

## THE PHENOMENON OF CORRUPTION IN ROMANIA: AN ANALYSIS FROM A SOCIAL AND ECONOMIC PERSPECTIVE

**Radu GHEORGHE, PhD Lecturer**  
Athenaeum University, Bucharest, Romania  
radu.gheorghe@univath.ro

**Abstract:** *The past year did not bring substantive changes to the perception of corruption in Romania. Practically, the fact that the Corruption Perception Index in Romania remained almost unchanged can be interpreted in a positive key, even from the perspective of a slight improvement. This is because, globally, at the top of the hierarchy, we noticed for the first time downward trend in ranking. The top states perceived to be the least corrupt are the Northern European countries - Denmark, Finland and Sweden. At the opposite pole Syria, Southern Sudan and Somalia occupy the last places in this ranking, being perceived as the most corrupt states in the world. Interestingly, according to the latest UN report on the country's happiness ranking in the top places are Finland, Norway, Denmark, Iceland, Switzerland and the Netherlands, about the same states located in the top of the states perceived as the least corrupt. While Southern Sudan (154) and Syria (150) are positioned on the last places of the rankings of happiness, perceived by their own populations as being in the top of the profoundly corrupt states. This article does not attempt either to demonstrate or to clarify the existence of a hypothetical causal relationship between corruption and poverty. On the one hand, it is to point out that beyond the fact that the phenomenon of corruption affects all the states of the world, one can say that there is a higher degree of corruption in the poor countries and one much lower in the rich ones. On the other hand, it discusses the existence of a less visible link between migration and corruption, with significant implications especially for migrants. Who chooses to seek their happiness outside the country, against the background of a pessimistic perspective.*

**Keywords:** *abuse of power, bribery, illicit activities, corruption, economic cost, happinesses, Corruption Perceptions Index, migration, poverty, influence*

**JEL Classification:** *A14, K14, Z10, Z18*

## Corruption – general framework

There is no single definition of corruption. We will focus on three of them, considered by the author as relevant to the approach he proposes through this article.

According to the *Legal Dictionary* (Criminal Law), corruption is defined as “limiting acts regulated by law, such as taking and giving bribes, receiving undue benefits, trafficking in influence, etc. [...], illicit activities carried out in order to obtain material or moral advantages, high social or high political positions”. More precisely, “corruption includes violations of the rules on civil servants’ duties, as well as non-fulfillment of legal obligations by economic agents, with a higher degree of social danger with profound negative consequences on the entire social system”.

The “*Political Thinking Dictionary*” defines in turn corruption as “an active or passive abuse of civil servants (whether appointed or elected) in order to obtain private financial benefits or other benefits”.

*Transparency International* defines corruption as „abuse of power entrusted to personal gain”, classifying it as „big, small and politically”, depending on the amount of money lost and the sector in which it occurs. Great corruption targets, for example, acts committed intentionally at high level, government, by which the central state policy is distorted in order to acquire public goods by leaders. Small corruption targets the abuse of power by officials in their daily interaction with ordinary citizens. And political corruption is aimed at the abuse of public power by government officials in manipulating policies, institutions and rules in terms of resource allocation and funding, in order to sustain their status, power and personal wealth (Larousse-Dominique Colas, p.71).

Beyond the three definitions, most specialists have agreed with the following assertions:

- There is a very high correlation between the increase of corruption phenomenon and the reduction of private investment (loss of opportunities, jobs), which implicitly leads to a low economic growth rate,
- Corruption is associated with increasing social inequality.
- The root causes of corruption are:
  - The type of regime or political system,
  - The inefficiency of the institutions (the state’s ability to impose its rules),

- The absence of a competitive economic system (complementary to the over-dimensioning of the public sector),
- The presence of a social environment open to the phenomenon of corruption (aspects of cultural and traditional nature),
- Information deficit (media support).

As a phenomenon, corruption has no barriers. In general, there is certainly a problem related to modernity. More specifically related to the modernization of institutions and society. The casuistry in the field proves, however, that even the most developed countries of the world were not bypassed by this phenomenon. With specific aspects of corruption, all countries of the world have faced in varying proportions. Specialists appreciate that the effects they generate are on the long trench very difficult to estimate, especially due to the complexity of the manifestations and the multitude of affected areas.

According to some institutions and specialized bodies, the annual corruption level is estimated at around 5% of world GDP (according to annual experts, bribes worth 1 trillion dollars, while \$ 2.6 trillion are stolen through corruption).

For the EU economy, corruption costs are estimated at around € 120 billion annually. A huge amount considering that the entire EU budget for 2018, considered the largest in the entire European history, was 160.1 billion euros.

Corruption is a complex phenomenon that has to be interpreted in several key areas: economic, social, political, legal, cultural. Its consequences are not only of an economic nature (an obstacle to development). Corruption generates uncertainty (business environment) and distrust (state, institutions, public administration). Corruption interferes with the movement of the elites of a state and contributes substantially to the deepening of social inequalities. High-level corruption erodes democracy. Institutions already vicious and weakened by corruption are in turn incapable of defending or controlling democracy.

### **Romania – perceptions of the phenomenon of corruption in European and global context**

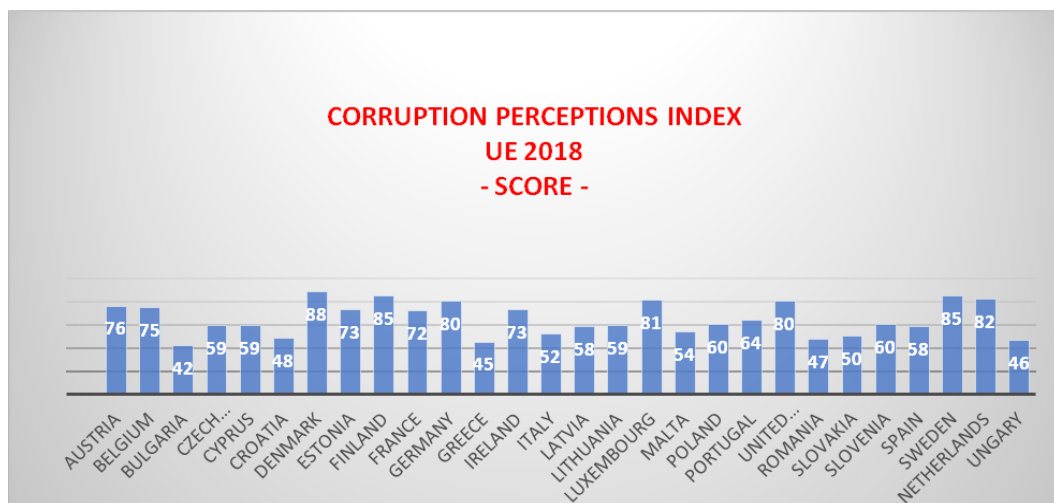
The statute of the European state of Europe imposed the elaboration of anti-corruption legislation adapted to the European requirements. Law no.78 / 2000 (updated) covers the dimension aimed at preventing, detecting and sanctioning corruption. The formal legislative framework exists. Romania also has a National Anticorruption Strategy 2016-2020 adopted by the Romanian

Government in 2016. But great challenges come from the implementation of legislation and the political assumption of a country project. A project aimed at profound change (of structure and mentality) both within public administration and society in general.

In a study published by The International Monetary Fund (“*Corruption and Development*”), who tried to analyze the main causes and costs of corruption, Gray and Kaufmann (1998) cautiously warned that “bribes usually lead to inefficient economic outcomes and hinder foreign investment in the long run and undermine the state’s ability to generate revenue, which ultimately entails raising taxes and duties for taxpayers.”

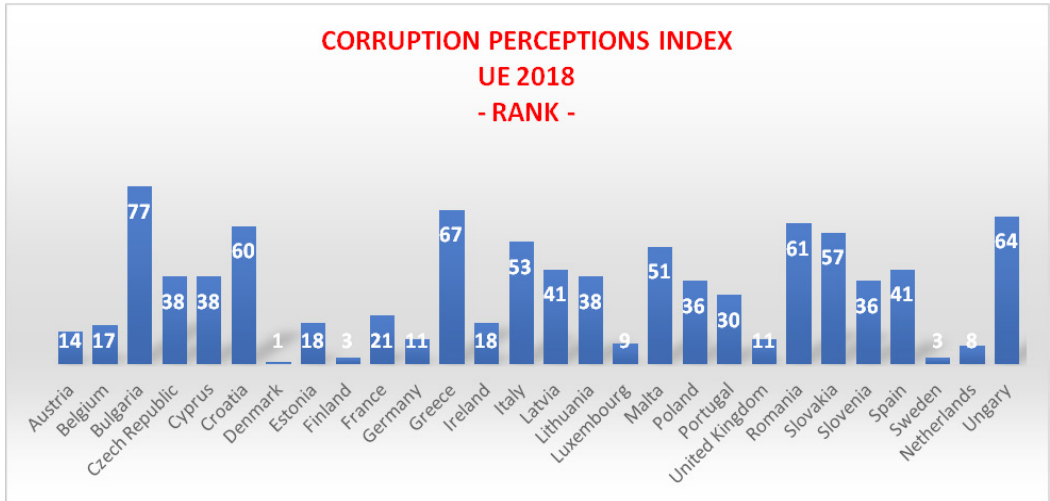
The study points to something very interesting: in 2014, the Corruption Perceptions Index for Romania was much better, indicating in the some time on the one hand a particular sensitivity for the poverty countries, but also a special feature: reversibility. But how corrupt is Romania in reality? According to Transparency International’s Corruption Perceptions Index (2018), Romania ranks 61th in the world with a 47th Perception of Corruption Index (the indicator is a composite index based on a combination of surveys and assessments of corruption from 13 different sources and scores and ranks countries based on how corrupt a country’s public sector is perceived to be, with a score of 0 representing a very high level of corruption and a score of 100 representing a very clean country).

Fig. 1. Corruption Perceptions Index / UE 2018 / Score



Source: European Commission (2019)

Fig. 2. Corruption Perceptions Index / UE 2018 / Rank

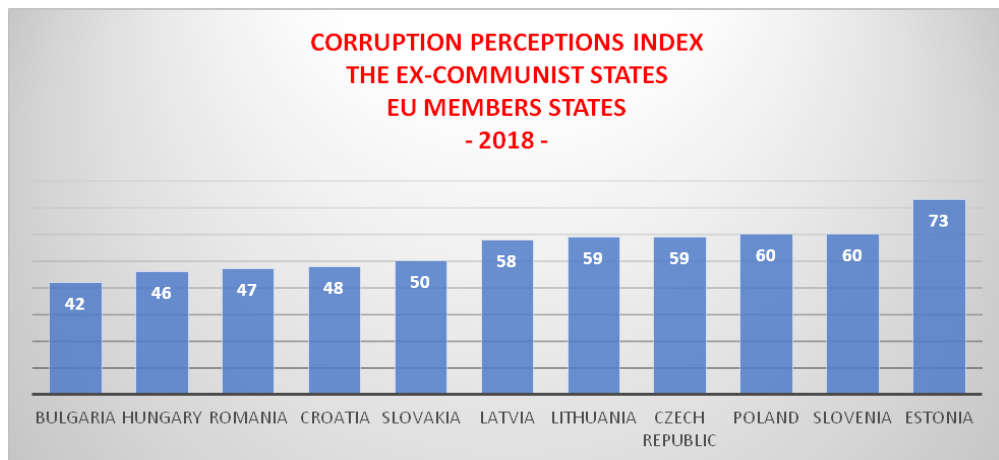


*Source: European Commission (2019)*

According to Fig. 1 and 2:

- Denmark (88), Finland (85) and Sweden (85) occupy the top of the least corrupt European states (Perceived Corruption Perception Index);
- The Netherlands (82), Germany (81) and the United Kingdom (80) are also quite high in the Index of Corruption Perceptions;
- From this perspective, Romania ranks fourth in the EU with a 47-point Corruption Perception Index, the podium being currently occupied by Bulgaria (42), Greece (45) and Hungary (46);
- In the world ranking, the first place is occupied by northern European states, Romania occupying the 61st position.

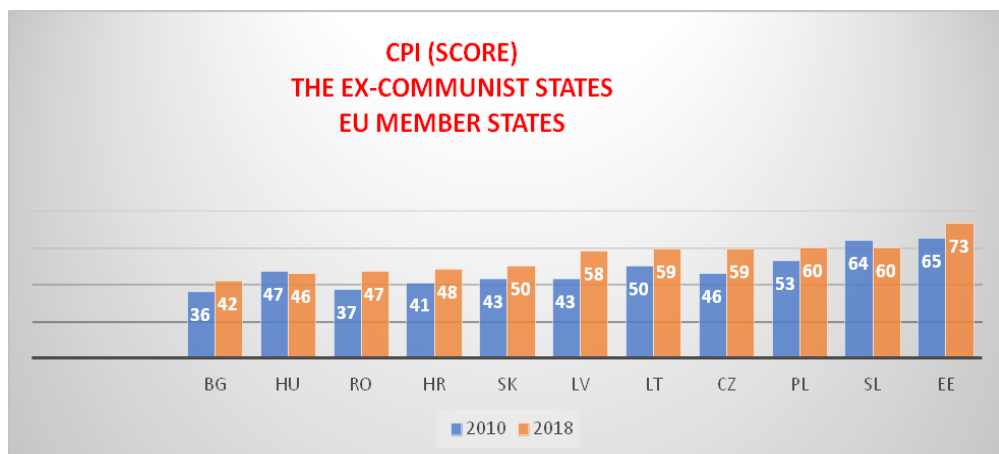
Fig. 3. Corruption Perceptions Index / The ex-communist states / EU members states / 2018



Source: European Commission (2019)

Fig. 3 makes presents a picture of the value of Corruption Perceptions Index for the former communist states, members of the EU, at the level of 2018. The picture is relevant in highlighting the outline of a Corruption Perceptions Index in the vicinity of Romania (Bulgaria - 42, Hungary - 46 and Romania - 47) located at a reasonable distance from Estonia, with a Corruption Perception Index of 73.

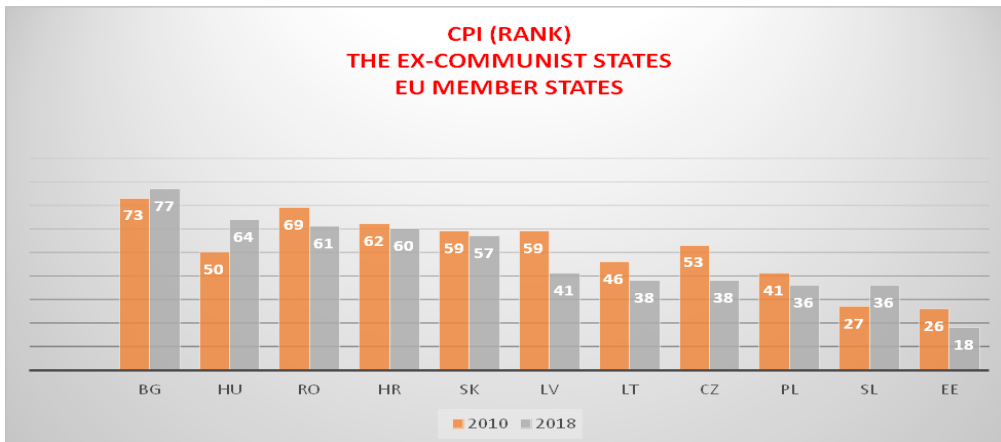
Fig. 4. Corruption Perceptions Index / Ex-communiste states / EU member states /2010 -2018



Source: European Commission (2019)

Figure 4 captures the developments in the past eight years of the Corruption Perceptions Index for the ex-communist states, members of the EU. Romania is ranked among the top 10 per cent of the countries that have advanced from this perspective, being overtaken by only Latvia - 15% and the Czech Republic - 13%. It seems interesting the situation of Slovenia and Hungary that marked a regress (the first of 6%, the second of 1%).

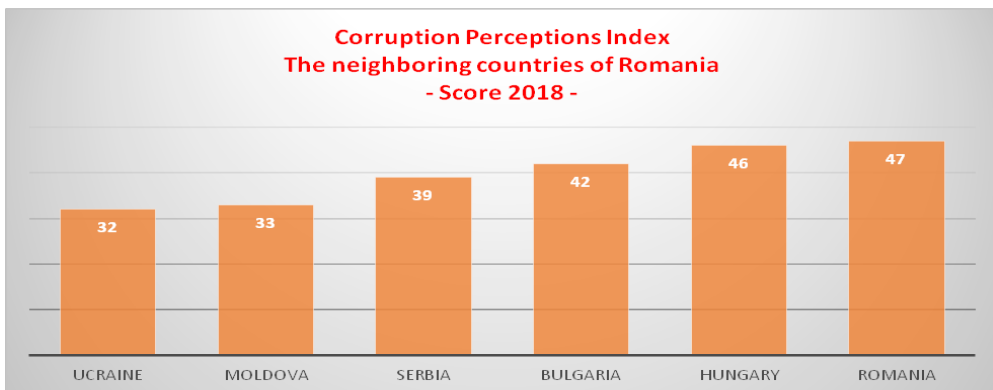
Fig. 5. Corruption Perceptions Index / Ex-communiste states / EU member states /2018 Rank



Source: European Commission (2019)

Fig. 5 highlights the fall of the three ex-communist states: Bulgaria, Hungary and Slovenia over the last eight years in the world ranking. Romania’s evolutions are positive from this perspective, recovering eight places from the 69th place on the 61st place.

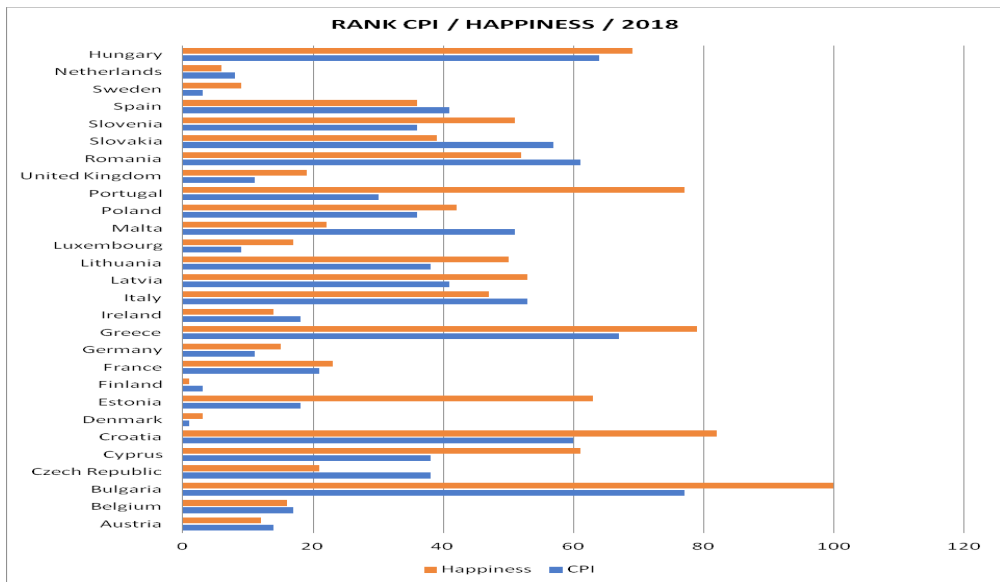
Fig. 6. Corruption Perceptions Index / The neighboring countries of Romania / 2018 Score



Source: European Commission (2019)

In neighboring space (Fig.6) Romania has the best Corruption Perception Index (47), at a relatively small distance from Hungary (46) and Bulgaria (42). Relevant is that, from this perspective, Romania's Neighborhood Pole is at a huge distance from the top of the European states (88-85).

Fig. 7. Rank CPI / Happiness / 2018 / UE



Source: Author

Fig. 7 highlights that there is a link between the Corruption Perception Index and the happiness index (the top was based on the level of satisfaction among residents in 156 countries with regard to many aspects such as GDP per capita, social assistance, life expectancy, lack of corruption, social freedom and generosity).

In a yearly ranking accomplished by the UN:

- The happiest country in the world is Finland (CPI 85),
- The top ten countries are dominated by northern EU countries, where the Corruption Perceptions Index is very high (Finland-1, Norway -2, Denmark -3, Iceland -4, Switzerland-5, Netherlands-6, Sweden- 9);
- An important chapter in mind was the happiness of immigrants from 117 countries, where northern countries also achieved the best results in this category;
- Romania ranks 52th in this top.



## **Conclusions**

- Corruption is a complex phenomenon that must be interpreted in several key areas: economic, social, political, legal, cultural;
- Its consequences are not only of an economic nature (an obstacle to development). Corruption generates uncertainty (business environment) and distrust (state, institutions, public administration);
- Corruption remains, according to experts, the main barrier to economic and social development (undermining the state's ability to generate revenue);
- Corruption is perceived by Europeans as a major problem and an obstacle for doing business;
- Corruption intervenes in the movement of the elites of a state and contributes substantially to the deepening of social inequalities;
- High-level corruption erodes democracy. Institutions already vicious and weakened by corruption are in turn incapable of defending or controlling them;
- There is certainly an invisible relationship to be demonstrated between corruption, poverty, happiness and migration; Per capita GDP, social freedom and the absence of corruption are three of the six variables underlying the calculation of this index;
- States that are considered the least corrupt are also the happiest in the UN ranking;
- This is also the pole of migratory attraction in the EU;
- The top countries are Denmark and New Zealand with scores of 88 and 87, respectively. The bottom countries are Somalia, Syria and South Sudan with scores of 10, 13 and 13, respectively;
- While no country earns a perfect score on the CPI, countries that tend to do best also protect democratic rights and values;
- In the last seven years, only 20 countries significantly improved their CPI scores, including Estonia, Senegal, Guyana and Côte D'Ivoire;
- Equally troubling, 16 countries significantly decreased their scores, including Australia, Chile, Malta, Hungary and Turkey;
- Generally countries with higher rates of corruption also have weaker democratic institutions and political rights;
- Since 2016, 113 states have seen a decline in their democracy score;
- States in northern Europe are the podium of the world's least corrupt states; in this ranking Romania ranks 61;

- The podium of happiness is also occupied by these, Romania being in the position of 52 according the UN Report;
- The former communist states, members of the EU, are still far from the specific dynamics of the old members of the EU. At the gaps in wealth and well-being we can add those specific to corruption and happiness;
- Generally, the former communist states, members of the EU, still remain perceived as the most corrupt of EU states.

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