



21st International Economic Conference 2014, IECS 2014, 16-17 May 2014, Sibiu, Romania

The Corruption Influence on the Macroeconomic Environment. Empirical Analysis on Countries Development Stages

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Abstract

The purpose of this paper is to analyze the influence of corruption on the level of macroeconomic environment. We also investigate, reasoning in the opposite way, if in its turn, corruption is influenced by the level of macroeconomic environment development and to reveal that the relation between these two variables is a circular one, meaning that both impact each other. The analysis is performed on a series of countries grouped in three stages of development and confirms a positive correlation between the two variables, meaning that on average, corruption is related with the levels of development of the macroeconomic environment.

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Selection and/or peer-review under responsibility of Scientific Committee of IECS 2014

Keywords: corruption; macroeconomic environment; stage of country development;

1. Introduction

Corruption is a social waste and it affects growth, increasing inequality and poverty, provoking distrust, anger and instability as many studies have shown (Pani, 2011; Mauro, 1995; Tanzi and Davoodi, 1998; Chong and Calderon, 2000; Lindgreen, 2004; Tverdova, 2011). In this context, the problem of public integrity and, therefore, the problem of corruption as a face of the divergence from it, are on the priorities list in the agenda of the majority of the countries around the world. This happens because it exists a high understanding of the fact that corruption affects in

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a negative way the good governance. All nations around the world register problems of corruption and, as it is observed in the Corruption Perception Index 2012, any country has not a maximum score meaning that a country is totally clean.

The first section of this paper will theorize the concept of public sector and corruption, followed by a second part, in which will be analyzed the corruption presence in countries from different stages of development. The third section of the article will assess the macroeconomic environment for the countries divided in the three stages of development, followed by the fourth section - empirical analysis and discussions, which were performed two Spearman Rank Correlation tests and two regressions for all the countries (100) included in the analysis. The Macroeconomic Environment (ME) and the Corruption Perceptions Index (CPI) are the two indices, where first, CPI is the independent variable and ME is the dependent one and, then, ME is the independent variable and CPI the dependent one. Finally the paper concludes by summarizing the findings of a comprehensive evaluation that corruption is a global problem exists in all countries to varying degrees, and a sustainable development requires the control of corruption because of its high and disproportionately social and economic costs. Also, corruption burdens the private sector, deters foreign investors, undermines trust in government and diminishes the effectiveness of public policy.

The effects of corruption are most harmful when targeting public resources because it affects consumers and taxpayers. the role of public institutions is very important because it reduces uncertainty and ensure stability and predictability of the macroeconomic environment. Also, institutions are important when the business environment interact with government since institutional arrangement can damage entrepreneurial efforts when frees the businessmen of market requirements. This negative trend affecting the competitiveness by creating an appropriate framework of corruption, and in this way, the diversion of public budget funds. The high level of corruption in politics, justice, police negatively affect a country's competitiveness by stimulating the "rent-seeking" to obtain privileges from the state representatives. (Marinescu, 2007).

2. Public sector and Corruption – main issues

Conventionally speaking, the economy is divided in the public sector and the private one, considering that the first delivers those services (in some cases, also, goods) that are determined by the decisional system that conforms with the democratic principles, not determined by the desires and needs of the consumers (Muresan, 2012, p. 32). So, the public sector is designed especially by the public decisions. The principal characteristics of the public system that differentiate it by the private one are: the political process, not the exchange one; public goods and services, not private ones; pluralistic system of values, not economic; public interest, not private; visible hand, not invisible; political roles, not economic; the sovereignty of citizens, not of the consumers; the reward is the power, not the profit; the major institution is the governance, not the business; active principles as justice, equity, fairness, more than efficiency, productivity, growth; the collective action, as political instrument, not competition as the market instrument (Muresan, 2012, pp. 34-35).

The public system, through its characteristically bureaucracy, becomes inclined to corruption acts. The corruption eludes the rules, the transparency and the impersonal and impartial aspect of public actions, but, also, the responsibility for all these irregularities, being the opposite of the public integrity concept.

Corruption is commonly defined as the action of private individuals or companies that abuse of public resources being centered on their private interest. These actions can be possible through the permission of the public officials who also abuse by their public power and deviate from the correct rules established by the ethical principles. „Corruption is a complex and multifaceted phenomenon with multiple causes and effects and it takes various forms and functions in different contexts” (Andvig and Fjeldstad, 2001, p. 7). Nicolae (2010) defines corruption as being the abusive using of the power to take public decisions for the power or its sources (wealth and status – for private individual or politic gain – that negatively affects the social or political system scope or values) advancement or maintenance. Referring specifically to the economic aspect of the corruption phenomenon, this divergence from public integrity implies an exchange of cash or material goods. It is different from social corruption including clientelism, nepotism and other kind of favoritism because it has not at its base cash or materials goods (Medard, 1998, as referenced in Lindgreen, 2004).

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