

The Fifth Annual IOS Conference: Corruption in Eastern and Southeastern Europe and Latin America: Comparative Perspectives

Thursday, June 29th

As already in 2016, the traditional opening ceremony of the annual IOS conference took place at the Parkhotel Maximilian, but this year nevertheless represented a special occasion, as it was the first meeting under the new designation as a Leibnitz-Institute! **Ulf Brunnbauer** opened the conference with some general remarks on corruption as a perennial issue and the importance of a transnational approach for the research of worldwide corruption phenomena, a topic which was then also picked up by the next speaker, **Klaus Buchenau**. Buchenau was the main organizer of this year's conference and his short introductory speech gave the audience an idea of what to expect from the following days and the underlying idea behind the conference. Apart from his personal biography, which brought him in touch with both Eastern Europe and Latin America, Buchenau put forward some very tangible reasons to compare those two areas: both parts of the world can be described as lingering on the periphery of developed societies, nation states came into being at roughly the same time and the problems and chances of neo-liberalism after 1990 had a similar impact. Still, there remain of course many differences, like the primacy of ethnicity over social differences when describing divisions in the societies of Eastern and Southeastern Europe, while in Latin America political discourse tends to center more on topics of global and social justice.

The first Keynote of the evening was then delivered by **Alena Ledeneva** of the University College London. Titled *"Comparing the incomparable: Identifying patterns in the Global Informality Project dataset"*, her lecture presented an ambitious project which aims at becoming the world's foremost online resource for open secrets, unwritten rules and hidden practices: www.in-formality.com. After introducing the project, Ledeneva then explained the various obstacles which had to be overcome. In most cases, informality takes place where the state fails and it often supplies people with fundamental needs, making it both subversive and supportive – a difficult area to penetrate for every researcher. This ambivalent character of informal practices also leads to a kind of "double-think" among the people who are involved in committing them. As already indicated in the title of the lecture, comparing said practices in a reasonable way represents another major challenge for the

project. Concepts like the Russian “Blat” and Chinese “Guanxi” may look strikingly similar at first glance, but there are always more or less subtle differences to be considered. Ledeneva’s insightful presentation was then followed by a lively debate, which mainly revolved around the issue of where to draw the line between “corruption” and “informal practices” – a topic which would remain controversial over the next two days!

After a short coffee break, **Guido Hausmann** introduced the second lecturer **Zhanna Nemtsova**, daughter of the murdered Russian oppositional politician Boris Nemtsov. Nemtsova nowadays lives in Germany and her speech was dedicated to her late father, whose murderers stood trial in Moscow on that very same day. Despite being titled “*Russia Today*”, Nemtsova’s presentation did not primarily deal with the state-funded TV channel of the same name, but this overlap nonetheless gave a strong hint for her overall concern: the rampant corruption in Putin’s Russia. Ranking on place 131 of 176 in Transparency International’s Corruption Perception Index (CPI), the problem of corruption inside the Russian Federation has reached such staggering dimensions that it is no exaggeration to characterize it as being systematic. What Russia lacks, according to Nemtsova, is a strong medial and civil opposition against the corrupt elites. There are of course anti-corruption projects like Alexei Navalny’s digital reports or the “municipal scanner”, but as long as Putin and his entourage of oligarchs remain in power and even enterprises from abroad (like Siemens or the DB) continue to work with corrupt schemes in Russia, their struggle will remain an uphill-battle. Again, the lecture provoked a lot of interested questions among the audience, which were replied in detail.

Friday, June 30th

On the second day the introductory keynote speech on the topic of “*Corruption. The Historian’s Approach*” was delivered by **Jens Ivo Engels** from the Technical University of Darmstadt. Engels started out by illustrating a modern concept about corruption in which a mixture of personal interests and public actions as seen with most monarchs forming the accepted standard was succeeded by the distinct separation between public business life and private life originating in the habits and customs of bourgeois businessmen in the 18th and 19th centuries. He continued by explaining several problems following this modern distinction of corruption and giving an overview of the condemnation of corruption and the

political benefits from it from the end of the 18th century to the modern times. The last part of the keynote speech focused on the topic of eurocentrism regarding corruption.

After an intensive discussion, the conference continued with the first panel: *“What does corruption mean in pre-modern societies?”*, which was chaired by Klaus Buchenau. In the first presentation **Martin Mendelski** of the Max Planck Institute for Research on Collective Goods in Cologne analyzed corruption from a sociological perspective. He asked what corruption is and why it has evolved in post-communist transition countries. Mendelski argued that corruption can be seen as a “mechanism of coordination” whenever traditional or imported mechanisms of coordination and accountability such as state agencies or imported foreign law become dysfunctional. Hence, individuals using these mechanisms in their endeavor to achieve social stability and peace are not surprising. Mendelski also highlighted the differences between corruption as a monetary form and more benign and traditional forms of coordination (i.e. blat). The main implication of Mendelski’s theoretical approach was that corruption could serve as a stepping stone towards an open-access order by depersonalizing former means of coordination through monetarization. The second speaker of the first panel, **Christoph Rosenmüller** of the Max Planck Institute for European Legal History in Frankfurt/Main, reported on “The Pact with the Devil: Changing Concepts of Corruption in Latin America, 1650-1755”. Beginning with the explanation of how traditional elites of the Spanish Empire, such as aristocrats, upper clergy and jurists drawn from Castilian oligarchies, tried to keep their privileges and positions out of reach for social newcomers by upholding the idea of innate corruption and therefore lacking suitability concerning people missing a noble descent, Rosenmüller continued by illustrating the eventual loss of power from which traditional elites nevertheless suffered. Enriched by a case study Rosenmüller ultimately gave critical insights into the changing views on corruption. In the third speech of the first panel **Vasile Mihai Olaru** of the CEU in Budapest elaborated on the notion of corruption as administrative malpractice. In the introductory part of his presentation “Constructing Corruption. The Emergence of Administrative Malpractice in Eighteenth-Century Wallachia” he drew attention to the historical backgrounds of the Phanariot Period in Wallachia and its portrayal by travelers from Western Europe. Following this segment Olaru outlined how the meaning of corruption changed gradually and how a boundary between formal and informal practices emerged in 18th century Wallachia. This core theme focused empirically on the

administration of justice and the political centralization operated by the Phanariot princes and other socio-economical transformations.

After a joint discussion with all three presenters and a short coffee break the conference continued with the first part of the second panel: *“Corrupt business in socialism”*, chaired by Natali Stegmann. The first speaker, **Jerzy Kochanowski** of the historical institute of the University of Warsaw, presented a case study titled *“A Corrupted City in a Communist State. The Case of Zakopane in the 1960s”*. He illustrated how the community mainly consisting of members of the Gorals successfully tried to resist party influences. In addition Kochanowsky showed how through the rise of tourism the citizens of Zakopane became a somehow privileged group within Communist Poland and how the *“Zakopane Capitalism”* even had its imprint on local politics. The second presentation by **Jürgen Buchenau** of the University of North Carolina at Charlotte once more covered a subject in Latin America. Titled *“La Bola: Corruption and Power in Revolutionary Mexico, 1920-1934”*, Buchenau showed how, after a decade of revolution and civil war, corruption played a key role in reestablishing political authority. Mainly in focus was the *“Sonoran Dynasty”*, a group of leaders from Northwestern Mexico, whose most important members were the presidents Alvaro Obregón and Plutarco Elías Calles. The political rise and fall of that group was illustrated as well as the consequences for the political system of modern Mexico were outlined.

The second part of the second panel: *“Just as today? Grand and petty corruption between the two world wars”*, chaired as before by Natali Stegmann, followed the lunch break. Staying within Latin America, **Douglas Yarrington** of Colorado State University shared insights into a Venezuelan corruption case in the first half of the 20th century. Yarrington showed how a presidential slush fund established in 1919 transferred tremendous amounts of money to political allies, established as Chapter 7 of the budget of the Ministry of Interior Relations. In addition, Yarrington described how the significant debates following the abolishment of Chapter 7 between 1945-1948 and the opposition from greater parts of the general public to that abolishment contributed to the government’s overthrow in 1948. Coming back to Eastern Europe, **Klaus Buchenau** of the University of Regensburg, reported on the topic: *“What is justice? Popular complaints to courts in interwar Yugoslavia”*. Starting

by giving a general introduction to interwar Yugoslavia, Buchenau analyzed the phenomenon of the *"Phantom Border"* between former Ottoman and Habsburg possessions and the diverging practice regarding corruption within those regions. Moreover, Buchenau showed that ethnic networks of power did not want courts to be impartial but were interested in maintaining judicial corruption. Yugoslavia's still largely peasant society, though partly being aware of and suffering from informal practices in the judicial system, was unable to execute any effective control of corruption.

The third and last panel of this day: *"Corruption, the mother of all problems? Discourses on corruption"* was chaired by Björn Hansen. In his presentation: *"They had Plundered our People's Homeland! Egalitarianism, Corruption and Moral Panic in 1980s Poland"* **Jakub Szumski** of the Polish Academy of Sciences in Warsaw described how economic decline and strikes in the 1980s led Poland to a crisis that caused the fall of the Polish United Workers Party's First Secretary Edward Gierek and parts of his entourage. The investigations of corruption in the 1970s that accompanied this process until the amnesty law of 1984 were displayed and the causes of the crisis analyzed. The second speaker **Stephan Ruderer** of the University of Münster examined a Latin American corruption discourse in his presentation: *"Corruption and the Nation-Building Process. The Discourse of Corruption in the Justification of Armed Rebellions in Argentina and Uruguay between 1870 and 1890"*. In his analysis he showed that the justification for revolutions in Argentina focused on electoral corruption while in Uruguay the economic corruption of officials and concerns about administration were the main reasons for critique, thereby delivering insights into the value systems of both countries and into the nation-building process. **Blendi Kajsii** of the University of Antioquia, Colombia, as the last speaker on Friday showed how corruption serves to articulate different concerns in two different environments. While Albania's president Edi Rama sees corruption as a weakness of the state and exempts bribing businessmen from guilt, thus defending the neoliberal worldview, Colombia's president Juan Manuel Santos gives a more 'leftist' tune to his discourse, seeing corruption also as a problem of general morality, mentioning enterprises who try to manipulate rules or politicians rigging votes. Kajsii proceeded by arguing that this difference in the articulation of corruption is caused by several political and social differences between the two countries in focus, Albania and Colombia. The panel was ended by a joint discussion with the three presenters.

Saturday, July 1st

The distinguished economist **Johann Graf Lambsdorff** of the University of Passau started the third day of the conference with an interactive presentation on *“Fighting Corruption with Insights from Behavioral Science”*. A simple experiment involving the whole audience laid the foundation for his chain of argumentation: everyone was asked to write down a number scored on a dice that was rolled in secrecy; the one with the highest number got a price. Obviously, one would expect that a high number of participants reported a six despite having scored a lower number, but this is not always the case. Lambsdorff then explained the role of fear, control and punishment in fighting corruption and which methods of control might work and which don't. Even seemingly sound concepts like the predetermination of objective criteria in public procurement do not always pose a solution, as was then explained with the example of brownies for the U.S. Army. Here, extensive specifications clearly resulted in less, if not complete absence of corruption, but also in a horrible product. This led Prof. Lambsdorff to the conclusion that direct communication is a much more efficient way of preventing people from cheating.

After this interesting Keynote, the conference then went on with the fourth panel: *“The Bribers' Side – businessmen, their logics and worldviews”*, focussing on the human side of corruption. The first presentation was delivered by **Tetiana Kheruvimova** of the Business Ombudsman Council of Kiev, showing how the concept of “Collective Actions” might work as an alternative anti-corruption strategy in Ukraine. In short, the model envisages a joint effort by businesses, civil society and the public sector to tackle informal practices. So far, responses from the business side have been encouraging and already over 40 Ukrainian companies have signed the anti-corruption declaration and integrity pact, which form the main pillars of the project. Still, there is a long way to go and the ultimate success of “Collective Actions” will depend on whether a clear majority of the Ukrainian businesses are willing to be part of it. After the subsequent discussion, which mainly focussed on potential obstacles and benefits for the project, **Aleksey Oshchepkov** of the Higher School of Economics explained the difference between “Market Corruption” and “Network Corruption”. While in a system of market corruption everyone who is willing to spend enough money on bribes may get contracts, network corruption is limited to people who

have the right connections to officials through kinship, friendship or business ties. Oshchepkov then applied this theoretical frame to post-socialist countries. Thanks to the data collected in the “Life in Transition Survey”, which features samples of over 38,000 people and Institutions like the “Network Corruption Index” (NCPI) or the “Bribery Perception Index” (BPI), it is possible to examine these questions in detail, with sometimes astonishing results. While for example the classical bribery decreased, most investigated countries saw a clear rise of network corruption. Oshchepkov closed with a short summary of his arguments and why this differentiation is important both in academic research and anti-corruption policy. Again, the presentation was well received by the audience, the only critical remark being that Oshchepkov’s approach might put the Balkans in a worse light than it probably deserves. The last speaker of this panel, **Thomas Steger** of the University of Regensburg also stayed in Eastern European realms and talked about “Images of Central and Eastern Europe (CEE) in Managerial Discourses since 1990”. Building on the concepts of “self” and “other”, which are probably better known among scholars of literature than economists, Steger shows how CEE countries were portrayed as contrasting images to the West. Steger drew from a multitude of articles from management journals since 1990 and succeeded in tracking down several patterns, which are characteristic for the assessment of corruption in post-socialist countries. Quintessentially, descriptions of corruption fulfilled a double role in “othering”, as they both showed western business people as victims, not perpetrators of informal practices and at the same time highlighted the backwardness of CEE countries. Of course, this also implies, that corruption was deemed a manifestation of deficient statehood and an impediment to progress.

“Fields of (petty) corruption: the welfare system” was then the topic of the next panel, headed by Stefano Petrungaro. **Čarna Brković** of the Regensburg branch of the Graduate School for East and Southeast European Studies opened the next round of presentations with her talk on “Clientelism and neoliberalism in Welfare”, using the example of a town in Bosnia and Herzegovina, where she has conducted her field studies. Again, it was pointed out that clientelism and corruption grow where the state run systems fail, which by now could already be described as one of the main insights of the whole conference. One example of such a failure is the organisation “Sun” which is supposed to care for children with development problems, but parents perceived the institution as chaotic and mysterious and consequently tried to bypass it. Those grievances were also increased by welfare-

reforms which put local communities into the centre of welfare policies. Social protection was thus redefined from a basic right of each citizen to a matter of personal ethics and compassion, basically forcing people into one kind of clientelism or the other. The next speaker, **Petra Burai** of the Max Planck Institute for Social Anthropology in Halle, dealt with broadly similar phenomena, but this time the region in question was Hungary. Her presentation *“Beyond statistics and policies: Personal accounts of corruption and its legal implications in Hungary”* built on ten life story interviews with elderly people, who experienced the different layers of political systems in Hungary over the past 70 years. The interviews were held in Budapest and Eger and focussed on questions like passed-on values and mindsets, collective national memory and of course gaps between the perception of corruption and the actual numbers! Rather unsurprisingly, few people would admit that they had experienced or were proactively involved in corruption in the past. Nonetheless, practices like “gratitude money” (Hálapénz) undoubtedly have existed and continue to do so, sometimes even legally codified. Astonishingly, many people insist on paying favours to doctors or nurses, either out of personal appreciation or out of a sense of ownership. The following presentation *“Buying a connection – alternative networks and relations within the healthcare system of Serbia”* by **Ljiljana Pantović** of the University of Pittsburgh proved to be an ideal supplement to Burai’s talk. Having spent considerable time in hospitals for her field studies, Pantović’s conclusions concerning Serbia were surprisingly close to the observations from Hungary. Women need to pay to get access to services they should be entitled to and like in the neighbour country there is a price list for everything from child birth onwards. Yet, those practices were not exclusively caused by inadequate market reforms. Even women who were about to give birth and enjoyed the full range of healthcare services did not hesitate to fall back on informal networks. Informality is thus not exclusively about filling gaps left by the state, but also personalizing areas which are characterized by facelessness. Probably the second most important insight of this day! The concluding discussion again showed lively interest of the audience in the theses of the speakers and questions like the role of gender in informal practices or governmental sanctions were addressed.

After a lot of interesting talk, which nonetheless primarily focussed on Eastern Europe, the final round of presentations of the day, *“No easy victory – comparing and questioning anti-corruption strategies”*, once again put its emphasis on comparing different realms. The panel was chaired by Ulf Brunnbauer and **Liljana Cvetanoska** of the Sussex University started

with a talk on the European Union's Anti-Corruption Enlargement Conditionally. Despite serious efforts to undermine corruption inside the new EU-members in Central and Southeastern Europe, the issue has remained persistent. By comparing Romania, Macedonia and the Czech Republic, Cvetanoska showed to what extent the EU has been able to curb corruption and which domestic factors played a role in the process. During the first enlargement of the EU corruption did not represent a focal point of the negotiations, but rather topics like consolidation and democratization, which later proved to be a major neglect. The importance of corruption only grew in later years, which then applied to countries like Romania or Bulgaria. Still, there remains a lot to be desired: EU anti-corruption criteria are not clear enough, progress reports do not meet the requirements and there is no real harmonized anti-corruption legislation. Post-communist Romania was also the topic of the next presentation by **Alexandra Iancu** of the University of Bukarest, whose focus lay on the role of parliamentary immunity in corrupt schemes. In the past, the public image of the Romanian Parliament has evolved into that of a hoist of criminals, who abuse their powers to postpone or to impede criminal investigations against members of the legislative. A constitutional revision in 2003 did little to assure the public of the parliament's commitment to the fight for political integrity. Yet, there is some cause to challenge those prevailing opinions. Based on her analysis of the justifications put forward during parliamentary hearings on immunity lifting, Iancu showed that there is a gradual configuration towards a trans-partisan division within the Romanian legislature. An anti-anticorruption discourse does actually exist and this evolution should be acknowledged when referring to Romania. The last presentation of the weekend was then held by **Denisse Rodriguez Olivari** of the Humboldt-University of Berlin and saw a return to South America. Titled *"If it looks like corruption, sounds like corruption, is it corruption? Peru's anti-corruption agenda in the eye of the beholder"*. The "Eye of the Beholder" is already a good hint, as Olivari's main interest lies in the field of so called "perceived corruption", which need not necessarily equal the actual scale of corruption. According to Olivari, this is especially true for South America, which is more than two decades since its political and economic liberalisation still perceived as one of the most corrupt places in the world. This negative perception is not entirely deserved and mainly a consequence of wrong criteria when measuring corruption. More context-sensitivity could therefore result in a more successful fight against corruption. After the final round of questions from the audience, which saw some quite knowledgeable

remarks about Peru and its indigenous populations, the parting words were then again reserved for Klaus Buchenau. His short speech summed up the quintessential results and controversies of the conference, like the differentiation between “corruption” and “informality” and if similar patterns of both really appear in Eastern Europe and South America.