form of behavior in the organization?
- How did corruption determine relationships between different groups and individuals inside the organization?
- Corruption rules at the beginning of the '00s
- What corruption rules emerged at the beginning of the '00s?

- What was the purpose of the new corruption rules?
- What was the source of the new corruption rules?
- What is the difference of between the corruption rules at the beginning of the `00s and the corruption rules at the beginning of the `90s?
- Corruption routines at the beginning of the `00s
- How did corruption routines change at the beginning of the `00s?
- Were the new corruption rules consistent with the existing corruption routines/institutions?
- What is the difference of between the corruption rules at the beginning of the `00s and the corruption rules at the beginning of the `90s?
- Institutions at the beginning of the `00s
- Were corruption routines an expected form of behavior in the organization?
- How did corruption determine relationships between different groups and individuals inside the organization?

Annex 3. Interview questions

- What can you say in general about the situation in “your organization” in the beginning of the ‘80s (‘90s, ‘00s)?
- general question to open conversation and to find out patterns of institutions.
- What was the situation related to bribery/corruption/informal money flow?
- to find out the attitude to corruption. Was corruption considered as a normal way of doing things?
- What was the mechanism of informal money flow in organization? How did it define the relationships inside the organization?
- to find out the structure of corruption system (rules).
- Which position was central in this mechanism?
- to find out the structure of corruption system (rules).
- How was money allocated inside the organization?
- to find out the structure of corruption system (rules).
- Were there any rules (written or verbally-agreed-upon) related to corruption?
- to find out the structure of corruption system (rules).
- Were these rules introduced by someone in the management, or did they emerge from practice?
- to find out the relation between rules and routines.
- What was the reason (purpose) of introducing these rules? Why exactly now?
- to find out the purpose of the introduction of the rules.
- How long did this corruption practice/mechanism exist? When did these informal practices change?
- to find out the time frame of the existing corruption routines.
- What was the reason for a change in the corruption/informal mechanism?
- to find out the source and the purpose for the introduction of new rules.
- Was there any resistance to the new corruption/mechanism?
- to find out the compatibility of introduced new corruption rules with the common practice in the organization at that time.
- What were the differences between corruption/informal practices in ‘80s, ‘90s and ‘00s)?
- to trace the evolution of corruption routines.
- Was corruption an expected form of behavior in the organization?
- to find out the internalization of corruption norms.
- Can you say a little bit more about what happened in the ‘90s?
- to find out more about the reasons for institutionalization

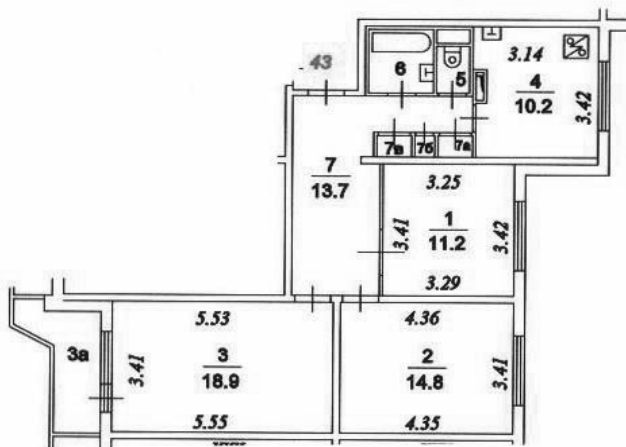
Annex 4.

Technical passport of apartment issued by the BTI

ПОЭТАЖНЫЙ ПЛАН ЖИЛОГО ПОМЕЩЕНИЯ (КВАРТИРЫ)

По адресу:

12 этаж



6 Северо-Восточное
территориальное бюро
технической инвентаризации
города Москвы

Масштаб 1:200

Поэтажный план составлен
по состоянию на дату
последнего обследования:
31 октября 1990 г.

Summary (English)

After the collapse of the USSR, post-Soviet countries experienced a corruption boom. It is believed (see Leiken, 1996; Hellman et al., 2000; Kaufmann et al., 2000) that widespread corruption is a side-effect of political, economic and social transformations and a result of the collapse of old institutions, while newly emerged ones were not yet established.

The following two decades demonstrated that corruption did not decline in most post-Soviet countries. Instead, a transformation of the corruption system changed it from chaotic to institutionalized corruption. While in the early 1990s, officials were free in their corrupt behavior – such as setting the amount of bribes and defining the schemes of appropriation and allocation – by the beginning of the new millennium corruption in public organizations manifested itself as an organized informal structure. Within this structure actions of officials were restricted by corruption rules and instructions imposed by the organization. This kind of transformation is the process of institutionalization of corruption, by which corruption becomes taken for granted way of thinking and doing in the public organization that constitutes more or less stable rules and routines.

The objective of this dissertation is to investigate and explain the emergence and institutionalization of corruption rules and routines in post-Soviet public organizations. The process of institutionalization is crucial for understanding post-Soviet corruption and its change. It provides us with lenses to see corruption in an entirely new light beyond mere acts of infringement of conventional norms of public integrity. Thus, central questions of the dissertation are why and how corruption institutionalized in public organizations from the last decade of the USSR existence until the first decade of the new millennium, and why exactly in the way it happened.

To conduct an in-depth exploration of institutionalization of corruption in public organizations a qualitative research design was developed, consisting of theoretical and empirical parts. Following the introduction, Chapter I presents the central definitions of the thesis and demonstrates how institutionalization of corruption was studied by different scholars. It reveals conceptual approaches and academic discussions on the subject of the study. Stemming from the findings of the literature review, Chapter II introduces Weber's concept of corruption that uncovers what corruption is beyond simple acts of infringement upon conventional norms of public integrity and why it institutionalizes. It helps us to understand the relationship between corruption and power and the way how authority leads to the reproduction of corruption rules and routines. The last theoretical chapter (Chapter III) introduces a process-oriented model of institutionalization of corruption to explore changes in corruption rules and routines in public organizations. The model establishes the link between past and ongoing transformations at the organizational level.

The empirical part of the study consists of two chapters. The first empirical chapter (Chapter IV) explores the origins of post-Soviet corruption and its relationship to the institutionalization of post-Soviet corruption. As a macro study, it elaborates on the question why corruption institutionalizes and focuses on authority relations that caused appropriation of power and its reproduction. It also demonstrates the evolution of institutionalized corruption in post-Soviet public organizations since 1917 and builds an explanatory bridge between Soviet and post-Soviet transformations. Moreover, it reveals political and economic factors that shape the institutionalization of corruption and its development.

The second empirical chapter (Chapter V) is dedicated to case studies on a micro level. It examines the process of institutionalization of corruption in two post-Soviet public organizations, the local real estate registration office in Azerbaijan and the local traffic police office in Georgia. The findings of the case studies are presented jointly as an inductive analysis, through the examination of themes and patterns, and a deductive analysis that applies the model of institutionalization of corruption.

The concluding chapter presents the key findings of the study, their scientific relevance, recommendations for future research, as well as policy recommendations. The study infers that corruption in post-Soviet public organizations is not merely an act of abuse of power, but a living, transforming, evolving organizational phenomenon. It is not only the product of power relations, but also shapes these relations. It is facilitated by the political-economic system and reproduces organizational corruption. The process of decentralization of appropriation of power initiated after the death of Stalin lasted until the extreme decentralization in the first decade after the collapse of the USSR. Following the dissolution of the USSR, the ensuing corruption boom can be understood as the result of the disintegration of the Soviet states' appropriation system. Although contextual factors of the process differed significantly across post-Soviet countries, overall, the appropriation system obtained a new shape typical to all the states on the territory of the former USSR. At the core of this newly shaped appropriation system lay the monopolization of money-generating opportunities through taking control over the state.

Over time, the institutionalization of corruption brought about explicit rules and procedures that restricted officials' corrupt behavior. In this respect, institutional instability was a pre-condition for the institutionalization of corruption that in the final instance created a centralized corruption system and expropriated officials from ownership of corruption income in the discussed cases.

Summary (Dutch)

Na de val van de USSR kenden de post-Sovjetlanden een sterke toename van corruptie. Over het algemeen wordt aangenomen (zie Leiken, 1996; Hellman et al., 2000; Kaufmann et al., 2000) dat wijdverspreide corruptie een bijwerking is van de politieke, economische en sociale transformaties en een gevolg van de ineenstorting van de oude instituties, terwijl de nieuw opgekomen instituties nog niet gevestigd waren.

De twee daaropvolgende decennia toonden aan dat de corruptie in de meeste post-Sovjetlanden niet afnam. In plaats daarvan transformeerde corruptie van chaotische naar geïnstitutionaliseerde corruptie. Waar in het begin van de jaren negentig ambtenaren nog vrij waren in hun corrupte gedrag—zoals het bepalen van de hoeveelheid steekpenningen en het definiëren van de regelingen van toe-eigening en toewijzing—manifesteerde corruptie in publieke organisaties zich aan het begin van het nieuwe millennium als een georganiseerde informele structuur. Binnen deze informele structuur werden de acties van ambtenaren beperkt door middel van corruptieregels en door de organisatie opgelegde instructies. Een transformatie zoals deze is het proces van de institutionalisering van corruptie. Via dit proces wordt corruptie een vanzelfsprekende manier van denken en doen in de publieke organisatie; een manier die uit min of meer stabiele regels en routines bestaat.

Het doel van dit proefschrift is het onderzoeken en verklaren van de opkomst en de institutionalisering van corruptieregels en -routines in post-Sovjet publieke organisaties. Het proces van institutionalisering is cruciaal voor het begrijpen van post-Sovjet corruptie en de verandering ervan. Dit proces biedt ons een manier om een geheel nieuw licht te werpen op corruptie en verder te kijken dan naar het overtreden van conventionele normen van openbare integriteit. De centrale vragen van dit proefschrift zijn daarom: Waarom en hoe werd corruptie geïnstitutionaliseerd in publieke organisaties in de tijdsperiode van het laatste decennium van het bestaan van de USSR tot het eerste decennium van het nieuwe millennium? En waarom precies gebeurde dit op de manier waarop dit geschiedde?

Voor een grondige verkenning van de institutionalisering van corruptie in publieke organisaties ontworpen we een kwalitatief onderzoeksdesign dat bestaat uit theoretische en empirische onderdelen. Na de introductie presenteert Hoofdstuk I de centrale definities van het proefschrift en laat het zien hoe de institutionalisering van corruptie door verschillende wetenschappers werd bestudeerd. Het toont conceptuele benaderingen van en academische discussies over het onderwerp van het onderzoek. Naar aanleiding van de bevindingen van dit literatuuroverzicht, introduceert Hoofdstuk II het corruptieconcept van Weber. Zijn corruptieconcept toont wat corruptie is en waarom het zich institutionaliseert. Dit helpt ons om de relatie tussen corruptie en macht te begrijpen, evenals de manier waarop autoriteit leidt tot de reproductie van corruptieregels en -routines. Het laatste theoretische hoofdstuk (Hoofdstuk III) introduceert een procesgericht model van de institutionalisering van corruptie waarmee veranderingen in corruptieregels en -routines in overheidsorganisaties verkend kunnen worden. Dit model legt de koppeling tussen eerdere en lopende transformaties op het niveau van de organisatie.

Het empirische deel van de studie bestaat uit twee hoofdstukken. Het eerste empirische hoofdstuk (Hoofdstuk IV) onderzoekt de oorsprong van de post-Sovjet corruptie en zijn relatie tot de institutionalisering van post-Sovjet corruptie. Als een macrostudie gaat dit hoofdstuk in op de vraag waarom corruptie institutionaliseert en focust het op de gezagsrelaties die de toe-eigening van macht en de reproductie ervan hebben veroorzaakt. Ook toont dit hoofdstuk de evolutie van de geïnstitutionaliseerde corruptie in post-Sovjet publieke organisaties sinds 1917 en bouwt het een verklarende brug tussen de Sovjet en post-Sovjet transformaties. Bovendien openbaart het politieke en economische factoren die de institutionalisering van corruptie en de ontwikkeling ervan bepalen.

Het tweede empirische hoofdstuk (Hoofdstuk V) is gewijd aan casestudies op het microniveau. Het onderzoekt het proces van de institutionalisering van corruptie in twee post-Sovjet publieke organisaties: het lokale kantoor voor vastgoedregistratie in Azerbeidzjan en het plaatselijke verkeerspolitiebureau in Georgië. De bevindingen van de casestudies worden gepresenteerd als het gezamenlijk product van een inductieve analyse (door het onderzoeken van thema's en patronen) en een deductieve analyse waarin het model van de institutionalisering van corruptie wordt toegepast.

Het concluderende hoofdstuk presenteert de belangrijkste bevindingen van het onderzoek, hun wetenschappelijke relevantie, aanbevelingen voor toekomstig onderzoek en beleidsaanbevelingen. De studie leidt daaruit af dat corruptie in post-Sovjet publieke organisaties niet alleen een daad van machtsmisbruik is, maar een levend, transformerend en evoluerend organisatieverschijnsel. Het is niet alleen het product van machtsverhoudingen, maar geeft deze relaties ook vorm. Het wordt gefaciliteerd door het politiek-economische systeem dat organisatorische corruptie reproduceert. Het proces van de decentralisatie van machtstoe-eigening dat na de dood van Stalin was ingezet duurde tot aan de extreme decentralisatie die plaatshad in het eerste decennium na de val van de USSR. Volgend op de ontbinding van de USSR kan de daaruit voortvloeiende toename van de corruptie worden begrepen als het gevolg van het uiteenvallen van het toe-eigeningssysteem van de Sovjetstaten. Hoewel de contextuele factoren van het proces aanzienlijk verschilden tussen de post-Sovjetlanden, nam het toe-eigeningssysteem een nieuwe vorm aan die over het algemeen gelijk was tussen de staten op het grondgebied van de voormalige USSR. Aan de basis van dit nieuw gevormde toe-eigeningssysteem stond de monopolisering van kansen die geld genereren door de controle over de staat te nemen.

Over tijd bracht de institutionalisering van corruptie expliciete regels en procedures voort die het corrupte gedrag van ambtenaren beperkten. In dit opzicht was institutionele instabiliteit een voorwaarde voor de institutionalisering van corruptie welke uiteindelijk een gecentraliseerd corruptiesysteem creëerde en ambtenaren onteigenende van hun inkomsten uit corruptie in de besproken cases.

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About the author

Ziya V. Aliyev (1985) studied Public Administration (2001-2005) at the Academy of Public Administration in Baku (Azerbaijan). He achieved the highest score in the country's national university entrance exam and was awarded the presidential scholarship. In 2006, Ziya obtained his first Masters degree in Public Administration at the Institute of Public Administration for Turkey and Middle East in Ankara (Turkey). In 2007, he finished his second Masters degree in Public Management at the Academy of Public Administration in Baku. Within his master thesis projects, he studied corruption in the Turkish public office and structural reforms in the Azerbaijani public sector. After graduation, he worked in Baku, first, as an editor-in-chief in the First News information agency and then, as an advisor in the Office of the President of Azerbaijan.

In 2010, Ziya joined the Department of Public Administration at Erasmus University Rotterdam as a Ph.D. candidate. He received training from the Netherlands Institute of Governance and the European Consortium for Political Research. Within his Ph.D. project, Ziya focused on the dark side of post-Soviet bureaucracy, namely on the process of institutionalization of corruption in post-Soviet public organizations. He regularly participated in international conferences such as the European Group for Public Administration Annual Conferences.

After completion of his Ph.D. project, Ziya continues his carrier as an anti-corruption and anti-fraud expert consulting government agencies, public institutes and private enterprises in different countries. He is a project manager in the Anti-Fraud Innovation Lab.

Notes

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Notes

This image shows a single page of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page, leaving small margins at the top and bottom. There are no vertical margin lines, and the page is completely blank except for the lines themselves.

