Education corruption, reform, and growth: Case of Post-Soviet Russia

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ABSTRACT

This paper investigates a possible impact of education corruption on economic growth in Russia. It argues that high levels of education corruption may harm total factor productivity in the long run, primarily through lowering the level of human capital and slowing down the pace of its accumulation. Ethical standards learned in the process of training in universities can also affect the standards of practice in different professions. The growing level of economic productivity is not likely to reduce education corruption in the short run, but can eventually lead to implementation of higher ethical standards in the education sector.

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1. Introduction

The question of the impact of education corruption on economic growth remains in the realm of speculations and some theorizing. There is a lot of research done on human capital, education, economic development, and growth. There is also a substantial bloc of literature on corruption and economic development and growth. This bloc of scholarly literature, however, is represented mostly by theoretical works. Few empirical works have been produced so far, primarily due to the lack of data. Reliability and validity of the existing scarce data on governance and corruption also remain as an issue. In this paper, we target education corruption, human capital, and growth in Russia. More specifically, we look at corruption in education and at its possible implications for economic growth in Russia. We consider specific aspects of education corruption and their probable impact on growth. These aspects include interactions between education corruption and total factor productivity and interactions between corruption and the structure of the national economy.

Education corruption may be harmful for productivity while higher productivity may reduce education corruption. Education corruption may to a certain extent define or

influence the structure of the national economy. Corruption in the education sector may be reduced through changes in the economic structure. All of these are mere speculations or hypotheses to be researched rather than definitive statements. The areas to be touched upon are the education sector, labor market, level of concentration of property rights, and distribution of property rights on the means of production. This paper starts with a general overview of the nexus between corruption and economic growth. It then presents specific issues of education corruption in Russia. These two sections form the informative base for the discussion section, in which we consider possible impact of education corruption on economic growth. In conclusion, we offer some policy recommendations in the context of economic transition.

2. Corruption and economic growth

Corruption is a growing problem in Russia and receives more attention now than ever before. According to some estimates, transition economies are believed to be among the leaders in terms of corruption. The surveys conducted by Transparency International and by the World Bank picture Russia as a very corrupt country. According to the Corruption Perceptions Index (CPI), developed and calculated annually by Transparency International, Russia was 79th out of 91 countries surveyed in 2001. In 2010, Russia was in 154th place, with the score of 2.2, out of 178 countries, sharing the neighborhood with such countries as Cameroon and Zimbabwe (Transparency International, 2010). CPI scores relate to perceptions of the degree of corruption as seen by business people and country analysts, and range between 10 (highly clean) and 0 (highly corrupt). The lower the numerical value of the country's score, the higher the level of corruption in the country.

The All-Russian Center for Research of Public Opinion (VCIOM) conducted a study of corruption perceptions among Russians at the end of 2008. 30 percent of the respondents marked the level of corruption as very high, while another 44 percent as high. 19 percent considered it as average and only 1 percent as low. The most corrupt in people's minds are traffic police (33 percent), local authorities (28 percent), police (26 percent), healthcare (16 percent), and education (15 percent). 52 percent of the respondents had experiences of giving money or gifts to medical professionals, while 36 percent made informal payments to educators (Leonidov, 2009). According to the data, presented by the Attorney General, major categories of corrupt civil servants in Russia are members of college and university faculty, school teachers, policemen, and doctors, but not state bureaucrats.

The number of corrupt civil servants does not correlate directly with their total number or the level of a region's economic development. The number of reported cases of corruption in Russia continues to grow. There were 12,500 cases of bribery reported in 2008. That is a 7.7 percent increase as compared to 2007. The number of recorded abuses of public office in 2008 has reached 43,500, i.e. an 11.4 percent increase since 2007. The number of bribes in business, however, has declined 23.8 percent, down to 1712 cases. Police investigators presented courts with 27.4 percent fewer cases of corruption in 2008, than they did in 2007. For investigators in the prosecutor's department this decline is equal to 4.5 percent in overall cases (Newsru.com, May 5, 2009). Despite all the claims of the authorities on the uncompromising fight against corruption, the real numbers show opposite trends.

Over 80 percent of all of those sentenced for bribery received less than $1000 each in illicit payments. Only 189 court sentences were handed in 2008 to bureaucrats of all levels, including federal, regional, and municipal level bureaucrats. These categories of bureaucrats are prosecuted for bribe receiving. The majority of those prosecuted for bribe giving consists of drivers. They routinely pay bribes to the traffic police officers. However, when the police officers are under watch by their own controllers, they may arrest a driver for the offer of a bribe and send him/her to court. Such a statistic is very surprising since one would expect businessmen to constitute the bulk of those who pay bribes and, under the effective anti-corruption campaign, are prosecuted for bribe giving. Apparently, this is not the case. The chair of the non-governmental organization against corruption, Kirill Kabanov, says that the government only catches those corrupt civil servants who are easy to catch. He also believes that more than half of all the court cases against corrupt civil servants are a result of mere provocation. Street level civil servants are a major target for anti-corruption campaigns, but not even street level bureaucrats (Kornya, Holmogorova, & Nikol'skij, 2009).

Rose-Ackerman (1978) considers corruption as an "allocative mechanism" for scarce resources. The state monopolizes certain allocation functions, be it permissions and licenses, or access to public services. State officials' profiteering is based on abuse of their discretionary powers and monopolistic positions. Referring to Klitgaard (1988, p. 23) Gong states that corruption: "occurs when an agent betrays the principal's interests in pursuit of his/her own or when the client corrupts the agent 'if he or she (client) perceives that the likely net benefits from doing so outweigh the likely net costs'" (Gong, 2002, p. 88). According to the "grease-the-wheels" concept of corruption, it helps overcome bureaucratic obstacles that remain from the previous regime. This may be especially true for Russia during the transition period of the 1990s. There are some methodologies that allow approaching the issue of corruption and measuring it (see, for instance, Bellver & Kaufmann, 2005; Besançon, 2003; Kaufmann & Kraay, 2003; Osipian, 2007a, 2009c), including legalistic (Kaufmann & Vicente, 2005; Zimring & Johnson, 2005), quantitative (Heyneman, Anderson, & Nuraliyeva, 2008), and economic ones (Kaufmann, Hellman, Jones, & Schankerman, 2000; Rose-Ackerman, 1978, 1999). Lancaster and Montinola (1997) suggest that studies of corruption should assess rival explanations.

Svensson (2005) notes that it might be true that higher wages for bureaucrats reduce corruption, but there is not enough evidence to support it (pp. 32–33). According to the data analysis, presented by Shleifer and Treisman (2003, pp. 27–28), administrative corruption is very high in the poor countries of the former Soviet Union, such as Uzbekistan, Armenia, and Azerbaijan, lower in the Russian