

# Social and Economic Effects of Corruption in Nowadays Romania (part 1)

Sorel Constantin Cătănescu

Ph.D. Student - Academy of Economic Sciences - Bucharest, Romania  
Police Commissioner,  
National Anticorruption Directorate - General Prosecutor's Office  
attached to the High Court of Cassation and Justice  
Bucharest, Romania  
voni\_2005@yahoo.com

## Abstract:

*During the process of transition and accommodation to open market economy, the corruption tends to become a structured and specialized phenomenon, which is present in all the domains of the economical, social, and political life.*

*The sustainable economical development excludes the phenomenon of the high corruption with a highlight on the matters of industrial privatization, large public tenders, the spoils of banking and financial institutions, fraudulent usage of the UE assets, big tax evasions etc.*

*In Romania, the corruption fact has its own dynamicity that means it has experienced quality and quantity changes.*

*I deem that the phenomenon of corruption in Romania reached the severest level, known in the dedicated literature as state capture.*

*It is about institutions that work for groups; groups gathered by common interests and linked with the political class, business community (unfair competition and non-competition) and mass media (newspapers, TV stations, radio stations etc.). Oligarchic factions manipulate the making of the policies, getting to write new rules of the social game, rules made for their substantial benefit.*

*When the state is capture, only the law paragraphs are not enough, because the state, merely and clearly, cannot carry on its task of applying them indiscriminately. The companies use their dishonest lobby for blocking any reform that could erase their advantages. The captivity of the state becomes not only a sign, but in the mean time, the paramount cause of a bad government.*

*The phenomenon of corruption is quasi-institutionalized, that means it cannot be eradicated in a facile way, no matter how many new institution would be set up. Therefore, the premise from which one must start is the reaching of an economical stability, the consolidation of a working market economy, the democratization of the completely social life; the mechanism will work through the instrumentality of its influence on the medium where the corruption is present.*

**Keywords:** High corruption, sustainable development, underground economy, social deviancy, state capture, national security

## FOREWORD - IMPORTANCE OF THE RESEARCH

Manifesting itself at any level of the structures within the Romanian society, corruption seriously affects the realms of politics, economy, justice, administration and prevents them from properly carrying on their activities.

Corruption undermines democracy and good governance.

Corruption in elections and in legislative activities reduces the degree of representation of those elected. Unlawful financing of political parties may directly affect the making of normative acts.

Corruption in the judiciary suspends the role and the rule of law as well as the principles governing the state of law.

Corruption in public administration results in the unequal provision of services to the citizens.

Corruption in the medical system prevents the citizens from access to health services and may lead to wrong treatments. Corruption in the pharmaceutical

system, materialized in counterfeiting medicines, produces devastating results every year.

Corruption in the military domain undermines the defensive capacities of the country by means of creating vulnerable sectors.

Corruption in public procurement increases their final prices artificially, while the costs are eventually met by the citizens themselves.

Corruption generates important losses every year through blocking the mechanisms of access to the European Union funds or embezzling them.

Corruption is the means by which authorities have allowed the growth of organized crime and gangs which have lately come to lead the society and influence the legal system.

Also, corruption often facilitates criminal activities such as drug trafficking, money laundering and prostitution (not a limitative enumeration).

Corruption also undermines economic development by generating major distortions and inefficiency.

In the field of privatization economic units, corruption resulted in such main negative consequences as the loss of the market quota, the diminishment of industrial output, generation of unemployment and unaccountable losses to the state budget.

Corruption leads to increasing the cost of business in the private sector through the price of illicit payments aimed at "buying" the conscience of public officers.

Corruption discourages and makes the foreign investors in the private system leave the country, with negative consequences on the economic growth.

Corruption encourages monopoly tendencies and affects the competitive environment.

Corruption influences the public sector by unlawfully re-directing funds allotted to health, teaching and education, public services, eg.

Corruption distorts the institutional capacities of the government by ignoring rules and procedures, draining resources and using them arbitrarily, hiring and promoting employees without taking into account the performance criteria.

Therefore, corruption undermines the legitimacy of the government and its main values, among which trust and tolerance.

On the other hand, corruption is a not phenomenon characterizing the Romanian society solely. A study performed by the World Bank estimates that the total amount of the bribes ranges from 600 to 1500 billion dollars.

### **DEFINITION OF CORRUPTION**

While admitting that the phenomenon of corruption cannot be assigned a definition universally valid in any society, specialists in the legal, economic, sociologic, criminological, politic, etymologic domains have agreed on the fact that such concept is most often than not either ambiguous or evasive.

A scientific approach to this phenomenon requires an inter-disciplinary analysis.

Etymologically, corruption means a state of deviation from morality, honesty and duty.

The Multi-disciplinary Group on Corruption (M.G.C.), established by the Committee of Ministers of the Council of Europe in 1994, adopted the following definition: "Corruption, as dealt with through the activity of the Committee of Ministers of the Council of Europe, includes the occult commissions and any other approach involving persons appointed in public or private positions, who have violated the duty arising from their positions of public officers, private employees, independent agents or from any other relations of this nature, with a view to obtaining unlawful advantages of whichever nature for themselves or for others".

The Criminal Law Convention on Corruption of the Council of Europe, signed by Romania on January 27<sup>th</sup>, 1999, defines bribery as to the two ways of perpetrating it:

- active bribery - "the promising, offering or giving by any person, directly

or indirectly, of any undue advantage to any of its public officials, for himself or herself or for anyone else, for him or her to act or refrain from acting in the exercise of his or her functions”,

- passive bribery - “the request or receipt by any of its public officials, of any undue advantage to any of its public officials, for himself or herself or for anyone else, or the acceptance of an offer or a promise of such an advantage, to act or refrain from acting in the exercise of his or her functions”.

As the Civil Convention on Corruption - adopted by the Council of Europe on November 4<sup>th</sup>, 1999 - puts it, 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”.

According to the National Anti-Corruption Strategy 2005 - 2007, corruption is defined as:

- systematic deviation from the principles of impartiality and fairness meant to be the basis to the functioning of public administration, which principles assume that the public goods be distributed universally, fairly and equally

and

- substituting them with practices leading to attributing disproportionate shares of the public goods to certain individuals, irrespective of their contribution.

This particular definition converges to the definition of corruption agreed on in the framework of the Global Programme against Corruption ran by U.N.: “the essence of the phenomenon of corruption lies in the abuse of power committed in order to gain personal profit, directly or indirectly, for oneself for or anyone else, either in the public or in the private sector”.

Transparency International defines corruption as “abuse of entrusted power aimed at obtaining personal benefits”.

The 2004 issue of the World Report on Corruption defines political corruption as the “abuse of power of political officials in order to obtain personal advantages”. In financing political activities, corruption takes many forms, from buying votes to using unlawful funds to sell appointments and abuse of state resources.

From a sociological point of view, corruption is a social relation which represents a forbidden variation of certain types of conduct on which society imposes a specific way of expression.

A deviant conduct is an “atypical” one, drifting from the standard (average) position and transgressing (infringing) the norms socially admitted and accepted within a given society.

Therefore corruption is, in this vision, a form of social deviation.

## **STUDY REGARDING THE CAUSES GENERATING CORRUPTION AND OF THE CONDITIONS THAT FAVOUR IT**

### **4.1 SOURCES OF CORRUPTION**

The sources of corruption should be sought at property level, where three important sectors may be identified, regarding:

- 1 Restoring the right of property and restitution in kind of the pre-war properties or by means of reparations, but essentially, by reassessment;
- 2 Using administrative key factors to draw up deeds of disposition on property, re-distribution of national property by means of the process of privatization;
- 3 Current distribution of public income to the population through the system of taxation / exemptions / spacing out payments and state or social aids.

### **4.2 CAUSES GENERATING CORRUPTION**

The various specialists who have studied corruption (economists, legal specialists, criminologists, psychologists, specialists in political theory

and others) have revealed that it is determined by a multitude of causes and conditions of social, economic, political, moral and cultural nature, the knowledge of which ensures a real support towards preventing and fighting the phenomenon of corruption.

1 Economic causes

The corruptible behaviour is determined by poverty as well as the imperfection of the economic system, the lack of subsistence resources, the fact of insufficiently providing individuals with the resources required by the living standard they aspire to. The incidence of the acts of corruption has been proved to be higher in poor countries, and it sometimes affects the whole society, from low-ranking public servants to heads of state.

2 Lack of firmness of state authorities and inconsistencies in law enforcement

Such behaviour generates the cases of tolerance shown by the political powers and their being involved in acts of corruption and immorality of certain state officials.

On numerous occasions, the authorities empowered with stopping corruption become inefficient because of the inefficient system of selecting and promoting the public servants as well as because of the fact that some of the representatives of such authorities become corrupted themselves.

3 The form of property on the means of production

During the course of human history, state property on the means of production proved to have the general effect of an excessive bureaucracy resulted from the formation of a class of economic public servants willing to administrate state property in their own interests, with a view to acquiring material advantages.

4 Naturalized common habits and flaws

This particular category of causes pertains to the psychological structure of individuals and the traditional mentalities and flaws of a given people acquired in the course of time. From this point of view, it is to be noted that peoples living in certain geographic areas share common traits (such as higher opposition to corruption from nations inhabiting northern areas, or perpetuating relationships based on `Byzantine customs` in peoples at the gates of the Orient).

5 Mentalities and educational flaws of individuals at the active or passive poles of corruption

The desire of getting rich overnight, without working, and the rush for undeserved advantages of individuals with educational drawbacks generate corruption, too.

6 Absence or mildness of proper legislation and of penalties for acts of corruption

Firm coherent legal measures offer the advantage of putting to a halt, to a certain extent, the phenomenon of corruption. They should regard the categorization of the acts of corruption, the penalty system as well as the setting up of the framework of legal enforcement.

7 *Existence of legal ambiguities in the field of regulating certain social activities*

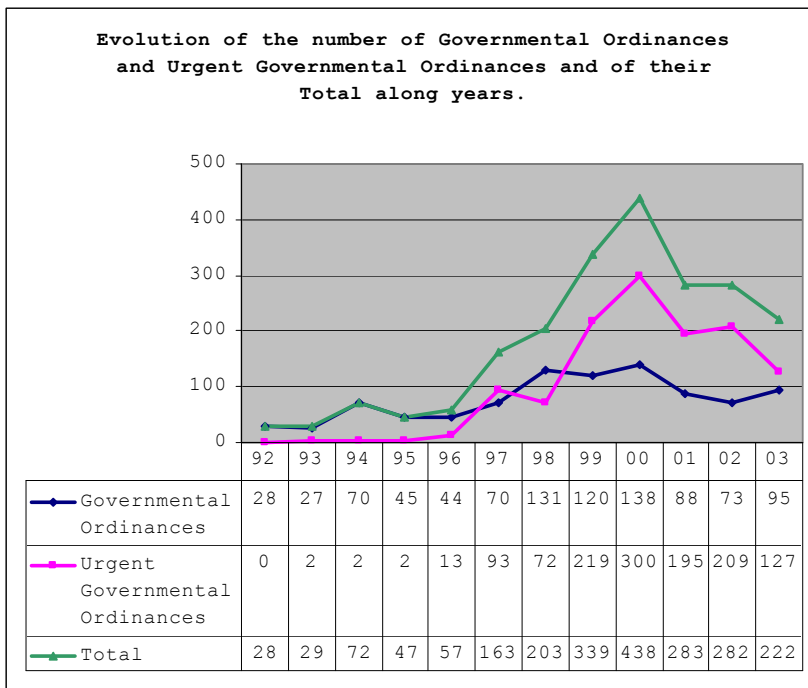
The possibility of `sneaking by the law`, when the legal norms are insufficiently clear and can be interpreted at will, according to the civil servant's will who enforce them, favours maintaining and extending corruption.

#### **4.3 CONDITIONS FAVOURING CORRUPTION**

1 Government interventionism, decentralization

Government's intervention on the market is normally seen as a source of corruption. Government Decision No 396/2002 stipulates that the drafts of law affecting the business environment are to be presented by the initiating authority before the business associations and non-governmental organizations in order to obtain their comments and suggestions.

Such comments and proposals from the parties concerned would add great value and would allow the law-makers to improve the proposed legal drafts. A study performed by Dorin Ciuncan emphasizes how much the Government has used its capacity to issue ordinances and urgent ordinance.



It is often stated that the government is the executive authority and therefore, it cannot but perform acts of administration and is less able to get into the legislative domain. As a final empirical conclusion, not yet scientifically proved, researchers claim that lesser intervention of the government on the market and in the sphere of legislation, as well as higher decentralization, might have a positive impact on corruption.

## 2 Quality of institutions

Regarding the relationship between the quality of institutions and the level of corruption, researchers have put forward two hypotheses:

- that of "greasing the wheels", according to which corruption might allow speeding up or short-circuiting slow mechanisms;
- that of "sanding the wheels", by undermining the rights of property, improper allotment of resources, dynamic imbalance; if the "stuck wheels" produce more "grease" from those requesting public services, then the public servant will "stuck" them even more in order to increase the amount extracted.

## 3 Lack of competition

Lack of free competition in economy as well as in society, in general, has often been in relation with the level of corruption.

Theoretically, this would reduce the un-earned income extracted from economic activities and therefore, reduce the pressure from politicians and public servants applied in order to benefit from a part of such un-earned income. Researchers claim that monopolies may increase the level of corruption.

## 4 Lack of control regarding public financing

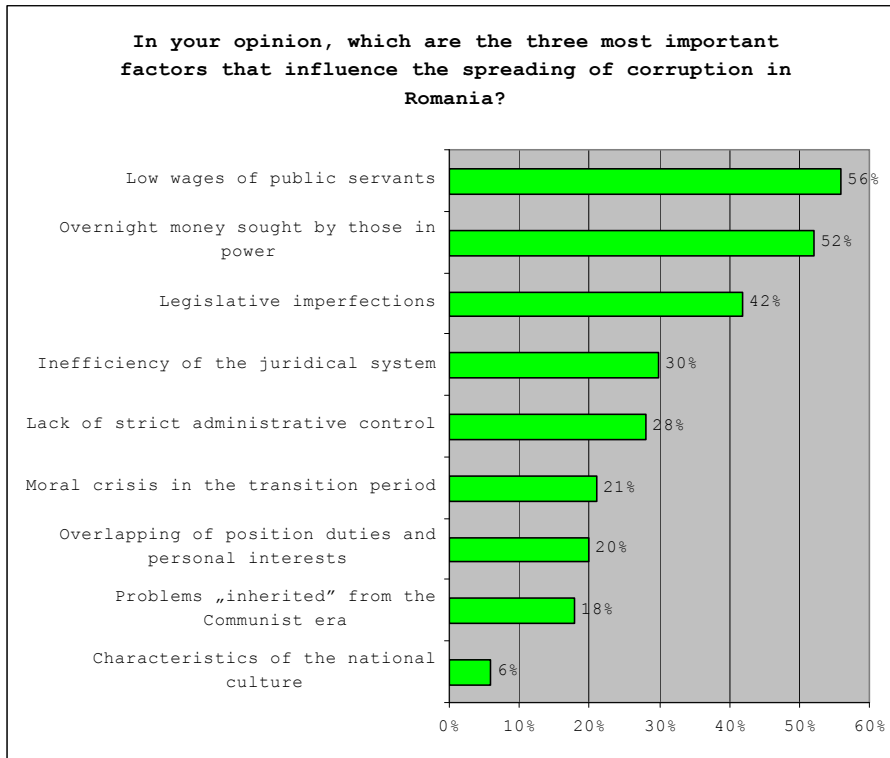
Financing of political parties is non-transparent, uncontrolled and, probably, very corrupted. The problem of financing by private persons in exchange of their names being introduced on the list of party candidates only adds to the typical problems of the parties' being corrupted by business interests. Even politicians in important positions admit that most of parties' financing is illegal or masked. Here is the difference between the sums that have been declared and the sums that were spent by parties during the 2000 election campaign:

Table 1:

	Sums stated in the Official Journal (€)	Sums verified by Pro - Democracy Association (€)
National Liberal Party	420.567	2.664.846
Social Democracy Party of Romania	51.502	4.046.877
Democratic Party	354.033	2.767.471
Alliance for Romania	72.158	1.183.243
Union of the Right Wing	54.167	247.937
Socialist Party of Labour	1.741	215.867
National Alliance	2.851	351.632

#### 4.4 CAUSES OF CORRUPTION IN THE VIEW OF THE PUBLIC OPINION

1 Causes of corruption in the view of the public opinion, according to the research performed by the Gallup Organization - Chart 2:

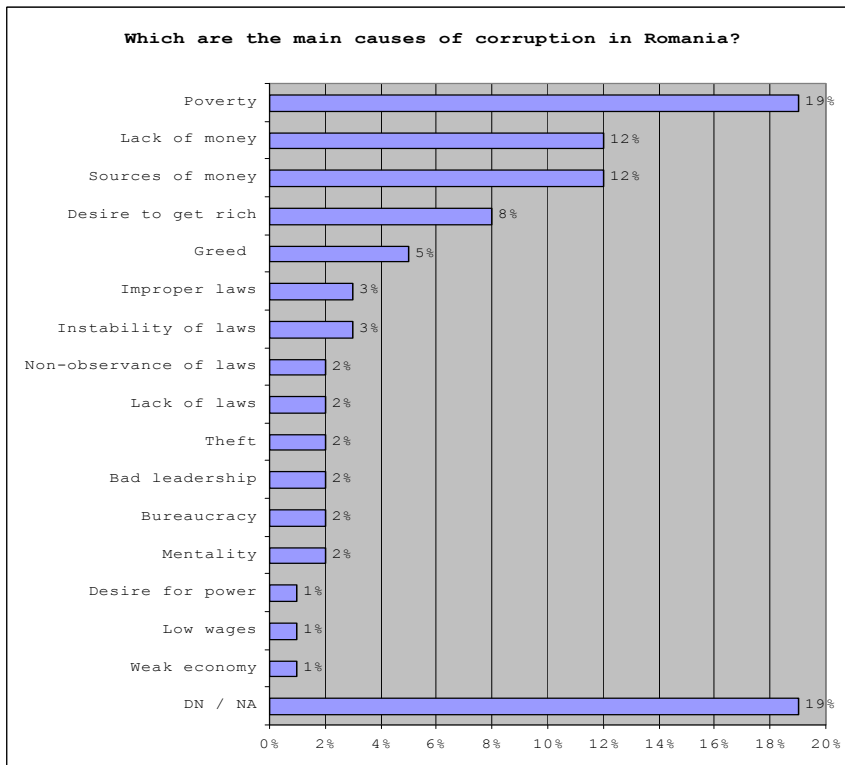


Romania - January 2002 - Percent of the total number of respondents

The factors influencing the spreading of corruption are mainly the low wages of the public servants and the desire for overnight money of those in power, followed - at a certain distance - by the legislative imperfections. Such causes as the problems „inherited” from the Communist era and characteristics specific to national culture are given the least

importance. According to this opinion poll, the general tendency is to assign corruption causes from inside the system of public administration to a greater extent than those coming from society's culture or past.

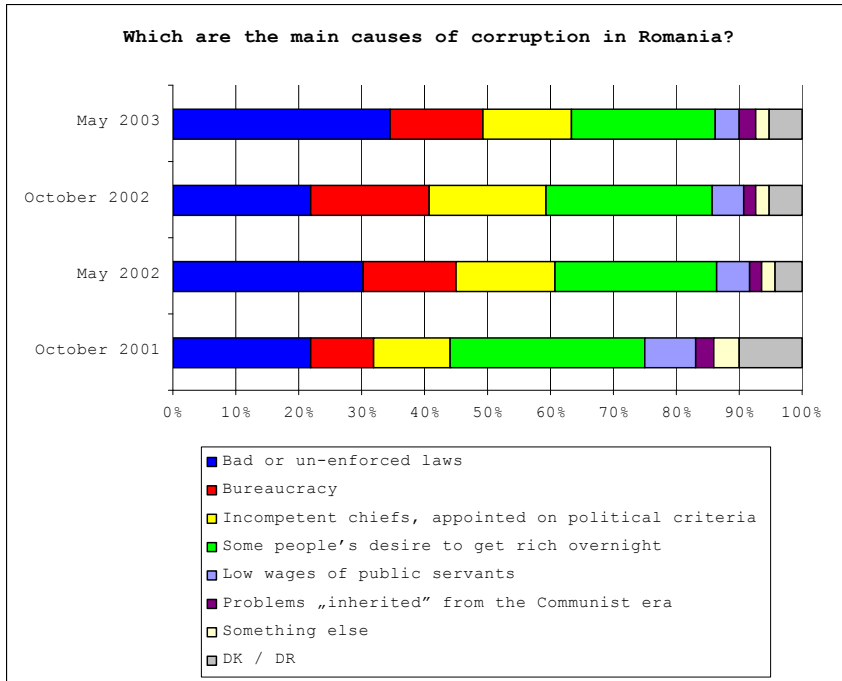
2 Causes of corruption in the view of the public opinion, according to the research performed by Metro Media Transilvania - Chart 3



Romania - August 2002 - Percent of the total number of respondents

According to this study, the main causes of corruption in Romania are related to the low living standard (poverty, lack of money, desire to become rich) while administrative causes are assigned lesser importance (improper laws, non-abiding by the law, bureaucracy)

**3 Causes of corruption in the view of the public opinion, according to the research performed by the Foundation for an Open Society - Chart 4**

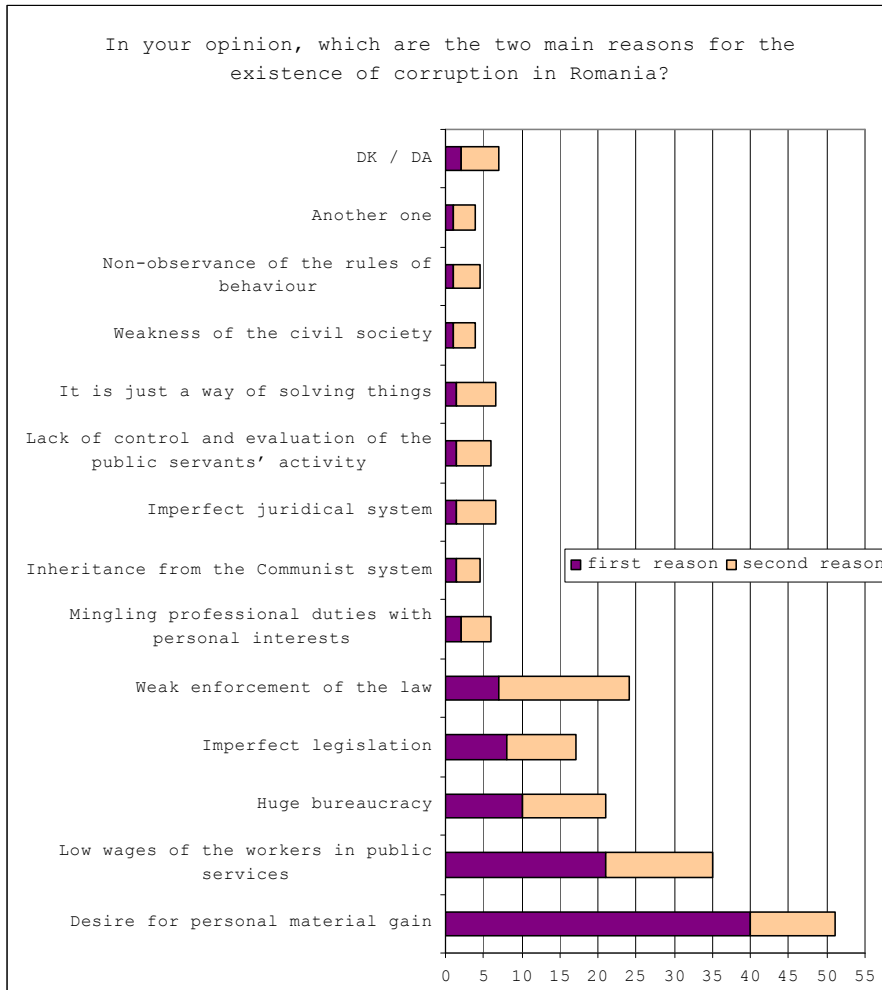


**Romania - October 2001 - May 2003** - Percent of the total number of respondents.

A much more ex-tended study, per-formed by the Foundation for an Open Society, bringing in the foreground the public's perception over a longer period of time, established that the most important causes of corruption are the bad laws, bureaucracy and some individuals' desire to get rich over-night. Surprising as it may be, the cause of „public servants' low wages”

loses its importance.

**4 Causes of corruption in the view of the public opinion, according to the research performed by Concept Foundation - Chart 5**

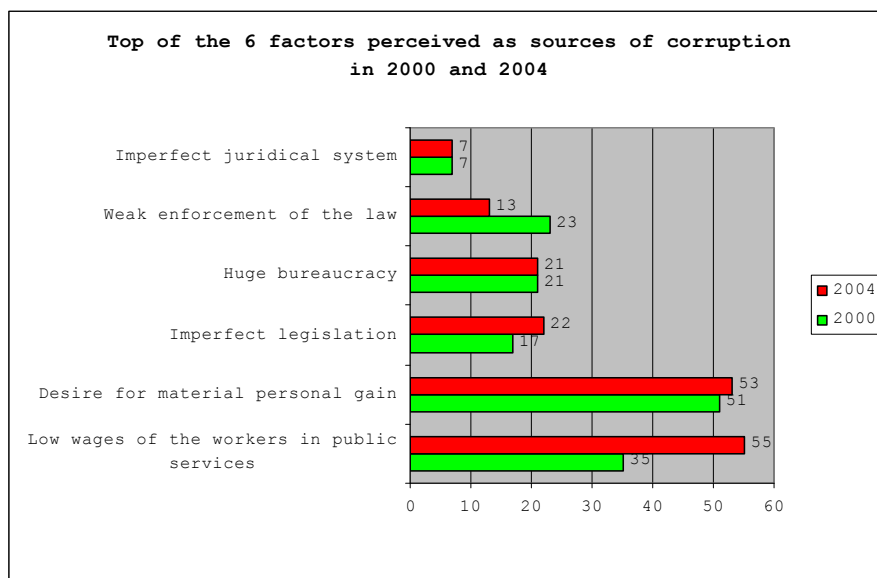


**Romania - Nov. 2004** - Percent of the total number of respondents.

The study per-formed by the Concept Founda-tion in November 2004 shows, as the first re-search did, that the desire for personal material gain, low wages and excessive bureaucracy are felt to be the main factors to determine corruption. Confusing legislation, ba-dly enforced laws by institutions working un-efficiently round up the multitude of factors most often mentioned as determiners of corruption. The opposite pole includes the „inheritance” from the Communist

system, the imperfect judiciary system and the lack of control on the public servants' performance.

**5 Causes of corruption in the view of the public opinion, according to the**



**research performed by World Bank - Chart 6**

Romania 2004 - Percent of the total number of respondents

The research performed by the World Bank brings to the foreground studies made in the years 2000 and 2004. It is to be noted that the same factors determining corruption existed both in the year 2000 and in 2004 and it is only their

order that differs. It is important to notice that the factors identified by the World Bank coincide with those present in the study performed by the Foundation for an Open Society.

The figures represent the sum of those identifying each single cause as first or second reason for the existence of corruption.

To sum up, it is to be noted that irrespective of the size or structure of the group or sample to have taken part in the sociological research and irrespective of the selected period of time, the main causes of the existence of corruption, as society perceives them, were: the low wages of the workers in the public services, the desire for personal material gain, the imperfect legislation, the huge bureaucracy, the weak enforcement of the law and the imperfect juridical system.

**FORMS OF CORRUPTION**

1 Administrative Corruption

Table 2:

No	Sectors Vulnerable to Corruption	Risk Factors
1	Local public administration	<ul style="list-style-type: none"> <li>▪ Allocation of dwellings;</li> <li>▪ Enforcement of the laws regarding the landed properties and retrocession of real estate;</li> <li>▪ Issuing licenses and certificates;</li> <li>▪ Leasing, association and renting contracts ;</li> <li>▪ Contracts regarding public procurement of works, goods and services;</li> <li>▪ Management of public property;</li> <li>▪ Transfer of property among public institutions;</li> <li>▪ Selling properties belonging to public institutions, if in excess;</li> <li>▪ Granting aid in case of disaster and granting facilities in various domains (heating, agriculture, social or emergency aid) to citizens;</li> <li>▪ Registration of motor cars;</li> <li>▪ Issuing driving licenses;</li> <li>▪ Selection / Promotion of personnel;</li> </ul>
2	Central	<ul style="list-style-type: none"> <li>▪ Privatization;</li> </ul>



	authorities of public administration	<ul style="list-style-type: none"> <li>▪ Public procurement;</li> <li>▪ Granting licenses;</li> <li>▪ Allotment of contingents;</li> <li>▪ Authorizations;</li> <li>▪ Exemptions from and spacing out taxes and duties ;</li> <li>▪ Valorisation of controls.</li> </ul>
3	Customs authorities	<ul style="list-style-type: none"> <li>▪ Customs checking;</li> <li>▪ Tax evasion;</li> <li>▪ Smuggling.</li> </ul>
4	Defence, order and national security	<ul style="list-style-type: none"> <li>▪ Intercession;</li> <li>▪ Preferential promotion in rank and position or based on other criteria than competence;</li> <li>▪ Criminal inquiries</li> </ul>
5	Culture and education	<ul style="list-style-type: none"> <li>▪ Taking over of premises;</li> <li>▪ Proliferation of private universities linked to commercial companies;</li> <li>▪ Non-payment of taxes and duties;</li> <li>▪ Fraudulent passing of baccalaureate and graduation examinations;</li> <li>▪ Preferential granting of scholarships;</li> <li>▪ Receiving undue advantages.</li> </ul>
6	Health and social security	<ul style="list-style-type: none"> <li>▪ Non-payment of social security contributions;</li> <li>▪ Use of such funds for other purposes;</li> <li>▪ Acquisition (import) of medical technique and equipment and not using them;</li> <li>▪ Shortage of medicines and medical assistance;</li> <li>▪ Proliferation of work illnesses and accidents.</li> </ul>

## 2 Corruption in the judicial system

Table 3:

No	Sectors Vulnerable to Corruption	Risk Factors
1	Judicial authorities	<ul style="list-style-type: none"> <li>▪ Intercession;</li> <li>▪ Influencing criminal inquiries;</li> <li>▪ Influencing judicial decisions;</li> <li>▪ Enforcement of judicial decisions.</li> </ul>

## 3 Economic Corruption

Table 4:

No	Sectors Vulnerable to Corruption	Risk Factors
1	Finance and banking	<ul style="list-style-type: none"> <li>▪ Unlawful granting or facilitating credit granting;</li> <li>▪ Spacing out of credit reimbursements;</li> <li>▪ Issuing invoices without actual guaranty or coverage ;</li> <li>▪ Granting credits with bonuses to the interest rate ;</li> <li>▪ Forcible enforcement of judicial decisions.</li> </ul>
2	Metallurgy	<ul style="list-style-type: none"> <li>▪ Artificial growth of prices for imported equipment and raw materials;</li> <li>▪ Lowering prices for exported products;</li> <li>▪ Unjustified un-registration of assets;</li> <li>▪ Auctions for the sale, acquisition and leasing of investment works;</li> <li>▪ Privatization activities;</li> <li>▪ Intermediary links and parasite companies.</li> </ul>
3	Oil sector	<ul style="list-style-type: none"> <li>▪ Directing certain economic contracts from prestigious companies to private companies managed by former company employees or relatives of company managing personnel;</li> <li>▪ Non-collection of equivalent value of sold</li> </ul>

No	Sectors Vulnerable to Corruption	Risk Factors
		<ul style="list-style-type: none"> <li>products from economic agents ;</li> <li>▪ Changing the destination of state allotted funds for oil import ;</li> <li>▪ Non-surveillance of proper and timely execution of economic contracts.</li> </ul>
4	Agriculture - Forestry	<ul style="list-style-type: none"> <li>▪ Leasing, sales, associations;</li> <li>▪ Privatization;</li> <li>▪ Subvention conditions;</li> <li>▪ Forestry operations;</li> <li>▪ Import of tax-exempted farm / agricultural products.</li> </ul>

#### 4 Political Corruption

Table 5:

No	Sectors Vulnerable to Corruption	Risk Factors
	Parliament	<ul style="list-style-type: none"> <li>▪ Effects of parliamentary immunities;</li> <li>▪ Lobbying;</li> <li>▪ Group or clientele interests that can affect legislative initiatives.</li> </ul>
	Political parties	<ul style="list-style-type: none"> <li>▪ Financing political parties and elections;</li> <li>▪ Ways of controlling the financing resources of political parties and the ways of spending the resources.</li> </ul>

### SOCIAL AND ECONOMIC EFFECTS

#### *The Social Effects:*

**1 The loss of faith in State institutions and diminishment of their authority**  
 Generally speaking, corruption refers to a behavioral act which is against legal or deontological obligations provided for exercising a public office, performed in favor of the private interest either of the beholder of the office or in the interest of another person.

A relationship of corruption has constantly two subjects:

- the corruptor;
- the corrupted.

The right and balanced vision of phenomenon of corruption will have to avoid focusing on one social actor or another, since corruption is performed through the converging actions of the two partners, irrespective of the person who takes the initiative.

Seen from an objective point of view, corruption is a social relation and represents an undue variation of some types of behavior on which society imposes a certain code of manifestation.

The social institutions are central points of normative aggregation of the community aimed at controlling the unfolding of social life within predictable limits. As fundamental parts of the system of social control, the institutions keep the individuals' behavior within accepted frameworks so as the existence of society should not depend on the decisions of its members. They promote, in social life, formalized models of behavior and support their assimilation by individuals.

The functioning of institutions is an indispensable condition for the proper development of the society and their efficiency depends, among others, on the level of de-personalization of functions, on the credit that the society lends to them and on the relations of co-operation with the other institutions. An institution where the separation of the functions from the personal interests of the public servants - preoccupied with achieving their own needs instead of those of the community - is not maintained is but formally public. Therefore, it loses the citizens' respect and recognition without which no social establishment can function, as the lack of trust in an institution creates general doubts regarding the validity of the social values it represents and regarding its capacities to satisfy the needs of the society. Moreover - which is even more harmful - there is the search for

alternative means, though unlawful ones, through which the individuals might, nevertheless, achieve their goals.

Corruption twists this relation of social interaction. The corruptor frequently knows that the thing he wants cannot be obtained (at least in his case) because of normative impediments or, simply, he is not interested in whether there is or there isn't a normative impediment but, in return, he knows that he can obtain whatever he might want only with the aid of a certain public servant, whose favorable behavior will provide attaining his purpose or assistance with a view to achieving his goal. Therefore, the corruptors or the beneficiaries of corruption act upon the public servant in a way that is not normally used, by offering him the perspective of a profit (of whichever nature) with a view of determining him to co-operate in achieving their purpose through the means provided by his role. Irrespective of the way of being corrupted, the corrupted public servant will exercise the prerogatives he holds as a means of obtaining profits or advantages either by accepting the offer of the corruptor or voluntarily acting and taking the initiative.

Therefore, the individual interest of the corruptor intersects the particular interest of the corrupted. Both partners in the relation of corruption presume or know the other's inclination to short-circuit the generally permitted model of the relations between them, which model is the usual one of the interaction individual - institution, presuming that the holder of an individual interest which cannot be achieved automatically addresses to the public servant - representative of the collective interest and waits for the latter's decision that actually represents the normative compatibility of the particular purpose with the means that society can put at his disposal so that the goal should be achieved.

From this point of view, the most serious consequence of corruption is the deep alteration of the mutual expectations of the members of the society towards institutions, which are supposed to be agents regulating the social life. The individual who has obtained a favorable decision through bribery or has benefited from such a decision after he was asked and offered a bribe will doubt the validity of using the regular legal means employed in relation with the authorities and will thus be tempted to adopt the illicit - but efficient - method of corruption. In his turn, the holder of a public office will gradually get used not to regard impartially those he has business relations with and therefore, he will organize his professional interest selectively, depending on the possibility of getting some advantages from the decisions he makes.

## **2 Alteration of the normal relationship between citizens and authorities**

The next important consequence is that, depending on the amplitude that corruption holds within the whole of the social structure, it can determine the development and spreading of occult anti-normative behavioral models which will frequently and tacitly replace the formal lawful conduct with regard to the relations between the citizens and the authorities, considered unable to provide solutions to their own problems. The danger raised by such situation is the development of extended underground systems of connections and relationships whose dynamics relies on the mutual achievement of private interests, thus leading to the confusion between the public and private interest, the inefficiency of the laws as to directing the behavior of individuals and finally, to blocking the mechanisms of social control by subjecting them to private interests.

### **The Economic Effects**

#### **3 The level of investments**

A trans-national study on the effects of corruption on the investment environment has shown that the phenomenon of corruption affects negatively the rate of investment calculated as a percent of the GDP.

Parallel studies have confirmed the results and have unanimously agreed on the fact that a high level of corruption discourages investments.

Not only does corruption reduce the rate of investments in the GDP, but also the efficiency of the capital (as it introduces inefficiency and distortions in its allotment). Hence, under circumstances of corruption, the GDP

decreases by the same absolute level as that of the investments because the resources invested are used in a more inefficient way for the society as a whole. Therefore, the rate of investment in GDP in more corrupted countries measures the actual potential of growth in a worse manner than in less corrupted countries. Or, in other words, the beneficial effect of investments is weaker where corruption is higher, meaning a slower increase of the GDP.

#### **4 The economic growth**

The studies that have been carried out have shown a strong correlation between the GDP per capita and the level of corruption as measured through various polls.

Not only is it obvious that strong corruption reduces the welfare of the society, but also is the fact that countries with a low GDP per capita are unable to finance high quality institutions and fight corruption.

Other researchers find a positive association between the incidence of corruption and economic growth - in other words, more corruption means more rapid growth. Such data are perfectly possible if taking into account the fact that corrupted countries may very well report high rates of development for a while. On the other hand, there is the problem of how sustainable is such tendency in the long run. The ideal research conditions imply choosing long periods of time, but the lack of data make such option impossible.

Another possibility confirming the above is the case of the countries with a high level of corruption but exploiting their natural resources (oil, gas, and ore). Such countries are found to have a tendency of exploiting their natural resources by means of mechanisms strongly controlled from the political point of view in the form of monopolies or state concessions and to create a whole series of policies and institutions centered on redistributing benefits.

In this respect, other researchers indicate that a large proportion of fuels and ore export in total GDP is a predictor of a high rate of corruption.

Some other researchers acknowledge a significant negative impact of corruption on the social efficiency. The study puts forward the opinion that, for instance, an improvement of 5 points in the score of public integrity - as it is reported by Transparency International - (that is, bringing a country such as Romania to the level of Great Britain) would increase the GDP by 20% in absolute value.

In our opinion corruption is a factor of social injustice that maintains and amplifies poverty and ultimately, the economic development - which is the most credible and steady source of security. The amounts of money and the advantages that constitute the object of bribery or of other crimes of corruption are taken out of the normal economic circuit and are of occult destination, as representing illicit income.

All these sums, which sometimes amount to considerable value, add to the sums lawfully used in order to attain the purpose bribe has been given for, so that the final cost of the given activity is unaccountably for amplified by a considerable percent.

On the other hand, corruption is a factor of undermining the national economic potential as favouring the development of underground economy, while the growth and generalization of this phenomenon is an important cause of the precarious state of the national security's economic components.

#### **5 Setting up „tick“ companies**

Setting up „tick“ companies, which become prosperous beside dying state-owned companies by „externalizing“ the profitable activities towards companies belonging to certain interest groups, largely aided by the directors and managers of the state-owned firms who are directly „interested“ in getting insolvent the firms they administrate and whose interests they should represent. As important to consider, in this matter, is the fact that some insolvent state-owned companies „suddenly“ become extremely lucrative after the drawbacks of a duplicitous management have been eliminated. The fiscal dimension, in this respect, is identified in registering over-sized expenses (most of the times, even fictitious ones), and therefore narrowing the legal basis for profit taxation; implicitly, it means embezzling the respective income taxes - which are due to the general consolidate budget. In such

cases, it is essential to note that the operations and commercial transactions registered in the respective financial documents (and used as registration bases for the financial and accounting documents) do not reflect the actual state of fact.

#### **6 Despoiling the state budget**

Despoiling the state budget by the public authorities' toleration of non-paying the tax duties owed by certain companies and by illegal V.A.T. reimbursement, which acknowledges the weaknesses of the fiscal system's unity. The fiscal dimension of corruption is directly felt at the level of public financial resources by (illegal!) reimbursement of large amounts of money from the general consolidated budget to the accounts of private companies, following the inaccurate evaluation of the tax duties (namely the value added tax).

#### **7 Faked public procurement**

Faked public procurement, referring to entrusting the execution of works financed from public money to various general entrepreneurs, based on interested relationships, for overestimated prices. In most cases, the distribution of the works under consideration has been made through the method of direct entrustment or selection of offers, which is possible by „splitting“ the value of the contract for public procurement (so that the contracted value is only seemingly smaller than the actual value of the goods or services that have been required and eventually purchased), which is against the legal provisions in the field of public procurement.

In some of such cases, the goods purchased by the contracting public authority do not comply with the required quality and are not accompanied by certificates of quality or origin meant to warrant their functioning at proper technical parameters. Such actions generate over-profit within the respective companies (as compared to the normal market conditions), which is subsequently distributed, by means of commissions, to the private purses of the people who have facilitated such state of facts. But more often than not, the companies collecting the profit are commercial societies situated above the contracting authority (and usually, it is not the first-hand link) which subsequently become of a strong „ghost“ character, on the precise purpose of avoiding the payment of the tax duties generated by the development of the commercial transactions under consideration. In fact, such commercial societies do not actually take part in developing the transaction since they are only used in order to interfere with the written circuit of the documents, on the particular purpose of generating a legal appearance for the whole criminal chain.

After accumulating huge fiscal debts (which, obviously, are never meant to be paid), such companies also known as „screen-companies“ or „bogus-firms“, their associates or managers „disappear“ and are extremely difficult to identify later in order to have them account for their deeds and cover the damage to the general consolidated budget.

#### **8 Fraudulent privatization**

Fraudulent privatization, as legislation is permissive and „oriented“ to defend the interests of those in power, with a possibility of not being asked to account for. What the reality is, in such „successful“ privatization? Technological re-endowment, so often spoken of in theory, cannot even be taken into consideration in most of the cases. Many companies that have been bought are dismantled, sold for scrape metal, the personnel are made redundant and the market cannot be reached with products made by such investors. The goal of such „investors“ is immediate profit. Those using such methods are easily willing to offer bribes in order to achieve their goals while large foreign companies enjoy fewer chances of success as they try to make legal investments. In many cases, the actives of the newly-established societies have been estranged for under-estimated prices (since the preferred target of the new proprietors is the afferent land) as registered in the accounting documents (invoices), while the remaining difference has been paid in cash, „to the bearer“; the unlawful sums obtained in this way have been, on many occasions, used for similar „tricks“ in the domain. The fiscal effect

of corruption, cause of fraudulent privatization, is so much the more conspicuous since prior to privatization, the historical debts are „erased” on the precise purpose of making them more attractive for the „strategic investors” we have spoken above.

### **9 Misappropriation of European funds**

Misappropriation of European funds ensured by PHARE-like programmes, with non-reimbursable financing. In such situation, the use of European funds is accounted for only in writing, by registering, in the accounting papers, of documents which do not reflect the actual transactions and economic operations recorded in them. This is possible, most of the times, by means of the complicity (unspoken or interested) of those whose task is to verify the distribution and use of such funds.

### **10 Ransacking banks**

ransack banks by preferential distribution of credits on clientelary bases (in many cases, political clientele) while breaking the principles and norms of crediting. Practice has shown that the credit administrator’s guilt can be proved with regard to not following their destination, especially at the level of debtors with group relationships (as associates, managers or persons with identified participation - interests in a group of firms beneficiary of credits). The interest groups in the field of organized crime in business, beneficiaries of non-performing credits, have identified the banking system as one of their favourite targets along the years. But we cannot fail to notice that (at least statistically) the phenomenon of illegal or preferential crediting (and implicitly, that of the frauds associated with corruption phenomena) has visibly narrowed as the banking sector has undergone a real and efficient process of privatization.

## **CONCLUSION**

Corruption may be regarded as a complex social problem which is perceived by the honest social segments as a particularly serious and dangerous phenomenon attacking the economic and political foundations of society, endangering the stability of state institutions and affecting the living standard of the population by the unjustified growth of social costs.

To conclude, we should say that: “corruption is a threat to democracy, to the rule of law, social equity and justice, it erodes the principles of efficient administration, it undermines market economy and endangers the stability of state institutions.

The highest attainable level of corruption, according to the specialized literature, is the “state capture”. The phrase “state capture” means the actions of certain groups, persons or companies belonging to the public or private sectors, aiming at influencing to their own advantage the contents of certain laws, regulations or other types of governmental acts, by granting personal advantages to public persons in unlawful ways or through other non-transparent mechanisms.

In general, the “state capture” phenomenon is associated with the “high corruption”, and in recent times there has been a larger number of situations when certain normative acts, mostly Government Resolutions, have been drawn up and passed in order to create advantages for certain persons or groups of persons; things have gone so far as to alter the contents of certain normative acts by illegally removing or adding texts. Such tendencies have also appeared in judicial decisions of guiding character as well as in interpretative normative acts (methodologies, administrative acts of normative character); by means of altering their contents, principles enforced by the primary normative acts have been distorted.

### **References:**

- Centre for Democracy and Governance: “A Hand Book on Fighting Corruption - Chapter 2 “Cost of the Corruption”, U.S. Agency for International Development, Washington D.C.
- Cherciu Elena, Phd. : “Corupția - Caracteristici și particularități în România”, Editura Lumina Lex - București 2004.

Transparency International Romania: "Raportul global asupra corupției 2006".  
 Daniel Kaufmann: "Myths and Realities of Governance and Corruption" - World Bank.  
 Dorinica Ioan: "Corupția în România - Realitate și Percepție Socială", Lumina Lex - Bucharest 2005.  
 Guvernul României: "Programul Național de Prevenire a Corupției", 2001.  
 European Council: "Criminal Law Convention on Corruption", 1999.  
 Comitetul de Miniștri al Consiliului Europei privind instituirea "Grupului de State Împotriva Corupției GRECO", Rezoluția (99) 5 adoptată în 1999.  
 European Council: "Convenția civilă privind corupția", 4 noiembrie 1999.  
 Guvernul României: "Strategia Națională Anticorupție 2005 - 2007".  
 U.N.; "The Global Programme Against Corruption" - New York 31 October 2003.  
 Transparency International Romania; "Global Rapport on Corruption 2006".  
 Dorin Ciuncan: "Criminologia Corupției", Buletin informativ 2005.  
 Toma Roman: "Introducere în sociologia economică", Editura A.S.E. - 2004.  
 Dorin Ciuncan: "Jurisprudență și doctrină penală materia corupției", Editura Lumina Lex, București, 2005.  
 Joel Hellman, Daniel Kaufmann: "Seize the State, Seize the Day - State Capture, Corruption and Influence in Transition", World Bank 2000.  
 Romanian National Statistics 2006  
 European Council: "Civil Convention on Corruption".  
 Freedom House: "Romanian Government Anticorruption Policy 2004".  
 Freedom House: "Corruption Ratings 2006".  
 Fundatia pentru Dezvoltarea Societatii Civile; "Corruption in Local Public Administration - 2006".  
 Transparency International: "Anticorruption Guide in Justice 2006"  
 Romanian National Criminological Institute: "Analyses of Statistical Data for corruption offences 1990 - 2004".  
 US Department of State, Bureau of International Information Programs: "Transforming Culture of Corruption".  
 Center for Democracy and Governance: "A Handbook On Fighting Corruption 2004".  
 Center for Democracy and Governance, Bureau for Global Programs, Field Support, and Research, U.S. Agency for International Development: "USAID'S Anti - Corruption Experience 2004".  
 World Bank; "Seize the State - Seize the Day"  
 World Bank: "Diagnostic Surveys on Corruption in Romania 2004".  
 World Bank: "Measuring Governance, Corruption and State Capture - How Firms and Bureaucrats Shape the Business Environment in Transition Economies".  
 World Bank: "Myths and Realities of Governance and Corruption"

## **Curriculum Vitae**

### **A) PERSONAL DATA:**

Surname and first name: Sorel Constantin  
 Date and place of Birth: 20<sup>th</sup> of May 1969, Bucharest, Romania  
 Address: Bucharest, 8<sup>th</sup> Aleea Dorohoi, building A10, entrance 1, floor 9, apartment 40, sector 4, OP 82 - 144  
 Phone number: Mobile: (004) 0744 525 856 or (004) 0740 120 701  
 E-mail address: voni\_2005@yahoo.com

### **B) UNIVERSITARY EDUCATION**

2006 - up to the present time	Attending the third year (3 to 3) of study as PHD in Bucharest Academy of Economic Sciences, field of study Economics with thesis: Social and Economic Effects of Corruption in Nowadays Romania
1999 - 2006	Graduation diploma Bucharest University of Law "Spiru Haret"
2003 - 2004	Graduation diploma of Bucharest University of Law Postgraduate courses "Forensic"
2002 - 2003	Graduation diploma of Bucharest Academy of Economic Sciences, Postgraduate courses "Management of Supplying and Selling and Logistic"
1995 - 2002	Graduation diploma of Bucharest Academy of Economic Sciences "Management of Organization"
1989 - 1994	Graduation diploma of Bucharest Polytechnic Inst.

**C) SEMINARS AND CONFERENCES**

12<sup>th</sup> - 18<sup>th</sup> of August, 2007 University of Miskolc, Hungary - 6<sup>th</sup> of International Conference of PHD students -  
02<sup>nd</sup> of April 2007 Bucharest, Academy for Economic Sciences - Economics Department - the 2<sup>nd</sup> scientific session, presenting the article: Social and Economic Effects of Corruption in Romania - second part  
27<sup>th</sup> of November 2006 Bucharest, Academy for Economic Sciences - Economics Department - the 1<sup>st</sup> scientific session,  
28<sup>th</sup> - 29<sup>th</sup> of June 2006 National Anticorruption Directorate - General Prosecutor's Office - Investigations in underground economy and corruption cases - Civil Guardia  
13<sup>th</sup> - 17<sup>th</sup> of March 2006 Embassy of U.S.A. in Bucharest - Corruption in public institutions - seminar conducted by F.B.I. instructors from Quantico Academy U.S.A.  
03<sup>rd</sup> of March 2005 National Anticorruption Directorate - General Prosecutor's Office - Investigation in corruption cases with examples from experience of Spanish Anticorruption Prosecutor's Office

**D) GRADUATED COURSES****d1) International Courses:**

05<sup>th</sup> - 13<sup>th</sup> November 2002 O.S.C.E. IT course: Microsoft Office - Word & Excel  
11<sup>th</sup> November 2002 O.S.C.E. course: Stress Management  
03<sup>rd</sup> - 04<sup>th</sup> October 2002 O.S.C.E. course: Religion and Conflict Resolution  
23<sup>rd</sup> of September 2002 O.S.C.E. course: Conflict Analyses  
17<sup>th</sup> - 18<sup>th</sup> September 2002 O.S.C.E. course: Conflict Resolution - Facilitation and Mediation  
02<sup>nd</sup> of September 2002 O.S.C.E. course: Conflict Resolution - Understanding Conflicts  
01<sup>st</sup> - 02<sup>nd</sup> August 2002 O.S.C.E. course: Planning and Project Management  
08<sup>th</sup> - 09<sup>th</sup> of July 2002 O.S.C.E. course: *Fundamental Managerial Skills*  
04<sup>th</sup> - 07<sup>th</sup> of July 2002 U.N.M.I.K. course: Microsoft Office Access 2000  
24<sup>th</sup> - 27<sup>th</sup> of June 2002 U.N.M.I.K. course: Microsoft Office Word  
11<sup>th</sup> - 23<sup>rd</sup> of March 2001 Danish Royal Military Academy - Peacekeeping course (for trainers and instructors)  
15<sup>th</sup> - 26 January 2001 Romanian Police Academy "Alexandru Ioan Cuza" course: British Policing Methods

**d2) National Courses**

01<sup>st</sup> - 30<sup>th</sup> of November 2000 Romanian Police Academy "Alexandru Ioan Cuza" course for peacekeeping missions  
15<sup>th</sup> of January - 15<sup>th</sup> of April 1995 Romanian Police Academy "Alexandru Ioan Cuza" course "Training Course for Police Officers"

**F) EXPERIENCE**

01<sup>st</sup> of January 2004 - ongoing Police Commissioner, National Anticorruption Directorate - General Prosecutor's Office  
08<sup>th</sup> of August 2001 - CivPol Officer U.N.M.I.K. - Admin and Personnel  
10<sup>th</sup> of August 2003 Officer (T.P.I.U. MHQ Police and Police Station #2)  
01<sup>st</sup> of December 1994 - Lieutenant and Capitan, Bucharest Metropolitan  
08<sup>th</sup> of August 2001 Police

**G) AWARDED APRECIATION AND RECOMPENSES**

25<sup>th</sup> of March 2003 Diploma of Honor awarded by the Head of Romanian Police General Inspectorate  
14<sup>th</sup> of July 2002 Certificate of Appreciation awarded by the Pristina Police Station #2 leadership  
01<sup>st</sup> of December 2001 Medal for services on behalf of U.N.M.I.K. awarded by U.N.M.I.K. Police Commissionaire  
01<sup>st</sup> of December 2001 Diploma of Honor awarded by the Head of Romanian Police General Inspectorate

01 <sup>st</sup> of December 1999	Exceptional promoted captain
-----------------------------------	------------------------------