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Corruptive Networks in South East Europe

A Bulgarian Perspective

■ Alarming trends of state and businesses captures, partisanship, persistent conflicts of interest, nepotism etc. are often related to the susceptibility of Southern cultures to corruptive behavior. Networked crime in many cases performs as “part-time” client of political and quasi-corporative patronages that have mushroomed in the years of transition on the Balkans.

■ Informal relations as means of societal and political influence must be taken into consideration, when confronting corruptive behaviour in its complexity. Patrons and patronages allocate not only material resources. They often operate successfully with sympathy, loyalty, power and/or obedience, knowledge and trust. Their interference with formal structures of societies has always influenced decision-making, institutional functions, or even “higher” politics.

■ Corruption and crime may look like the only lucrative “business” to flourish in an insecure environment. Organised crime is getting more sophisticated much faster than authorities can develop their abilities to counteract. This poses a fresh challenge to Bulgaria’s police and courts, which the EU has fiercely criticised for inefficiency and corruption.

■ As corruptive patronage and their networks of “insiders” control significant sectors of the societies, or are interwoven with “high level” politics, a new institutional architecture, designed and managed through mutually responsible EU and national policies, based on European standards, are the only reliable long-term strategy of positive change.

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"Between consent and force stand corruption and fraud, which is characteristic of certain situations when it is hard to exercise the hegemonic function, and when the use of force is too risky."
Antonio Gramsci in "Notes on Machiavelli".

Introduction

The Balkans are considered notorious for their kin- and friendship and nepotism relations, networked in complex but little rationalized mutually beneficent patron-client relations. The overwhelming party-state patronage as in the years of the near totalitarian past has imposed a very rigid structure of formal relations. "Petty" corruption, bribes, or even friendships, sustained on some genuine barter exchange of reciprocal favours, have in a way compensated for this nexus. Corruption is still widely perceived as a smoothly operating instrument of "individual salvation" in an environment of systematic abuse of civic rights, scarcity of commodities, alongside a deeply blurred sense of social justice. A rather frustrated perception of law and order favoring the "strong of the day", or close relatives of theirs, has shaped a culture of deep mistrust to institutions and some double-faced moral. Patronages (in a variety of forms: ethnic, religious, or corporate) have been widely used as networks of influence to guarantee the survival of old elites in the years of transition.

The strategy of a centrally distributed "leased" power, propelled through illegal privatisation, advantageous "sell-outs", shadow transfers and allocation of significant assets accumulated in the years of "real socialism", may be considered as a general background in a contaminated societal environment. This study aims to give an analysis of both the negative deficits and the positive achievements in the present situation of the fight against corruption and fraud in South East Europe. This may well be propelled through a more demanding and systematic "cleansing" of corrupt patronage as the generator of corruption

and fraud in the wider European scope. The promotion of a new quality of patron-client relations and a culture of zero tolerance to corrupt behaviour may be crucial both for the quality of European integration and the European future of the Balkans which is very much at stake.

1. Quasi-Democracies: Playing Fields of Corruption?

The boom of corruption, 20 years after the change, reflects a critical point in the attempt of Balkan ruling elites to ride the "juggernaut" (Giddens 1990) of an impatient capitalism that has very much gone out of control. This threatens the general aims of democracy and societal achievements in most Balkan countries. One reason for this is the quality of patron-client relations, based on *coercive patterns of power* that hamper sustainable growth and modern development in the region. Corruption can be better rationalized through markers of "*quasi-democracies*" that have evolved in the region in the last decades.

"*Quasi-democracies*" (Georgiev 2007) relate to specific patterns of voting behavior, election procedures and institutional malfunctioning in the transitory context of South East Europe. These have generated a "critical mass" for illegal control over significant segments of both states and emerging independent businesses. Resting on a rather irrational and asocial voluntarism these structures feed on values of post-totalitarianism, power induced market incentiviveness, and some plagiary "*political culture*", incompatible to the embedded norms of western democracy. Its operators perform in most heterogeneous "*fields of trust*" and under different conditions. Although they behave in many ways like ordinary "*socio-particles*"

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(in the sense of modern physics) they have highly unusual properties.

Quasi-democracies perform within parliamentary systems, but their real power structures operate through own networks of influence, which are not (necessarily) institutionally bound. The latter inspire emerging civil society organisations, or steer grass roots movements in their own public support. They are hard to identify by conventional variables of representative democracy as they use direct (and less transparent) forms of influence. They lack the “massiveness” of real politics as generator of significant social change, yet their circles of influence control societal change and even propel it into desired directions (media and PR techniques, lobbying etc.).

Most young democracies (rather generously called so) have been tolerated to maintain such “hybrid” structural change. As a result networks of political, ethnical, corporate, institutional, etc. corruptive patronages devour the region. Not only do they operate as networks of corruption, but also to a certain extent they have converted institutions into privately controlled domains of their coercive power often linked with global networks of organized crime. This threatens to divert the region from the general path of democracy and its initial EU gravity, considered as a guarantee for the modern future of the Balkans.

The concept of “*embedded and defective democracy*” (Merkel 1999) used here is more realistic, compared to many others, in that it is based exclusively on the institutional architecture of a democracy and does not use outputs or outcomes as defining characteristics of a constitutional democracy. An embedded, liberal democracy consists of five partial regimes: 1) democratic electoral regime, 2) political rights of participation, 3) civil rights, 4) horizontal accountability, and 5) guarantees that an effective government is in the hands of democratically elected representatives. None of these regimes

seems to operate properly (less even persuasively) in the case of the new democracies in the region. More precisely – some of them only appear to be democracies. The widely disputed quality of their “system transition” gives another picture:

- Electoral regimes, regulated by disharmonious laws on political parties and diverse electoral systems, are used as instruments of power through adjustments of electoral regulations in favor of ruling majorities;
- The second regime of political rights and participation operate in an even more handicapped way. Most constitutional rights are unfamiliar both as contents and meaning to the majority of the citizens; they remain abstract concepts within the confinements of law;
- Civil rights may be the most problematic regime, as the scarcity of economic means and the lack of reforms have practically led to tolerating highly inconsistent economic, political and cultural patronages. These systematically abuse basic human rights and restrict civic freedoms;
- The variable of “horizontal accountability” becomes less predictable in a situation of permanent conflict between institutions. Governments can react only by inventing parallel structures (agencies, intermediary public operators, etc.) while old hierarchies remain and produce instability.

Quasi-democracies are not to be rationalized as generators of a new meaning of democracy (liberal, or of other types defined). Untouchable elites, oligarch groups, non-transparent institutions, networks of organized crime, infiltrating the systems of “law and order”, corrupted courts of justice, etc., may only illustrate but not explain these immanent structural features and side effects. Most of them are still out of the reach of standard assessment schemes in so far as they rely on unreliable or inconsistent data, mostly from purely participant observations. As serious studies show, reliable data on corruptive

schemes and practices are collected mainly on the basis of voluntary commitments of "insiders". This case is considered ideal. Most systems of detecting corruption use behaviorist and/or functionalist interpretations of partially unveiled case, or aggregated data (cumulative indexes), which reflect a conditionally perceived reality. This leads to new ambiguities.

2. Definitions and Patterns of Corruption

The regress in fighting corruption and organized crime - as is the case in Bulgaria and Romania - has led to a somewhat simplified conclusion that transformation is not possible. This is reminding to Elster's (1990) concept of the "dilemma of simultaneity". His analysis might have failed to precisely predict the impossibility of transformation in East Europe, but it is pretty accurate when related to the lack of sustainable patronage as a general obstacle to significant and desired change. "Corrupt me please" might be the desperate outcry of some self-destructive culture that has driven most of its population as "new clients" again into deprivation and exclusion from normal existence and societal participation. A most arrogant systematic abuse of power and public resources has eroded the commonly accepted European values and precious gained fields of trust. This hampers a modern development of the region and some late discovered Occidental perspective for South East Europe very much questioned in the context of new global realities.

The boom of corruption and organized crime 20 years after the changes is rooted in deep asymmetries and disturbances of the systems of *patronage* and *patron-client relations* that have been shaped in the years of transition. This occurred in most sporadic and hardly rationally conceived patterns. Remakes of traditional patronages as instruments of rapid (speculative) enrichment, illegal privatisation and allocation of substantial public resources,

accumulated in the years of "real socialism", rent-seeking strategies of both state and independent businesses, hazardous global market ventures etc. have nurtured an environment of "institutionally" tolerated corruption.

The perplexity of the weakened state and its institutions cannot be overcome only through more demanding EU policy. Mutually shared strategies of internationally coordinated and locally operating anticorruption systems seem the only realistic way to come out of the dead end. What occurred - and still occurs - in the transitory Balkan nexus (illegal privatisation, embargo trade, traffic of people, drug abuse etc.) cannot be grasped nor put under control with a "step-by-step approach" of reluctant legislative procedures, lest with mere monitoring case-studies and anticorruption rethorics in a media influenced virtual reality.

Most analysts in the field of anticorruption and fraud adhere to Joseph Nye's (1967) definition of corruptive behaviour. The latter is considered as deviant from the formal duties of a public role because of private or status gains, or violating rules against the exercise of certain types of private influence. Nye includes bribery, nepotism and misappropriation into his theoretical framework. Official corruption is thus rationalized as the act of misconduct that disgraces the public office and makes the offenders to remain in office. It stresses the behavioural element - intentional deviation for personal gain. Caiden (1988) discusses four types of corruption: a) foreign-sponsored corruption, b) political scandal, c) institutionalised corruption and d) administrative malfeasance. He also presents comprehensive forms of official corruption, dealing with its ideological, external, economic, political, socio-cultural and technological variations. Some aspects of theory and practice may be summarized as follows:

- Attempts to detect generalized patterns of corrupt behaviour among different geographical regions (de-

spite the unevenness of research data) have been made corresponding to their relative wealth, political stability, social cohesion, cultural mores, administrative capability and degree of modernization;

- Both the adverse and beneficial effects of corruption are of specific interest. However, detailed case studies of corrupt practices have disproved most of the supposed benefits claimed for them;
- Public officials, politicians, representatives of donor and recipient countries, bureaucratic elites, businessmen and middlemen, petty officials and interested individuals have been defined most often as actors of various forms of corruption;
- Although the wider public conceives corruption as a problem of social justice, most analysts have explored it as a problem of development (usually in the narrow sense of economic development).

Recent attempts to compensate these and other deficits (and some Orwellian globally overwhelming paranoid scruti- nies) have defined corruption in a more realistic way as the abuse of power that is a “breach of formal justice” and a violation of “obligations of fairness” by individuals for their private gain, which involves betrayal of public trust.

Corruption in terms of Rawls’ “Theory of Justice” (1971) can be thus justified only when the gain in substantive justice is large enough to clearly outweigh the loss in formal justice and when other alternatives are unavailable. In other words - unjust rulings, in terms of substantive principles of justice, or implemented ability and operability, may give partial justification for corruption as self-defence. Hence unjust rulings and institutions tend to breed institutional corruption.

Any gains in efficiency from corruption are accompanied by negative externalities such as losses for honest competitors and erosion of social trust. Thus corruption is

considered unfunctional for economic efficiency as well as for human development in the long run. This rather grim discourse in the field may be approached through a more synthetic operational framework, not so much by detecting corruptive behaviour *per se* but corruptive patterns of patronage and networks of informal “general and specific exchange”. There is sufficient empirical evidence to sustain some proof for the characteristics and consequences of corruption:

- Corruption is considered higher in countries with economies dominated by a small number of firms, or where domestic firms are sheltered from foreign competition by high tariffs;
- It is higher in countries where judicial institutions are not well developed, or are not independent of political influences;
- The effect of dependence of the judiciary on corruption is considered as negative, even though it is mild;
- It is widely argued that corruption improves social welfare both because it is a way to avoid cumbersome regulations and because it is a system of building in rewards for badly paid bureaucrats;
- Data indicate that corruption lowers investment, thereby leads to reduced growth;

These general descriptors seem insufficient to rationalize corruption in its Balkan complexity. The “venomous” effects of corruption and fraud are perceived as solidarity (on habitual level) and instrumental “inventiveness” of corruptive agents (or patronages) that very much operate in an antagonist and unconsolidated societal environment. State bureaucracies have been widely used as instruments of oppressive power by most ruling regimes. The Weberian notion of a rational, confined and responsible bureaucracy has never or rather little been known in this part of Europe. This deepens the cleavages between formal and informal relations, considered counter standing to some overwhelming state and its power machine.

3. Strategies to Fight and Prevent Corruption

A highly destructive latent softness related to recent EU attempts to support the modernization of bureaucracies is symptomatic for most states of the transitory Balkans. Electronic governments have been widely used as additional aid and quickly transformed into virtual "governmental" realities with less responsible official authorities hiding behind legislative "bushes". It may take ages until an ordinary citizen (or even journalists) hears from governmental authorities on this side. Lack of communication is certainly one of the deepest deficits for administrative reforms. Resulting from this is a distorted culture of badly hidden contempt of the demands of ordinary people. Most local bureaucracies inherit some post-totalitarian culture of a "class of its own". They very much lack the very idea of public servants of their citizenry; instead, they act as a privileged caste, highly vulnerable to pressure and "orders from above". Procedures for public services are even less based on rational systems of control.

Re-monopolized markets, voluntaristic politics and the lack of political will to protect its own population from arrogant patronage, combined with the illegal enrichment of little educated, professionally unqualified "pioneers" of the transition have led to an ever deeper mistrust towards institutions and the state. The latter are abdicated from their social responsibilities. This erodes precious achievements of democratic advancement, as related to the initial years of transition and a new, wide-open political and cultural perspective for the Balkans. Citizens of "dwarf states" are even more frustrated by the coercive power of "bossisms", which have transformed public domains into feud-like terrains of intouchability.

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tional architecture, designed and managed through mutually responsible EU and national policies, based on European standards, may be the only reliable long-term strategy of positive change.

Main proposals to control corruption have gravitated around 3 approaches:

- The *economistic approach* relates to diluting the value of bureaucrats by increasing the level of competition in the economy; it is based on the observation that corrupt acts rarely take place in situations of perfect competition;
- *Deterrence* is based on raising the effectiveness of the legislative system by increasing the probability for detection, apprehension and conviction as well as the penalties for malfeasant behavior;
- *Diminishing risk* aims to avoid corruption, through revising the wages of bureaucrats who have the discretion to engage in corrupt activities. Such strategies argue that bureaucrats should be given similar incentives and remunerations as their private sector equivalents to reduce risks of corruption.

Such strategies might be relevant or even functional in advanced democratic societies with certain traditions. There is little doubt that their experience gained in the years of relative stability in a more or less balanced "bipolar" world, is substantially challenged in the new global context. For many reasons the Balkans are still loaded with economic, geopolitical, or even political uncertainties. This makes most of the standard approaches highly questionable as related to their efficiency.

How is corruption to be tackled then in a highly polluted legal environment, whereby high ranking officials, who have obviously misused their power for private gain have to "restore the rule of law"? How can young democracies succeed in preventing "legalized crimes" through institutions used to purify the status of the important and their corruptive networks of patronage? The public awareness that "they are all corrupt" reflects not only the bitter cynicism of victimized citizenries,

but some “dead-end street” in which ruling elites linked to oligarch groups have trapped the new democracies of South East Europe. This is also a source of a new kind of euroscepticism which is related to costly and protruding “monitoring”, “observatory” or procurement systems that rarely lead to any significant improvement.

A way to tackle these controversies using a more apt approach may be through the conventional means of deeply penetrating strategies of monitoring and qualitative assessment of operating patronage in most Balkan countries. This especially concerns those that generate corruption and use corruptive practices, institutional fraud and embezzlements of an amazing variety. As so far, some of them are networked with organized criminal groups on a wider, global scale. Legal measures on international level must be undertaken as to compensate the obvious administrative malfunctioning of national local courts, prosecution and law enforcement institutions to counter this deviant behavior that is a threat to European security as a whole.

General and specific measures, such as tightening control on regionally operating banking systems, money laundry, tax frauds, drastic deviations from contractual engagements, obvious misuse of EU funds for infrastructure developments, etc. may require a new system of regulatory measures and policies.

It may appear that only a strict juridical definition of corruption as an act of bribery and/or transfer of tangible resources is relevant to the rationalization of this deviant behaviour. However, corruption involves behaviour on the part of officials both in the public and private sectors, in which they unduely and unlawfully enrich themselves (and/or those close to them), or induce others to do so, by misusing the position in which they are placed. As global market forces overwhelm nations and cultural entities, corruption very much turns into an instrument of “*alternative integrity*” in a rather disintegrated world.

Corruption may have little appeal. Nonetheless, involvement in patronages of less transparent or even widely disputed reputation appears in many ways acceptable. Most mutually beneficent patron-client relations are perceived as risky fields of market incentiveness. They compensate in a way the rising uncertainties in a global world. The reason why public trust is vulnerable to betrayal comes therefore not only from formal asymmetries such as informational and/or technological biases, wealth, potential advantages a.o. It refers to deeper cultural discrepancies and cleavages in the system of informal relations such as the vulnerable domains of “general and specific exchange” (Eisenstadt, Roniger 1984). Informal relations as means of societal and political influence must be taken into consideration, when confronting corruptive behaviour in its complexity.

The deficits of the “principle-agent” model illustrate this. Principle-agent and principle-agent-client models of corruption - as useful as they have been to explain it in larger organizations - are very much at stake when facing modern network technologies and informational resources. The latter are widely used as advantages in a digitalized world. As suggested, the principal-agent model has focused on explaining the opportunistic and corrupt behaviour of agents as betrayal of “trust of the principal,” assuming the principal is not corrupted and the rules of the organization are fair and just.

Corruption of an agent, however, is also betrayal of public trust. The corruptive client is also violating the principle of fairness and betraying the trust and expectations of other clients and the public. Moreover, the rules of an institution or organization may be unjust as well as principals may be corrupted. This leads to new ambiguities, as most anticorruption programmes seem to be promoted in a “societal reservation” inflamed by corruption. It is useful to identify markers of corruptive behaviour in their “habitual” frameworks, as in the case of corruptive patronage.

4. Reciprocity and Corruptive Patronage

Patronages are usually defined as analytical constructions, applied to rationalize a range of different social relationships: God - man, saint - devotee, godfather - godchild, lord - vassal, landlord - tenant, politician - voter, and so forth. Such dichotomies are most often loaded with different semantic burdens. Still, they can be useful as far as they point to some Hegelian "excluded third", or less rationalized "otherness" (Bauman 2000).

Patrons and patronages allocate not only material resources. They often operate successfully with sympathy, paternalistic piety, loyalty, power and/or obedience, knowledge and trust. They are considered usually as ideal constructions that organise our beliefs, feelings, ideas, as well as explicitly accentuated existential demands and even sheer interpersonal relations. Their interference within formal structures of societies has always influenced decision-making, institutional functions, or even "higher" politics. Most of the inter-dependences of patron-client relations - or friendships - significantly differ across cultures and religions. This is a premise to be borne in mind, especially by experts inspired by "tailor made" social engineering in the field of anticorruption.

To better grasp what patrons and clients exchange, one has to consider types of reciprocities as well as what kind of partners practise these different types of reciprocity. One can identify three types of reciprocity (pertinent to the ancient Mediterranean):

1. generalized reciprocity, the solidarity extreme;
2. balanced reciprocity, the midpoint;
3. negative reciprocity, the unsocial extreme.

- Generalized reciprocity refers to altruistic interactions, where the interests of "the other" are prevailing (i.e. "solidarity extreme"). It is usually extended to kin-group members.
- Balanced reciprocity looks at mutual interests in a more balanced pattern (i.e., quid-pro-quo exchange). It often has one's neighbours and villagers in view.

- Negative reciprocity seeks self-interest at the expense of "the other," who might be a stranger or an enemy - hence it is defined as "unsocial extreme."

Any person who directly or indirectly accepts, agrees or offers to accept any gratification from any other person to benefit him/her or any other person is considered guilty of the crime of corruption. Although there is an active and a passive side to the crime, both parties are equally guilty of corruption.

Patronages integrate most of these prerequisites in some deeply penetrating and "softer" way. Their corruptive qualities may be briefly described as:

- Encompassing unilateral abuses by government officials such as embezzlement and nepotism, as well as abuses linking public and private actors such as bribery, extortion, influence peddling, and fraud.
- Corruptive patronage may arise in both political and bureaucratic offices and can be defined in terms of "petty" or "grand", "organized" or "unorganised" forms.
- Though they may facilitate criminal activities (such as drug trafficking, money laundering, or even prostitution), they are not restricted only to these activities.
- In addition to that, corruptive patronages abuse (public) power for private gain that hampers the public interest. They entail confusion of the private with the public sphere or an illicit exchange between the two spheres.
- In essence, corruptive patronages involve public officials acting in the best interest of private concerns (their own or those of others) regardless of, or against, the public interest.

Political Patronage

Most totalitarian regimes in South East Europe compensated the vulnerability of their coercive power and inefficiency to catch up with Western welfare states,

through highly centralized overwhelming party/state patronage. Appointments less on merit but more on political loyalty (nomenclature, nepotisms) have cultivated specific types of clientel and a variety of “drifting” loyalties. These may still be conceived as instrumental for buying influence and sustaining power. Vertical and horizontal patron-client relations have thus been made even more dependent on networks of “trustees”, operating in a liberalized market. Parties have encouraged such patronage as a way to compensate economic and other deficits and integrate into internationally established political and other institutions.

Most parties of the transition era shaped more as collective clienteles of power, propelled by global patronage (groups of interests), and less as generators of real politics. This has adversely affected value-oriented politics, as well as the identification of substantial segments of the population with prospects for sustainable growth guaranteed by politics. The corruptive symbiosis between politics and business lead to massive resignation from societal engagement and fostered a kind of resistance to strive for some rational change.

In Bulgaria alone, according to independent research centres (CSD 2009) criminal groups have spent an estimated 150 mln to 200 mln levs buying votes. An average of about 20 MPs within the last two parliamentary mandates have actively advocated for legislation in the interest of economic structures linked to organized crime. Vote-buying scams forced parliament to amend the law and punish people who sell their votes with up to one year in prison. The effects of such purely legal measures are most disputable for many reasons. One of them is that patronages are often used as an instrument for pressure on marginalized groups, being “collective clients” of party patronage and the “business” circles close to them.

Nepotism

Traditional nepotism turned less efficient in the context of open market competitiveness and life chances based on one’s own merits. This might explain why substantial segments of the modern, mainly urban intelligentsia in South East Europe stayed away from politics or left the ranks and files of traditional parties, competing for power through nepotism and old types of loyalties. Replicas of old “cadre-type” patronage seem not only diminishing, but also out of date. A more pragmatic cohort of “class inheritors” of the old ruling nomenclature practically abandoned the weakened state-patron-client model. Scopes of nepotisms have instead merged and integrated into new corporate structures and independent businesses.

The so-called “credit millionaires” who had the chance to profit from the liberalized banking sector, and the illegal privatisation of substantial assets on privileged terms – may be considered as victimized “core” of older politically privileged clans and families. As thousands of small and family businesses bankrupted in the Bulgarian crisis of 1997, most of the first wave eager players of a chaotically “steered” market transition simply adopted rent-seeking existences. Most of them integrated successfully as shareholders and a few even became partners of internationally recognised businesses.

Petty-oligarchs (to differ from Russian tycoons), as in the case of most Balkan countries abandoned (if not betrayed) the legacy of their old party patrons. This has increased societal entropy in so far as home-made patronages propelled dilettantisms and managerial malfunctioning. Patron-client relations of highly inconsistent breeds, vulnerable to corruption and institutional frauds, filled this vacuum. There is little doubt that most of them are bound to disintegrate in a highly competitive global market environment.

The late 2008 crisis will certainly widen this gap between “patrons” and “clients” (both trapped in their own way). Repercussions of rising unemployment, the decapitalization of middle and small family business in addition to the marginalization and pauperisation of a new “metropolitan poverty”, may only lead to new waves of crime as the desperate outcome of socially irresponsible policies which gambled for extortive profits and illegal enrichment of specific segments of the new elite.

Ethnic patronage

A look at the structure of crime among economically deprived Roma people, ethnic Turks, or converted Christians, etc. – may show that ethnic patronages have widely been used as “political instruments”. Local barons, quasi-NGO leaders, or even organized criminal groups frequently operate as “clients” of law enforcement and security organs. Drug smuggling, prostitution, or trade with teenagers from marginalised minority groups for menial jobs, may be exemplary. Privatisation of the security sector, lack of administrative control, de-regulation of markets, or regional and ethnic conflicts of interests are characteristic for such pattern of “the dirty hand” used by corruptive patronage and shadow-like groups of influence. The ethnization of organized crime, tax fraud, smuggle etc. have an even wider erosive effect on the mentality of these segments of the population.

The achievements of the initial phase of integration, namely the emerging notion of constitutional and civic rights (as vague as they may be) are now challenged. Ethnic groups are used as “lane ducks” for the blatant misuse of substantial aid funds for education, culture etc. There is enough evidence that some rational balance of interethnic relations established in the early phase of transition, is being undermined. This has initiated waves of new breeds of nationalism and xenopho-

bia with wider reaching repercussion (e.g. in Italy, Spain, or the UK).

A democratic way to avoid growing concerns of ethnic tensions and conflicts may be a stronger EU pressure for necessary changes of the law. Ethnic patronages at the workplace, protectionist, religious, irredentialist etc. claims, have to be dealt with from a more demanding point of view.

Quasi-corporate patronage

Quasi-corporate patronages involve segments of the old nomenclature; as well as “petty oligarchs” who enriched themselves in the years of the embargo against Serbia during the Milosevic regime. Some of them are networked into more powerful corporate groups in the wider European scope (the energy sector, finance investment, tourism, banking, construction, property etc.). Until recently most of them operated as privileged “clients” of overseas patronages. As far as their sources of extortion feed mainly on regional markets, they are even more vulnerable to the global financial threats in the context of the crisis of late 2008. Their scope of action has lost much of its Europe centered initial momentum and is now in desperate search of a “second breath” in Asian markets, or even those from the Near East, to compensate for the restrictive politics of EU, as became evident in the consequent freeze of substantial funds for infrastructure development (as in the case of Bulgaria and Romania). This is a new challenge for the Balkans as a traditional “knot” of geostrategic interests between the Occident and the Orient. It may not shift so many geo-strategic positions but rather use the status of new EU memberships as transmitters of aspiring competitive global patronages in search of “mega clients” (EU markets). This very much raises the risks of “high level” political corruption.

5. Corruptive Networks and State Capture

Empirical findings and trends usually say less on the quality of patronages as potential (and instrumental) generators of corrupt behaviour and state capture. Networks of Corruptive patronages are highly interwoven in a wider Eurasian scope (Ukraine, Russia, Albania, Serbia). Some of them are even integrated into established international institutions (financial, offshore companies, private funds, venture pools etc.). The situation is even of more concern, taking into account the high share of the grey economy amounting to up to 1/3 of GNP. It might be even higher in some Balkan countries. This share is critical and might as well lead to changes of the "rules of the game".

The assessment of the impact of state capture gives a realistic notion of generally used corruptive patterns: payments to parliamentarians to influence their votes; payments of government officials to affect the content of government legislation; payments to judges to affect the outcome of commercial or even criminal cases; payments to Central Bank officials to affect monetary policies and decisions; illegal donations to political parties or electoral campaigns to affect decisions of elected officials.

Some general markers of South East European quasi-democracies as generators of corruption and fraud have been given above. But obviously some more specific criteria for the assessment of the quality of patronage have to be defined. This is up to experts engaged in the development of applied regulatory frameworks to prevent patronages and patron-client relations from undesired change. Transparency of public procurement procedures through publication in independent media as well as regular consultancies on trends of economic, political, and financial risks should be widely promoted in understandable forms and offered to the public.

But careful: many interest and pressure groups in the region use remonopolized media channels to manipulate specific groups of the population in favor of "campaigns", "actions" and other publicly oriented initiatives that usually turn to be cheap instruments of public fraud and embezzlement.

Business perceives the impact of state capture to be low in some European countries, such as Germany, Ireland and Spain, but to be relatively high in Portugal and Turkey and close to the average of transition countries in Greece. Of all the kinds of corruption presented, this one shows the least difference between transition and developed countries. The recent lobbying scandals in many OECD countries underestimate the fact that state capture is a persistent problem even in the most advanced economies. However, new democracies of South East Europe are more than vulnerable in this respect, as their economic dependencies on investments from abroad seem the only source of fresh capital.

It may be naïve to consider the transformation process in South East Europe to be achieved easily, unless a significant change in the political cultures of these countries occurs. This relates to the promotion of a new sense of state and civic responsibility, of competences of specific groups, thus far vulnerable to "seductive involvement". Values of social commitment and solidarity have to be adopted anew, in a highly distorted educational and morally polluted environment. Irrational attitudes or obviously asocial oriented behavioral patterns have very much taken over among specific groups of the young generation. Patrons of new quality may be the agents of this necessary change. This relates to strategies of integrating economically deprived and excluded substantial segments of the population from fair and responsible participation in shaping their own future.

6. Corruptive Networks and Crime

Corruption and crime may look like the only lucrative “business” to flourish in an environment facing a new wave of chain bankruptcies or even total collapse. There are influential forces in governments and state authorities, which have no interest in punishing anyone, related to the circles of “high level” networked criminal groups. At least a dozen of “big players” from local Bulgarian businesses are estimated to be connected to international crime.

One of them is the circle around Liudmil Stoikov, currently under investigation for fraudulently acquiring EU project funds for up to 6.5 mln. euros from SAPARD, as Franz-Hermann Brüner, director of the EU’s anti-fraud office OLAF, says in an official letter to Deputy Prime Minister Meglena Plugchieva. The letter accompanied a scathing report following the investigation carried out in Bulgaria by an OLAF team in June 2008. The report listed projects estimated at 32 mln. euros where OLAF has established irregularities related to misappropriation.

EU anti-fraudsters have described the so-called Nikolov/Stoikov group as a “criminal network of companies composed of more than 50 Bulgarian, European and off-shore companies”. The report claims that the group was involved not only in the publicly known shady deal with the old equipment which was presented as new in order to receive SAPARD subsidy, but also in two more criminal affairs amounting to nearly 20 mln. euros with fake offers in the context of five SAPARD projects. There are also allegations of illegal import and export of Chinese rabbit meat with falsified health certificates from Argentina, misappropriation over debt purchase from the National Electric Company and a shady deal with railway wagons.

Sex and Drug Trafficking

The Balkan region is an important hub in global networks involved in the trafficking of women for the purposes of forced or voluntary prostitution. The sex trafficking trade, like any trade of illegal goods, thrives on widespread corruption, porous borders, instability, and weak state institutions. The emergence of lucrative sex industry markets on the Balkans is considered inextricably linked to international military presence in the region. International peacekeeping personnel not only creates increasing demand for sex workers, but in some cases they also serve as important actors in the organizational structures of sex trafficking chains. Viewing anti-trafficking as a criminal matter fosters a political dynamic whereby the border between law-enforcement exporting states, namely the EU, is increasingly fortified against the perceived crime-exporting Balkan states. Rationalizing sex trafficking in the region as a part of larger global and regional processes, should concentrate on policies on the relationship between global and local factors. They seem more continuous than the dichotomy between law exporting and crime-exporting states. Experts expect human trafficking to grow in importance, taking over the second place from the smuggling of excise goods. In 2004, the courts prosecuted 1,645 Bulgarians for such offences. In 2006, the figure had risen to almost 2,000 of about ten per cent per year.

The human-trafficking business is worth about 4.000 to 7.000 mln. euros annually and very much interwoven with drug trafficking. This kind of money buys a lot of power and influence. The Balkans remain the premier transit zone into Europe. Each year, 100 tons of heroin pass through the region. The existence of regular heroin supply from Afghanistan has enabled the drug business to obtain a large capital base that is laundered main-

ly though offshore financial centres. The largest enterprise in terms of sales and profits in South Eastern Europe is allegedly the Albanian mafia.

The imposition of sanctions on Serbia has prompted drug traffickers to shift their smuggling from Serbia to Romania or to Macedonia, resulting in the continued transit of narcotics through Bulgaria. Drug trafficking is already the most profitable criminal activity in Bulgaria. Numerous police reports, including the annual report by the US State Department, have pointed to Bulgaria's strategic importance in this field. They maintain that Bulgaria is the entry gate for at least two important drugs channels leading into Europe. The drug abuse problem in this country is growing but remains relatively small. Officials estimate there are 3,000-5,000 hardcore addicts and 15,000-20,000 intermittent users in this nation of 7.5 million people. Bulgarian authorities have detected illegal production of amphetamines, including captagon. They also note increased smuggling through Bulgaria to Turkey of chemicals such as acetic anhydride used in the production of heroin. According to expert estimations most of the 400 mln euros made in Bulgaria through the underground "black" economy come from drugs.

Organised crime is getting more sophisticated much faster than local authorities can develop their abilities to counteract. This poses a fresh challenge to Bulgaria's police and courts, which the EU has fiercely criticised for inefficiency and corruption. Reports underline that bosses of organized crime groups were thriving assisted by interior ministry officials who were meant to hunt them. Leaking information to organised criminal groups has constantly prevented efficient operations against them. Criminals are often being warned ahead of time, according to one of the latest reports of parliament's Home affairs committee on official corruption

in the country's drugs trade. The activities of the crime syndicates most surely have political ramifications. This will tend to enact a reactionary response by the electorate that feels aggravated by the incompetence of the central government to crack down the illegal groups. The EU from its point of view has continuously advocated against organized crime, with little effect though.

VAT Fraud and Money Laundering

The second most profitable criminal business in the country is the traffic in excise goods. Not far behind are human trafficking, money laundering and various frauds linked to VAT goods. There is a wide consensus among local experts that VAT fraud will grow over the coming years. The country's VAT revenue dropped sharply after 2007, as EU membership lessened the border control on the imports from countries in the union. The government made provisions in the 2007 budget for a drop of 225 million euro in income from this source. Vast financial resources have been accumulated in many Arabic countries, and they try to establish their influence in the area by financing various groups. The authorities say they are up to the challenge posed by this and other forms of illegal activity. Recent buy-offs of hotels at the Black sea by Russian or Arab clients, interested in dramatically falling prices of mortgaged immobile and land property, may be symptomatic for the free-trade zone future of the country as a hub for the Asian or East markets or even beyond the Caucasus.

Bulgaria is not a major financial centre, but the changing character of its financial institutions and the lack of comprehensive legislation and control provides increased opportunities for narcotics-related money laundering. Recent discoveries of massive VAT fraud, alleged involvements of high ranking officials into international net-

works of organized crime, have hardly persuaded EC authorities and the electorate that political corruption remains the very basis of institutional crime. This becomes even more obvious after the winter of 2009 gas-supply crisis, result of the Ukraine-Russian conflict as well as the first repercussions of the financial crises as echoed in most Eastern European countries. Apart from the current crime statistics that show a stronger pervasion of activities related to organised crime - money laundering is a present and clear danger. In the near future we shall see increasing transfers of capital generated from criminal activities through quasi-financial institutions (insurance companies, "easy money" bureau, tax and debt collection agencies etc). Many of them already operate as blackmailing instruments, propelling illegal sell-outs of mortgages, immobile and land property of debtors. The perplexed legal systems here seem highly challenged not only by the infamous lack of capacity or administrative skills but also by a widening gap between its professionalism and competence to operate appropriately in a complex modern environment. Corruption and institutional fraud only "add" to this complexity, maintaining older and opening new niches of crime which very much escape from rational control.

7. Targeting „High-Level“ Corruption

According to a report of the Centre for the Study of Democracy in Sofia (CSD 2007), which describes the evolution of crime groups in Bulgaria in the period 1989-2007, the links between organised crime, politicians and business groups were forged in the chaotic period of transition after 1989. The strong state structures of the communist regime were dissolved and replaced by an institutional vacuum where the breaking of law and economic crimes became a political and economic necessity.

High-level corruption and organised crime represent one of Bulgaria's most serious problems, standing in the way of important judicial and economic reforms. When Bulgaria joined the EU (January 1, 2007), the EC reserved the right to invoke a safeguard clause on justice, meaning that unless sufficient progress is made in this area. European funds can be halted and basic freedoms and rights granted to EU citizens can be denied to Bulgarians. This measure has already been partially applied to Bulgaria by freezing 800 mln Euro from various pre-accession funds. The Commission has sent experts to assist the implementation of the action plan on fighting crime and corruption set out by the EC in its interim reports of 2008. But the deep connections between high-level officials and organised crime dampen the drive of Bulgarian leaders for anti-crime and anti-corruption measures.

Bulgaria fails to provide convincing results regarding arrests of mafia bosses, as well as bringing corrupt ministers and high ranking officials to justice. Instead, the interim EU report stated that six crime groups committing illegal human traffic and 16 organized groups committing economic crimes were "busted or partially paralyzed" in the first three months of 2008. The focus is on administrative and legislative measures such as delegating responsibility for the appropriation of EU subsidies to the rank of deputy prime minister. As a result, a bill on the conflict of interest has been introduced (which has been highly obstructed and is still not operating), as well as the closure of duty-free shops and gas stations, amendments to the Penal Code and the Act on Special Surveillance Devices etc. As for judicial reforms, the government boasts of the new inspectorate under the Supreme Judicial Council and the transparent appointments of judges, prosecutors and investigators.

Since 2000, around 150 assassinations have taken place on the streets of Bulgarian cities. To date, only half a dozen al-

legedly organised crime bosses have been arrested. No senior official has been convicted of corruption.

Most of the local quasi-patronages very much operate through lobbyism in favour of huge energy investment projects, or control EU funds for infrastructure, agrarian and or even societal development, tourism, ecology etc. This has very much shaded a highly competitive "political agora" in which political corruption is often used as a deeply penetrating instrument. Media propelled accusations and courts used to "purifying" high officials that have violated the law contribute to a societal environment highly vulnerable to corruption and fraud. A mighty source of this "venomous" effect on normal perceptions and respect of law and order may be the old guild of high law-experts and prosecution officers involved in conflict of interests or even business partnerships with criminal circles and groups. Practically no rational decision can have a chance before it is god-blessed by a camarilla of deeply corrupted "magistrates".

A good number of them are recruited from ex-security, police or ex-government institutions (now in retirement) and operate as lawyers for publicly recognized bosses of criminal groups and top-gangsters. It may well require a fresh scrutiny of EU institutions as related to the professional and ethical capacity of such "servants of justice" in a European legal frameworks, who have not only profited from their criminal networking, but also maintain a critical mass of deep mistrust in both the state and the "rule of law". Internationally recognized institutions may well intervene into these "committed brotherhoods" to raise professional standards in the legislature of all Southeast European countries through adopting international codes of professional accreditations.

8. Chances for the Rule of Law

The EC's critical report on Bulgaria, expected on July 16, 2009 will take into consideration the present Cabinet's report (parliamentary elections are due on July 5, 2009) and compare it with the facts, collected by the experts in Brussels. This is a way to evaluate the extent, to which Bulgaria has met the six criteria under the mechanism of cooperation, which were adopted on the day the country joined the EU.

Convincing the audience that there has been restoration of the "rule of law" through hasty trials and "emblematic" cases is less likely to succeed. Deep mistrust seems routed in the economic, political and even cultural asymmetries and discrepancies of this still unconsolidated society.

The report of CSD (2009) describes the formation of a nexus of three types of illicit entrepreneurs who control most of Bulgaria's economy.

- Firstly, security providers or "violent entrepreneurs" - many coming from the ranks of the thousands of Olympic wrestlers and policemen left unemployed with the dissolution of the communist regime – found their place through blackmailing the emerging post-1989 private businesses.
- Secondly, the "oligarchs" who are former high-ranking members of the nomenclature and officers of security services who took control of the state industries and financial institutions.
- Finally, "risk entrepreneurs", the former smugglers who retained to their business or got involved in capital speculations. Drawing the lines between the three categories is difficult.

A shadow of doubt hangs even above the most prominent opponents of corruption and crime in Bulgaria. The State Agency for National Security (SANS), meant to fight drug trafficking, money laundering and top-level corruption, started work in January 2008. Established

at the initiative of Prime Minister Sergey Stanishev, this institution unites intelligence services from three current ministries, and has the right to monitor personal information of both Bulgarian citizens and foreigners, as well as to search for and detain people.

Protruded debates of most parties on the conditions for parliamentary control over this agency, political pressure to control its independent status and professional work, in addition to raising doubts that it may be used (as in the years of totalitarianism) as an instrument against political opponents – very much block its potential to contribute to a “self-cleansing” of the present Bulgarian society.

“Learning democracy” may not be the right approach for anticorruption officers, motivated to contribute to a modern Bulgarian society with a European outlook. A deeper and more intensive exchange of both political and security experts is needed to promote these values as opposed to the “face to face” sessions and presentation. This can also be achieved through “do as I do” patterns. Police and military academies in advanced democratic countries such as Germany, UK, The Netherlands, France, etc. should increase quotas from the region of SE Europe to recruit anticorruption specialist, fight against terrorism and global crime, drug smuggling and transfer of human beings.

In addition to this, a decisive push to promote a new culture and quality of patron-client relations, based on the premises of European laws, has to be propelled both politically and intellectually. Western values of respect for individuals no matter of their religious, cultural or even economic status, the right to take advantage of the fruits of one’s own labour and creative incentiveness should be fostered as “core” of the shaping of new European identity for all people in South East Europe. Its future should be a concern not so much of traditional, and even less of new patrons’ “imageries”, involved in shadow-like activities and ben-

efiting from the fears or market ignorance of ordinary citizens. Control of corruption and organized crime in the region should be considered as a pillar for restoring the dignity of the Balkan people. This is a mission, worth the sleepless nights of many.

Regional Anticorruption Systems

A multiparty approach to the fight against corruption and organized crime should form the core of any intelligence activity in the Balkans. A parallel and well-constructed method by a number of agencies in the region gives immense opportunities to operate specialised intelligence units and collect information. This will certainly help curb crime and its calamities. It may be the field of politics that needs to be scrutinized from an even more demanding public point of view. The paradigm “who is more corrupt” may have to be changed to “who corrupts whom with what effects”.

This has recently led EU policies to concentrate on the promotion of independent “spot-observatories” of organized crime (as in the case of Greece). These could operate as counsellors of local as well as EU authorities and relevant institutions. Networks of experienced analysts, law enforcement agents, criminologists and international relations experts, may be fostered. Such independent institutes may detect, collect, analyse and exchange information on crime which is relevant to the Balkans and to a wider global context. In essence such intelligence units may be able to predict future trends in organized activities of broader spectrum as well as different incentives to contribute to their rational and effective control.

Transforming Patron-Client Relations

Analysts have recently pointed out that the private sector has rarely been examined in terms of corruption. Ordinary people, as well as the media, commonly use the term “corporate corruption” to describe a genuine pattern of corruptive behaviour in competitive market societies. Experts usu-

ally use terms such as “business ethics”, avoiding thus the word corruption in the private sector. The abuse of private power is to a great extent excluded from debates and the assessment of corruption.

This interpretation can be most misleading, however, as often in a corrupt transaction between a public official and a client, only the public official is regarded as corrupt, while the client is not. Moreover, we call certain kinds of misbehaviour “corrupt” not only in the public sector, but also in the private and non-profit sectors. There is corruption in universities, corporations, labour unions, the media, banks, and even churches.

Corruption, perceived in this way, very much escapes traditional formalism that has dominated social research for decades. As has been illustrated above, a better way to rationalize its complexities, may be a deeper scrutiny and intervention in the “untouchable” spheres of patronage, to detect and prevent obvious negative effects of their corruptive involvements. The assessment of the quality of patronage and patron-client relations on clearly defined normative and ethical criteria is not a simple task to perform through “overnight” decisions and even radical measures which are undertaken.

Corruptive patronages usually turn individuals and even bigger societal entities into their “clients” thus converting their systems of beliefs, and deviating them from the normalities of civilized lifestyle and societal order. These may be of special interest to newly designed local anticorruption systems and strategies to fight organized crime. The promotion of violence which is a modern paraphrase of an embedded paternalism, the notion of intouchability of ruling elites, globally operating “market agents” and their networks of “insiders” give plenty of evidence for such side effects. The phase of systematic “cleansing” of highly polluted institutions or even agencies, which in many cases “discharge” administrative and governmental responsibility, must be taken into consideration.

The enthusiastic perception of neo-liberalism on the Balkans has very much “evaporated”. It may still inspire proud politicians and their closer circles of advisors with acquired macro-financial comfort and even speculatively increased values of “assets” and “resources”. None of these seem functional in an environment which is deeply eroded by corruption and fraud. It is usually “clients” who have prompted to patrons the need to change the old togas of intouchability and mingle with realities. This less beneficial but mutually responsible reciprocal exchange may be the biggest achievement of the sobering political mind of Balkan citizens. Those who could hear the chant have already heard it: “God bless the blind - for only they have not seen the crooks”.

Conclusion

Higher and petty corruption, which has very much eroded and challenged new democracies in South East Europe in new ways, have to be addressed after all to its carrier generators. The resources and instruments of this significant but little desired change should be put under rational control. A recent U.S. university study of crime in the Balkans (see CSD, 2009) stated that It may take at least 30 years to establish the rule of law in the region and uproot the insidious partnership between politicians and organized criminal groups, networked in the wider Eurasian context. This is a rather disputable statement because of the growing awareness of the citizenry that radical changes of the constitutional frameworks and malfunctions of the institutions are inevitable.

Several suggestions might be of use to politics in this area:

- Corruption and organized crime are particularly brutal in the region, as they both feed on the poverty of devastated Balkan countries, as well as on a notorious culture of little emancipated patron-client relations;

- The latter have widely been misused by oligarch groups, in addition to their political patrons to deviate the region from its European gravity;
- Measures to restrict grey economy should be fostered by policies as related to the retrieval of captured states, as well as the isolation of quasi-market and other (educational, decision making, governmental etc.) agents of corruptive behaviour in its manifold forms.
- Adequate measures applied in other postcommunist countries related to the more decisive intervention of the EU in mutually controlled anticorruption systems fighting organized crime in a wider global context might show a way out of the present dilemma.
- EU coordinated policies to restore normality in the context of South East Europe, should tackle in addition to deficits of local governments and institutions especially political corruption and organized crime in a more decisive way.

In its recent interim report on Bulgaria of February 2009, the EU Commission acknowledged some positive development in Bulgaria's effort to improve coordination and cooperation between three key governmental institutions. These are the Prosecutor's Office, the Ministry of Internal Affairs, and the National Security Agency (NSA) in order to tackle corruption and fraud. The report also confirmed the expected conclusion that there are not enough judicial trials against members and leaders of organized criminal groups in Bulgaria. The number of unadjudicated legal cases signifies a decrease in timely prosecutions against organized crime. In recent months, prominent legal cases against organized crime have not resulted in judicial decisions. The EU Commission mentions in its report that the number of adjudicated cases is insignificant.

The establishment of joint teams to cope with corruption and organized crime is a step ahead, as Johan Lautenberger, spokesperson for the European Commission, com-

mented in this respect. The EU Commission recognizes Bulgaria's improvement in terms of judicial reform. Inspectors of the Supreme Judicial Council have full authority over their activities; the positive results of their criminal investigations are significant. Important steps have yet to be taken in terms of a clear demarcation between different institutions, such as allowing control over the work of the NSA by the Bulgarian National Assembly.

It means to vote on the final laws needed to strengthen the judicial system, needed for making indictments against high ranking government officials, leaders of criminal groups for corruption, and organized crime. The judicial system has to demonstrate that it can apply laws effectively and independently from outside influence. The report gave clear recommendations on political parties' sponsorships of candidates in anticipation of the forthcoming EU and national elections in Bulgaria this year. Alongside a lack of conviction and ineffective effort to cope with corruption and organized crime in Bulgaria, the report stated that the most positive change in the judicial system is the establishment of an inspection agency under the Supreme Judicial Council.

Promoting a culture of "zero-tolerance" towards corruption and institutional fraud today has still a long way to go until it really reaches the grassroots of society, less even can it succeed in weakened states and politically unconsolidated societies. Therefore transparent procurement procedures, persistent international and competent civic pressure for deeper reforms, in addition to a more responsible social state, may be considered as the only efficient way to restore the rule of law and promote sustainable patronage of modern quality and social responsibility. This is both a premise and a condition *sine qua non* for the European future of the region, as well as for the security and prosperity of its people.

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