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“A friend gave me a phone number” – Brokerage in low-level corruption

David Jancsics

The City University of New York, The Graduate Center, 365 Fifth Avenue, Room 6112.04, New York, NY 10016, United States

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Abstract

Corrupt exchanges are often brokered by a third party, but this phenomenon has not been satisfactorily explored by researchers of corruption. Literature on brokerage in general provides interesting models but they have not previously been applied to corrupt exchanges. Based on in-depth qualitative interviews with respondents who participated in actual corrupt transactions, this paper identifies several distinct brokerage types in low-level corruption in contemporary Hungary. The paper also provides explanation of variation in corruption brokerage in terms of actors' group affiliations, forms of the corrupt exchanges, brokerage mechanisms, as well as neutrality, benefit and motivation, risk distribution, and stability of the brokerage structure. Finally, we discuss some policy implications of corruption brokerage.

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1. Introduction

Low level or petty corruption involves relatively small sums of money or exchanges of other resources between bureaucrats or shop-floor employees and ordinary people. Informality and petty corruption had a long tradition under the Communist regime in Hungary, and in other Central and Eastern European (CEE) countries (Jowitt, 1983; Galasi and Kertesi, 1987). After

E-mail address: djancsics@gc.cuny.edu

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the Communist system collapsed, the phenomenon of petty corruption persisted and even proliferated in these societies (Holmes, 2006: 114; Kotchegura, 2004). Many post-socialist countries are network-oriented cultures where corruption has a multiplayer transaction form (Sik and Wellman, 1999; Szántó et al., 2013). Despite the fact that such exchanges often involve “middlemen,” corruption brokerage is a rarely examined phenomenon.

This paper is distinct in that it brings together brokerage concepts from the anthropological and Social Network Analysis (SNA) literature in the examination of low-level brokered corrupt exchanges in contemporary Hungary. Using data from a qualitative field research conducted in Hungary between 2009 and 2011, this paper attempts to develop a more systematic explanation of corruption brokers in petty corruption. The three main research questions we address are: What are the main exchange forms through which resources are transferred between a client, a broker and an agent? What are the main mechanisms through which resources are brokered? What are the possible explanatory factors of variation in brokerage?

According to perception-based measures, the level of corruption in Hungary is close to other Central European nations such as Poland, Czech Republic, and Slovakia (Transparency International, 2012). The average Corruption Perceptions Index (CPI) score of these four countries (52.2) is higher than the Eastern European and Central Asian mean score of 33, yet the region lagged far behind the Western European average of 71.8 (Transparency International, 2013). The level of corruption in Hungary does not appear to be decreasing. During the last decade the country shifted down to a more unfavorable position on the CPI global country rank from 32nd in 2000 to 47th in 2013. According to the recent *Special Eurobarometer Survey* (2012), about 96% of Hungarians agreed that corruption is a major problem.

This study focuses on a special type of low-level corruption in Hungary: brokered corrupt exchanges, where there is a third party acting as a middleman to set up or carry out a corrupt exchange. Due to cultural, historical and structural factors, informal social networks were more widespread in Communist countries than in Capitalist ones (Sik and Wellman, 1999). The possible reason of this is that Communism in CEE came into power in post-peasant and small-town societies in which the population lived in close local communities with strong personal ties. Since these informal structures provided low-risk infrastructure for illicit economic transactions, the network oriented culture remained strong in Communism, serving as a survival tool under the rigid and over-centralized Communist bureaucratic system (Lomnitz and Sheinbaum, 2004). For example, the *blat* in Russia or the “so called” *second economy* in Hungary were important means for ordinary citizens to, “get things done” (Ledeneva, 1998; Hankiss, 2002, p. 248; Heinzen, 2007). These informal networks survived in post-Communism and became even more widespread since people had to cope with emerging inequality, skyrocketing unemployment and other shocks caused by the collapse of the Communism, with uncertainties brought by the new Capitalist system (Sik and Wellman, 1999). A recent empirical study suggests that the network-type corruption with multiple participants is growing in contemporary Hungary (Szántó et al., 2013).

The notion that corruption has a multiplayer structure with several intermediaries stands in contrast to the predominant principal-agent model which treats corruption as an illegal transaction between two actors: an agent and a client (Banfield, 1975; Shleifer and Vishny, 1993; Lambert-Mogiliansky et al., 2007). While some corruption scholars have recognized the role of a middleman in corrupt exchanges, there are crucial gaps in scholarship concerning corruption brokers. Most of these studies focus only on the functional explanation of such practices and do not analyze the structures and micro-dynamics of actual corrupt exchanges (Lambsdorff, 2007, p. 136; Drugov et al., 2011). Moreover, studies focusing on corruption brokerage do not

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