

PECULIAR ASPECTS OF DEVELOPMENT AND CORRUPTION PERCEPTION INDEX IN ROMANIA

Maria-Ana GEORGESCU¹

Abstract: *Following the increased public awareness of the seriousness of corruption and the signals from the international community, Romanian society has done some progress in this direction but the Corruption Perception Index situates the country on an inferior position among UE countries. This paper analyses the phenomenon in peculiar circumstances, related with the GDP and poverty level. We verified the relationship between GDP and CPI in Romania - a country with an important level of poverty in general and on the labor market in particular. A high rate of economic growth, associated with a high degree of employment intensity, is a necessary condition in the reduction of poverty and implicitly, of corruption.*

Key words: *corruption, economic factors, GDP level, poverty.*

1. Introduction

The corruption phenomenon, which has existed ever since ancient times, has always been considered one of the most severe and widespread forms of behavior which perverts the administration of the public sector. As Small states, “forms of malpractice in business and administration were as common in Greco-Roman times as today” [13, p. 293]. This scourge severely affects the social moral values, undermines the citizens’ trust in the necessity of the rule of law, of democracy and of the respect of human rights, while endangering the human social and economic progress. Corruption is a phenomenon which becomes attached to the legal and economic mechanisms of society, affecting its genetic code as a cancer. Unethical behavior is one of the most dangerous ills

of modern governance, with the potential to damage public trust in government and the foundations of democracy [1].

The need to eradicate corruption and improve the ethical standards of elected officials and public servants has become a major issue on the public agenda. As corruption is an extremely complicated and interconnected problem, the most effective solutions to it are often collective [15].

A prosecution structure specialized in fighting corruption was created in Romania as a necessary instrument in the discovery, investigation and bringing to trial cases of grand and average corruption - The National Anticorruption Department (NAD). Through its activity, it contributes to corruption reduction, supporting a democratic society embracing European values. But this phenomenon has to be assessed in peculiar circumstances, in the

¹ “Petru Maior” University of Tg. Mures, Faculty of Economics, Law and Public Administration.

context of economic factors with great importance. In this respect, countries with a high perception of corruption are correlated with poor economic performance, while countries with high "clean" scores are correlated with high levels of economic performance [19].

In terms of **methodology**, our study regarding corruption is a secondary analysis of reliable data provided by Transparency International on perceived corruption and on country wealth, provided by Eurostat. We analyzed the evolution of the Corruption Perception Index (CPI) and of the *Gross Domestic Product* (GDP) per capita in current prices (Euro), in Romania. Also we performed a correlation between the CPI and GDP evolution, based on Spearman correlation coefficient.

The main **objective** was to verify the statements of the international literature regarding the quantitative relation between corruption and economic factors in the case of Romania.

Hypothesis: the increase/ decrease of GDP per capita is accompanied by the CPI national score in the same direction.

The first part of the paper is an overview of the concept of corruption, seen from different perspectives: normative, political and social. The second part is a comparative analysis of the state of corruption in Romania. We are focused on the relationship between corruption and economic factors, such as wealth or poverty.

2. Literature background

The United Nations tried to draw the attention of the international community, more than a decade ago, upon the issue related to professionalism and ethics in the public service. As our paper deals only with ethics aspects, this concept refers to broad norms that delineate how public servants should exercise judgment and

discretion in carrying out their official duties [14].

The recent literature on public service pays much attention to ethical values. Public service values are classified in three categories: ethical values (e.g., integrity, fairness), democratic values (e.g., impartiality, the rule of law), and professional values (e.g., effectiveness, service). As Omurgonulsen and Oktem point out, although ethical values take place within the core public services values, it is questionable how such values can become operational and to what extent they can be influential in combating unethical conduct [10, p.153].

Values evoke emotional responses and create the disposition toward certain kind of conducts. We shall analyze corruption as a deviation from ethical values.

From a conceptual point of view, corruption is a type of behaviour which deviates the normal obligations related to a public authority or which violates the legal norms forbidding the exercise of certain forms and types of influence.

From an etymological perspective, the concept of 'corruption' designates a deviation from morality, from duty, from correctness [2]. The term comes from the Latin „corruptio”, characterizing the behaviour of the clerk who, in exchange of money or other undue advantages, trades the attributes of the function invested in him [9]. Committing such deeds endangers the deployment of the state activity and of all sectors of social life.

To corrupt means to deviate from the norm of the morale, being the equivalent of depravation, bribery regarding ideas, social phenomena, feelings; of losing integrity, purity, distinction, of deformation and degradation [4, p.230]. Considering morality and ethics as a whole as the starting point of the definitions of corruption, things become even more complicated as corruption is, at the same time, a public evil, for us as a society but also a "private good" for the corrupted [5].

Corruption ultimately implies ethical decisions. "Ethical decision making is the process whereby individuals use their moral base to determine whether a certain situation or issue is right or wrong." [11, p.360]

For most criminal systems, corruption is a primarily *normative* concept, designating the illegal and immoral violation or transgression of regulations regarding the public servant, economic agents or persons who perform various financial or banking operations. According to other definitions, from a legal perspective, corruption represents "a secret form of social trade through which the holders of political or administrative power obtain benefits out of the power or influence which they exercise in virtue of their mandate or function" [5, p.16].

The normative definitions do not refer to the social causes or to the effects of corruption in society. For this reason, a more comprehensive definition of corruption should focus on its implications on the political and economic relations which function in a given society. In a largely accepted definition, corruption is "the abusive use of public power with the purpose of obtaining personal profit" [5, p. 17].

The definition used by the World Bank or by Transparency International in order to define this phenomenon is very known and refers to the morality of power, to the perversion of it. "Corruption is the abuse of entrusted power for private gain. It hurts everyone who depends on the integrity of people in a position of authority." [16]

There is an active debate concerning the relation between corruption level and economic growth. Several authors state that there is a direct causal link between these two elements: corruption impedes economic growth [3, 7]. In our study we try to analyze the other side of this relationship and explain the high level of corruption in Romania taking into account the GDP level and the poverty circumstances. GDP is one of the most important factors in determining how well people in a given country live. Typically

the higher the per capita GDP is, the better quality of life the people in that nation are able to derive [18]. Some authors demonstrate a strong correlation between corruption level and past long-term economic growth [12].

3. Corruption and economic factors

Further on, we shall analyze the situation of corruption from the perspective of the *Corruption Perceptions Index*. CPI is provided annually by Transparency International and released simultaneously by its national subsidiaries. The purpose of calculating the CPI is to provide data on individual perceptions of people both inside the country and outside the country on corruption. It is a complex index that is based on expert assessments and country reports. It is important to note that this index refers only to the public sector, although public perception of corruption extends beyond this sector. However, the CPI does not demarcate the administrative corruption from the political one [5, p.69]. This is a shortcoming, as the political corruption often determines administrative corruption and around.

Beginning with 1995, CPI ranks countries and territories based on how corrupt their public sector is perceived to be. The score indicates the perceived level of public sector corruption on a scale of 0 – 10 and beginning with 2012, a scale of 0-100, where 0 means that a country is perceived as highly corrupt and 10 (100) means it is perceived as very clean [16].

Romanian corruption is assessed starting from 1997. An average score of 2.97 in the period 1997-2005 [16] means that corruption was generally spread. The situation has improved since 2006 (see Table 1), but Romania is still low ranked among the EU countries. In 2012, only Italy, Bulgaria and Greece were situated on worst positions.

Evolution of CPI in Romania Table 1

Year	Rank	Number of countries
2006	84	163
2007	69	179
2008	71	180
2009	71	180
2010	69	178
2011	75	182
2012	66	176

Source: Our selection based on TI data

Comparisons that are made from year to year should be based primarily on the score got by that country and not on the country's position in the overall standings. One reason could be the fact that each year new countries or territories are included in the survey, while others are excluded, as shown in Table 1. Also, the country's position may change from year to year due to changes in methodology and sample.

3.1. Corruption and GDP level

Since the score of a country is a more important indicator for the level of perceived corruption than the rank in the international hierarchy, in Table. 2 can be noticed the evolution of the score of Romania when assessing corruption so far.

Table 2

Evolution of GDP per capita and CPI score

Year	GDP/capita (€)	CPI score
1997	2700	3,44
1998	2600	3
1999	2600	3,30
2000	2700	2,90
2001	2900	2,80
2002	3100	2,6
2003	3200	2,8
2004	3500	2,9
2005	3700	3,0
2006	4000	3,1
2007	4200	3,7
2008	4600	3,8
2009	4300	3,8
2010	4200	3,7
2011	4300	3,6
2012	4400	4,4

Source: Our selection based on Eurostat and TI data

In parallel, it is presented the evolution of GDP per capita, often considered an indicator of a country's standard of living or of economic development.

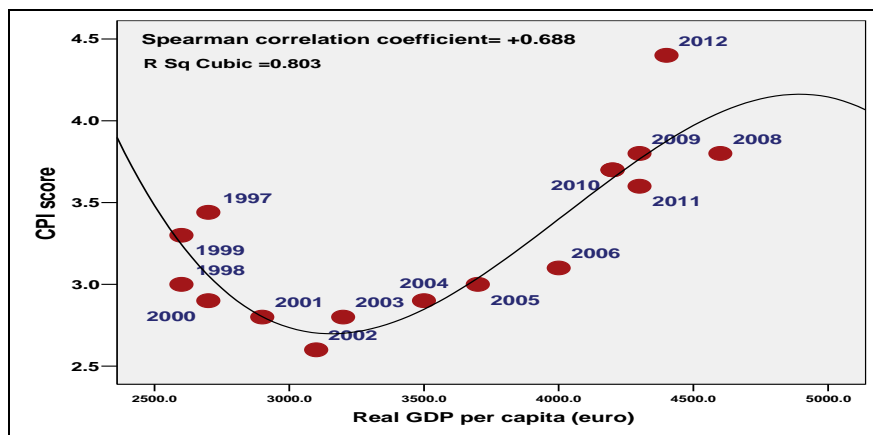


Fig.1. *Correlation between GDP per capita and CPI score*
Our processing based on Eurostat and TI data

We found a positive correlation between CPI and country living standard using the Spearman correlation coefficient. The data in Fig. 1 indicates a direct correlation between the level of economic development (GDP / capita) and CPI in the period 1997-2012. The medium intensity correlation (Spearman correlation coefficient = 0.688) shows that in Romania the increase of the economic development was accompanied by the reduction of the corruption degree.

We noticed two periods:

- 1997-2002 – in which GDP / capita and CPI scores lower;
 - 2003-2012 – both indicators increased.
- These results confirm the international studies and our hypothesis for Romania as well.

3.2. Corruption and poverty

Corruption is a phenomenon related with poverty level.

Romania is a country with an important level of poverty existing in general and on the labor market implicitly (see Fig.2.). The country was confronted with a high risk of in-work poverty, in fact, the highest in EU-27. It may result from various labour market failures, such as [6]: recurrent unemployment or unstable jobs, involuntary part-time work, low wages, or from a particular household structure.

Among the main causes that determined a high level of in-work poverty, we find the inefficient structure of employment, low wages determined by low labour productivity, undeclared work, a low level of the employed population with tertiary education etc. [8].

Romania remains the country with the highest poverty levels in the EU in 2012. The share of those who were at work and had an equivalised disposable income below the risk-of-poverty threshold was 19.2% [17].

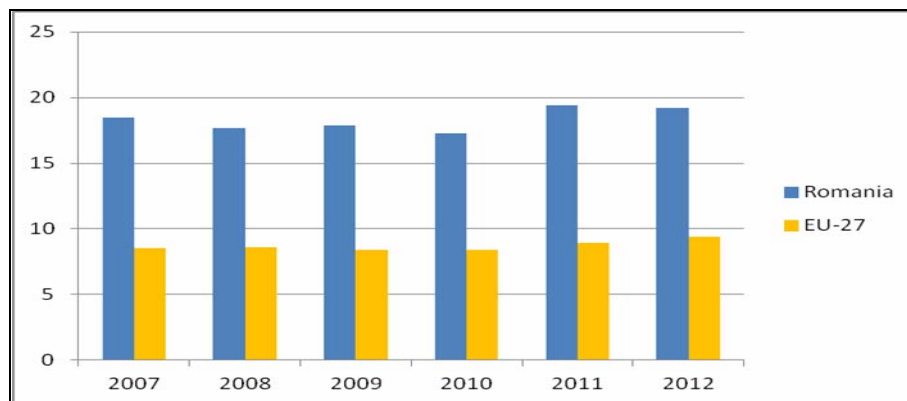


Fig.2. *In-work at-risk-of-poverty rate* in Romania and EU-27 (%)

Source: Our processing based on Eurostat data

4. Conclusions

The activity of NAD is a necessary but not sufficient condition to fight corruption.

The relationship between corruption and economic factors, stated by international studies, was validated for the Romanian

case. In consequence, a basic condition in facing corruption is a high rate of economic growth, associated with a high degree of poverty reduction. Romania needs to adopt and implement active measures that should assure development in order to reduce corruption.

References

1. Beerl, I., Dayan, R., et al.: *Advancing Ethics in Public Organizations*. In: *Journal of Bus Ethics* 112, 2013. DOI 10.1007/s10551-012-1232-7, p. 59–78.
2. Cherciu, E.: *Corupția. Caracteristici și particularități în România (Corruption. Characteristics and peculiarities in Romania)*. București. Lumina Lex, 2004.
3. Chetwynd, E., Chetwynd, F., et al.: *Corruption and Poverty: A Review of Recent Literature*. Available at: <http://www.eldis.org/vfile/upload/1/document/0708/doc14285.pdf>. Accessed: 20.09.2013.
4. Coteanu, I., Seche, L., et al.: *DEX (Dictionary of Romanian Language)*, București. Univers Enciclopedic, 1998.
5. Dorinică, I., Banciu, D., et al.: *Corupția în România. Realitate și percepție socială (Corruption in Romania. Reality and social perception)*. București. Lumina Lex, 2005.
6. European Commission: *Combating poverty and social exclusion*. 2010. Available at: http://epp.eurostat.ec.europa.eu/cache/ITY_OFF_PUB/KS-EP-09-001/EN/KS-EP-09-001-EN.PDF. Accessed: 2.05.2011.
7. Farooq, A., Shahbaz, M., et al.: *Does corruption impede economic growth in Pakistan?* In: *Economic Modelling*, 2013, Volume, No. 35, p. 622-633.
8. Herman, E., Georgescu, M.A.: *Employment strategy for Poverty reduction. A Romanian Perspective*. In: *Procedia- Social and Behavioral Sciences*, 2012, No.58, p.406-415.
9. Mrejeru, T., Dumitru, P., et al.: *Infracțiunile de corupție. Aspecte teoretice și practice (Corruption offenses. Theoretical and practical aspects)*. București. All Beck, 2000.
10. Omurgonulsen, U., Oktem, M. K.: *Is There Any Change in the Public Service Values of Different Generations of Public Administrators?* In: *Journal of Business Ethics*. 2009, No.88, p.137–156. DOI 10.1007/s10551-009-0111-3
11. Pelletier, K. L., Bligh, M.C.: *Rebounding from Corruption*. In: *Journal of Business Ethics*. 2006, Volume 67, p.359-374.
12. Shao, J., Ivanov, P., et al.: *Quantitative relations between corruption and economic factors*. In: *The European Physical Journal B*.2007, No.56, p.157-166
13. Small, M.W.: *Ethics in business and administration*. In: *Journal of Business Ethics*. 1993, Volume 12, p 293-300.
14. United Nations Department of Economic and Social Affairs: *Professionalism and Ethics in the Public Service*. Available at: <http://unpan1.un.org/intradoc/groups/public/documents/un/unpan000112.pdf>
15. World Economic Forum: *Global Agenda Council on Anti-Corruption & Transparency 2013*. Available at: <http://www.weforum.org/content/global-agenda-council-anti-corruption-transparency-2012-2014>. Accessed: 22.09.2013.
16. <http://www.transparency.org/> Accessed: 28.08.2013.
17. <http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes>. Accessed: 28.08.2013.
18. **** GDP per Capita and Corruption*. Available at: <http://www.studymode.com/essays/Gdp-Per-Capita-And-Corruption-1629182.html>. Accessed: 19.09.2013.
19. **** GDP per Capita vs Corruption*. Available at: <http://politicalcalculations.blogspot.ro/2011/06/gdp-per-capita-vs-corruption.html>. Accessed: 14.09.2013.