Impact On The Perception Of Corruption

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Abstract: Perception of corruption in Slovenia since 2000, more than not fell, year-on-year, the index of perception of corruption grew or was in the previous year only slightly reduced (but was strong growth between 2003 and 2008). After 2008, there was a break and index began to fall sharply. Corruption certainly was not significantly more than in previous years, and something else had to lead that change. Therefore, the paper examined which have important economic indicators which influence the changes in perception (perception) of corruption (increase or decrease) in Slovenia, and how changes in individual economic indicators affect the perception of corruption. As independent variables were chosen unemployment rate, purchasing power and the change in GDP and in the paper, studying their impact on the index of perception of corruption as the dependent variable.

Keywords: Corruption, Slovenia, perception of Corruption, causes of Corruption, standard.

I. Introduction

Slovenia cannot be proud of the research of the world company Ernst & Young (2013) published in Die Welt which has found that Slovenia in Europe is not a famous record holder, because the proportion of managers, to whom bribing is usual is 96%. Slovenia is followed by Croatia with 90% and Ukraine with 85% (also former communist country).

Is there really so much corruption in Slovenia or is there a cause, that the perception of corruption rises and the index of perception of corruption falls, in the real growth of corruption or the Slovenes was finally reduced the level of tolerance according to corruption in the time of economic crisis. The paper published in Die Welt (2012) has shown that Slovenia is just a little above the average EU27 according to the number of people, who are at risk because of corruption every day. So there is a question is the influence of falling of the general living standard increased the sensitivity of people and that is why they perceive the corruption there, where it is not present.

Each new car, new employment in the central public administration, in the state companies, building a prestigious house, everything is connected to corruption or there is a suspicion (Malnar, 2011, Ferencina in Kozorog, 2009). The influence of corruption is according to the facts against the public opinion, concerning three different aspects (theoretical, specialised public and the statistic facts) very well introduced by Škrbeč and Dobovšek (2013).

Corruption in Slovenia definitely exists. In the last years Slovenia is shocked by corruptible affairs that pull their roots from the first years after the Slovenian Independence and from the partly successful transition from the communist to democratic state with the market system. In the corruption there is an influence from the state officials to the economists in the public as well as in the private sector. Some examples of the corruption have already been investigated and completed by the court, some of them are waiting for the court hearing, a lot of them are in the investigation phase and for many more examples there are just indices.

Corruption consists of three elements: moral, behaviour and authority (authority body) and some authors (Gould. 1991 p. 468) determine it particularly as the moral problem: Corruption is non-moral and unethical appearance which contains some moral deviations from the moral standards of the society that cause the loss of respect and trust in the authorities (authority bodies). And there Slovenia is different from the other post-communist states in the Eastern Europe, not according to the fact that it was and still is the most developed transitional country. Unfortunately the other samples of behaviour of people are the same as they were before democratic changes or they are just slightly different. Many things can be done by connections and acquaintances. And people still unconditionally agree with that.

According to the law of complexity and prevention of corruption (ZintPK, 2011): “Corruption” is any infraction of treating the officials and people in charge in the public and private sector as well as treating people who have the initiative for infraction or people who can benefit because of directly or indirectly promised, offered or given and demanded, accepted or expected reward for themselves or anybody else.
Corruption appears in all areas of the social life, everywhere where there is profit or reward for individuals, groups and companies. There isn’t only one cause, but there are more and they operate connected in combinations that provide corruption. There are causes made from political, social, economic and social conditions of the individual state as well as the historical development, customs and culture (Horvat, 2008).

II. The Survey Of Literature

Corruption in post-communist countries

Karklin (2002) classified three types of corruption in his research: (1) Corruption between lower officials or corruption in the level of Public Service, where exists bribing of participants in public works programme having the intention of breaking the rules, the excessive legal regulations or messiness of the individual areas of law and the use of permission and authorisation (for example inspections) for blackmailing; (2) Corruption between officials by controlling of the state property where there is the changing-over the open sources, missed controlling of the public sources and the financial gain of those, the financial gain from the privatisation, negligence by the public procurements and the nepotism, clientelism and selling of working places; (3) “Abduction” of the state by corruptive networks, that is the resumption of public institutions for private businesses or criminal activities, hidden networks with the intention to create the political competition, misusing of the judicial authorities, the corruption of judiciary, misusing of revision, searching and supervisory authorizations, the compromising for political blackmailing and forcing, the corruption of media and different ways of influences on free election (black funds, dissimulated advertising).

To draw a conclusion from the above entry, the main objects responsible for the event and development of corruption of post-communist countries are: (1) Relatively high regulation and restriction of economic activities which gives the mandate and power to officials by making decisions, individuals are prepared to pay or offer payments to avoid restrictions and relatively low pays of civil servants, who are improving their material standing by taking bribes (2) The dearth of professional ethics and faulty legislation which arrange the area of corruption as the criminal offence and its ineffective sanctions (3) Customs and tradition has shown that in past-communist countries corruption is almost a normal socially accepted event, because in communism (socialism) corruption was a part of folklore tradition to differentiate between the countries with democratic past, which prosecuted corruption.

The similar conclusions we can find by Kasdin (2004) by exploring corruption and its influences in Bulgaria and Mongolia (both of them are post-communist countries), although he searched for the comparison between them. But also in this comparison he found the elements of corruption (corruption in general government, police, judicial administration, between the elected politicians), that results from the previous mentioned (factors) agents, responsible for the development of corruption in transitional countries.

The similar classification of corruption according to its type and the subject matter we can find by Hren (2002, p. 169-170): (1) Insignificant or casual corruption (some examples and scarce examples with insignificant meaning); (2) the simple systematic corruption, where corruption relations are in the long term and liable to repetition and are usually restricted to the competence of the individual official; (3) The systematic corruption and economic criminal, which includes the large number of active and passive people according to the greater number of years; (4) The systematic corruption and non-economic criminal which refers to organised non-economic criminal and includes the systematic influence of organised criminal on representatives of legislation, executive authority and judicial power as well.

Seldadyo and de Haan (2006, p. 14) differentiate between four different objects (determinants) of corruption such as: (1) economic, (2) political, (3) legal and official and (4) religious and geo-cultural objects. So it can be estimated that there are connections between individual determinants or objects in post-communist countries or relation between politics and economy or legalism or officialdom and economy. Everything is connected, because there still exist some networks from the time of communism that base on the residues of old administration, the old economic connections and the old friendship or often the world conviction or there are some new which base on the pure economic interest.

However corruption is present by large infrastructural projects. Badunova (2009) finds out on the example of Croatia which are the same for all post-communist countries: (1) Costs of building projects, where country is the investor, often excel the planned ones; (2) There are no quality analysis of expenses and benefits; (3) There exist irregularities by public procurements of all levels of government often connected to the building business, but there is nothing done about this; (4) It looks like that some building companies are in the privilege position; (5) There is large non-transparency by excepting plans, related to the building sector; (6) Controlling the local budgets is not good enough, a lot of money goes to building objects; (7) Country is a major investor in the building sector.

Corruption has the same effects in post-communist countries and furthermore (Blažek, 2011, p.411): (1) The influence on companies – its especially big influence is on minor and medium sized companies, because it makes competitiveness and profitability; (2) The influences of investments, that are because of corruption...
minor (bribing increases the expenses of investments); (4) Ineffectiveness of international financial help – financial devices are lost and do not reach the ones who really need them; (5) The worse quality of infrastructure and public acts – the best provider is not chosen, but the one who used the corruptive deeds; (6) The negative influence on tax revenues; (7) The negative influence on the state’s budget – by unjustified increasing of public consumption.

As well as in Slovenia many researches of corruption were done in the countries of former Soviet Union and everywhere we can find the same problems or samples of corruption in each and every country. Among the variety of studies of this topic the researching corruption in Georgia (Engvall, 2012), researching corruption in Hungary (Fazeskas et all, 2012) and the study of corruption in Ukraine (Shelly, 1998) and the influence of corruption on farming direct foreign investments in the countries in transition (Smarzynska, Wei, 2000) can be exposed.

Corruption in Slovenia

How does the corruption in Slovenia differ from the other countries in transition? Just a little bit because corruption in Slovenia is more sophisticated, more hidden and less rough than in some other post-communist countries. There is less force, treats and relations to the organized criminal (except to the organised economic criminal), but still negative influences are more or less the same or similar. There still exist the residues of old administration (judicial administration as well), loyal to the former regime or the old leaders, but there are still old friendships and old economic connections (so called Old Boys). There are also connections which base on the residues or communist party and informing and security jobs (so called UDBO mafia), who use many methods also typical for other socialist countries (compromising, blackmailing, hidden force and the influence on media…). The same network of people who are much related and help each other was formed in Russia in Komsomol (Dobovšek, Minič, 2005, p. 39).

If the two branches acted separately, the influence of corruption would be easier to handle. There is a big danger for democracy as well as economy that the two branches act connected, because the old economic relations, the residues of old administration (judicial administration as well) and the residues of so called UDBO-mafia act related and in harmony.

The main reason for relations was, that the old president of Communist Party in Slovenia had the top position in republic, superior to republic executive council (the government of Republic of Slovenia) and directly superior to the republic security intelligent service or SDV (Service of the State Security – communist police). The politic summit had the absolute supervision by the appointment of directors or governances in (state) companies (just proven staff, by the political line).

When moving quickly from socialism into democracy in the year of 1991 the president of the new independent Republic of Slovenia became the last president of the Slovene Communist Party. The lustration was not carried out, that is the reason why connections and networks remained practically untouched. Through the transition so called forces got by political also the economic power and they still restrain the major part of leading media, a part of the state administration and a part of judicial administration. Nevertheless the unprogressive and unpaid bureaucratic body, the extreme regulation and restrictions of economic activities and still the major part in the country in big and important companies direct to the corruption. The special period is the public health system, where millions are lost according to very often modified public procurements (here are networks and interests of old cultures and continuities are strongly related to the appearing of new actors), the other doctors join them by their own-initiative.

The old actors are occupied by the new ones, who want their own share of participation by dividing the state money. These networks or individuals are interested in getting money more than ideology. Dimic (2007, p. 66) find out that the influence of informal networks is large on all aspects as well as on the aspect of economy, politics, the state institutions, health system, media… because of the littleness of the country are all aspects very closely related, and that encourages the farming and raising of informal networks. This aspect of giving and taking is present everywhere from forming laws, financing business, financing elections, employing people…

The special period are public procurements, where tradition is pulled from the former system of social property Petch (2001, p. 25) and where is not recorded rule that by any larger investments (roads, bridges) the smaller private or “social” object was built.

Some dating from the text above is determined by the research of Kurdija (2009) which was effected for the Commission for the Prevention of Corruption of Republic of Slovenia, where was among the respondents declared the conviction of relatively large spreading of corruption in public services, among the ones who had some experience concerning corruption are doctors and medical officers.

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1UDBA - the name of the former State Security Service (derived from Serbo-Croatian: Uprava Državne Bezbednosti) - a secret communist police, from which it is employed in the economy in influential jobs and at independence were quite a few influential directors of Slovenian companies, which are staff were SDV.
The existence of informal networks in connection to corruption estimated the research in years 2003 – 2004 (DobovšekDimc, 2007, p. 76) and the research of Norwegian Institute for the Urban and Regional Researches(Grodeland, 2005). There are some more researches or studies of corruption, where we can mention also Toni (2009), who examines the corruption on the level of municipalities and especially mayors and the research of the influences of corruption on dealing between economic subjects (Partlič, 2012).

III. Methodology And Data

Using the econometrical analysis – method of the smallest squares the influence of individual macroeconomic data: unemployment, purchasing capacity and changing of GDP on the previous year – like the independent variables on perception of corruption (like independent variable) was analysed.

The data for macroeconomic information for the period between the years 1999 and 2013 (15 years) is taken from the data of Slovene Statistical apparatus, data of index of perception of corruption got from the website TRANSPARENCY INTERNATIONAL. The index of perception of corruption, which was used in the study measures the corruption in the public sector among the officials … and politicians, so the administratory and political corruption. The index is based on surveys and researches which are deduced by independent institutions among so called experienced experts: so among businessmen, analytics and local experts and not on the empirical data. This estimate the abuse of authority, bribing the state administration, making use of the processes of public procurement, falsity of public devices, success of anti-corruptive operations in public sector. The hypothesis which was imposed was that at least some macroeconomic pointers (or their change) have influence on index of perception of corruption (or its changing).

Index of perception of corruption is the estimation of corruption in public sector, acquired from surveys and researches of independent institutions. The larger is the index the less corruptive is the country, by index 10 we can find the absolute absence of corruption, by index 0 – the properly corrupted country. (Source: Transparency International)

The rate of unemployment is measured in % collected in the periods from 1999 – 2014 and shows the changing of unemployment in Slovenia (Source: Slovene statistical apparatus).

Purchasing capacity expressed by the index, where the average purchasing capacity EU27=27 equal 10, as well there is a chosen period of 16 years (1999 – 2014) (Source: Slovene statistical apparatus).

The change of GDP in % shows the changing (increasing and falling) of GDP in the period from 1999 – 2014 (Source: Slovene statistical apparatus)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>INDEX of PERCEPTION of CORRUPTION</th>
<th>UNEMPLOYMENT in (%)</th>
<th>PURCHASING CAPACITY</th>
<th>CHANGING of GDP ACCORDING to THE PREVIOUS YEAR in (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>6,00</td>
<td>7,30</td>
<td>8,10</td>
<td>5,30</td>
</tr>
<tr>
<td>2000</td>
<td>5,50</td>
<td>6,70</td>
<td>8,00</td>
<td>4,30</td>
</tr>
<tr>
<td>2001</td>
<td>5,20</td>
<td>6,20</td>
<td>8,00</td>
<td>2,90</td>
</tr>
<tr>
<td>2002</td>
<td>6,00</td>
<td>6,30</td>
<td>8,30</td>
<td>3,90</td>
</tr>
<tr>
<td>2003</td>
<td>5,90</td>
<td>6,70</td>
<td>8,40</td>
<td>2,90</td>
</tr>
<tr>
<td>2004</td>
<td>6,00</td>
<td>6,30</td>
<td>8,70</td>
<td>4,40</td>
</tr>
<tr>
<td>2005</td>
<td>6,10</td>
<td>6,50</td>
<td>8,70</td>
<td>4,00</td>
</tr>
<tr>
<td>2006</td>
<td>6,40</td>
<td>6,00</td>
<td>8,80</td>
<td>8,80</td>
</tr>
<tr>
<td>2007</td>
<td>6,60</td>
<td>4,90</td>
<td>8,90</td>
<td>7,00</td>
</tr>
<tr>
<td>2008</td>
<td>6,70</td>
<td>4,40</td>
<td>9,10</td>
<td>5,40</td>
</tr>
<tr>
<td>2009</td>
<td>6,60</td>
<td>5,90</td>
<td>8,60</td>
<td>-7,90</td>
</tr>
<tr>
<td>2010</td>
<td>6,40</td>
<td>7,30</td>
<td>8,40</td>
<td>1,30</td>
</tr>
<tr>
<td>2011</td>
<td>5,90</td>
<td>8,20</td>
<td>8,40</td>
<td>0,70</td>
</tr>
<tr>
<td>2012</td>
<td>6,10</td>
<td>8,90</td>
<td>8,40</td>
<td>-2,50</td>
</tr>
<tr>
<td>2013</td>
<td>5,70</td>
<td>10,10</td>
<td>8,30</td>
<td>-1,10</td>
</tr>
<tr>
<td>2014</td>
<td>5,8</td>
<td>10,00</td>
<td>8,4</td>
<td>2,6</td>
</tr>
</tbody>
</table>

Source: EUROSTAT

MODEL

The primary econometric model was made for each independent variable separately and is:

\[
y = b_1 + b_2x_{2i}
\]

Where is:

\(Y\) – index of perception of corruption

\(X_{2i}\) – one of the independent variables
Model 1: The influence of unemployment on the index of corruption

It can be seen from the graph, that there are some connections. Especially in the year 2008 when the unemployment was the lowest, was the index of perception of corruption the largest or when the unemployment is lower the index of perception of corruption is raising and so the other way round, after the year 2008, when the unemployment started increasing, the index of perception of corruption began to fall (so by the low unemployment is the perception of corruption low and reversed).

![Picture 1: Ratio between the index of perception of corruption and unemployment](image)

Source: own

Model 1: OLS, using observations 1-16
Dependent variable: v2
Heteroskedasticity-robust standard errors, variant HC1

<table>
<thead>
<tr>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-ratio</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.89069</td>
<td>0.357635</td>
<td>19.2674</td>
<td>&lt;0.00001***</td>
</tr>
<tr>
<td>-0.119526</td>
<td>0.0418818</td>
<td>-2.8539</td>
<td>0.01275**</td>
</tr>
</tbody>
</table>

Mean dependent var 6,056250  S.D. dependent var 0,411451
Sum squared resid 1,978423  S.E. of regression 0,375920
R-squared 0,220902  Adjusted R-squared 0,165252
F(1, 14) 8,144727  P-value(F) 0,012752
Log-likelihood -5,980708  Akaike criterion 15,96142
Schwarz criterion 17,50659  Hannan-Quinn 16,04054

**Index of Perception of Corruption** = 6,89069 + (-0,119526 x Unemployment)

P-value is low, so it can be noticeable that there is statistically typical connection between unemployment and the index of perception of corruption or is the influence of unemployment on the changing index of corruption statistically typical. If the unemployment is rising for 1% (unemployment is expressed in %) falls the index of perception of corruption in average to 0.119526% (rises the perception of corruption).

Model 2: The influence of changing the purchasing capacity on the index of perception of corruption

Also here can we see some connections from the graph. The curves are similar and the highest points match in year 2008, as well as at the lowest point 2001.
**Table 1:**

<table>
<thead>
<tr>
<th></th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-ratio</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>const</td>
<td>-3.0658</td>
<td>1.4951</td>
<td>-2.0505</td>
<td>0.0595</td>
</tr>
<tr>
<td>v4</td>
<td>1.0771</td>
<td>0.1741</td>
<td>6.1859</td>
<td>0.0000</td>
</tr>
<tr>
<td>S.D. dependent var</td>
<td>6.056250</td>
<td>S.E. ofregression</td>
<td>0,411451</td>
<td></td>
</tr>
<tr>
<td>Sum squaredresid</td>
<td>0.828724</td>
<td>S.E. ofregression</td>
<td>0,243299</td>
<td></td>
</tr>
<tr>
<td>R-squared</td>
<td>0.673650</td>
<td>Adjusted R-squared</td>
<td>0,650340</td>
<td></td>
</tr>
<tr>
<td>F(1, 14)</td>
<td>38.26515</td>
<td>P-value(F)</td>
<td>0,000024</td>
<td></td>
</tr>
<tr>
<td>Log-likelihood</td>
<td>0.980638</td>
<td>Akaike criterion</td>
<td>2,038724</td>
<td></td>
</tr>
<tr>
<td>Schwarz criterion</td>
<td>3,583902</td>
<td>Hannan-Quinn</td>
<td>2,117850</td>
<td></td>
</tr>
</tbody>
</table>

\[
\text{Index of Perception of Corruption} = -3.0658 + 1.07715 \times \text{Unemployment}
\]

P-value is low so it can be noticeable that there is statistically typical connection between the changing of purchasing capacity and the changing index of perception of corruption or the influence of changing of purchasing capacity on changes of index of perception of corruption statistically typical. If the purchasing capacity raises for 1%, increases also the index of perception of corruption in average to 1.007715% (so the perception of corruption is lower).

**Model 3:** the influence of changing the economic growth on the index of perception of corruption

On the graph no connection between curves can be noticed.
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**Model 3: OLS, using observations 1-16**
Dependent variable: \( v_2 \)

Heteroskedasticity-robust standard errors, variant HC1

<table>
<thead>
<tr>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-ratio</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>const</strong></td>
<td>6.08223</td>
<td>0.119549</td>
<td>50.8765</td>
</tr>
<tr>
<td><strong>v5</strong></td>
<td>-0.0112656</td>
<td>0.0304084</td>
<td>-0.3705</td>
</tr>
</tbody>
</table>

Mean dependent var | 6.056250 | S.D. dependent var | 0.411451 |
Sum squared resid  | 2.513851 | S.E. of regression | 0.423746 |
R-squared          | 0.010051 | Adjusted R-squared| -0.060659 |
F(1, 14)           | 0.137254 | P-value(F)         | 0.716572 |
Log-likelihood     | -7.896834| Akaike criterion   | 19.79367 |
Schwarz criterion  | 21.33885 | Hannan-Quinn       | 19.87279 |

There is no statistically typical influence of the changed economic growth on changes of index of perception of corruption (high p-value, so it can be estimated that changing of economic growth directly not (statistically typical) influences the changes of perception of corruption.

**Conclusion**

According to their psychological profile (Musek, 1997, p. 26) Slovene people can be classified to reasonably introvert and individually directed nations, that matches with their own and foreign stereotypes. So the results got in this study are no surprise, because they match the essential findings of the Slovene psychological profile. From the essential econometric models mentioned above, can be provided the basic model \( ZK/S \) that shows the ratio between the perception of corruption \( ZK \) and the living standard \( S \), where the height of the living standard \( S \) depends on the purchasing capacity \( KM \) and proportioned to the unemployment \( 1/N \) so:

\[
S = f(1/N, KM)
\]
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By high standard (low unemployment and high purchasing capacity) is the perception of corruption low, there is less corruption than it usually is. By falling standard raises the perception of corruption in some level the standard is the perception of corruption the same as the factor (there is the balance). When the standard is lower, people become more sensitive about the corruption, they perceive it more than it truly exists.

However, to make a conclusion we can find out, that Slovene people have a high tolerance of corruption (probably the remaining part of heritage of socialism, where all kinds of corruption were the usual way of life, almost folklore) and they do not interfere in the affairs of others, but only as long as it does not affect money. Then their perception of corruption totally change and they start perceive all there where it does not exists or they do not receive it any more. So the hypothesis that there is statistically typical influence of changing the unemployment and the changing of purchasing capacity on the index of perception of corruption can be confirmed. Therefore, by changing of living standard happens the changing of perception of corruption.

However it is influenced by collectivism that was forced by former system and it was not in favour of the personal structure and the tradition of Slovenes. It could change the personality profile, but it affected it by redrafting of mentality of the nation. The Slovenes still hardly leave the enforced mentality of egalitarianism without responsibility that throttles the creativeness and often takes the easiest way (also by the help of corruption). The big changes made people of Slovenia to get rid of the two mortages: they became independent, and made free from the collectivism, very strange to their culture, but there still remained habits and the part of “socialistic folklore”.

The European way starts with the law order, political and social equality, but especially with the cosmopolitan cultural identity. After the acception of those shadows, there will grow the culture of mutual understanding and dialogue. Until now also the post-socialistic states, that reconstructed the failed democracy (so called brake down countries) after the fall of Berlin wall, still haven’t frozen the way from post-transition to transformation learning societies. Slovenia as one of the youngest and the smallest among them has no previous experience in the same game (Novak, 2011). So it has to follow the example to older and more successful democracies and change the mentality of the nation, not individuals. This is the only way to be successful in the fight against the corruption.

The fact is that there is the connection between the perception of corruption and living standard. If we take into the account, that the mentality of the Slovenes is also that they have a tendency to revolt and “rebell” if somebody encroaches upon their living standard that derives from psychological profile of Slovenes (Musek, 1997), so we can claim, that often by perception of the first changes of pointers, that give evidence of the falling standard (economic agents react very quickly and rationally upon the market changes), it raises also index of perception of corruption. But where is the “balance” between the standard and corruption (where the perception of corruption would be real), could be the subject of another in-depth research.

Sources And Literature:


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