

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

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According to Transparency International's Corruption Perceptions Index, 2002, Romania ranked 77th among the 102 countries surveyed (Hungary, by contrast, ranked 33rd, Bulgaria 45th, Ukraine 89th, and Moldavia 93rd) [Transparency 2002]. According to the Business Environment and Enterprise Survey of 175 countries administered by the World Bank and the European Bank for Reconstruction and Development, Romania ranked in the 35th percentile from the bottom in its control of corruption, 2000-01 (Hungary was in the 76th percentile, Bulgaria in the 52nd) [World Bank 2002].

According to a World Bank study, 80 percent of Romanian business firms admitted to paying bribes; 50 percent thought it was common for firms in their line of business to make irregular payments to get things done [Hellman et. al. 2000a]. According to the New Europe Barometer, 89 percent of Romanians think that most or almost all of public officials are corrupt [Rose 2001]. According to the Diagnostic Surveys of Corruption prepared at the request of the Romanian Government, 38 percent of public officials reported that they had been offered a gift or money during the previous twelve months; 28 percent of enterprises and 42 percent of households reported that they were made to feel a bribe was necessary or directly offered bribes or gifts during the previous twelve months. Furthermore, 33 percent of public officials, 41 percent of enterprises and 50 percent of households believe that bribery is part of everyday life in Romania [Anderson et. al. 2001].

There had been hope, following the dramatic events of 1989, that the fall of communism would be accompanied by a reduction in the level of corruption. Corruption had been rampant under communism. The system had functioned with few legal ways of influencing government decisions. Bribery thus served as a means of access, enabling those with contacts to demonstrate their preferences and win concessions. The assumption was that post-communism would render this arrangement unnecessary. Market competition for firms, popular elections for politicians, and formal accountability for bureaucrats would combine to establish a society based on fairness, with automatic mechanisms of punishment for those who violate its norms.

Quite obviously, such romantic hopes have proved illusory. There has been a rapidly increasing number of academic studies regarding the causes and consequences of corruption in transitional societies. Nevertheless, it should be noted that corruption, in its various forms, is not a phenomenon restricted to one area of the globe or one cultural heritage. Studies of Britain in the 18th century and the United States in the 19th century reveal high levels of corruption during their early stages of modernization. Recent headlines, in Italy for example, indicate that corruption has not been eradicated, even in prosperous Western nations [della Porta and Meny 1997].

PURPOSE AND METHODOLOGY

This paper intends to contribute to this literature, emphasizing the perceptions and behaviors of successful medium sized business firms. Information is derived from

four structured focus group conversations conducted during the Fall 2001 under the auspices of the Academic Center for Social Research, Faculty of Political and Administrative Sciences, Babes-Bolyai University.¹ The sample was drawn from the list of top commercial enterprises in Cluj County for the year 2000, as identified by the local Chamber of Commerce, Industry, and Agriculture. Our intention was to limit the study to firms existing in a highly competitive environment, and to isolate those entrepreneurs with relatively modern attitudes who have adapted well and thrived under the transitional conditions in Romania. We thus confined our sample to firms with 30 to 330 employees. We deliberately ignored the largest firms because many tended to be present or formerly state-owned enterprises, and we ignored the smallest firms because most had too few employees and too few gross assets to make an economic impact. The Director or some other central management person from each of the business enterprises selected was invited to participate in the focus groups. The response rate was approximately 25 percent, which is quite good given the busy schedule of business leaders.

Methodologically, one can ask either relatively elementary opinion questions to a broad sample of the population, or more complex questions to a much smaller sample. Focus groups are an attempt to get behind quick and coded responses. By encouraging in-depth answers, they enable respondents to talk at greater length and to explain their positions. Conversation between participants and researchers permits posing challenges for group consideration that are novel or insufficiently considered in ordinary thought. Discussion also takes place among the participants themselves. Group dynamics filter responses through the lens of commonly held values, and they help to reduce ambiguities and clarify disagreements [Krueger 1994; Stewart and Shamdasani 1990].

The four focus groups conducted with successful middle sized business entrepreneurs in Cluj all followed a similar template. They were constructed around two sequences of questions, each of which involved an introduction, a puzzle, and a problem to be solved. The first sequence emphasized economic conditions. The introduction asked respondents about the general economic climate for their business; the puzzle involved inquiring what made their particular enterprise successful, when to many around them seem to have failed; the problem was to give advice to students at the university who might be starting out in business. The second sequence emphasized political conditions. The introduction asked respondents whom they talk and consult with regarding the political and public policy issues that affect their business; the puzzle was to assess the impact of government policies on business development; the problem was to offer specific recommendations to some hypothetical adviser to the Romanian government who allegedly was sitting in the room with them. Throughout the conversations, the moderator was especially attentive to issues of corruption, attempting to have the respondents elaborate on the topic. The final question to the focus groups, asked only after the respondents were familiar in the setting and comfortable in making

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direct assertions, expressly asked about corruption in Romania, how it has affected them and whether it was a large or small problem in operating their business. Discussions lasted for approximately one hour and a half. Supplementary data were also collected from the participants by means of a brief written questionnaire concerning their firm, educational background, and political affiliations.

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

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

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

-- The Old Apparatchick: He tends to somewhat older, better educated, and more secure in his social standing. He was part of the managing team of a state firm before the revolution, or had certain professional abilities that placed him in a desirable position within the power arrangements at the time. "The revolution found me in a great position," one respondent commented. "I was very well known. . . . I had the money. When Ceaucescu disappeared I was a guy who already had twelve Dacia in his pocket. This is the difference between me and the rest (of those in his field)" [FG3: 2-3]² Often, an individual in this category owns a private firm that functions either in partnership with

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

the state-owned firm he managed before the revolution or according to the same organizational structure. He is proud of his network of contacts and brags of the advantages received from his friendly relationships with political elites. "I know the Cluj politicians as private individuals. I have no problem politically. I collaborate with the City Hall on specific issues" [FG1: 4]. Such individuals tend to understate the level of corruption in society and deny its relevance for his business affairs. "But these are trifles! You cannot call such things corruption. Even in the capitalist states there is a commission; it is legally granted" [FG1: 6].

-- The Domestic Associate: He is the local partner of a foreign firm or an owner who depends on substantial foreign investment. He is usually younger, dynamic, and strongly in favor of economic modernization and integration. As one respondent commented, "if you want quality stuff, you have to work with foreigners... the Romanian state should make laws which would facilitate such collaborations" (FG3: 4). Partly because of their international contacts, the individuals in this category strongly profess their honesty and demand similar honesty in others. "They cannot corrupt me, I pay my VAT, salary taxes, so there is nothing. . . . In my firm, everything must appear on paper" [FG3: 13-14]. To the extent that they countenance corruption, it is as a necessary evil required because bureaucratic inefficiency and artificial delays otherwise would prevent the legitimate businessman from meeting his contracts, thus placing his firm and its employees at risk.

-- The Survivor: He tends to be younger, have a technical education, and often has started a private enterprise on his own. He strongly denounces corruption, but has become angry and pessimistic about business conditions in Romania. As one respondent claimed, "I, at least, have this feeling that things are going increasingly worse, and that I will lose control at some point and not be able to cope with all the problems" [FG4: 9]. He is tired from the continual fight to survive, especially to the extent that he perceives systematic unfairness or arbitrary hurdles in his way. From the same respondent, "I'd say that we are continually taking risks, we're always on a wire like acrobats, we get worn-out, maybe even burn out at some moment" [FG4: 5]. In his frustration, despite general condemnation, he sometimes has turned to corruption as a solution. "It took me a very long time to discover this shortcut. They saw me as an honest man, an idiot who saw the world through a horse's glasses and can only see the law. Nobody dared to tell me until one day, exasperated, I asked somebody. I was told, 'well, you are the honest one.' OK, let me not be honest anymore. So I solved the problem" [FG2: 15]. The survivor is a cynic, who would like to live in a different economic world but has made a practical adjustment to the situation he experiences.

-- The Idealist: Individuals in this category are the most optimistic among the respondents. "Where does my optimism come from? Because we... have the chance to be among the European countries considered civilized. Sooner or later, we will go ahead" [FG4: 31]. Similarly, they tend to see improvement in their area of business. "I'm telling you, in our field we've already overcome this phase... We had this phenomenon, it manifested itself, there was a time when contracts were drawn based on connections, relatives, friends, bribes, and that kind of stuff. But finally, only the contracts based on

professionalism remained" [FG4: 26]. Sometimes idealists deny involvement in corrupt activities as a function of naiveté. "Well, I haven't given any, I wouldn't know how to give....no, not even to the physician. If you can believe me...I don't know how to manage certain things" [FG4: 27]. More often, avoidance of corruption is a matter of moral refusal. "I know that the exact same application, the same request, if it had a nice pullover attached to it...would be answered satisfactorily. I am not doing it because I couldn't. I could find a way to give somebody a prize and give him a pullover. Well, this is a matter of principle. I have principles. I'd rather fight them" [FG3: 14]. The idealist knows the laws and will defend his rights, even if the consequence is some degree of hindrance to business achievement.

The operating hypothesis for this study is that there is nothing especially unique about the responses given by the Cluj business focus group participants. The academic literature on corruption has identified a number of standard themes, distinctions, and dilemmas. The focus group conversations, conducted among individuals unprepared for the specific direction of discussion and unschooled in the academic literature, nevertheless provided wonderful illustrations for these issues. Our study provides an additional degree of support for certain prevailing interpretations regarding corruption. It also contributes to the practical problem of reform. On the one hand, the bad news, to the extent that our understanding about corruption in Romania is compatible with the main conclusions derived from other national studies, is that we should expect the same deleterious effects upon economic development, social equity, and political trust. On the other hand, the good news is that recommendations for remedy developed elsewhere should by extension have beneficial effects if applied within Romania. The analysis of the focus group data presented here will be organized according to the links of the principal-agent-client model familiar to students of political science.

LITERATURE REVIEW AND BASIC THEORY (notes towards)

((To be filled in -- Explain here what others have done, where this paper stands relative to existing work in the area, and how this paper intends to make a contribution. Cite the original debate between moralists and revisionists [Leff 1964; Leys 1965; Bayley 1966; Nye 1968; Huntington 1968; Scott 1969; Ben-Dor 1974; Johnson 1986]. Then mention the formal analyses from economists [Krueger 1974; Rose-Ackerman 1978; Lui 1985; Shleifer and Vishny 1993; Bardhan 1997]. Then the revived interest from reformers [Klitgaard 1988; Rose-Ackerman 1999; della Porta and Vannucci 1999]. Then the recent explosion of interest, funded by foundations, research workshops, international organizations -- especially the World Bank. And much of recent attention concerns Central and Eastern Europe.

Most of the literature is written from an outside point of view -- the causes of corruption, its effects on society (economic, political, institutional...), the strategies of reform. There are lots of distinctions regarding the types of corruption, the resources used, the relationships of agent-to-client, etc. But very little that looks into mind of potentially corrupt players. How do they see world? what calculations do they use?

when and why to they engage in or refuse to engage in corruption? The main exception is the work of Miller, Godeland, Koshechkina [1997, 1998, 2000, 2001] -- focus groups and in-depth interviews with citizens, officials in four former communist countries -- Czech Republic, Slovakia, Bulgaria, Ukraine. This paper seeks to extend their research -- looking at business only, and Romania. It is a minimally researched area -- business is included in a few regional surveys (cite?), but not in-depth, not using their own words.))

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

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

FROM PRINCIPAL TO AGENT

"The Romanian business environment is very tough," commented one respondent [FG3: 6]. "I would be more harsh," asserted another in a different group, "and say that the environment is hostile" [FG4: 3]. Business success comes only with enormous effort and a certain amount of luck. Romanian private enterprises confront great problems in the transition from communism, suffering from a lack of available credit, few convenient

networks for transportation and communication, limited international contacts, and high taxation to finance the state budget. In addition, according to our respondents, they face supplemental problems because the public sector, ostensibly dedicated to fostering economic development and growth, has often acted more as a fetter than an aid. "The practical orientation leaves a lot to be desired" [FG3: 2].

The most common complaint is the complexity of laws and regulations, that are often confusing, contradictory, and impossible to follow. Regarding laws, one respondent said, "I'm thinking first of the incoherence in the Romanian legislation that could often lead an enterprise to bankruptcy" [FG3: 4]. Regarding official regulations, "We need some clear regulations, because at present, let me tell you again...there are all kinds of loopholes...and it takes either specialists to understand them or guys who have the courage to take risks and apply them" [FG3: 11]. Regarding the language in which Romanian laws are written, "It is either that they have some geniuses who have lost any touch with the practical world or some Bulls, individuals incapable of expressing themselves clearly" [FG2: 4].

The burden of interpreting the provisions of the law is said to be enormous. "I think that almost 50 percent of my time as a business person is spent in studying the law, amendments, government regulations" [FG4: 5]. The focus group participants in general felt that the government does not care. "At the superior level where decisions are made, there is also a lack of realism...they are not interested in the effect that the law may have on me, as a small entrepreneur [FG2: 2]. Another respondent immediately agreed: "In my opinion, those who vote these laws are not interested that the laws should not be ambiguous" [FG2: 2].

Beyond confusion, the general belief is that the laws have been too transitory. "It would be very helpful to have laws that we could follow. Hardly do we learn them then they are already changed. You feel as if in a labyrinth and you don't know which way to go" [FG2: 3]. And again, "If they adopt a law, it shouldn't be only for a week... You can hardly get used to them then they cease to exist any more" [FG2: 3]. Variability makes long-term business planning impossible and disturbs the framework within which contracts can be made and honored. "They make a law and apply it beginning tomorrow or in a month from its publication. The fact that this can influence contracts at the level of the whole economy does not seem to bother anybody" [FG2: 2-3].

While some respondents were ambivalent whether "this is done intentionally or whether there is a lack of professionalism" [FG3: 11], most were quick to blame the partisan perspective of elected politicians. "Each time a new Prime Minister appears, he says, 'The one before me did badly; we're going to do differently beginning tomorrow'" [FG3: 7]. Every change of government allegedly has led to a total shift in policy direction. According to the focus group participants, there has been little attempt to use the existing structure or to adapt it gradually while learning from previous mistakes. Parties therefore impose economic costs in the effort to blame the predecessor and appear different. "All of these fractions try to impose their laws once they come to power, and

the next one comes and changes it. At the political level, there is no desire to create a general frame" [FG2: 12].

Party politics allegedly pervades the business environment. One respondent told the story of his owner who was appointed to a local committee. "He was not of the party he was supposed to be, and they simply didn't agree on him. They didn't want him. The issue remained dead until after all the funds were distributed. In other words, he didn't find out what was given to whom. He only remained with his appointment. That is all his activity amounted to, to get there without even being received by the president of the association. And to think, he had been appointed by the Minister, herself" [FG2: 1]. A different respondent told the story of the head of a local Veterinary Health Department who was appointed because he belonged to the governing party. His staff, although occupying technical positions, were also appointed and therefore felt little obligation to act responsibly. "The ones who inspect us are appointed by the Director who got his position politically. And this is difficult. You realize that in cases where we have a client and we have to bring the products to him and the doctor says, 'I cannot give you a certificate today because I am out of town, come tomorrow.' Then you realize we have a problem" [FG2: 7].

In general, the Romanian political class is assessed poorly, regardless of the particular party affiliation of the respondent. "It is the political fraction that governs us, we have no chance. Those up there are simply fighting to satisfy their ambitions, without caring whether their ambition harms or not the national economy" [FG2: 20]. Sometimes, responsibility is placed on the enduring legacies of communism. "Because the older ones, it is a proven fact, have lived in a certain environment, and this made them lack the power or the courage or even the brains in some cases to change themselves. It's like a tree; it will stay the same way until it dies" [FG1: 10]. Other times, cause is affixed to the petty, narrow-minded, and self-seeking orientation they find so familiar in the post-communist world. "Gentlemen, this (government intervention in business conditions) happens all over the world...It's only that the politicians should all be accomplished men, not the type with small interests" [FG1: 10].

Beyond legislation, the state bureaucracy is supposed to implement official rules and regulations with efficiency and fairness. Yet the Romanian bureaucracy also is assessed poorly in the performance of its public duties. "What one could complain about is, too many approvals, reports, too much time" [FG1: 12]. From another group, "We need many documents to put our files together, certificates from the Labor Department, from the Health Department, from the Labor Exchange, etc....we've encountered a lot of difficulties, although we are a society that pays its dues correctly" [FG4: 2]. And from a different respondent, "In order for one to attend a public auction with the local administration, one needs to put together a lot of documents. This keeps lots of our employees busy; besides, it isn't exactly clear what documents we need" [FG4: 6].

The bureaucracy allegedly has difficulty interpreting the complex maze of regulations, which leads to the general feeling that the outcome is arbitrary. "We are at the mercy of those who check us and who can interpret laws any way they wish to. We

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need to have fewer and clearer laws that we could follow, so that we won't be terrorized by the idea that we are vulnerable, at any given time, to be inspected by people who will interpret the law the way they want to" [FG4: 3]. From another respondent, "There are very many laws that leave too much room for interpretation...the guy who comes to inspect you can say whatever he wants" [FG4: 24]. Allegedly, state bureaucrats are not helping in clarifying the regulations or their interpretation. Part of the explanation is time. "They give us no explanations, no help, because they don't have the time. It is true we are many firms, few employees; nevertheless, they should clarify more for you" [FG2: 3]. Yet there was also a feeling that the bureaucrats were themselves confused. "The bureaucrats cannot give you any explanations because they, themselves, are overwhelmed by these useless laws" [FG2: 13]. The consequence is that "bureaucrats do not understand you or help you in any way. You are on your own and this requires great obstinacy" [FG2: 10].

Moreover, in enforcing the law, Romanian bureaucrats are said to act with great arrogance. Allegedly they adopt the attitude, "I am stronger than you, and you should obey" [FG1: 4]. Three different respondents mentioned that bureaucrats start "from the assumption that everybody is a thief" [FG4: 5-6]. One told a long story about an official who rudely barged into his office. "This guy from City Hall shows up, he slammed the door to my office open, he just passed through the secretary's room and slammed the door open again, shouting that he has come to check on us as a result of (a complaint) from one of our neighbors who lives across the road. I asked him how dare he harass us? Because he was from City Hall" [FG4: 19]. Yet another respondent wished that inspectors did not always come with such "bad-will": "If you make a mistake, they always interpret this as being intentionally done, so as not to give them the money...Whenever they come over, you have to be afraid" [FG2: 12].

The combination of complexity and arrogance produces a striking asymmetry. On the one hand, businesses dependent upon the state often experience significant delays. "From the time you want something to the time they give it to you, you grow old" [FG1: 12]. "They do not issue certificates on time" [FG2: 6]. "We were given six months to spend the money, but two of those passed till the bank gave us our money" [FG4: 8]. "One hands in an application for an auction in September, the answer comes in November, the contract is closed in July...and all the time the deadline (for finalizing the contract) is the same, back in October" [FG1: 12]. On the other hand, state bureaucrats express no tolerance for delays by others. "There are things we miss without intention, and God forbid if the officials realize that something has been missed" [FG2: 3]. One respondent told the story of some receipts from an Italian partner that on occasion are late. Within three days, the inspectors "become furious, but the money nevertheless comes in the end. These scary guys concern themselves with trifles" [FG2: 8]. Another respondent followed with a similar story. "There was no use to try to explain that it was not your fault, that you had a contract and such a delay happened once in ten years...I was really astonished at it since the sum was a very small one, not one worth making such a fuss over" [FG2: 9].

The moderator explicitly asked the focus groups whether they knew of, or participated in any forums for government-business consultation, where problems could be discussed and advice solicited. The answer, systematically, was no. "Such a forum does not exist, there is no conversation among us, and so I have nobody to address" [FG2: 12]. The question itself often induced a cynical reaction. "If there are such meetings, they are mock ones, and only certain people are invited" [FG2: 8]. Presumably, the participants "are very well chosen!" [FG2: 8]. "Communication...is done between the political sphere and the old state structures, which are still there, which means state monopolies and other state enterprises. The politicians are familiar with those" [FG1: 4]. Open meetings, by contrast, risk political controversy. "One doesn't want to come because he's a PRM member, another because maybe he's a liberal" [FG4: 21]. A respondent told the story of a major meeting with city businessmen that the mayor intentionally did not attend. "The vice-mayor was there, he stayed for five minutes and then...left, saying he could not be in the same space with the Prefect" [FG4: 19]. Another respondent concluded, "What goes on is a dialogue of the deaf between the citizens and authority" [FG4: 22].

Expressions of business frustration are quite normal. It seems human nature to complain. Entrepreneurs from small and medium-sized firms, existing in a highly competitive environment, seem especially sensitive to feelings of unfair or arbitrary treatment. Yet the complaints from the Romanian businessmen participating in our focus groups reflected the belief that they suffered from non-normal abuses. "If you want to start a business, if it is with the state, you cannot know what will happen" [FG3: 4]. "Very often in this country, the arbitrary intervenes and pushes us out" [FG4: 18]. Ostensibly, the administrative institutions responsible for representing the public interest operate with few external controls and limited internal responsibility. Laws and regulations are said to be excessively complex, confusing as written and erratic in application. Elected officials are said to be overly preoccupied with narrow partisanship. Local bureaucrats are said to be arrogant and inquisitorial. In terms of the model outlined above, in Romania the principal actor allegedly is deficient in structure and incapable of exercising adequate supervision over its agents. Such a situation should provide extensive opportunity for these agents to construct corrupt, private-seeking arrangements with their clients.

FROM AGENT TO CLIENT (I) -- CORRUPTION WITHOUT THEFT

"I had some business with the Defense Ministry...The colonel was a nice guy and sent me right away to Bucharest, to the Land Troops Headquarters. There I met two guys, a general and a colonel who were in charge of such things. I showed them my stuff, I told them what I could do....So I got to these guys and they told me quite clearly: my friend, you have to give tips, and you have to give them beforehand. I cannot do that, prizes are given afterwards, just like one cannot get prizes during a school year, for example. I was told that, under those circumstances then, we didn't have a deal" [FG2: 16].

"We need to obtain some road clearances that give us the right to drive in the European countries. They give these to whom they like, though, in exchange for bribes. They've made me concrete offers; I was told how much to give in order to obtain what I have the right to get....I, at first, thought that I may offend people by giving them money. Can you believe that? And these people didn't feel offended, not a bit. Think of that: to feel offended by my giving them money. They are not, on the contrary: they think they deserve all money that...and believe me, we're talking big money" [FG4: 25].

Some of the focus group participants considered corruption a major problem in the conduct of their business, costing them lots of money and creating unequal conditions for competition. Others considered it a minor but pervasive problem, imposing a relatively small financial burden but continually getting in the way. Some found routes not to pay. Some offered excuses or sought to deny that their supplemental gifts or network favors constituted corruption. Yet the central observation was expressed clearly by one participant, "Corruption exists not where you wouldn't expect to find it, but where you would" [FG2: 16].

The literature suggests a number of distinctions regarding the forms and variations of corrupt behavior. Among so-called small corruptions, those involving the low-level bureaucrats in the ordinary performance of their duties, there is an important distinction between corruption with or without theft [Shleifer and Vishney 1993]. Corruption with theft occurs when the price turned over to the principal by the agent is less than would normally be paid by the client. This is the case if there were a fine, fee or tax payment due, but the bureaucrat accepts less than the proper amount, keeping a portion for himself as payment for his risk and complicity, for certifying to the government that the client's full obligations have been met. Corruption without theft occurs when there is no reduction in revenues to the principal. This is the case when there is a signature, permit, license or other official permission that must be obtained. Sometimes there are a limited number of such permissions that can be extended by the agent; the client then pays to improve his priority status. Sometimes permission is the client's right upon submitting the proper paperwork, but that approval ordinarily comes with some delay; the client then pays to obtain the desired service on a fast-track, usually by moving up in the queue.

A large percentage of the corrupt exchanges mentioned by the focus group respondents, especially those for which they have personal experience, concern small scale corruptions without theft. This was the explanation for corruption given in one focus group. Bribes were given, "just like the gentleman said, for your file to be placed on top of the pile, so that you do not have to wait a lot." Another respondent continued the thought, "or for them to observe the deadlines; many times they just disregard them without justification" [FG1: 10]. From another group, a respondent admitted, "As a principle, I didn't want to pay...but when I saw the long lines...I just gave up. In other words, I had to adapt myself" [FG2: 17]. A different respondent said that his business was now in an unpleasant situation because of delayed delivery. "I'll narrowly have enough time to register the trucks and being the files to Bucharest for the CEM. If I do not give the money you are talking about, I may jeopardize my business" [FG4: 29].

It has been argued by revisionist theorists that bribery without theft can contribute to overall economic efficiency. In a sense, the bribe represents a pseudo-price. Bureaucratic agents decide how much time and effort to devote to their jobs, with little control from the principal state actor. Even if they work reasonably hard, there is the potential for overcrowding due to the number of demands upon them. Societal clients can wait for their turn on the queue, yet they face differential opportunity costs for time. Waiting is more painful economically for some than for others. Thus there is the potential for a supplemental market, in which bureaucrats trade more rapid performance for money, gifts, or other valuables. The bureaucrat thereby adds to his relatively low official salary. The client get approval according to a preferred allocation rule. The arrangement seems efficient because administrative duties thereby are performed not simply on a first-come, first-served basis, but in response to the relative price-cost function of the various clients. It might even function to speed up total bureaucratic performance, for without the intervention of bribes, officials might simply let the queue extend indefinitely until the clients give up and go home, rather than exert themselves in their duties.

Reformist theorists are generally critical of this efficiency argument, and the data from the focus groups tend to support their position. First, in order for corruption to achieve reasonable economic efficiency, there must exist some quasi-competitive market in bribery. The business respondents do not perceive such a market. They do not, in discussion, relate bribe offers to the marginal cost from waiting. Only once does a respondent mention negotiation over the bribe amount, which almost led to a fight [FG2: 15]. Instead, they speak as if confronted by a monopoly that can dictate the price and control the supply. This corresponds to the cross-national data, in which Romania ranks last among 20 post-communist countries given the survey question, "If a government agent acts against the rules I can usually go to another official or his superior and get the correct treatment without recourse to unofficial payments" [Hellman et. al. 2000a].

Second, the clients often seem to be pursuing special services via corruption as a consequence of adverse selection. It is true that sometimes they are ordinary businesses trapped on a long queue, making a decision that the bribe price is preferable to the opportunity cost from delay. Yet sometimes they are using the bribe to compensate for business deficiencies or errors. "If I want my customs declaration today and only today, then this is the price: one hundred thousand 'theoretically' and one hundred thousand for the customs fee. I do not mind spending this sum" [FG2: 15] Adverse selection is a situation in which the system of incentives causes an increase rather than a decrease in improper behavior. An economic system using bribery might encourage some firms to be especially careful with deadlines and paperwork, in order to prevent artificial delays and the cost attached to their removal. Such a system might, however, equally encourage some firms to be less careful, missing deadlines and skipping paperwork, knowing that a bribe can quickly solve the problem. "Well, sir, corruption appears here because those who ask for something...start unprepared. Instead of putting together a complete file, they often have but two or three documents. Then they need to make do without these, so they ask somebody, Ignore that document, we'll settle that" [FG1: 7]. "Person A asks

for a favor because he hasn't done his part correctly....I go and ask for something illegal from somebody, I have no legal documents. When one goes to an office with all the documentation required, there is nothing anybody can do about it" [FG1: 7]. Bribery in this case produces just the opposite of efficiency. The incompetent get served first, while the competent are made to wait even longer.

Third, the corrupt bargain is not always initiated or voluntarily undertaken by the client. There is a distinction in the literature regarding motivation, between clients in the illicit exchange as willing participants versus as unwilling victims subject to extortion at the hands of greedy administrators. The latter, of course, is inconsistent with efficiency. Often, contend the business respondents, bureaucrats treat the extra gift as part of the required payment, not as a supplemental amount for special services. "Well, everywhere you go, you have to have a bottle with you" [FG4: 27]. Sometimes an additional payment is demanded as a condition for receiving the necessary license or desired contract. One respondent spoke of a necessary clearance that could only be obtained from a "pusher" -- "you cannot reach him directly....and you cannot reach him without a present" [FG2: 14]. Another spoke of the price for winning a contract. "Somebody comes then and asks you, 'Are you willing to get into business, boy-scout like? I'll cost you this much.' Being naive, I asked him 'Am I going to get a receipt?' 'Are you stupid or what?'" [FG2: 16]. Sometimes, bureaucrats invent problems in order increase delays and force bribes from clients. "I have my own specialist in coaches; in vain does he tell me that the car is OK. If the guys want to tell me that the machine is not good, there's no mechanism for me to make them responsible for what they say" [FG4: 27].

Finally, the reluctance of certain clients to pay is not entirely related to the business cost of waiting on the queue. There is a moral cost as well, which can distort the economic efficiency of any market in bribery. "I know anybody who started work like me, only he is working on the border of legality and is prospering, must be poking fun at me for paying billions legally to the state each year" [FG4: 3]. And again, "I have often accused my parents, although I never actually said anything, of teaching me to be honest and fair and thus putting me in a disadvantaged position in a world which is not honest and fair" [FG4: 10]. Moreover, there is negative social externality attached to generalized bribery, to the extent that it works to undermine trust in the political system, in capitalist markets, and in the state administration [Rose-Ackerman 2001; Seligson 2002]. Those who seize short-run benefit from the arrangement have an interest in opposing valuable reforms. Meanwhile, general belief in the ethical structure of society increasingly decays. Confidence in social fairness disappears. The moral norms necessary to link citizens together gradually weaken. In sum, there is little hint in the focus group conversations that corruption without theft is an efficient economic option for Romania.

An important implication of this argument is that not everyone in a potential corruption situation actually chooses to make a bribe offer. "Nobody forces you to give a bribe. Let's have things straight" [FG1: 11]. Among the strategic options available to a business firm facing ostensibly arbitrary bureaucratic denials or delays is to fight, to argue, appeal, protest, and threaten to sue. "There is the opinion in Romania that success is correlated to determination, that you can show your obstinacy" [FG2: 5]. One

respondent told the story of attempting to get an export certificate for a product manufactured entirely in Romania with Korean materials. "They wanted at all costs to tax me...I have come across, beginning with the Customs clerk and ending with the chief of the Customs office, options of the sort, 'well it has to be at least 50% Romanian stuff; it has to be at least 80%, are you stupid or what?; well, it has to be 90%.' As a consequence I wrote a note to the Director General of Customs. (He)...told me, of course you are right. [FG2: 5].

There is a suggestion in some of the literature that individuals are more likely to fight when they are certain they are justified in their administrative requests, and are more likely to bribe when they seek favors at the bounds of legality. The focus groups do not give evidence for this assertion. The respondents certainly know of bribe offers made for illegal favors. They discuss with pride their efforts to fight seemingly arbitrary administration rulings. Yet they understand that not everyone will choose to fight, even when they are justified. One respondent, after telling a story of how he argued for a permission with a copy of the Official Register in his hand, concluded, "You know, some are fighters, other are willing to give up more easily, after their first rejection. As a result, there are small corruptions in this field, everywhere where there are public officials" [FG3: 14]. Fighting the bureaucracy is a strenuous task. "I'm telling you that one finds solutions, anyway. There are methods, ways out, but the effort is not always worth it" [FG4: 6]. Moreover, there are serious risks involved. A respondent told the story of an inspector who "went away without any money from us. We kept on insisting that we were right and that we were going to sue them, so they gave up....They are sore losers. They always come back with more measures against you" [FG2: 12].

Regarding the strategies available to clients, the literature makes a distinction between a bribe and a gift. A bribe is given by the client privately to the agent explicitly in exchange for extraordinary services, and is usually agreed upon before the service is delivered. A gift is given to the agent without the expectation of reciprocity, independent of any services delivered. Both differ from a payment, defined as a legal and enforceable obligation upon the client paid to the principal actor or to his agent on the condition that this agent is acting on behalf of the principal. In practice, however, it can be hard to tell the difference between a gift and a bribe. A focus group respondent sometimes would claim that it must be a gift if no money is involved, somehow making the action more justifiable morally. "We're not talking big....Well, I never bribed any of them, not even five dollars, believe me" [FG1: 8]. Of course, there no economic difference between money and something valuable that could be purchased for money. A respondent sometimes would claim that it must be a gift if not asking for anything illegal, if all the documents are in order. "Anyway, if I wanted to give a little something, it was a bottle. But my files are perfect. Nobody could complain" [FG1: 8]. A respondent sometimes would claim that it must be a gift if it is not coerced by the agent. When challenged about the bottle offered "in order for your file not to end up under the big pile," one individual who clearly fit the category of Old Apparatchick answered, "If you want to be nice to somebody for not getting in your way, that's different" [FG1: 8]. Corruption, to those seeking to excuse their actions, exists on a much higher level. Yet, in conversation, the other respondents were not taken in. The practice of giving a small "atentie," a little

attention-getter, was not seen as simple generosity, that corruption was involved if the exchange was not purely "in one direction" [FG1: 9]. Firms sometimes maintain protocol funds to finance them. The agent usually expects to receive them. It is anticipated that the agent will bring good-will and better service. "Here's something for you if you only care to do me a favor" [FG1: 9].

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

Our focus group data tilt toward the former interpretation. For the most part, our respondents, representing middle-sized firms, are not members of major clientele networks. Operating without special connections, they sometimes complain about the advantages obtained by those with "sponsorship contracts" [FG2: 14]. Those few who belong to such networks mention the benefits received from their personal relationships, especially with elected politicians. "If you go to the Chamber of Commerce, where there are fifty persons in one room, you cannot communicate with anybody. I call (the mayor). While drinking coffee...we talk one-on-one, I solve my problem, and he complains that some bureaucrats have no connections to the practical world" [FG3: 8]. A similar respondent bragged of his friendly connections to the city's politicians. He has received a lucrative contract, and in return "my obligation is to hire local people, to help the schools, the roads, etc. These are normal things and interests" [FG1: 4-5]. However, one can also find oneself a member of the wrong network and thus risk additional costs. "We had problems with the first (project requiring approval)...we had so many problems and kept being turned down until we bribed them. But with the second project everything worked smoothly because the firm's name didn't appear on it" [FG4: 21-2].

FROM AGENT TO CLIENT (II) -- LARGER SCALE CORRUPTIONS

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

not especially powerful individuals, representing relatively minor firms economically, the scope of their corruption with theft was also relatively minor.

The most common form of corruption with theft, probably in all countries, is bribery to avoid traffic fines. "I drive 'tough' on the highway and, instead of paying the fine...I prefer to give the guy the sum he asks for. If he says four hundred thousand, I give him that. If he says it cannot be done, I do not. We are all, probably, to blame for corruption" [FG2: 15]. Sometimes, however, the bribe is to avoid more serious business penalties, although the respondents, sensing the moral disapprobation attached, usually found a way to excuse their behavior. "Once I omitted to (pay a tax). I was in a hurry to go on a trip and I let somebody else do it....The person didn't do it and I forgot to inquire about it, but (the Finance Department) remembered it and came to fine me. Instead of giving them twenty thousand, I just gave them four" [FG2: 15]. Finally, there were episodes of corruption with theft mentioned in which the business respondents, having a exclusive state contract and therefore serving as the principal's legitimate agent, themselves suffered the revenue loss. "The bus terminal in (a city) is mine. According to Romanian laws, all busses have to pass through it. But the City Hall just gives the busses some stamps so that they do not have to pay their dues to the Terminal anymore. So the Terminal is going to die" [FG3: 9].

Importantly, our focus group participants assert that, while corruption is rampant in Romanian society, their own activities are not especially significant. "Of course there is corruption everywhere, but this usually happens at higher levels. With us, they are petty thieves" [FG4: 24]. Explicitly, the respondents from middle-sized firms make a clear distinction between small and large scale corruption. Many of the respondents profess their honesty, as a natural attitude for entrepreneurs seeking to build a modern Romania. Others imply that the illicit activities they might have undertaken were, for the most part, necessary in order for their firms to survive in a hostile environment. Responsibility for pervasive corruption lies elsewhere. "Every day I see the following proverb manifesting itself in Romania: A fish gets spoiled beginning with the head. I am convinced that this spoiling does not come from the small ones" [FG2: 2]. The sum of their activities do not amount to much. The location for major corruption lies elsewhere. "We don't work that high," said one respondent [FG1: 9]. According to another, "We're too small, too small a level....Thus we could, maybe, corrupt but a small clerk" [FG3: 14].

Our respondents regularly spoke as if there existed a sharp separation between 'us' and 'them'. There was a persistent complaint that the system was tilted considerably to advantage those with power, money, and connections. "Those in the political sphere work as long as they are in those positions. Their mandate is, if I stay here, I stay supported by whom? By monopolies" [FG1: 4]. Regarding legislation, "certain laws are made in such a way as to benefit only some" [FG3: 14]. Regarding administration, bureaucrats allegedly are told, "keep out of there; don't you know that the guy is busy building himself a mansion" [FG2: 8]. There was little belief that field of economic competition was level, with equal treatment for all. "This is typical of an economy which is not properly settled yet. They still apply double standards" [FG4: 3]. In fact, some

respondents speculated that things were intentionally organized against them. "Those big firms probably make contributions to some person's pocket to sabotage us" [FG2: 7].

There is an additional, racial dimension to the category of 'them', who ostensibly gain special advantage under corruption. One respondent asserts that an illicit bargain certainly exists in order for Chinese goods to enter the country at incredible prices. "I buy my materials from the best suppliers and I am well-informed. I buy in bulk, I buy at half-price. Nevertheless, the Chinese beat me and I have no reply" [FG2: 4]. Another complains about certain Arab families building expensive houses. "Well, the conclusion, the Arabs worked perfectly with the customs guys. They smuggled in tens of trucks of beverages, spirits...lots of cigarettes," without taxes but in exchange for a generous fee [FG3: 13]. Predictably, there were allegations regarding Gypsies. "Just make a trip to Huedin and ask the gypsies there, those who have never worked in their lives...where the heck have they gotten the money to build such houses?" The answer from another respondent was, "The gypsies are not small stuff, not a trifle in this thing" [FG3: 12].

One implication of conspiratorial logic of this sort is that assertions are made with almost no direct evidence. The very fact that major corruption occurs allegedly elsewhere entails that these participants are not party to it. Their information therefore comes primarily from hearsay, reputation, and rumor. The little that they actually do know from experience only fuels their suspicions. "As long as they do this at the (local office), they make a lot of money there, just imagine how much they must be making at the ministry level" [FG2: 14]. The fact that they lack personal information only confirms their belief that more must be occurring outside of their sight. "I would be willing to pay a lot to the person who can prove to me those guys do NOT get their share of the money" [FG2: 14].

Grand corruption is an convenient assertion to make. It provides a welcome excuse for business frustrations, which are common in Romania. It helps to explain allegedly unfair treatment from the state. Also, it implies that national problems are not inherent, but instead that everything could have been better had only important resources had not be stolen away. Such large scale corruption generates popular headlines for journalists, who find it easier to blame some individual than explain the complexity of policy problems under transition [Stoiciu 2002]. It supplies a ready target for politicians, who use it to implicate opponents. Certainly, the object here is not to claim that grand corruption in Romania is either overstated in extent or overemphasized in importance. Just the opposite, there are many examples documented in the literature [Mateescu 2002]. Rather, our point is that a solid understanding of this sort of corruption, its extent and effects, its rationalities and motivations, cannot be generated from our focus group study of middle-sized firms in Cluj. Instead, the data reflect the beliefs of respondents who explicitly are not direct participants in this sort of behavior, and must always be interpreted as such.

The focus groups respondents did, however, refer to a number of different forms of grand corruption, all of them familiar in the literature. First is the existence of "business politicians" concerned less with policy than with running extensive patronage

networks, trading favors for favors, and in the process accumulating power and money [della Porta and Vannucci 1999]. According to one respondent, "Mayors are very interested in the enterprises that would require something from them." The thought was continued by another: "They have to collect their income...to be able to pay their people" [FG1: 5]. Or from a different group conversation, "In order for a party to get power, it takes money. Money can be obtained from such firms..." [FG3: 15]. Yet, as expected, access to these clientele relationships allegedly was restricted, pertaining to a sphere apart from the one in which most competitive, small and medium sized firms struggle to survive. "They do have contact, for sure, but only with the strong ones from whom one can really get a consistent gift, a prize, a son can be hired, a nephew, something strong" [FG2: 2]. Few of our respondents fit that category.

Second, the respondents mentioned occasions of large-scale corruption with theft, in which privileged firms gain windfall profits by virtue of their special connections with agents who ostensibly were willing to betray the state. "Low interest loans, not to mention the ones you don't have to pay back, they are given in Bucharest, anyway, and are granted to a political clientele, either by friends or as bribes. That's corruption, you know those things" [FG4: 3]. Allegedly, the benefits are garnered by large firms who use their privileged position to undermine fair competition. "Maybe, if we were like the (a firm name is mentioned), we would get to corrupt at a higher level. So that they would tell us, those who pay until a certain date are exempt from fines" [FG3: 14]. Their special access not only guarantees benefits but protects the firms involved from investigation by the principal concerned about the loss of required funds. "The guys buy at half price on the one hand and make three times the money on the other -- that's a form of evasion that eludes any control, no checking for three or four years, until all the documents disappear" [FG3: 15].

Third, the focus group participants speculated about the role of black money in the economy, usually in the context of proclaiming their essential honesty. "In my field, it's about 40-45 percent. It is the sales field; everybody knows it is easy to work there, it's always been easy. In the Bucharest area, it's 90 percent, in the south" [FG4: 26]. Another respondent carefully distinguished the use of 'atentie' helpful for their files to be processed from the realm of much more serious corruption. "Corruption has assumed a different form...dirty business in the subterranean economy, in smuggling...Those are really the things that could be considered illegal" [FG1: 10]. Black money, to them, is essential to those firms, existing other than themselves, who effectively bribe major politicians for major concessions. "They work hand in hand...One cannot exist without the other. If you do not have black money, you cannot pay" [FG3: 15].

Finally, there is deep suspicion of state capture, defined in the literature as firms "shaping and affecting formulation of the rules of the game through private payments to public officials and politicians" [Hellman et. al, 2000b]. This is an especially dangerous form of grand corruption, in which certain firms benefit, not because of exceptional favors but instead because the very structure of state laws and regulations are written with bias. No rule is neutral in its effects. Yet there is a distinction between rules that discriminate inadvertently, in the pursuit of public policy goals, and rules that discriminate with

intention, constructed with the purpose of tilting the economic playing field. "Do you believe those big firms in Bucharest...Simply a ruling that says 'you're exempt from taxes for a month.' Well, they already have their goods all ready on board a ship in Constanta, it's all ready at anchor, so there comes five trucks and they unload electronic equipment. It all shuts down afterwards. And they make at least twenty millions dollars with this" [FG3: 15].

Again, our respondents generally spoke of their impressions, without direct, personal evidence. According to one respondent, "There are loopholes, of course, within every law, that are probably left by its makers just in case, for some, probably" [FG2: 13]. Similarly with administrative practices, "The auctions, most of them, are correct as long as they deal with the things on their lists. The influences appear before the auction" [FG1: 3]. There was speculation in two of the focus groups that this kind of advantage often is paid for in shares rather than cash. "As long as politicians are part of the shareholders in these firms, they can lobby for these firms at the expense of others. That is possible" [FG2: 7].

The focus group condemnation of grand corruption is so vehement, possibly because the firms represented believe they are on the outside. Ostensibly, they are the losers from such a practice, as opposed to those small scale corruptions they might be tempted to undertake. To the respondents, small corruption, especially without theft, are perceived as sometimes necessary to help them survive in a hostile, competitive environment. By contrast, grand corruption allegedly makes their competitive success more difficult. Differences in reaction therefore stem, most probably, from differences in self-interest. This is explicit with respect to taxes. "It is often like the Romanian saying, one beats the bull that will pull the yoke...We are the ones who have to stand it. We, who bring some income to the state, have to pay all kinds of taxes, always new ones, while those who elude the laws are making fun of us" [FG4: 3-4]. Allegedly, corruption is a system that transfers money from those who produce to those "who do nothing but just consume" [FG4: 25]. It places ever increasing burdens on small firms but exempts the great plants who owe "thousands of billions, sums that I have difficulty to imagine" [FG2: 12]. "We are the blood of this system, we are the ones who pay....That's the only source the system has, and it will squeeze it until it dies" [FG3: 12].

In general, there exists a set of strong, overlapping dualities in the thinking of our focus group respondents, between small and large business, private-entrepreneurial and state-connected firms, between those struggling in a competitive economic context and those who have escaped competition by illicit means. The former group is not always ethical, but its behavior is comprehensible and often justifiable; the latter group is constituted by predators whose self-interested activities place extra burdens on the Romanian economy. This perception, in turn, has important consequences regarding the attitude of our respondents toward the principal actor in our model, Romanian society and its state apparatus. Neither seems to have the willpower to reorganize business conditions and establish the foundations for more ethical market relationships. Thus the respondents are quick to express skepticism, despite their best hopes, about the possibility of effective social reform.

FROM CLIENT TO PRINCIPAL

Our business focus group respondents, like all individuals, loved to complain. What is surprising, however, is that they had little to recommend, from client to principal, regarding potential policy solutions. The moderator prompted explicitly, asking the groups to assume that she was an adviser to the government minister concerned expressly with the problems of small business. Nevertheless, the respondents preferred to speak in the negative rather than the positive. Whether it was from inexperience in the role of policy consultant or from a deep pessimism regarding future reform, there was virtually no conversation about options that might possibly be tried. Instead, the general opinion was that little could be done. In one group, three successive individuals expressed the same point. According to the first, "In order to achieve [reform]..., these guys need big scares like the Fall of '89 to come down to earth." The second followed, "Unless something bad happens, something with a big impact on things...I don't think things will change." And the third concluded, "It would take something radical to make a change for the better" [FG2: 18].

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

Our focus group respondents certainly believe that corruption is pervasive within Romania, "beginning with the traffic officer who stops you in your car and ending with the highest levels" [FG2: 14]. For three express reasons -- for moral self-respect; to escape perceived coercion from petty officials; and because they suspect that the illicit benefits obtained by larger, better connected firms tilt the competitive field strongly against them -- they believe that in general they lose far more than they gain from such a system. Thus they openly profess their preference for less corruption. "We need correct and equal treatment for all the economic agents" [FG2: 13]. "Let's be in the same boat, all of us" [FG3: 6]. "I want us to have clear legislation that would assure me what is rightfully mine" [FG4: 26]. In a group conversation, two individuals discussed a line

from the movie, *The Octopus*. One attempted the full quotation "Corruption, yes, in a democratic system always...a little corruption always works like the grease that helps the mechanism function better. But if it is too much, it spoils things." The other commented, "It probably is an exaggeration, we won't be able to eradicate corruption, but we should at least try something" [FG4: 23].

The problem is that they had little confidence in the attempt. "(Corruption) is what everybody does, probably, though I would prefer the system to adapt itself. So that I couldn't cheat on anybody and nobody could play tricks on me. But, in a country like ours..." [FG2: 17]. The lack of progress in the years since the Revolution is taken as indicative. "We have corruption but no corrupt people....It's not possible to have so many people who did unimaginable things and not take any measures about it" [FG4: 23]. Allegedly, "there is no will to solve the corruption issue, which is already generalized" [FG4: 4].

Often, blame for inaction is placed on the central government. "If the big scary ones in Bucharest shouted a bit louder, all the little fish out there would start working like clockwork in order to hold their jobs" [FG2: 2]. Yet there was no expectation that the reform effort would ever be led from the top. "We know that those who have acceded to power have received certain unorthodox financial support, financial support they have to give back. How? By granting fiscal concessions to those firms that were willing to sponsor them" [FG3: 11]. The political elite, being implicated, was assumed to be unwilling to initiate change. "As long as all kinds of crooks get to be elected to the Romanian parliament...well, you just give them the honey jar and tell them not to stick their finger into it" [FG4: 24]. Nor do democratic controls appear effective in restraining acquisitive behavior. "You keep telling me that they are kept responsible (by elections), but in fact they are not. These guys come to me and to their constituency like to some herd of cows, and they simply walk away" [FG2: 19].

On the other hand, the respondents also realized that solutions to the problem of corruption might start with their own behavior and that of their colleagues. In this regard, they face the classic n-person, prisoners' dilemma. Their individual action has virtually no effect on the net cost of corruption upon society as a whole, whereas the sum of those individual actions can have a significant effect. Each person calculates separately, however, and concludes: if no others are corrupt, then my small corruption does not actually damage society, if all others are corrupt, the social damage is irrevocable whether I am corrupt or not and I suffer competitive disadvantage if I defer. One might believe that widespread corruption is individually unfair and socially harmful; one can oppose corruption on ethical grounds and prefer its eradication; but one will not reduce his corrupt activity on the grounds of pure economic rationality. According to one respondent, "The system is still in a kind of equilibrium that is not favorable to us, the ones who work with receipts" [FG3: 12]. A different respondent asserted that many local businessmen always pay their taxes and fees correctly. "But there is no use in paying them," interjected the other [FG3: 12].

The respondents have not had much success with cooperation. One mentioned a small business association that was little more than a front for coffee smugglers [FG2: 11]. Another spoke of an international trade delegation in which many went merely to buy cars [FG4: 22]. There was also doubt whether cooperation is possible among competitors who "do not even greet each other in the street" [FG2: 11]. To some, the problem is the Romanian character. "Our Romanian is always in search of a way to skirt the law, and because of that we are losing a great deal" [FG2: 3]. To others, Romanian conditions are at fault. "I bet that...the Americans who would come here would become corrupted too...I am convinced that everybody would become corrupted" [FG2: 20]. Allegedly the country is trapped a vicious circle, in which corruption undermines growth but only growth can reduce corruption.

The logical solution, given such frustration, is retreat. "It is not my business to clean up the Customs and the Finance Departments" [FG2: 15]. To another, as long as the government does not take major action, "there's nothing we could do" [FG3: 16]. Some of the business respondents abstained from corrupt practice for personal and moral reasons, preferring not to dirty their hands. "I wash my hands of it and do not wish to get involved into anything of this sort" [FG2: 27]. Others admitted that they have lost their scruples to practical necessity. "I'm in a situation where I have to adapt myself to the Romanian business environment...thus, I'll have to pay somebody in order to get what is rightfully mine" [FG4: 29]. Yet none took the position that the eradication of corruption was something they and their colleagues were able to effect.

CONCLUSION

According to our focus group data, from principal to agent, the Romanian state apparatus is held in disrespect, believed to be lacking the capacity to control the bureaucracy and the inclination to establish a clear, coherent playing field for economic activity. Allegedly, the result is extensive opportunities for corrupt behavior. From agent to client, small scale corruption without theft is often justified as a practical necessity, despite overall economic inefficiency, in the struggle for business survival; larger scale corruption is viewed as a source of major economic distortion and unfairness. Together, allegedly, they indicate the pervasive character of corrupt behavior. Finally, from client to principal, there is little expectation of reform and little inclination to try, as the respondents viewed themselves as too small, disorganized, and powerless to make a difference. Allegedly, there is persistence and perversity inherent to widespread corrupt behavior. A functioning democratic society requires high policy responsibility from its leadership, combined with high personal responsibility from the mass of citizens. With respect to the issue of corruption, our business focus group respondents expressed confidence in neither.

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