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## **Corruption in Europe**

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### *Abstract*

*Corruption is a major problem in the world and in the entire Europe. It represents a widespread phenomenon and a problem faced by all countries of the world, and the low number of cases in which corruption was eradicated leads to the conclusion that this scourge is a persistent one, once installed being hard to be eliminated.*

*The paper sought to determine how the Corruption Perception Index (CPI) has evolved in Europe and to carry out an analysis of the corruption level in relation to the development level of a country, and in relation to the level of poverty, inequality and social exclusion recorded in 2010-2016.*

*The research aims at detecting how the Corruption Perceptions Index (CPI) evolved during 2010-2016 in the countries of Europe as well as the analysis of the Corruption Perceptions Index in relation to GDP per capita and social exclusion as a predictor of corruption.*

*The objective of this paper is to show the close link between the Corruption Perceptions Index and the level of poverty or social exclusion, in order to confirm the hypothesis that the poverty or social exclusion it is a much stronger predictor of corruption level than GDP per capita as the measurement of a country's level of development.*

**Keywords:** *corruption, Europe, Corruption Perception Index, Gross Domestic Product, inequality*

**JEL Classification:** *C40, D12, O12*

### **1. Introduction**

Corruption is the abuse of power entrusted for private interest. As Johnston (2007) points out, there are many types of corruption, depending on the political, economic and local cultural contexts of different states, and this phenomenon not only that it affects the state's efforts to recover the financial status and their poverty countermeasures, but it erodes democracy and leads to society degradation and to contrasting wealth or power distributions.

In the European Union “corruption continues to be one of the biggest challenges, a phenomenon which costs the EU economy approximately 120 billion euros annually”, is shown in a European Commission release (European Commission, 2014).

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The definition of corruption from an economic perspective gives us an explanation for the much higher incidence and the much higher level of rules regarding public integrity violation in poor or transition countries towards democracy and market economy, where the resources are fewer, public official salaries are lower and law enforcement systems are less effective, the likelihood of the offender being punished being less likely. (Radu, L. and Gyula, G., 2010)

Defining and establishing the magnitude of this phenomenon is in the attention of Transparency International, which conducts researches and periodical surveys elaborating reports with comparative results in order to identify the dynamics of the Corruption Perceptions Index in the countries included in the research.

The research starts from the premise that analysing the evolution of corruption perceptions in Europe is important in the present context for understanding and combating the phenomenon.

It is relevant to relate the Corruption Perceptions Index to the poverty level of the population or social exclusion, as we have started from the hypothesis that this indicator is a stronger predictor of corruption level than GDP per capita as the measurement of a country's level of development. In this respect we have analysed how the Corruption Perceptions Index (CPI) evolved during 2010-2016 in the countries of Europe as well as the analysis of the Corruption Perceptions Index in relation to GDP per capita and social exclusion as a predictor of corruption.

## **2. Problem Statement**

Democratic countries are characterized by reduced degrees of intensity and extensity in the exercise of power. In education, for example, the civil society and the private sector have important roles, just as there are areas such as culture or religion where state control is minimal (Wrong, 2002, pp. 14-16). Countries in transition are facing lack of resources and inappropriate wages for officials involved in fighting corruption, which can bring difficulties in attracting and retaining competent people or motivating the ones that exist to be immune to temptation. At the moment, the literature on integrity in the public sector takes into consideration the aspects that create a favourable context for appearances of unethical behaviours, identifying different causes that favour the corruption phenomenon and explaining the differences that exist between different states from this point of view.

Cultural and traditional issues have a very important impact on the corruption phenomenon.

Society develops its own rules and practices that govern relations between people when legislation is not well developed and the state does not regulate or exercise its authority firmly.

Also, the political regime strongly influences the corruption phenomenon, with presidential regimes being more affected by corruption than parliamentary ones. Presidential regimes are less compatible with what we call consolidated democracy, meaning the stable, long-term functioning of democratic institutions. In this regard, Fred Riggs found that all presidential regimes, except for the United States, suffered major crises (coup d'état, civil wars) between 1900-1985. On the other hand, only 13 of the parliamentary regimes experienced similar events during this period, most of which took place in the interwar period (Germany, Italy, Spain, etc.) (Riggs, 1997).

According to Friedrich's definition: "the pattern of corruption may be said to exist whenever a power holder who is charged with doing certain things, that is, a responsible functionary or office holder, is by monetary or other rewards, such as the expectation of a job in the future, induced to take actions which favour whoever provides the reward, and thereby damages the group or organization to which the functionary belongs (more specifically, the government and, other socio-economic Institutions)" (Friedrich, 1999, p. 15). Transparency International is investigating the concept of corruption as a social phenomenon. Polls used to elaborate the index include questions about abusive use of public power and focuses on: bribery of public officials, bribery in public procurement, public funds embezzlement, as well as on questions

that assesses the strength and effectiveness of anti-corruption efforts in the public sector. The Corruption Perceptions Index (CPI), an instrument launched in 1995 by Transparency International, is analysed annually in 178 monitored countries, indicating their position regarding the perception of corruption. The latest Transparency International report, 2016, underlines the perception that Denmark and New Zealand have recorded the best performances with 90 points scores, followed closely by Finland (89 points), Sweden (88 points) and Norway (87 points). These top-ranking countries are sharing features such as: an open government, press freedom, civil liberties and an independent judicial system.

Among the EU countries, the best scores, more than 80 points, were scored by the Netherlands (83 points), Germany, Luxembourg and the UK, with 81 points each. Countries in northern Europe are considered to be the least corrupt, but specialists in the field foresee the possibility that they may experience an increase in acts in conflict with moral norms, confirming theories that corruption affects all states of the world and reinforcing arguments in favour of identifying effective means to control and maintain this phenomenon within as little as possible.

As you can see into below Table no. 1, no country approaches a perfect score regarding the Corruption Perception Index 2016. Over two-thirds of the 178 countries and territories are below the average of the interval from 0 (very corrupt) o 100 (no corruption). The average global score is a modest 43, and in Europe 64 points.

### 3. Aims of the research

The research aims at detecting how the Corruption Perceptions Index (CPI) evolved during 2010-2016 in the countries of Europe as well as the analysis of the Corruption Perceptions Index in relation to GDP per capita and social exclusion as a predictor of corruption.

**Table 1.** CPI, GDP and People at risk of poverty or social exclusion –2016

Country	CPI	GDP per capita Nominal (\$)	People at risk of poverty or social exclusion
Denmark	90	53,243.0	18%
Finland	89	43,492.0	17%
Sweden	88	51,604.0	16%
Norway	85	71,497.0	15%
Iceland	78	57,889.0	13%
<b>Average Northern Europe</b>	<b>86</b>	<b>55,545.0</b>	<b>16%</b>
Switzerland	86	79,578.0	18%
Netherlands	83	45,210.0	16%
Luxembourg	81	105,829.0	19%
United Kingdom	81	40,412.0	24%
Belgium	77	41,491.0	21%
Ireland	73	65,871.0	26%
France	69	38,537.0	18%
<b>Average Western Europe</b>	<b>79</b>	<b>59,561.1</b>	<b>20%</b>
Germany	81	42,326.0	20%
Austria	75	44,561.0	18%
Poland	62	12,309.0	23%
Czech Republic	55	18,326.0	14%
Slovakia	51	16,648.0	18%
Hungary	48	11,903.0	28%
<b>Average Central Europe</b>	<b>62</b>	<b>24,345.5</b>	<b>20%</b>

Cyprus	55	23,425.0	29%
Romania	48	9,439.0	37%
Greece	44	18,078.0	36%
Serbia	42	5,294.0	41%
Turkey	41	9,317.0	na
Bulgaria	41	7,091.0	41%
Estonia	70	17,896.0	24%
Lithuania	59	14,899.0	29%
Latvia	57	14,141.0	31%
<b>Average Eastern Europe</b>	<b>51</b>	<b>13,286.7</b>	<b>34%</b>
Portugal	62	19,759.0	27%
Slovenia	61	21,370.0	19%
Spain	58	27,012.0	29%
Malta	55	24,298.0	22%
Croatia	49	11,858.0	29%
Italy	47	30,294.0	29%
The FYR of Macedonia	37	5,060.0	42%
<b>Average Southern Europe</b>	<b>53</b>	<b>19,950.1</b>	<b>28%</b>

Source: Eurostat, World Bank, Transparency International

#### 4. Research Methods

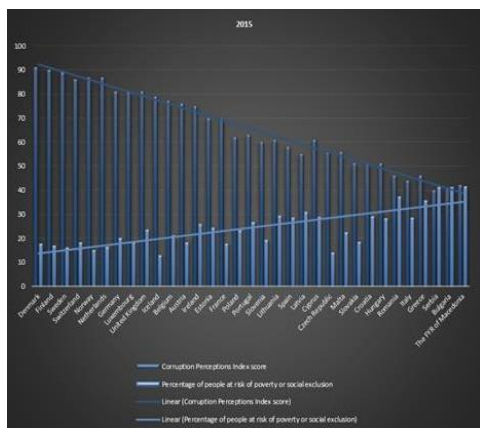
The methodology of scientific research is predominantly qualitative, theoretical. In order to achieve the proposed objectives, we have used specific methods of content analysis regarding reports and studies, statistic records, analysis and publications of various organizations and institutions such as Transparency International, World Bank, Europe Counsel Fight Against Fraud Department (DLAF – the Institute for Public Policies, the Fight Against Fraud Department, as national contact institution with OLAF).

In this regard, we have collected data from Transparency International Global Corruption Barometer, Global Integrity and the European Commission, Eurostat – the statistical office of the European Union, European Anti-Fraud Office and World Bank, with the aim of conducting a quantitative analysis of corruption-related variables in Europe. Variables were used regarding the dynamics of the corruption phenomenon, such as the Corruption Perceptions Index, GDP per capita and social exclusion as a predictor of corruption.

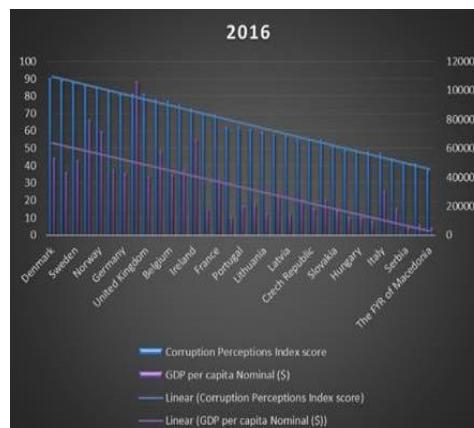
#### 5. Findings

As shown in the latest Transparency International report, the results of 2016 highlight the link between corruption and inequality, creating a vicious circle between corruption, uneven distribution of power in society, and unequal distribution of wealth.

Rich countries have the capacity and can devote more resources to preventive measures and, in general, to anti-corruption systems. Thus, the analysis reveals a strong link between corruption and the development level of a country, as can be seen in Chart no. 1, which highlights the connection between the Corruption Perceptions Index and the GDP per capita for the countries in Europe.



**Chart. no. 1** – Corruption Perceptions Index evolution in Europa in relation to GDP per capita



**Chart. no. 1** – Corruption Perceptions Index Vs. The poverty level of the population or social exclusion

Source: Made by the authors, data sources: World Bank, Transparency International – CPI 2016

It is relevant to relate the Corruption Perceptions Index to the poverty level of the population or social exclusion. From the carried-out analysis at the level of 2015, according to Chart no. 2, it can easily be noticed that the Corruption Perceptions Index (CPI) decreases linearly as the percentages of poverty or social exclusion increases.

Social inclusion is a “Multidimensional set of measures and actions in the areas of social protection, employment, housing, education, health, information and communication, mobility, security, justice and culture, designed to combat social exclusion”. (INSERT, 2014)

As can be seen from graphs 1 and 2 above, and also from Finn Heinrich’s analysis, “a multivariate regression with both GDP per capita (the measurement of a country’s level of development) and social exclusion as a predictor for corruption, shows that social inclusion is a much stronger predictor than GDP per capita”.

In the case of poorer countries, “for each 10-point increase of the social inclusion index, Corruption Perceptions Index (CPI) score improves by up to 5.5 points on a scale from 1 to 100.” (Heinrich, 2017)

The rankings describing the corruption status and the analysis carried out in this paper, relating the Corruption Perceptions Index to GDP per capita, as well as to the poverty level of the population or social exclusion, highlight a higher degree of corruption in poor countries and lower in rich ones.

## 6. Conclusions

There are no significant changes in Europe in terms of the Corruption Perceptions Index in 2016. Stagnation does not indicate that the region is immune to corruption or that the fight against corruption has improved, but rather the opposite. However, although at the publication of the 2014 report the European Commission issued a statement stating that, in order to be able to follow-up the results of the efforts, in a letter sent to the Committee on Civil Liberties in the European Parliament, the first Vice-President of the European Commission stated that in 2016 “no further reports are needed”, because “the first report was good enough and laid the foundation for future work”.

As shown in the table Appendix no. 1, the only countries in Europe that achieve a score close to the maximum of 100 points in each of the 6 years surveyed are those in the northern region: Denmark, Finland and Sweden. All of these countries have managed to position themselves in

the top three places in the 2010-2016 ranking, which means that Denmark, Finland and Sweden are estimated to have the lowest level of corruption across Europe.

In Europe, the most corrupt countries are Macedonia, Bulgaria, Serbia, Greece, Italy, Portugal, Spain, and the most integrating countries are Denmark, Finland and Sweden.

Since the publication of the first anti-corruption report of the European Commission in January 2014, three demarcation lines have emerged north-south, Protestantism-Catholicism/orthodoxy and liberal democracy-post communism. (Deutsche Welle, 2014).

The north-south demarcation line remains obvious, with the Nordic countries positioning the top 3 places between 2010 and 2016, which means that Denmark, Finland and Sweden are estimated to have the lowest level of corruption across Europe. Macedonia, Bulgaria, Serbia, Greece, Italy, Portugal, Spain are at the opposite, registering the lowest scores of the corruption perception index. It can be said that the same trend is associated with the traditional line that once separated the Catholic Church from the reformed churches of the North.

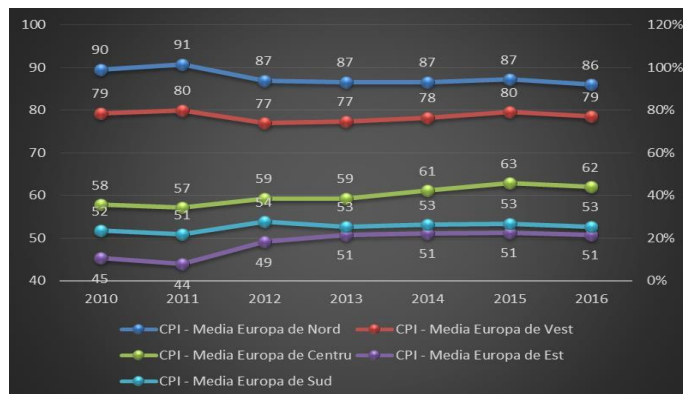
The third line of demarcation, liberal democracy – post-communism, is evident, considering, for example, the former Soviet Republic – Estonia, which, although having a similar cultural tradition to Sweden and Finland, does not achieve a similar score in terms of the perceptions of corruption, respectively, recorded 70 points in 2016, compared to 87 points Sweden and 89 points Finland. Also, given the fact that among the Baltic countries the lowest level of corruption is registered, however, in Estonia, this is an additional argument in support of the second demarcation line, considering that this country, unlike Latvia and Lithuania has a Lutheran majority.

High values of more than 80 points were recorded for Switzerland, Norway, the Netherlands and Luxembourg, and in this second division in the last two years (2015-2016) we can also find Germany.

The bottom 7 ranking countries were Macedonia, Bulgaria, Turkey, Serbia, Greece, Italy and Romania for each of the 6 years. The maximum magnitude recorded for northern European countries was 94 points in 2011 (reached by Denmark and Finland), while the minimum was 33 points for the sample of countries in Eastern European post-communist countries, also in 2011 (Serbia and Bulgaria).

In 2016, Macedonia is on the last position with a 37-point score, a significant drop from 44 points reached in 2013.

Thus, considering a geographic regionalization of Europe, according to chart no. 3 below, it is noted that the Nordic countries systematically record a high degree of integrity, setting a multiannual average of the Corruption Perceptions Index of 88 points (for the 2010-2016 period under analysis), while for the Southern Europe countries the average is 53 points, Eastern Europe being the lowest ranking with just 49 points.

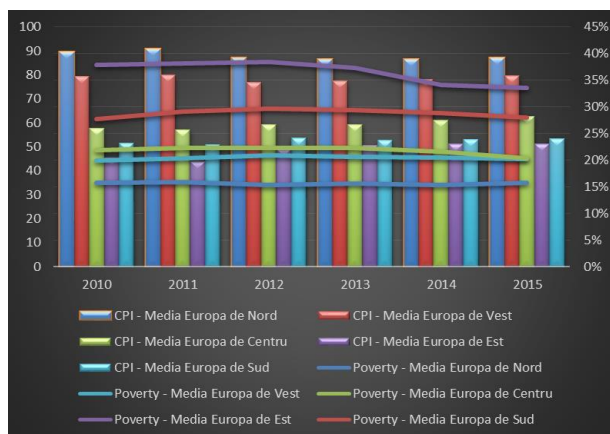


**Chart no. 3** – Corruption Perceptions Index in Europe

Source: Made by the authors, data source Transparency International – GDP evolution in Europe, Transparency International – CPI 2016

Analysing how the level of poverty or social exclusion influences the level of corruption, as shown in chart no. 4, we found that the Nordic countries are constantly recording a minimum level of 16%, while Southern European countries average is 29% and Eastern Europe is at the highest level of 37%.

In graphs no. 3 and 4 it is worth noting that for the countries of Eastern Europe the corruption perception index has a favourable trend depending on the rising evolution of the Gross Domestic Product.



**Chart no. 4** – Poverty and social exclusion level vs the corruption level in Europe  
 Source: Made by the authors, data sources: World Bank, Transparency International

The results of this analysis reveal a close link between the Corruption Perceptions Index and the level of poverty or social exclusion, confirming the hypothesis that, this last indicator it is a much stronger predictor of corruption level than GDP per capita.

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