Communist party membership and bribe paying in transitional economies

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Abstract

Using data on 30 post-socialist countries this paper provides evidence that individuals with some association with the Communist Party before 1991 are more likely to bribe twenty years after the collapse of socialism and that inherited norms of bribery from Communist Party members explains this finding.

Keywords: Communist party membership, social norms, institutional, corruption, transition economies.

Highlights

We model actual bribing behaviour of individuals in 30 post-socialist countries.

Association with former Communist Party members increases the likelihood of actually bribing public officials.

Preference for actual bribing is 'inherited' by sons and daughters of former Communist Party members.

Former Communist Party members are not more likely to bribe.

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1. Introduction

Corruption represents one of the most significant obstacles to economic growth and development (Rose-Ackerman, 1999). Transparency International's CPI and the World Bank's governance measure always score transitional, notably ex-USSR, countries as highly corrupt. Corruption can take the form of collusion between a public official and a private sector agent as well as the expropriation of public funds by the official for private gain. The most common form of corruption is extortion (Bardhan, 1997). Many of the original economic models of individual-level corruption relied on asymmetries of information that are exploited by public officials in order to extract economic rent (e.g. Becker and Stigler, 1974; Rose-Ackerman, 1975, 1978; Klitgaard, 1988, 1991; Lui, 1986; Andvig and Moene, 1990; Shleifer and Vishny, 1993; Alam, 1995; Groenendijk, 1997). However, individual-level extortion by public officials may be embedded in their behaviour.

There is a long history of how embedded social norms influence and shape individual behaviour (e.g. Weber, 1921; Commons, 1934; Hayek, 1973; North, 1990). Sen (1977) offers a discussion of some of the advantages of social norms while Dequech (2009) differentiates between legally enforceable social norms and informal social norms that are enforced "by the approval or disapproval of other people in the group or community." (ibid, p.72). A number of models based on different aspects of social norms have been developed but Boyd and Richerson (1985) take social norms a step further in their dual inheritance theory. They argue that people as a group inherit cultural variants and norms in a way that is analogous to genetic inheritance and claim that "cultural transmission is as accurate and stable a mechanism of inheritance as genes" (ibid, pp.55). While sociobiologists may disagree with the strength of this last claim it is sensible to suggest that norms can be passed on across generations. Within any society there are different groups and within these groups it is reasonable to expect the formation of group membership norms.

An interesting example of such a group is the Communist Party before the collapse of socialism in 1991. All public officials under USSR socialism had to be Communist Party members. Socialist countries adopted a rapid industrialization programme through state-owned enterprises in which the allocation of economic resources depended primarily on administrative decisions by public officials. Bribes, payoffs and kickbacks were therefore a way of influencing these decisions. This meant there was little to combat the growth of corruption in socialist systems and amongst Communist Party members (Holmes, 1993; Rose

et al, 1998, Rose, 2001) something borne out empirically (Rigby, 1985)[2]. Dual inheritance theory would predict that within-group attitudes to corruption would cross generations. Extending this idea further one could expect that the individual incentive to be corrupt is higher in highly corrupt groups and societies (Andvig and Moene, 1990) and that siblings of individuals from a group with a stronger reputation for corruption are more likely to inherit these reputations and have less of an incentive to not be corrupt (Tirole, 1996). More specific to Communist Party members, Volgyes (1995, p.10) found that material privileges of the real ruling class in Communist countries (the nomenklatura) were transmitted across generations and to lateral relatives. As well as members extorting money from outsiders it is likely that members paid bribes to each other as well and, with time, for this behaviour to be embedded in future generations. One prediction that arises is that former Communist Party members would still be more likely to pay bribes after the collapse of socialism and that if this behaviour is inherited then children of Communist Party members would also be more likely to pay bribes. This paper will formally test whether being a member of or having a relation who was a member of the Communist Party before the collapse of socialism in 1991 influences the likelihood of paying a bribe in 2010. The paper will extend the literature by testing whether this legacy exists across 30 transitional countries in Eastern Europe and Central Asia and whether duration of socialism is important.

2. Corruption Measure, Communist Party, Data and Method

We use the "Life in Transition 2" survey, conducted by the EBRD and the World Bank in autumn 2010 in 30 post-socialist countries of Central and Eastern Europe and Central Asia. Information is available on whether the individual, the individual's parents or any other family member were members of the Communist Party. Each respondent can have multiple responses, e.g. can say father and mother were Communist Party members. As with all data for individual-level corruption there will be inaccuracy because of under-reporting. However this is likely to be less of an issue if ingrained into the social and economic fabric of a country, something more likely in transitional countries than in Western countries.

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[2] It is presumed here that all corruption is bad, but several authors e.g. Scott (1969), Stark and Nee (1989), Bardhan (1997) have argued that public officials can act in a corrupt way in order to prevent bottlenecks and lubricate the bureaucratic machine which benefits the greater good.

We construct a dependent variable based on whether, in the last 12 months, the respondent or any other household member had contact with eight different categories of public officials and, if so, whether an unofficial payment or gift was made. Table 1 shows the respective probabilities of someone bribing in different geo-political regions illustrating that bribing behaviour is most common in CIS countries and less common in Western European nations. Following previous work in the corruption literature by Ivlevs and Hinks (2013) we adopt a Heckman probit model that controls for sample selection bias. We also include personal and household-level characteristics as explanatory variables based on previous literature (e.g. Hunt and Lazslo, 2012).

3. Regression Results

Model 1 in Table 2 indicates that being a Communist Party member and/or having a relation who was in the Communist Party prior to 1991 results in a 2.4 percentage point increase in the probability of paying a bribe in 2010. This finding is robust to the addition of controls in model 2. Model 3 illustrates that the likelihood of bribery increases with the number of Communist Party member contacts, with those having more than one contact being 3.4 percentage points more likely to bribe relative to someone with no Communist Party ties. These findings are consistent with the theoretical views of Andvig and Moene (1990) and Tirole (1996) that individuals who have some direct contact with members of the Communist party (a group with a reputation for corruption and bribery) are more likely to bribe. In order to test whether bribery behaviour is intergenerational we then estimated separate models controlling for whether the individual's mother, the individual's father, another relation of the individual or the individual themselves were former Communist party members.

Having a mother or father who was a Communist Party member increases the likelihood of paying a bribe by 2.9 and 2.7 percentage points. The figure for other family member is 2.1 percentage points. However former Communist Party members themselves are not statistically more likely to pay bribes. It could be that sons and daughters of former members mostly observed or were told of the benefits or positives of bribery which has resulted in a greater propensity to bribe in later life compared to others in transitional countries. Former party members do not hold such strong preferences. Given bribery and kickbacks were endemic in the day-to-day running of socialism and the implementation of party directives this is somewhat surprising. Further work is required into whether former members do not see bribery as part of the transitional process towards a market economic system or whether

the anti-corruption campaigns by the socialist political authorities in the 1980s (Holmes, 1993) have had some impact on their behaviour.

To further test the robustness of these findings we estimate the different models for three separate country groups based on duration of socialism. Former USSR countries that are now members of the Commonwealth of Independent States (CIS) are grouped together since these countries tend to represent those with the longest history (approximately 70 years) of socialist rule. The exception to this is Moldova which came under Soviet control in 1940. Socialism in Central Europe and the Balkans lasted four decades, whereas in the Baltic nations it lasted five decades. Table 3 illustrates that the strongest relationship between children of former Communist Party members and the likelihood to bribe in 2010 is in the CIS group. Duration of socialism may have resulted in greater accumulated exposure to bribing behaviour across generations by Communist Party members, that was passed on to subsequent generations[3]. There is evidence of inherited bribing behaviour in Central Europe and the Balkans too but the magnitude is 3-4 times less than that in the CIS group. A family member other than parent who was a member of the Communist Party explains the finding for Baltic states.

4. Conclusion

This paper adds to the literature by rectifying that the sons and daughters of former Communist Party members are more likely to pay bribes in transitional countries 20 years after the collapse of socialism. These effects are strongest amongst the CIS group of countries. More research is needed to understand better why bribing is inherited, whether there is a difference in the propensity to bribe by gender of Communist Party member and gender of offspring and why former Communist Party members themselves are no less likely to bribe than others in society.

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[3] Beck and Laeven (2006) theorize that the power of socialist elites since the collapse of socialism is based on years under socialism and that this has hindered economic performance in former Soviet countries compared to those in Central Europe and Central Asia.

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Table 1

	All	Transitional	Western Europe	CIS	Baltics	Central Europe and Balkans
Probability pay a bribe (%)	3.98	4.55	0.53	7.28	3.03	2.65

Source: Authors computations from EBRD 2010.

Table 2   Conditional Probability of Paying a Bribe (Marginal Effects)

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Communist (Friend, family or yourself was a member of the Communist Party=1; Otherwise =0)	0.024***	0.026***					
One Communist (Have 1 Friend, family or yourself was a member of the Communist Party=1; Otherwise =0)			0.024***				
Two or more Communist (Have 2 or more Friends, family or yourself as a member of the Communist Party=1; Otherwise =0)			0.034***				
Communist Party member				0.009			
Father Communist Party member					0.028***		
Mother Communist Party member						0.029***	
Other member of the family Communist Party member							0.022***
Female		-0.009**	-0.009**	-0.009**	-0.009**	-0.010**	-0.010**
Age 18-24		-0.003	-0.003	-0.005	-0.003	-0.004	-0.005
Age 25-34		0.004	0.004	0.003	0.004	0.002	0.003
Age 45-54		-0.013**	-0.013**	-0.012**	-0.012**	-0.012**	-0.012**
Age 55-64		-0.029***	-0.029***	-0.028***	-0.026***	-0.027***	-0.028***
Age 65+		-0.012	-0.012	-0.010	-0.008	-0.009	-0.010
Minority		0.013**	0.013**	0.013**	0.013**	0.013**	0.014**
Income ladder today		0.004***	0.004***	0.003***	0.003***	0.003***	0.004***
Wealth Index		0.003**	0.003**	0.004**	0.003**	0.004**	0.004**
Primary education		0.004	0.004	0.003	0.003	0.003	0.003
Tertiary education		-0.008	-0.008*	-0.006	-0.007	-0.006	-0.006

Student		-0.015	-0.016	-0.016	-0.016	-0.017	-0.016
Retired		-0.006	-0.006	-0.006	-0.005	-0.005	-0.006
Housework		0.002	0.002	0.001	0.001	0.001	0.001
Other reason unemployed		0.005	0.005	0.004	0.005	0.005	0.005
Rural		-0.001	-0.001	-0.002	-0.001	-0.001	-0.002
Metropolitan		-0.006	-0.006	-0.005	-0.006	-0.005	-0.006
Atheist		-0.030***	-0.031***	-0.027**	-0.029***	-0.028**	-0.028**
Buddhist		-0.041	-0.041	-0.038	-0.039	-0.038	-0.038
Jewish		-0.021	-0.023	-0.018	-0.021	-0.022	-0.019
Orthodox		-0.022**	-0.022**	-0.018*	-0.020**	-0.018**	-0.019**
Protestant		-0.007	-0.007	-0.006	-0.006	-0.006	-0.006
Muslim		-0.002	-0.002	-0.001	-0.002	-0.001	-0.001
Other religion		-0.026	-0.026	-0.023	-0.025	-0.024	-0.024
Institutional trust		-0.007***	-0.007***	-0.007***	-0.007***	-0.007***	-0.007***
Trust others		0.005**	0.005**	0.005**	0.005**	0.005**	0.005**
Country Dummies	yes	yes	yes	yes	yes	yes	yes
Observations	220,168	217,080	217,080	217,080	217,080	217,080	217,080
Log Pseudo Likelihood	-103860.6	-102308.2	-102306.8	-102361.1	-102340	-102357.1	-102354.8
Rho	-0.182	-0.114	-0.114	-0.114	-0.112	-0.114	-0.116
Wald Test	23.15	7.87	7.84	7.83	7.58	7.86	8.15

*Significance levels *** p<0.01, ** p<0.05, * p<0.1. Reference groups are males, aged 35-44, not belonging to an ethnic minority group, not educated, employed, urban and Catholic.*

Table 3   Conditional Probability of Paying a Bribe (Marginal Effects)

	CIS	Baltics	Central Europe and Balkans
Models and Communist Party variables of interest			
Model 1 - Communist	0.033***	0.018**	0.013***
	(0.009)	(0.009)	(0.002)
Model 2			
One Communist Party Member known	0.026***	0.016*	0.013***
	(0.010)	(0.009)	(0.003)
More than one Communist Party Member known	0.058***	0.024	0.013***
	(0.016)	(0.018)	(0.004)
Model 3 - Individual Communist Party member	0.011	-0.001	0.005
	(0.018)	(0.014)	(0.003)
Model 4 - Father Communist Party member	0.044***	0.014	0.010***
	(0.011)	(0.011)	(0.003)
Model 5 - Mother Communist Party member	0.041**	0.025	0.013***
	(0.016)	(0.017)	(0.004)
Model 6 - Other family member Communist Party member	0.025*	0.024*	0.013***
	(0.014)	(0.013)	(0.003)
Observations	86,416	20,096	102,816

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

CIS = Armenia, Azerbaijan, Belarus, Russia, Ukraine, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia Tajikstan, Uzbekistan. Baltics = Estonia, Latvia and Lithuania. Central Europe and Balkans = Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Former Yugoslav Republic of, Hungary, Kosovo, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia.

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