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CORRUPTION AS AN ACTUAL PROBLEM OF ECONOMIC ENVIRONMENT IN THE CZECH REPUBLIC

The paper deals with contemporary global problem of corruption, which has significant impact on the business environment in the Czech Republic. It focuses on the definition of corruption, measuring corruption, general causes and consequences of corruption, development of corruption in the Czech Republic and anti-corruption strategies.
Keywords: corruption, bribery, measuring corruption, corruption perception index, causes and consequences of corruption, anti-corruption strategies.
JEL Classification: D7, D73, B5, E62, H1, H3, K4.

Йозеф Кашик

КОРУПЦІЯ ЯК АКТУАЛЬНА ПРОБЛЕМА ЕКОНОМІЧНОГО СЕРЕДОВИЩА ЧЕСЬКОЇ РЕСПУБЛІКИ

У статті розглянуто сучасну глобальну проблему корупції, яка має значний вплив на ділове середовище Чеської Республіки. Увагу зосереджено на визначенні корупції, її вимірюванні, загальних причинах і наслідках, розвитку корупції в Чеській Республіці і стратегіях боротьби з нею.
Ключові слова: корупція, хабарництво, вимірювання корупції, індекс сприйняття корупції, причини і наслідки корупції, антикорупційні стратегії.
Рис. 2. Літ. 10.

Йозеф Кашик

КОРРУПЦИЯ КАК АКТУАЛЬНАЯ ПРОБЛЕМА ЭКОНОМИЧЕСКОЙ СРЕДЫ ЧЕШСКОЙ РЕСПУБЛИКИ

В статье рассмотрена современная глобальная проблема коррупции, которая также имеет значительное влияние на деловую среду Чешской Республики. Внимание сосредоточено на определении коррупции, ее измерении, общих причинах и последствиях, развитии коррупции в Чешской Республике и стратегиях борьбы с ней.
Ключевые слова: коррупция, взяточничество, измерение коррупции, индекс восприятия коррупции, причины и последствия коррупции, антикоррупционные стратегии.

Introduction. Corruption is a very old problem of mankind and some types of corruption are mentioned even in the Old Testament, where we can read: "*Do not accept a bribe, for a bribe blinds those who see and twists the words of the innocent*" (Exodus 23:8) and "*Do not pervert justice or show partiality. Do not accept a bribe, for a bribe blinds the eyes of the wise and twists the words of the innocent*" (Deuteronomy 16:19). Numerous studies and analyses of global organizations, anti-corruption strategies of governments and initiatives of businesses indicate that corruption is a compelling and contemporary socioeconomic problem. Despite the fact of realizing the importance and urgency of the problem and some anti-corruption arrangements, perception of corruption in the Czech Republic is worsening. Recent cases were widely publicized in media (e.g., overpriced military equipment, influenced selection processes, nonstandard relations between politicians and entrepreneurs, suspicious international money transfers etc.).

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Definition and measuring corruption. Etymology of the word corruption (Latin "corruptus" = spoiled, rotten, broken) can help us to explain the meaning of this word and to find the right definition. It is evident and quite generally accepted that corruption is a negative phenomenon, which influences (breaks) normal functioning of society and which we need to fight against.

Nowadays we can find a lot of definitions especially in international documents but also in scientific literature. Some of them are as follows:

"Corruption means requesting, offering, giving or accepting, directly or indirectly, a bribe or any other undue advantage or prospect thereof, which distorts the proper performance of any duty or behaviour required of the recipient of the bribe, the undue advantage or the prospect thereof" (Civil Law Convention on Corruption, Article 2).

"Corruption is the abuse of entrusted power for private gain" (Transparency International).

"Behavior which deviates from the normal duties of a public role because of private-regarding (family, close private clique), pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence. This includes such behavior as bribery (use of reward to pervert the judgment of a person in a position of trust); nepotism (bestowal of patronage by reason of ascriptive relationship rather than merit); and misappropriation (illegal appropriation of public resources for private regarding uses)" (Nye, 1967: 419).
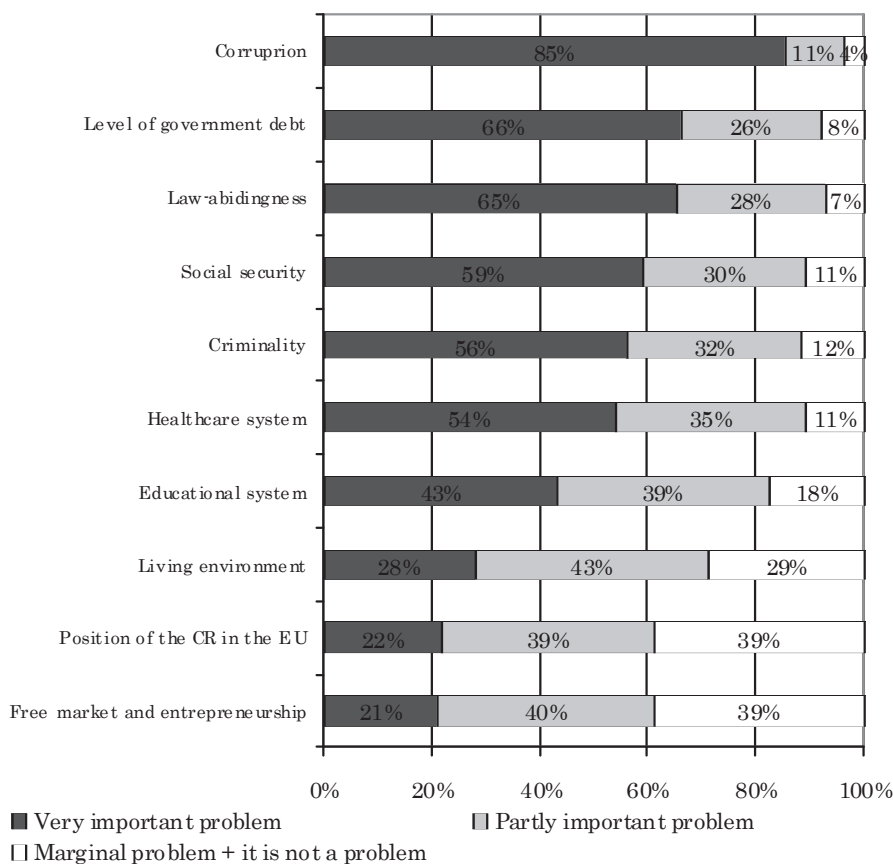
Although the term is not defined in Czech legislation, the Czech Criminal Code (Law No. 40/2009 Coll.) distinguishes criminal acts, which can be included under the term corruption or are closely related to it.

Typical examples of these criminal acts are: bribe-taking (section 331), bribe-giving (section 332), indirect bribery (section 333), abuse of power by a public official (section 329) etc. However, there are also some other criminal acts related to corruption, therefore exact legislative definition of the term "corruption" is not possible.

Various questionnaires are used to measure corruption. These questionnaires can have form of common public surveys (conducted in the Czech Republic e.g. by the STEM − the Centre for Empirical Research) or there is a possibility to use indexes of international organizations (e.g., the widely used is the Corruption Perception Index − CPI by the Transaprency International with the scale from 10 − low level of corruption perception to 0 − high level of corruption perception) or private firms (e.g., Political Risk Services, Inc. or The Economist Intelligence Unit) (Thomas, Meagher, 2004).
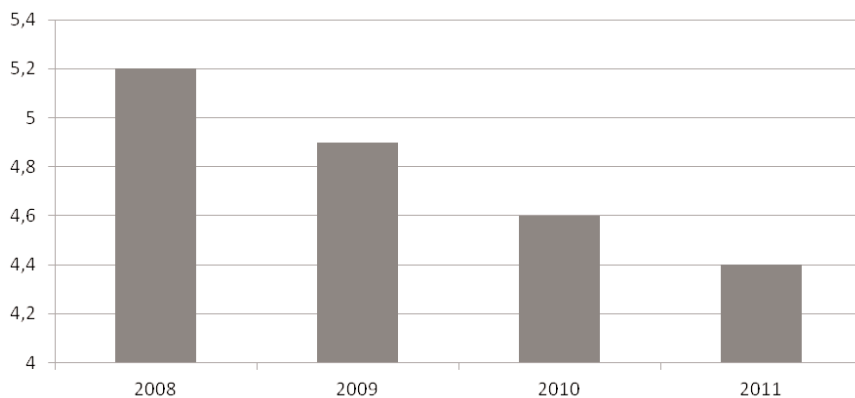
Recent development of corruption in the Czech Republic. According to the public opinion surveys carried out in the Czech Republic (STEM, 2007; STEM, 2012), corruption is one of the most important problems. We can observe an increasing trend when according to the most actual survey (carried out from February 22nd to March 3rd 2012) of 1,096 randomly selected respondents, 85% of the population of 18 years old and over perceive corruption as a major problem, which should be dealt with (Figure 1).

Perception of corruption in the Czech Republic has also worsened according to the ranking of Transparency International. Corruption perception index (CPI), which is being published by Transparency International since 1995, has been recently declining in the Czech Republic (Figure 2), from the 53rd position in 2010 to 59th position in 2011.

■ Very important problem   ▨ Partly important problem
▯ Marginal problem + it is not a problem

Source: STEM, Trendy 2/2012, 1096 respondents, 18 years old and over.

Figure 1. **Importance of the problems in the Czech Republic according to the STEM (Center for Empirical Research) survey carried out in 2012**

Source: own elaboration based on the Transparency International data.

Figure 2. **Corruption Perception Index in the Czech Republic, 2008 to 2011**

Causes of corruption. There are many causes of corruption mentioned in the literature (Mauro, 1997; Rose-Ackerman, 1999; Fric et al., 1999), for example:
- trade restrictions (e.g., quantitative restrictions on imports),
- government subsidies,
- price controls,
- multiple exchange rate systems,
- lower salaries paid to public sector workers,
- sociological factors – strong corruption climate in the society, quick enrichment cult, corruption ideal, significance of family relations (e.g., some societies with strong family relationships can tend to higher level of corruption activities) etc.

Some other causes of corruption can be identified such as vague or complicated rules (norms, standards, legislation) in the country or organization. At the same time it is a quite difficult task to identify all possible causes of corruption because it is often unclear what the cause is and what the consequence is.

For example, there is a strong correlation between CPI and GDP per capita in the country but in this case the relation between the cause and the consequence is not quite clear. Rather we can state that these two events coincide and strengthen one another.

Nevertheless, it seems that the causes previously mentioned are rather certain conditions which enable or facilitate corruption behaviour (in the sense of the saying "opportunity makes the thief") than to be the right causes of corruption behaviour. Is not the right and primary cause of disseminating corruption low morale and false values of individuals and groups that have a certain position and power, which can be transferred to other society members? In this regard corruption is often compared to cancer growth in a human body.

Consequences of corruption. Conclusions of many researchers (Mauro, 1997) show that corruption has negative impact on business investment activity and GDP growth. Businessmen perceive corruption as an additional tax, which increases their costs. Moreover, it does not assure success of their project and therefore corruption decreases willingness to invest in the countries with high level of corruption. Similarly, the negative influence of corruption on foreign aid is observed because donors do not want to support inefficient use of money. Corruption is often accompanied with significant reduction in collected taxes due to perceived ineffectiveness in using them and may raise the level of public expenditure which leads to adverse budgetary consequences. This fact is related to another negative consequence which is distortion of the composition of government expenditures. In corrupted countries government officials very often choose large projects on the basis of their potential to extort bribes regardless of their public welfare. Therefore, they support rather large and overpriced infrastructure projects than increasing salaries of teachers. It is stated (Mauro, 1997) that corruption may lead to lowering quality of infrastructure and public services. The reason behind it may be insufficient control or the lack of interest to check projects.

Anti-corruption strategies. Traditional anti-corruption strategies (Klitgaard, 2000) focus on diminishing stimuli to corruption behaviour on the basis of increasing costs of corruption (either on the side of giver or taker). This cost increase may be caused by severe sanctions (sentences, penalties and punishments), higher salaries of government officials or more check mechanisms. Another possibility how to fight

corruption is to focus on the causes of corruption, e.g., by eliminating unnecessary government restrictions or unclear rules and norms. There are also some anti-corruption initiatives of businesses and global organizations (e.g., codes of ethics, the UN Global Compact or the World Economic Forum Partnering Against Corruption Initiative) reacting to malfunction of traditional anti-corruption strategies. The main benefit of these initiatives is their help in changing business culture.

Conclusion. Corruption is one of the most compelling problems in the Czech society. Moreover, perception of the corruption in the Czech Republic is worsening. Based on the empirical surveys (Knack and Keefer, 1995; Mauro, 1997; Thomas and Meagher, 2004) it was proved that corruption has the significant impact and influence on the business environment, especially in the area of investment activities, economic growth and foreign or international aid. At the same time the exact exploration and analyses of corruption is rather complicated due to often hidden existence, indirect manifestation and not so clear relations from the point of causality (e.g., between the level of corruption and poverty). Although trade restrictions, administration of grants and supports, vague norms and rules or lower salaries paid to public sector workers are very often mentioned as the causes for corruption. In my opinion, these factors enable and facilitate corruption, but they are not the fundamental causes. The underlying causes of corruption have to be looked for in disintegration, hypocrisy and moral relativism of the individuals who often label corruption as an immorality, which we have to fight against, however their private morals are quite different.

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