



Doctoral
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THESIS SYNOPSIS

Szabolcs Varga

Corruption as a destructive enterprise

titled Ph.D. dissertation

Supervisor:

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Institute of Sociology and Social Policy

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I. Research backgrounds and justification of the topic

I.1. Research history

Corruption as an arborescent and many faced phenomenon has always been present in the fabric of human society. As a social topos it has a long history, however, it has gained dominant importance in the national and international public discourse during the past decades.

In the past 15 years several Hungarian researchers and research institutions have examined the topic. New workshops were established, conferences and media events were organized on a regular basis. As for public representation both international (Leiken 1997) and Hungarian researchers (Szántó et al. 2011) found that the number of the press appearances of the cases suspected of corruption has been growing in the latter decades. An independent journal dealt with the topic earlier (*Corruption and Reform*), as well as a number of domestic and foreign periodicals edited a special issue for the topic concerned. The research of the phenomenon has diverse and rich methodological and theoretical approach, and it is examined both on micro- and macro level, however, it can be said that several of its areas are a scientific blind spot.

I.2. The justification and outlining of the topic

One of the subfields that needs exploration is the corruption network in Hungary, it is a multi-actor one, and it can be described as a network which occasionally has hierarchical relations, usually evolves and acts within legal organisations.¹ One of the opportunities of a deeper understanding is to analyse corruption crimes ended with a legally binding judgement.

In my paper I take a new approach. With the help of a *process oriented model* drawn up independently, multi-actor, network type corruption organisations taking shape inside legal organisations will be analysed. I created a *new typology*, in which the type of *patriarchal* and *bureaucratic corruptions* is distinguished and, as a new element, it is argued why we may interpret *certain* corruption cases as a *destructive enterprise*.² In my dissertation those *patriarchal corruption organisations are examined, which show one possible form of the baumolian (1994) a destructive enterprise*.

¹ On the basis of one of our previous researches, the number of these organizations has risen in the past years (Szántó et al. 2011).

² I call *destructive venture* those enterprises that are harmful on macro-social level, and where the members in the course of the execution of the corruption accomplish a *corrupt or a destructive innovation*, while misusing their (public) power.

I.3. Research questions

In my dissertation I look for the answer to the question: *Why are there corruption configurations of multi-actors, occasionally with hierarchical relations which have the resemblance of the structure of an enterprise?* Why is it worth creating an organized corruption association when the market would be able to develop the "price mechanism" of the corruption and to regulate it? How these associations may come into existence, and *why they may work successfully?* By successfulness I mean that the participants *permanently* are able to provide benefits for themselves, which otherwise they could only get on a very costly manner, if at all – although, the present research would not be possible if the participants had not been caught. Also by pointing to the weak chain-links the *causes of failure* are shown. In the case studies on the one hand I look for an answer to how (inter)personal and institutional factors make it possible that the corrupt transactions, for the participants, could work as a systemic reallocation mechanism on the basis of personal interest; on the other hand, I would also like to know what led to their failure?

II. Methodology

II.1. Field of research

In my research work cases that ended with a *legally binding judgement* were analysed. The research is descriptive and explanatory research, the analysis is done on a micro level. The thesis *fills a gap* in research work. On the one hand it seeks to learn about and describe the participants, the events and situations of the corruption cases, on the other hand it also aims to explain certain processes. The dissertation examines how research results fit in the framework of the theories applied as well as in the framework of my notion of *patriarchal corruption* and *process oriented model*.

II.2. Methods and sources

In my research several different methods were used to gain information. Beside the review of literature there is a *chapter of general description* where *certain statistical characteristics* of the chosen corruption crimes are *summed up*. Then in three *case studies*, by the help of *document analysis* of the judicial documents, network-like, multi-actor, enterprise-like corrupt organizations are described. In case newspaper articles concerning the cases contain relevant information, this is also used for the analysis. The judicial

materials usually give the more important elements of the *regulatory environment* which are used to the cases.

The main source of the empirical part of the dissertation is based on www.birosag.hu webpage. Opening the menu item jurisprudence of “Judicial Decisions” which makes it possible to search between cases ended with judicial decision. One can find here cases ended with legal verdicts. In my thesis a detailed account is given of the method and reasoning. Here I only note that I tried to harmonize the terminology of the theory of sociology and that of legal practice. In Hungarian legal practice only bribery and extortion belongs to corruption crimes in a strict sense³ –, however, as I argue, in a wider sense embezzlement and fraud also belong to this category. Accordingly, I focused on the afore mentioned corruption crimes in my research work, however, since embezzlement and fraud can be regarded as *intertwining crimes* they were also taken into account. Basically from the four ideal-types three were taken into account when searching for relevant decisions of the court database.

³ In my dissertation extortion is used as „accepting bribery” (enforcing).

III. Results

III.1. Results concerning the new approach of corruption

- As for the new corruption typology, results justify that the *formation and function of patriarchal corruption* is made possible by *structures resting on traditional structures*, which can be characterized with vertical relations from time to time, in which case infringement entailing the corruption is (also) induced by the strong traditional norms.
- The examples of the case studies point out that the relationship between the parties has usually a long history, and contain *high trust capital*. The *goodwill trust* based on personal experiences (Sako 1998), helps not only to overcome the pressure caused by illegal activity, but, *due to the long term commitment, fosters the recurrence of the crime*.
- The selected cases support the conception that *certain corruption cases can be interpreted as a destructive enterprise*. The *corrupt or destructive innovation* which first *appeared as an idea* of the main parties, and is described by the newly created concept, was present in all cases.
- Bureaucracies are multipotent power formations, because they can create and operate different social organizing mechanisms.

My new approach points out that the preparators of corruption can execute a change in the *institutional mode of operation*, and dedicate some of *the system specific characteristics* to their own personal interest.

III.2. Results of the innovative process oriented model

The importance of the *preparatory stage*:

- it shows the role of the *entrepreneurial past* and the effect of the *socio-economic environment*;
- it demonstrates the importance of the *knowledge of institution rules and functions*;
- it points out the significance of *having the resources at one's disposal*;
- it sheds light on the (probable) importance of the *testing of the basic idea* of the corruption;
- it accentuates that the *resource mass insured by a constructed (bureaucratic) organization makes it possible to mobilize the destructive entrepreneurial idea* – and thus the allowance of acquisition;
- it stresses that *the corruption hole can be discovered* only by those persons who have an insight onto the deficiencies of the institution and the regulation environment, while *corrupt*

innovation can be performed by those who see an opportunity in the deficiency and is capable to connect it to new consumer demands.

The importance of the *transactional stage*:

- it puts into the forefront that the partners in the corruption can *embed their activities* in legal activities;
- it shows that while the *role of the agents is stable, that of the clients is flexible*;
- it shows that the *destructive innovation profit* of the key figures and the *commission* (brokerage) is *typically appears in cash*;
- it stresses the importance of the *undamaged reputation* of those offering the corrupt service, as well as the importance of *bargain between the parties*;
- it points out that the *most important factor of choosing a partner* is the strategically particularized, personally and situationally dependent *trust*, based on personal experience, the existence of which *provides assurance*.

The importance of the *closing stage*:

- it sheds light on the reasons of getting caught – like unscrupulous bribery combined with (in some cases) a *non-efficient client selection*;
- it underlines the importance of *controlling*;

- it highlights the fact that the employees of the constructed organisations are merely *partially informed*; the *lack of information* (may) lead to miscalculation and eventually to being caught.

III.3. Why is it worth forming a corrupt association?

My research results show that there are *different motivation forces from different places* that stimulate the parties to form (and run) such associations. They feel that it is worth triggering such formation because:

- regarding their *personal qualities* they experienced that *they have the necessary skills and abilities*;
- being the part of a *constructed organization* they know how it works, they are familiar with its culture, what is more they have the *power and can make decisions*,⁴ which makes resources representing value and subject of barter available for them;
- they have *specific technical knowledge* concerning their scope of activities, they understand the opportunities of their tasks, they have *practical experience (praxis)*, and together with these they are capable of *recognizing new needs*;

⁴ Or at least they can gain influence over these resources.

- they see *economic perspective* in corruption, they see it as something that produces income; they can *reduce or eliminate transactional costs in numerous ways*, and their power position often enables them to *determine prices*;
- *they have strong social contacts of a long history*, which often carry *trust capital*;
- they realize that the very nature of the crime makes it possible to *embed it into their daily routine*, thus it can be kept a secret from their bosses and from their micro-environment;
- due to their position they feel necessary *to protect the stability of their social relations*, and (partly) due to the pressure of the cultural environment, *to foster their (own) family's welfare situation*;
- their *activities can be harmonized with their value preferences*, and in case of getting publicity the cultural norms of the given environment would not put them under a wrecking pressure;
- there is *value crisis in the macro-society*, it does not mediate towards its members a clear value-model which unambiguously disapproves the practice of the corruption.

Based on the above said, one may say that it is worth creating an organized corruption association, because it is effective resource and relation-generating association embedded in the micro- and

macro environment, and in accordance with the subjective values of the founder(s), it triggers a profitable income redistribution mechanism. In other words: *patriarchal corruption organization* means a more beneficial pattern of contact organization than bureaucratic corruption, since as opposed to the latter one *it ensures a social field that can be supervised*, that is, *patriarchal corruption is (relatively) safe*.⁵

III.4. What is corruption from a sociological point of view?

In my thesis not only the definition with a sociological viewpoint, but many of the results are new. Thus corruption is:

- a *destructive redistributive mechanism*, which typically gives resources to the members of a privileged group, the act is against the interest of the society as a whole, is against the law, thus rearranges (violates) the previous power relations.
- Due to the criterion that one has to belong to a certain group, the phenomenon is *exclusive*: only those can be part of the transaction that is capable of barter and of presenting the content and format of reliability. The domain of *exclusion* can

⁵ In a sense that the participants know who they are dealing with, what the subject of the business is, what the expected costs, advantages are, who plays what roles etc.

be understood as *material* as well as *abstract ideas*. Corruption therefore does not create wide-range social participation, therefore it is a *selective integrating mechanism*.

- For those who are up to the above mentioned criteria it is an *adaptation strategy, method to assimilate to the world*, it offers for example an *alternative mobility corridor* and *expands the possibility of mobility* (see Gambetta 1988). It is a compensation opportunity to counteract the failure of legal mobility, and as such, it is a *power-generating institution*, because it makes possible *to gain influence* within the relation-system of the otherwise closed power structures.
- Corruption influences not only the life of people belonging to the top and middle classes, but also affects the life of the poor. It is as much as the *means of survival of those without power* than it is the form of gaining destructive rent-seeking.
- Finally, corruption can be seen as the *sign of dissatisfaction*, the *institution of distrust* as far as environment and impersonal institutions are concerned. In case of business corruption, it is the *distance* formed against institutions, while in case of administrative corruption, it is the indicator of *public distrust*.

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