Czech University of Life Sciences Prague

Faculty of Economics and Management

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Diploma thesis

Analysis of corruption, its persistence and impacts on Czech society

Aleš Jiráček

! ! !

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In Prague 30.11.2011 _____

Analysis of corruption, its persistence and impacts on Czech society

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Analýza korupce, její přetrvávání a dopad na českou společnost

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Souhrn:

Diplomová práce *Analýza korupce, její přetrvávání a dopad na českou společnost*, se zabývá stále podceňovaným fenoménem - korupcí. Tomuto tématu není věnována dostatečná pozornost ani u široké veřejnosti ani v odborných kruzích. Téma je většinou široce pojímané navíc nepřesně, nevede často k ničemu novému a teorie nejsou dostatečně podloženy empirickými výzkumy. Tato práce se kromě analýzy korupce samotné zaměřuje na její kvantitativní měření. V práci jsou představeny hlavní metody výpočtů, které jsou běžně využívány po celém světě. Z jejich analýzy však vyplývá, že poskytují pouze částečný obraz reality. Z tohoto důvodu je potřeba hledat nové způsoby měření korupce. V této diplomové práci je prezentován nový způsob měření korupčního jednání, založený na zcela novém pojetí. Smyslem práce je zdůraznit nebezpečí šíření korupce, které se v posledních letech dramaticky zvýšilo a ovlivňuje nejen jedince, ale i celou společnost a to v mnoha aspektech. Diplomová práce kromě jiného poukazuje i na specifika českého korupčního prostředí a nabádá k aktivnímu přístupu v boji proti korupci.

Summary:

Diploma thesis *Analysis of corruption, its persistence and impacts on Czech society* deals with still underestimated phenomenon – corruption. Not enough attention is paid to this topic from both general public and scientists. The approaches to the theme are mostly too wide and sometimes even inaccurate. In addition, they usually do not lead to anything new and the theories are not sufficiently supported by empirical research. Besides the analysis of corruption itself this diploma thesis is focused on its quantitative measurement. The paper presents the main methods of corruption calculation, which are commonly used around the world. Nevertheless, the analyses of these methods show that their measurements provide only a partial picture of reality. For this reason, it is necessary to search for new ways how to measure corruption. This diploma thesis presents the new method how to gain the data about corruption behavior based on completely new concept. The purpose of work is to emphasize the danger of corruption spread which has increased dramatically in recent years. Moreover, corruption negatively affects not only individuals but also the society as a whole and that in many aspects. The thesis also points on the specifics of the Czech corruption environment and encourages to an active approach in the corruption combat.

KEYWORDS: Corruption, bribery, breach of authority, cheating, cronyism, nepotism, embezzlement, CPI-Corruption Perception Index, BPI-Bribe Payers Index, GCB – Global Corruption Barometer, agent provocateur, wiretapping, UFO – profits, lobbying, whistleblowing.

Content

1 Introduction

Diploma thesis *Analysis of corruption, its persistence and impacts on Czech society* deals with very serious and still underestimated phenomenon of corruption. In spite of the fact that corruption has been presented throughout the human history it seems that corruption gains strength at the beginning of 21st century. Negative influence of such factor has far-reaching consequences not only on the economic level but especially in politics and human behavior in general. "*Corruption threatens the rule of law, democracy and human rights, undermines good governance, fairness and social justice, distorts competition, hinders economic development and endangers the stability of democratic institutions and the moral foundations of society.*"[1]

The objective of this diploma thesis is not to cover the whole topic of corruption but to fill up the gaps to which the attention has not been paid yet and to bring new points of view on corruption issues especially to its measurements which also enable to emphasize the whole topic and encourage others in corruption combat.

At the beginning of diploma thesis the consideration is paid to the analysis of corruption, its forms and how the corruption could be manifested in the daily life. Three anti-corruption tools are mentioned in the following chapter as they are actual topics on Czech political and social scene. With respect to the content of this diploma thesis, special focus is also paid to measurements of corruption. Different techniques which are ordinarily being used all over the world are analyzed. In the Chapter 5 the impacts of corruption on the Czech society are presented and some specifics are highlighted. Reasons for persistence of corruption are broadly discussed in another chapter. The new concept how to measure corruption behavior is presented in the Chapter 7. The practical part of the diploma thesis is also coupled with own research and its results.

In one of the chapters the author focused on measuring of corruption, used techniques and the necessity of new approach. Some of the methods are mentioned, for example, Corruption Perception Index, Bribe Payers Index or Global Corruption

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[1] Council of Europe. *The Fight against Corruption: a priority for the Council of Europe*. [online] [cit.2011-11-18] Available on:
http://www.coe.int/t/dghl/monitoring/greco/general/1.%20The%20Fight%20against%20Corruption%20-%20A%20Priority%20for%20the%20CoE_en.asp

Barometer. Examples supplemented by graphs, tables and recent results are included in the thesis.

The expected conclusion should be the confirmation of the hypothesis in a sense that the total amount of corruption is not, in practice, possible to measure directly. On the other hand the new methodological approach which is presented in the diploma thesis should better reflect the extent of possible corruption behavior than any other used technique. From this perspective special focus was paid to young people who are the most threaten by corruption. The new point of view on corruption quantification should enlarge the possibilities of corruption research which is not satisfying today.

The data included in this diploma thesis is up to date 20 November, 2011.

2 Objectives of thesis and methodology

This diploma thesis aims to upraise the notion about necessity of corruption combat which is being underestimated and overlooked. For this reason new methodological approach on corruption quantification was used.

2.1 Hypothesis and the aim of diploma thesis

The hypothesis of this diploma thesis is based on the following statement:

"*There is no objective measurable technique which would reflect the real extent of corruption.*"

The author is going to confirm or reject the hypothesis on the basis of analysis of corruption topic and also on the results of own research.

2.2 Methodology

Unlike many other research papers about corruption, this diploma thesis brings completely new methodological approach how to better quantify the possible extent of corruption.

For this purpose the author uses one quantitative and two qualitative methods to gather the primary data. The crucial covered observation technique is supported and supplemented by interviews and by questionnaire.

The investigated homogenous group counted more than 50 members and the observation period was longer than two years. The observed group was formed by college students of the Czech University of Life Sciences in Prague at the age from 23 to 30 years. These students were attending one of the following Master's study programs: Economics and Management or European Agrarian Diplomacy. The number of members fluctuated slightly due to especially international exchange programs in which they took a part. The

observation began in February 2008 and lasted till November 2011. The author was a member of both observed groups over the whole period when the observation was done. The members were not informed about the observation. Otherwise it would influence the results significantly. During the observed period several interviews were made on the topic of corruption.

124 questionnaires were distributed at the end of observation period. The aim of questionnaire was to confront the general public opinions about perception of corruption and that of college students. However, the selected sample was focused on the youth as the most vulnerable group to participate on corruption.

Beyond that, the interviews were done with the randomly selected members during the observation time. The anonymity of those who were interviewed and observed is guaranteed. On the top of it, none of the respondents could have been afraid to reply because there were no answers which could harm anybody of them.

The objective of used methodology was not to accuse anybody. The techniques served only for gathering the data which were important for proposition of new concept of corruption calculation. The purpose of this diploma thesis is not to put blame on someone but to bring new points of view on corruption and the way how to measure the possible extent of corruption behavior.

Additional information about methodology is presented in the thesis, especially in the Chapter 7.

3 Corruption as socio-scientific phenomenon

Corruption is a universal phenomenon, which applies to all people and countries without exception. Like other serious phenomena it is needed to investigate the corruption for its better understanding. Corruption is in focus of many sciences and disciplines. Besides purely economic impacts which are usually associated the word "corruption", there are the impacts mainly social.

A French sociologist Jeanne Becquart-Leclercq explains corruption as a difference between two normative behavior types.[2] One of them is represented by ideals which are shared by society. The other one represents actions taken in reality. If the difference is wide, people are saying something else than in reality do. Corruption is a typical example of such ambivalent behavior. According to all public surveys the corruption is bad. In fact, the community often does something which could be interpreted as corruption behavior.

Certainly, the corruption must not be perceived as a schizophrenic behavior because it is a deliberate act which has targeted goals and those who take a part in corruption activities are aware of doing something what is forbidden or what is not correct.

3.1 Corruption as growing and overlooked problem

Corruption is not a new phenomenon. It has been presented throughout the human history for thousands of years. Still, not enough attention has been paid to corruption yet. Even the developed countries where corruption does not have such fatal consequences as in developing regions, we are missing effective combat with corruption. On the other hand the economic consequences of corruption in developed countries are much higher. These are some latest figures.

According to Council of Europe it is estimated that hundreds of billion Euros are paid in bribes every year.[3] It is also estimated that each year up to 1.8 trillion USD in illicit

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[2] BECQUART-LECLERCQ, Jeanne. *Paradoxes du pouvoir local*. Presses de la
Fondation nationale des sciences politiques, 1976. ISBN: 978-2724603392

[3] Council of Europe. *The Fight against Corruption: a priority for the Council of Europe*. [online]
[cit.2011-11-14] Available on:

funds derived from corruption, tax evasion and organized crime circles the globe. These amounts should be spent in favor of social welfare and not in favor of cheating individuals. Corruption distorts markets and creates unfair competition. Almost a fifth of more than 1,000 executives surveyed by Ernst & Young claimed to have lost business due to a competitor paying bribes and that the situation is getting worse.[4] If we are asking why, here are some reasons.

Three of The Group of Twenty (G-20)[5] members have still not ratified the UN Convention against Corruption, the cornerstone in combat corruption, despite its entry into force in 2005.[6]

In spite of the fact that the European Union (EU) is the world's largest economy its potential is reduced by the lack of comprehensive anti-corruption strategy. The EU institutions still need to adopt more strict codes of conduct, transparency standards and lobbying rules.

Alarmingly, 21 out of the 38 countries of The Organization for Economic Co-operation and Development (OECD) still had little or no enforcement to put into action the convention which prohibits multinational firms from bribing foreign public officials during business transactions.[7]

It would be possible to continue in this enumeration but it gives already a clear notion how even the most developed countries are lax in solving this issue. While at present there is not probably bigger threat to democracy than the corruption.

There are also many reasons and of different kinds why corruption expands. We can mention, for example, the growing population which exceeded 7 billion, the amount of

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http://www.coe.int/t/dghl/monitoring/greco/general/1.%20The%20Fight%20against%20Corruption%20-%20A%20Priority%20for%20the%20CoE_en.asp

[4] Ernst & Young and Transparency International. *Anti-bribery progress: Indefinitely delayed*. [online] [cit.2011-05-23] Available on:
http://www.transparency.org/news_room/in_focus/2011/oecd_progress_2011

[5] G-20 is a group of twenty major economies at the world which in 1999 created the platform for to discussion about key issues in the global economy.

[6] HUMBORG, Christian. *In the fight against corruption, Germany falls behind*. On-line blog hosted by Transparency International. [online] [cit.2011-05-16] Available on:
http://blog.transparency.org/2011/05/16/in-the-fight-against-corruption-germany-falls-behind/

[7] HARDOON, Deborah and HEINRICH, Finn. *BPI 2011*. Transparency International. 2011. ISBN: 978-3-935711-79-1

trade which has increased significantly over the last decades, political systems and stability of regions or quality of anti-corruption measures.

In the daily press it is possible to find some information about corruption at several levels. In many cases it is an article about suspicious contract. Rarely, it is the announcement about the investigated results that someone has been found guilty or not. But often we can hear about the political proclamations how to combat with corruption. It is not thus the question of corruption topic which is overlooked but its steps for the elimination. The fight itself is left with no interest.

3.1.1   Definitions of corruption

Corruption is sometimes badly perceived only in connection with the abuse of public authority for personal welfare. The reason is understandable, it is easier to recognize the formal obligations overpass than the crossing of ethical borders which could be disputable with respect to cultural differences of the nations and which are not exactly defined.

But it is necessary to perceive corruption in a broader context which covers all forms and techniques. Otherwise, the provisions taken are not effective enough.

The word corruption is derived from Latin word *corrumpere* which means (pervert, corrupt, deprave, spoil, taint).[8] Modern social science defines corruption in terms of three basic models.[9]

The most widespread a public-office-centered definition of corruption is provided by Joseph S. Nye, who defines corruption as: "... behavior which deviates from the normal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gain; or violates rules against the exercise of certain types of private

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[8] Etymology dictionary, MyEtymology.com, [online] [cit.2011-11-12] Available on: http://www.myetymology.com/english/corruption.html

[9] Science Encyclopedia. *Corruption in Developed and Developing Countries – Defining Corruption.* [online] [cit.2011-11-18] Available on: http://science.jrank.org/pages/8845/Corruption-in-Developed-Developing-Countries-Defining-Corruption.html

regarding influence."[10] In spite of the fact that this definition is the most popular, its focus is unfortunately too narrow.

The second model argued by Jacob Van Klaveren derived corruption from the theory of market where the official views his office as an enterprise from which is able to extract additional income. As a consequence, the civil servant's compensation package "does not depend on an ethical evaluation of his usefulness for the common good but precisely upon the market situation and his talent for finding the points of maximal gain on the public's demand curve."[11]Neither this definition can be fully accepted. The public office can not be perceived as an enterprise from its essence to provide a public service which has to be non-profitable.

The third basic concept of corruption definition was stated by Carl Friedrich who saw corruption in terms of the public interest. According to Friedrich: "The pattern of corruption therefore exists whenever a power holder who is charged with doing certain things, i.e. who is a responsible functionary or office holder, is by monetary or other rewards not legally provided for, induced to take actions which favor whoever provides the rewards and thereby does damage to the public and its interest."[12] Either the last definition is not ideal. It does not take in consideration the corruption in the private sector.

Transparency International (TI) defines corruption as the abuse of entrusted power for private gain which hurts everyone whose life, livelihood or happiness depends on the integrity of people in a position of authority.[13]

From the perspective of this diploma thesis the following definition will fits the best. Corruption is any act by which at least one involved party profits from the unfair given advantage.

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[10] QUAH, Jon S.T. *Corruption in Asia with special reference to Singapore patterns and consequences*. Asian Journal of Public Administration. [online] [cit.2011-11-14] Available on: http://www.jonstquah.com/images/Corruption%20in%20Singapore%20AJPA.pdf

[11] MBAKU, John Mukum. *Institutions and Reforms in Africa*. USA: Praeger Publishers, 1997. ISBN: 0-275-95879-5

[12] ARVIND, Jane K. *The Political Economy of Corruption*. London: Routeledge, 2001. ISBN: 0-415-23446-8

[13]TRANSPARENCY INTERNATIONAL. Official webpages. [online] [cit.2011-11-13] Available on: http://www.transparency.org/about_us

Corruption is not in the Czech Criminal Code defined directly. Instead, we can find there four basic crimes which are directly connected with corruption behavior. These are provision § 158 Abuse of Power by a Public Official, provision § 160 Bribe-Taking, provision § 161 Bribe-Giving and § 162 Indirect Bribery.[14] These provisions were amended by Act No. 40/2009 Criminal Code which entered into force on 1st January, 2010 as provisions § 331, § 332 and § 333.[15] The common feature for all of them is causing of unfair change which has impacts on public interest. Anything else is considered as a personal matter. This solution often gives the space for unclear explanations of the law and leads towards its violation.

3.1.2   Typology

Corruption is very adaptable. We can find it in many areas of human society. Corruption behavior is not only about business, corruption is unfortunately presented also in sectors like health care, education or sport. It explains so many possible perspectives how to analyze corruption in a sense of typology. The literature does not have one unifying typology so often various criteria are mentioned.

Sometimes the main criterion is the extent of assets involved in corruption behavior. Generally speaking, with the size of contract, the riskiness of possible corruption activities and the amounts offered grow. Into this type of corruption belong huge public tenders, privatization process or giving the monopoly licenses. Petr Vymětal talks about grand and petty corruption.[16] In so called political or grand corruption the top political officials are usually involved and the corruption is being hidden very well. Next to political corruption we can find petty corruption, also called grassroot corruption which is much lower in a sense of used assets, but on the other hand involves more people. Typical representatives are officials with lower power and police.

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[14] Czech Criminal Code, Provision §158, § 160-162. 2007.

[15] CHMELÍK, Jan and TOMICA, Zdeněk. *Korupce a úplatkářství*. Praha: Linde, 2011. ISBN 978-80-7201-85 -6

[16] VYMĚTAL, Petr. *Typologie korupce*. Brno: Masaryk University, 2006. Page 16. ISBN 80-210-4062-9

In contrast to big corruption the small one often uses different techniques, not only the bribes. The gaps in the law or not clear interpretations, vague competences or other abuses of position are typical reasons for corruption stimulation. It has to be said that what is called a bribe in one country might not be the same in another if the historical and cultural traditions are different. However, with the globalization process and thanks to international conventions the rules for combating with corruption are becoming more or less the same all around the world.

The World Bank refers to another corruption type – state capture[17]. While the fight against two previous types depends in a certain way on the safety mechanisms, state capture is a threat which is very difficult to recognize at the beginning and solve later. It is not anything else than gain control over the legislation or executive by private subjects. This may lead to taking control over jurisdiction, media or important political posts.

Other type of typology operates with structure of the organization where the corruption penetrates[18]. In a vertical type, the corruption goes from the top. The senior managers are trying to involve their subordinators into illegal practices under the pressure of alternative withdrawal. In the companies with horizontal structure corruption spreads with more difficulties because decentralized structure is more secure.

Corruption grows in both public and private sector. Corruption behavior might be thus divided between corruption acts committed in private lives or those related to business activities.

It is possible to find other typologies but for the purposes of this thesis the last one will be mentioned. Corruption typology could be enlarged by the insight from which side the initiative came from. The typology distinguishes passive recipients of the bribes and those who actively extort the bribe. In fact, it does not matter who asked or who paid, because there is not anything like a little guilty. Both sides are equally responsible.

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[17] The World Bank, Anticorruption in Transition

[18] VYMĚTAL, Petr. *Typologie korupce*. Brno: Masaryk University, 2006. Page 16. ISBN 80-210-4062-9

3.1.3 Forms of corruption

Corruption behavior has penetrated to almost all areas of human activities. As it was already mentioned corruption is very flexible and could have many forms. Some forms are simple and easily recognizable, some are quite sophisticated and it is harder to prove them.

What is important for this diploma thesis is that corruption became a natural part of daily live. And further, some corruption acts are transforming our cultural customs.

The most commonly recognized forms of corruption are:[19]

- Treason; espionage; coup d`état; subversion
- Illegal foreign transactions; smuggling; money laundering
- Kleptocracy; privatization of public funds; larceny and stealing
- Misappropriation; forgery and embezzlement
- Padding of accounts; skimming; misuse of funds
- Abuse of power, position or information; intimidation
- Torture; undeserved pardons and remissions
- Deceit and fraud; misrepresentation; cheating and swindling; blackmail
- Perversion of justice; criminal behavior; false evidence; unlawful detention
- Non-performance of duties; desertion; parasitism
- Bribery and graft; extortion; illegal levies; kickbacks; frame-ups
- Election tampering; vote-rigging; gerrymandering
- Misuse of inside knowledge and confidential information; falsification of records
- Unauthorized sale of public offices, public property and public licenses
- Manipulation of regulations, purchases and supplies, contracts and loans
- Tax evasion, excessive profiteering
- Influence peddling; favor brokering; conflicts of interest
- Acceptance of improper gifts, fees, speed money, and entertainments, junkets
- Links with organized crime; black-market operations
- Cronyism; nepotism; cover-ups
- Illegal surveillance; misuse of telecommunications and mails

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[19] POPE, Jeremy. *The TI Source Book*, Transparency International, 2000. ISBN 3-980 5657-8-5

• Misuse of official seals, stationery, residence and perquisites

All these examples of corruption could be again divided according to the particular situation where they are being used. This diploma thesis does not want to present all possible examples, but rather to search for common points which unified them.

To demonstrate to what degree the corruption behavior influence our everyday lives we can state two basic situations. One of them is from private sector, the second one from public sector. The first one is from business sphere, the other is closely touched to personal issues. Both of them are very common. Everyone knows about them. Nothing but little is done to eliminate them. That is why it is a typical example of corruption behavior.

About 60 % of Czech GDP is produced by services. In reality it is much more. But the difference between the official data and the real amount of services provided is a shadow economy. No matter if we take plumber service, bricklayer`s, car repair service, painting and decoration or almost any other service the experience will be the same. When the work is done and a customer should pay, both client and worker stand in front of the decision. The service provider wonder: "*Should I charge the customer a full price where the tax is included or not? If I do, my turn-over will be higher, so I will have to pay higher taxes. If I do not, my profit will be bigger, because where is no receipt, as there was not any service provided.*"

Now look at the customer point of view. Client counts: "*If I ask for the bill, I would have to pay more. Without the bill, which I do not need anyway, I can pay less for the tax difference.*" As it is clear from the first example both traders will be better off if they agree to make a deal. Worker and client would save money if they cheat. During one year there could be such cases on both sides in tens or even more. For either of them one simple but also controversial argument might be a motivation. "Why should I contribute more to public budget when they (the state) will spend this money ineffectively on overpriced tenders which are corrupted?" One would think there is something reasonable on it. But there is not, except the immediate good felling of both corrupted sites from the deal. The impacts of such behavior will return more in longer term than within a shorter period. Lower tax collection could cause their increase. State compensates lack of money by expensive borrowings which are covered by all citizens and so on.

Health care system in the Czech Republic is in majority operated by state. Using this statement medical service belongs under public sector. The second pattern put together a citizen with a doctor.[20] Let's imagine a patient who needs to undergo a surgery. It happens very often that the patient offers various kinds of incentives to doctor against profiting generally from better treatment. This type of corruption behavior is already so common that it has already changed Czech cultural habits.

Again, there are voices which proclaim that it has nothing in common with corruption because these "small gifts" purely come from personal gratitude. The opposite is true. This misleading argument is badly interpreted. Under the conditions of public health care where all citizens contribute to the medical system and doctors are paid from public finance, the current situation is unacceptable.

3.1.4   Causes and roots of corruption

Behavior connected with corruption acts is for human kind natural in some way. It is a consequence of imperfect human psychological part which is tempted time after time by the visions of personal welfare increase. Justification for the corruption behavior is seen sometimes as an inborn endeavor to do whatever to benefit from the particular situation. In spite of it, this explanation can not be accepted in our time. At first, the inherit instinct "to do whatever" came more from satisfaction of primary need to survive and not from the situations where we want to be just better off. Secondly, the problem with corruption behavior is connected with moral and ethic issues.

Human kind during its evolution created rules which should protect the whole society. Breaking these rules by individuals decrease the welfare for the whole society. The idea that one will profit from unfair act more than what the damage will be for the society is false. Corruption act links at usually two parties who decided to take an unauthorized advantage. But at the same time such an action negatively influences anybody else who was not part of the deal. The implications could be of any type, for example, discrimination

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[20] In this example a doctor is used as a representative of public sector, because his remuneration is covered mostly from state financing.

of the other candidates or higher price paid by public sector which is financed from taxes of all inhabitance.

The bribe-payers and the bribe-takers could be also victims of their own acts. However, it might not be immediately visible. On the theoretical level, if only one corruption case happen, the real consequence would be negligible. In reality there are so many of them that the impacts can not be overlooked to infinity. Later, when the situation will be already unsupportable the environment can change dramatically against them. Too high expenditures in the public finance might lead, for example, to dismissal of officials representing in this case the bribe-takers and the implementation of new taxes will definitely affect the rich companies which used the bribes to win overpriced tenders.

4 Fight against corruption

There is a famous phrase:"Everyone is corruptible, it is just a matter of price." This saying tells us that corruption potential dozes in all of us, nobody can escape, and it is all a matter of price and situation. The reality might not be so scary. But it is true that our confidence needs to be supported, for example, by the rules which are set up.

Still, not enough attention is paid to corruption today. And if so, not in an effective way. Time and money designed for corruption combat are not usually spent on an appropriate place. The corruption behavior is not only a problem of the Czech Republic but of the whole world and persists over centuries. Some anti-corruption measurements could be found already in Hammurabi's Code of Law.[21] More than 3700 years has passed since that. Over this period corruption has grown up more than the fight against it.

The history is a clear evidence that corruption is not an element which would solve itself during the time. Corruption has been created artificially by people and only society can eliminate it. The effort is needed to concentrate on both national and international level. One without the other is odd. One of the leading societies that deal systematically with the issue of corruption is Transparency International.

Transparency International is a not-for-profit association and the biggest global civil society organization dealing with the fight against corruption. Since its founding in 1993, Transparency International has played a lead role in improving the anti-corruption mechanisms, raising awareness about the dangers of corruption and its impacts. Their global network bodies bring together relevant players from government, civil society, business and the media to promote transparency in elections, in public administration, in procurement and in business. As politically non-partisan they are trying to lobby governments to implement anti-corruption reforms.

It is not so long ago when the first anti-corruption conventions and treaties were adopted. Before 1990 the initiatives taken against corruption depended more or less on the individual states how they implemented the anticorruption measures.

In 1990, an inter-governmental body, The Financial Action Task Force (FATF) proposed 40 Recommendations in order to combat with money laundering and terrorist

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[21] CHMELÍK, Jan and TOMICA, Zdeněk. *Korupce a úplatkářství*. Praha: Linde, 2011. ISBN 978-80-7201-853-6

financing. The recommendations provide a complete set of counter-measures against money laundering covering the criminal justice system and law enforcement, the financial system and its regulation, and international co-operation[22]. Since then the recommendations have been revised and adopted by many international bodies.

In 1997 the OECD Anti-Bribery Convention established legally binding standards to criminalize bribery of foreign public officials in international business transactions. Ratification originally signed just by half of ten members was the first and only international anti-corruption instrument focused on the supply side[23]. In 2011, 34 OECD member countries and four non-member countries have adopted the treaty.

The United Nations Convention against Corruption from 2003 became a modern milestone in corruption combat. Not only because the convention has been signed by an overwhelming number of states (154) but also because it implemented a wide and detailed range of anti-corruption measures affecting laws, institutions and practices.[24] Unfortunately, the Czech Republic is one of the few nations which signed but has not ratified yet.[25]

Since 1990s many other treaties and conventions entered into force. The European Union, for example, in 1998 adopted the Joint Action of 22 which was focused on private sector, The Committee of Ministers of The Council of Europe accepted The Twenty Guiding Principles for the Fight against Corruption in 1997, or more than twenty states signed The Convention on Preventing and Combating Corruption in Africa in 2004[26].

Also some institutions fighting against corruption were established. In 1999 the European Union has created European Anti-Fraud Office (OLAF) which protects the

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[22] FATF/OECD. *The 40 Recommendations*, 2011. [online] [cit.2011-11-14] Available on: http://www.fatf-gafi.org/document/28/0,3746,en_32250379_32236920_33658140_1_1_1_1,00.html

[23] OECD. *Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*. 2011. [online] [cit.2011-11-14] Available on: http://www.oecd.org/document/21/0,3746,en_2649_34859_2017813_1_1_1_1,00.html

[24] UN / United Nations Office on Drugs and Crime. *United Nations Convention against Corruption*. *Vienna*. USA: 2004 and BPI 2011. [online] [cit.2011-11-14] Available on: http://www.unodc.org/documents/treaties/UNCAC/Publications/Convention/08-50026_E.pdf

[25] CHMELÍK, Jan and TOMICA, Zdeněk. *Korupce a úplatkářství*. Praha: Linde, 2011. Page 86. ISBN 978-80-7201-853-6

[26] Anti-Corruption Resource Centre. *Anti-corruption conventions and treaties 2011*. [online] [cit.2011-11-14] Available on: http://www.u4.no/document/treaties.cfm

financial interests of the EU by combating fraud, corruption and other illegal activities because there is a need for controlling how the expenditures (141.5 billion Euros in 2010) are being spent.[27] Another example could be from the same year when The Council of Europe established The Group of States against Corruption (GRECO) which should improve the capacity of its members to fight corruption by monitoring their compliance with the organization's anti-corruption standards.[28] Several years later Council Decision 2008/852/JHA established European Contact-Point Network against Corruption (EACN) which enhanced the cooperation between already existing nationals and international institutions (Europol, Eurojust).[29]

However we can see a positive trend in the creation anti-corruption measurements, the desired aims are still far from the expectations. Partially, the fault is on the treaties which do not cover all possible aspects of corruption behavior, partially on the whole system which is trying to more eliminate the corruption rather than to try to solve the real causes.

4.1 Anti-corruption tools

Detection and investigation of corruption is very demanding both in time and in terms of human resources. When we analyze such complex phenomenon as corruption is, it is possible to make the mistakes. Not very suitable focus on the roots of corruption helps the persistence of the corruption environment. As long as we do not change our approach to corruption combat we will be victims of struggle with windmills.

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[27] European Anti-Fraud Office (OLAF). [online] [cit.2011-11-18] Available on: http://www.ec.europa.eu/dgs/olaf/

[28] Group of States against Corruption (GRECO). [online] [cit.2011-10-10] Available on: http://coe.int/t/dghl/monitoring/greco/default_EN.asp

[29] Contact-point network against corruption. [online] [cit.2011-11-14] Available on: http://europa.eu/legislation_summaries/fight_against_fraud/fight_against_corruption/lf0002_en.htm

4.1.1   Agent Provocateur

For example, agent provocateur enables such change. Unfortunately, this tool for corruption combat is not always perceived well by public opinions, especially, in the countries with negative experience from the past where citizens agreed to cooperate with secret police and collaborated with totalistic regimes. For part of the population agent provocateur still represents a person with a face of friend who is able to poke a dagger in the back as you turn.

In fact, agent provocateur in the criminal law is something very different in comparison to what these words might evoke. One of the biggest problems of corruption combat is the process of detection and evidence collection. For this purpose the institute of agent provocateur was established. Agent represents a mean through which the authorities of criminal proceedings are able to uncover illegal activities. Generally, the agent provocateur tries to be involved in the situation where another person or a group is going to commit an illegal act. It must be said that the primary purpose is not to harm a person but to fight against issues which presents the threats for the whole society. Agent provocateur also can not be just anybody. Typically, it is a police officer who pretends to be somebody else to take a part in a deal for purpose of ensuring the evidence. The participation can vary depending on circumstances. Mostly the agent is not the person who is initiating the act, who offers but the one who has interest, who is purchasing. The opponents of this type of agent are usually trying to badly interpret what are the real aims and its procedures. Typical argument is:"The official tries to provoke, to encourage others to commit a crime.[30]

The poll conducted on the occasion of the Golden Crown Forum under the motto "Corruption as an economic phenomenon" showed that Czechs would be radical in fighting corruption. "They support means such as wiretapping, agent provocateurs, protection of crown witnesses and mainly the seizure of property of those involved in

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[30] Autarchic. *Occupy Oakland: Beware of Police Infiltrators and Provocateurs*. [online] [cit.2011-11-05] Available on: http://www.sodahead.com/united-states/occupy-oakland-beware-of -police-infiltrators-and- provocateurs/question-2263897/

corruption."[31] The Czech law order is far behind the western standards in these topics. But these tools are not borderless.

In the USA where the institute of agent provocateur is used the most frequently, the whole process has strict rules. Provocation may be subject only to a person where there exists real suspicion of liability to commit a serious crime. The used methods or circumstances must be adequate to a particular case or a person. Repeated calls, misuse of friendship, persuasion or offering unusual temptations is forbidden.[32]In other words, the law prohibits initiating of a crime and later prosecutes someone.[33]

4.1.2   Wiretapping

Let's briefly mention a question of wiretapping which is also a hot topic. This issue noticed significant changes in the Czech Republic during the last years. It is not a long time ago when the Parliament decided to minimize the possibility of usage of wiretapping to minimum the cases. Yet, it was this technique which was one of the most effective ways how to uncover and prove the illegal activities.

Wiretapping is a particular form of electronic surveillance that monitors telephonic or other means of communication. It is a process of listening and recording the conversations in purpose of obtain important information.

Some members of parliament still again repeat that the wiretapping is huge interference to privacy. There are no doubts that the system has to stay under the control and the permissions must be given according to law. On the other hand, the proclamations of some parliament members are purely populist or have lobbying reasons. All wiretappings had to be confirmed by the judge when it is declared the necessity of such technique based on objective reasons. Indeed, the wiretapping is used for security reasons

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[31] Česká tisková kancelář. *Poll: Czech consider corruption biggest problem*. Prague Daily Monitor. [online] [cit.2011-06-14] Available on: http://www.praguemonitor.com/2011/06/14/poll-czech-consider-corruption-biggest-problem

[32] ČERNÝ, Petr. *Provokace v boji s korupcí*. Brno: Masarykova univerzita, 2006. Page 212. ISBN: 80-210-4062-9

[33] SOTOLÁŘ, Alexander (ed.). *Posuzování policejní provokace*. Trestněprávní revue, 2002, č.11. Page 313.

and for the public interest. Only those who do not respect rules, regulations and law should be afraid of wiretapping.

4.1.3   UFO – profits

The "UFO-profits" is a Czech criminalist term which refers to any equity with unknown origin.[34] These incomes with non-transparent origin usually came from illegal transactions. It is not anything very surprising that some people have millions or tens of millions on their accounts and it is clear that those people were not able to gain them officially. Nowadays, in the Czech Republic there is no effective instrument which would force such people to prove from where these assets come from. The Czech Social Democratic Party has included in its program the implementation of a law which will affect these practices.[35]

So far, they did not succeeded, when for the last time (16 March, 2011) their proposal was denied.

In the event the law against UFO-profits would be accepted, those who will not prove that the assets acquired correspond with the income would be taxed by 76 % from the difference of both amounts. Similar law could be found also in other countries.

Paradoxically, this tool for corruption combat could turn in its favor. It can be assumed that people with illegal assets would try to rather corrupt anybody to cover their illegal incomes than be willing to pay additional tax. But it does not mean that such law would not help, on the contrary.

4.2 Measuring of corruption

It is interesting that if we want to empirically measure the level of corruption the universality of the phenomenon somehow disappears. Yet it is the data that often decide on

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[34] "*UFO-zisky" aneb Zisky z neidentifikovatelných zdrojů*. Kriminalistický sborník č.4/2008. ISBN: 1210-9150

[35] HAMÁČEK, Jan. *Volební program pro volby 2010*. [online] [cit.2011-11-17] Available on: http://www.hamacek.cz/volby-2010-program

subsequent actions. Without proper data, it is difficult to say how seriously the corruption is influencing its environment. Nowadays, the society generally agrees that the level of corruption behavior is too high. From socio-scientific point of view, it might be enough, but not for the economist. Therefore, problem of measuring corruption should become a key area of scientific research.

There are several ways how to gather the data about the level of corruption. As we will see, all techniques have some limitations.

The simplest way would be to make the estimation. Each of us can use own experience from the life. We can make a guess based on what we have heard, what we have seen, what we have done. But even if we make an average of all such estimations the result would be useless, because we can not assume that everyone computes properly and in the same or similar way. For the empiric measurement we do not need guesses but real data. This technique would be satisfying to a certain extent for exploration of public opinion if corruption is or not actual topic which bothers. For capturing the amounts we need to use other methods.

To determine the level of corruption we can thus begin with the official data. According to the annual report of ÚOKFK SKPV (Unit for Combating Corruption and Financial Crime of the Criminal Police and Investigation Service) there were 341 cases of corruption behavior registered in 2010.[36] This amount represents 691 people who were involved in illegal actions. Taking into account that at the beginning of the same year there were more than 2,5 million business units in a register and about 7,7 million people at the age 18-70, the number of 691 does not seem appropriate.[37] The real number should be much higher. Obviously, not all cases were recognized so these figures are distorted.

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[36] ÚOKFK SKPV - Unit for Combating Corruption and Financial Crime of the Criminal Police and Investigation Service. *Annual Report 2010*. Prague.

[37] Own computations and Czech Statistic Office, [online] [cit.2011-10-30] Available on: http://www.czso.cz/csu/2010edicniplan.nsf/p/4019-10 and http://www.czso.cz/csu/2009edicniplan.nsf/p/01n2-09

4.3 Researches on public opinion

It is therefore clear that the evidence for determining the rate of corruption behavior we must search also somewhere else not just in the official statistics. More interesting data are available from public surveys. There are four major international surveys which deal with corruption, the Corruption Perception Index, the Bribe Payers Index and the Global Corruption Barometer and The Business Environment and Enterprise Performance Survey. The first three surveys are prepared by Transparency International, the last one by cooperation of the European Bank for Reconstruction and Development and the World Bank (WB).

Aleš Pachman considers these indexes as a sports instrument. The indexes classify countries to the league where they can compete. Nobody wants to be at the back which should push the governments to corruption combat. For example, South Korea proclaimed that they want to belong to ten less corrupted countries. Since that they moved from 49th position to 39th in the CPI index.[38]

4.3.1 Corruption Perception Index - CPI

The Corruption Perception Index is prepared every year by Transparency International and measures level of domestic, public sector corruption. The index quantifies the perceived levels of corruption in public sectors and compared the data from countries around the world.

Corruption Perception Index 2010 showed that nearly three quarters out of 178 surveyed countries were ranked on the scale from 10-very clean to 0-highly corrupted below 5, including the Czech Republic with 4.6.[39]

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[38] PACHMAN, Aleš. *Povaha korupce v České republice*. Page 69. Brno: Masarykova univerzita, 2006. ISBN:80-210-4062-9

[39] Transparency International. *Corruption Perception Index2010*. ISBN: 978-3-935711-60-9

Table 1: Czech Corruption Perception Index (CPI) 2008-2010

Country Rank	Country / Territory	CPI 2010 Score	CPI 2009 Score	CPI 2008 Score
53	Czech Republic	4.6	4.9	5.2

Source: Transparency International

As we can see from the table above the Czech Republic is currently ranked on 53th place which is not very positive result. But what is even worse is the negative trend over the last years. None of the top 55 CPI countries has registered such decrease during two years as the Czech Republic, except Commonwealth of Dominica. On the contrary, most of the countries increased their ranks. This is a clear warning that the situation in the Czech Republic is getting much serious.

Looking into the depth how the index is created we can find out that CPI is an aggregate indicator which combines 13 different sources of information. The Corruption Perception Index is based on different assessments and business opinion surveys carried out by10 independent and reputable institutions which capture information about the administrative and political aspects of corruption. Broadly speaking, the surveys and assessments used to compile the index include questions relating to bribery of public officials, kickbacks in public procurement, embezzlement of public funds and effectiveness of anti-corruption efforts made by public sector.[40] In addition, at least three independent sources are necessary for the country to be evaluated.

The CPI 2010 table gives a simple overview how the first fifty countries are active in the implementation of anti-corruption measures and their effectiveness. Denmark, New Zealand and Singapore lead the table with amazing score 9.3 closely followed by two Scandinavian countries which still have twice better score than the Czech Republic. Neither other top nations are big surprise. On the bottom there are nations like Iraq (1.5), Afghanistan (1.4), Myanmar (1.4) and on the last 178th place Somalia (1.1). It shows diametrical approach to corruption and confirms the assumptions.

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[40] Transparency International. *Corruption Perception Index2010*. ISBN: 978-3-935711-60-9

Table 2: CPI 2010

Country Rank	Country / Territory	CPI Index 2010	Country Rank	Country / Territory	CPI Index 2010
1	Denmark	9,3	27	Slovenia	6,4
1	New Zealand	9,3	28	Cyprus	6,3
1	Singapore	9,3	28	United Arab Emirates	6,3
4	Finland	9,2	30	Israel	6,1
4	Sweden	9,2	30	Spain	6,1
6	Canada	8,9	32	Portugal	6,0
7	Netherlands	8,8	33	Botswana	5,8
8	Australia	8,7	33	Puerto Rico	5,8
8	Switzerland	8,7	33	Taiwan	5,8
10	Norway	8,6	36	Bhutan	5,7
11	Iceland	8,5	37	Malta	5,6
11	Luxembourg	8,5	38	Brunei	5,5
13	Hong Kong	8,4	39	Korea (South)	5,4
14	Ireland	8,0	39	Mauritius	5,4
15	Austria	7,9	41	Costa Rica	5,3
15	Germany	7,9	41	Oman	5,3
17	Barbados	7,8	41	Poland	5,3
17	Japan	7,8	44	Dominica	5,2
19	Qatar	7,7	45	Cape Verde	5,1
20	United Kingdom	7,6	46	Lithuania	5,0
21	Chile	7,2	46	Macau	5,0
22	Belgium	7,1	48	Bahrain	4,9
22	United States	7,1	49	Seychelles	4,8
24	Uruguay	6,9	50	Hungary	4,7
25	France	6,8	50	Jordan	4,7
26	Estonia	6,5	50	Saudi Arabia	4,7
			53	Czech Republic	4,6

Source: Transparency International

Since 1996 when the Transparency International included the Czech Republic into the index (CPI 5.37) [41] we have registered huge oscillations. According to the index the worst situation was in 2002 when the index dropped to 3.7 (Graph 2). Johan Lamsdorff is

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[41] CHMELÍK, Jan and TOMICA, Zdeněk. *Korupce a úplatkářství*. Praha: Linde, 2011. Page 34. ISBN 978-80-7201-853-6

explaining this lowest point by political and economical changes which happened that time. Specifically, by the opposition agreement between The Civic Democratic Party (ODS) and The Czech Social Democratic Party (ČSSD) which might have been perceived as the restriction on political pluralism and the emergence of political cartel.[42] At the same time, media informed a lot about banks scandals and other corruption cases from the privatization.

Graph 1: Czech CPI scores 2000-2010
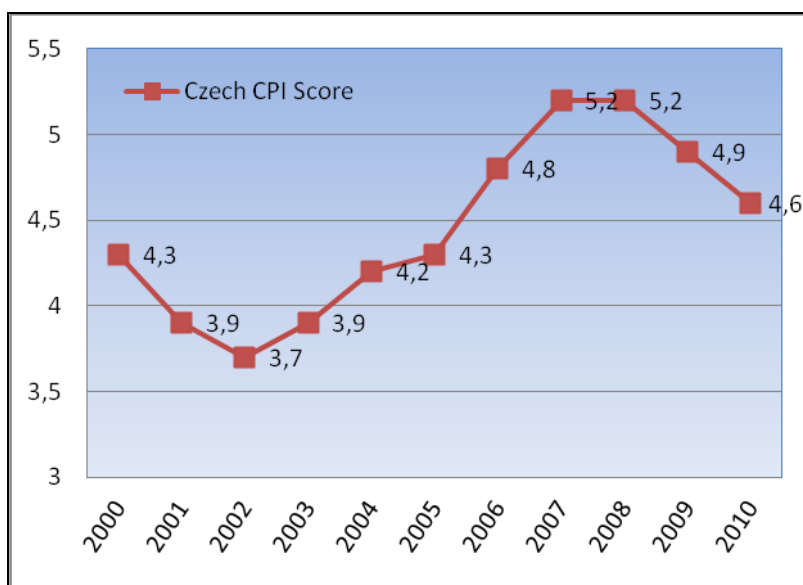
Source: Transparency International

The Corruption Perception Index brings for sure the interesting results which are today generally perceived as quite reliable and which made from corruption political topic. Mostly thanks to its stable values over longer period of time. However, this might not be always true. On the example of the Czech Republic we can see high jumps. Sandholtz and Taagepera argue that: "*there are convincing evidences that the communist era decreased the national's score by two points.*"[43] They used a model based on measuring the influence

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[42] LAMBSDORFF, Johann. *Ten years of the CPI: Determinig Trends*. London: Global Corruption Report, TI, 2006. Page 292-297.

[43] SMITH, L. Michael (ed.). *Vnímání a realita korupce v České republice – Nové výzkumy, metody a postupy*. Institut pro sociální a ekonomické analýzy, 2008. Page 10. ISBN: 978-80-903316-4-8

of cultural traditions and demonstrated so, the relationship between communist past and level of corruption.

Despite the facts that CPI method is using standardized data correlated in many ways, coming from different sources and allows worldwide comparison, there are four major problems connected with this survey. First of all, CPI is focused on public sectors only and do not reflect private sector. Secondly, the evaluation of the extent of corruption is done only by replies of country experts and business leaders. Thirdly, "*the whole effort of the research is represented by just a number which about itself says nothing*", adds Jeppe Kroman Hansen, consultant of Transparency International and continues: "*Practical benefits for entrepreneurs are questionable. The index misses answers on questions like, how the legislation of the country is understandable or how much time they would have to spend by filling up the form and dealing with officials.*"[44] And finally, the index does not take in consideration political, economical and other changes which influence the Corruption Perception Index.

4.3.2   Bribe Payers Index – BPI

The Bribe Payers Index 2011 ranks 28 of the world's largest economies according to the perceived likelihood of companies from these countries to pay bribes abroad.[45] Nowadays, when the international trade becomes more important than ever before and when the amounts of global trades reached tens of trillions USD annually, the index which would tell us about the corruption on this level would be worth. BPI covers regions of the world which represent almost 80 per cent of the total world outflow of goods, services and investments.

The results of Transparency International's 2011 Bribe Payers Survey are based on the views of 3,016 senior business executives from 28 countries around the world who had come into contact with companies and governments from abroad. A minimum of a hundred respondents from different large of companies were required. The BPI ranks countries on a

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[44] PACHMAN, Aleš. *Povaha korupce v České republice*. Interview with Jeppe Kroman Hansen. Brno: Masarykova univerzita, 2006. Page 70. ISBN:80-210-4062-9

[45] HARDOON, Deborah and HEINRICH, Finn. *2011 Bribe Payers Index*. Transparency International. ISBN: 978-3-943497-02-1

scale of 0 to 10, where a maximum score of 10 corresponds with a view that companies from that country never engaged in bribery when doing business abroad.

Table 3: BPI comparison in 2008 and 2011[46]

BPI Rank 2011	Country/Territory	BPI Score		BPI Rank 2008
		2011	2008	2008
1	Netherlands	8,8	8,7	3
1	Switzerland	8,8	8,7	3
3	Belgium	8,7	8,8	1
4	Germany	8,6	8,6	5
4	Japan	8,6	8,6	5
6	Australia	8,5	8,5	8
6	Canada	8,5	8,8	1
8	Singapore	8,3	8,1	9
8	UK	8,3	8,6	5
10	USA	8,1	8,1	9
11	France	8,0	8,1	9
11	Spain	8,0	7,9	12
13	South Korea	7,9	7,5	14
14	Brazil	7,7	7,4	17
15	Hong Kong	7,6	7,6	13
15	Italy	7,6	7,4	17
15	South Africa	7,6	7,5	14
18	Taiwan	7,5	7,5	14
18	India	7,5	6,8	19
20	Mexico	7,0	6,6	20
21	China	6,5	6,5	21
22	Russia	6,1	5,9	22

Source: Transparency International

The results showed that none of the companies from 30 ranked countries was perceived to be wholly clean and not engaged in bribery abroad. This serious finding proves that corruption is not just a local problem and that there is a necessity for international conventions about corruption combat.

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[46] Table contains only 22 countries for year 2011 for better comparison (Malaysia, Turkey, Saudi Arabia, Argentina, United Arab Emirates and Indonesia are not mentioned).

As expected, companies from the Netherlands, Switzerland and Belgium are traditionally less likely to use bribes compare to other countries. The Czech Republic is not included in the BPI, because its value of Foreign Direct Investment outflows, the value of exports and regional significance does not belong to the top 30 ranked nations. At the bottom of the table we can find India, Mexico, China and Russia - four emerging economies. The bribery by companies from these countries is perceived to be most widespread. Partially it is corruption that pushes their economies and slows down the developed economies.

Disappointingly the index shows no significant improvement in the scores between 2008 and 2011. Only half of the countries from the index reported a positive progress in scoring over three years, when the average score change was only 0,1 point. That is dramatically low and it shows that corruption is not on the list of priorities for any country. Canada and Taiwan even dropped significantly in their ranking.

One of the advantages of the index is the overview of affected sectors. Besides the country ranking the Bribe Payers Index also evaluate sectors where the bribery is the most common. The findings were placed into the next table. Sector's rank is again based on a scale of 0-10, where a maximum score of 10 corresponds with the view that companies in that sector never bribe and a 0 corresponds with the view that they always do. The business executives were asked how often the company was for bribes and if of what kind.

Similarly to countries' scores, none of the sectors is corruption free. Agriculture and light manufacturing are perceived to be the least bribery-prone sectors. At the bottom there are public works contracts and constructions, utilities followed by real estate, property, legal and business services with the same score. The most affected sectors are all characterized by high value investments and significant government interaction and regulations, both of which provide opportunities and incentives for corruption.

Almost 50 per cent of respondents confirmed the corruption practices by public works contracts and constructions. Such finding might, indeed, correspond with reality and explain why constructions of highways in the Czech Republic belong to one of the most

expensive ones in the world? Giving the concrete example, 12 km long section between the cities of Ostrava and Bohumín had cost 12 billion CZK.[47]

Table 4: BPI according to sectors

| Rank	Sector	Sector Score
1	Agriculture	7,1
1	Light Manufacturing	7,1
3	Civilian Aerospace	7,0
3	Information Technology	7,0
5	Banking and Finance	6,9
5	Forestry	6,9
7	Consumer Services	6,8
8	Telecommunications	6,7
8	Transportation and Storage	6,7
10	Arms, Defence and Military	6,6
10	Fisheries	6,6
12	Heavy Manufacturing	6,5
13	Pharmaceutical and Healthcare	6,4
13	Power Generation and Transmission	6,4
15	Mining	6,3
16	Oil and Gas	6,2
17	Real Estate, Property, Legal and Business	6,1
17	Utilities	6,1
19	Public Works Contracts and Construction	5,3

Source: Transparency International

The Bribe Payers Index 2011 for the first time in its history also includes reports about bribery between private companies. The index thus shows the evidences not only from private to public sector but also from private to private sector. How important distinction into three types of corruption it was we can see from the following graph. According to the testimonies of suppliers, clients, partners or competitors, only in two sectors (Consumer Services and Civilian Aerospace) corruption of high public officials

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[47] ČTK. *Patří k nejdražším v Česku. Dálnice D1 u Ostravy se přesto opět zvlnila*. Server IHNED.cz, [online] [cit.2011-11-20] Available on: http://zpravy.ihned.cz/cesko/c1-48244020-patri-k-nejdrazsim-v-cesku-dalnice-d1-u-ostravy-se-presto-opet-zvlnila

was not the major means of bribery. Grand corruption is usually followed by petty corruption which should mostly speed up or facilitate administrative processes. Paying or receiving kickbacks from other private firms are generally the least likely, except civilian aerospace where petty corruption is almost on the same level.

Graph 2: Sectors' scores according to range and types of corruption
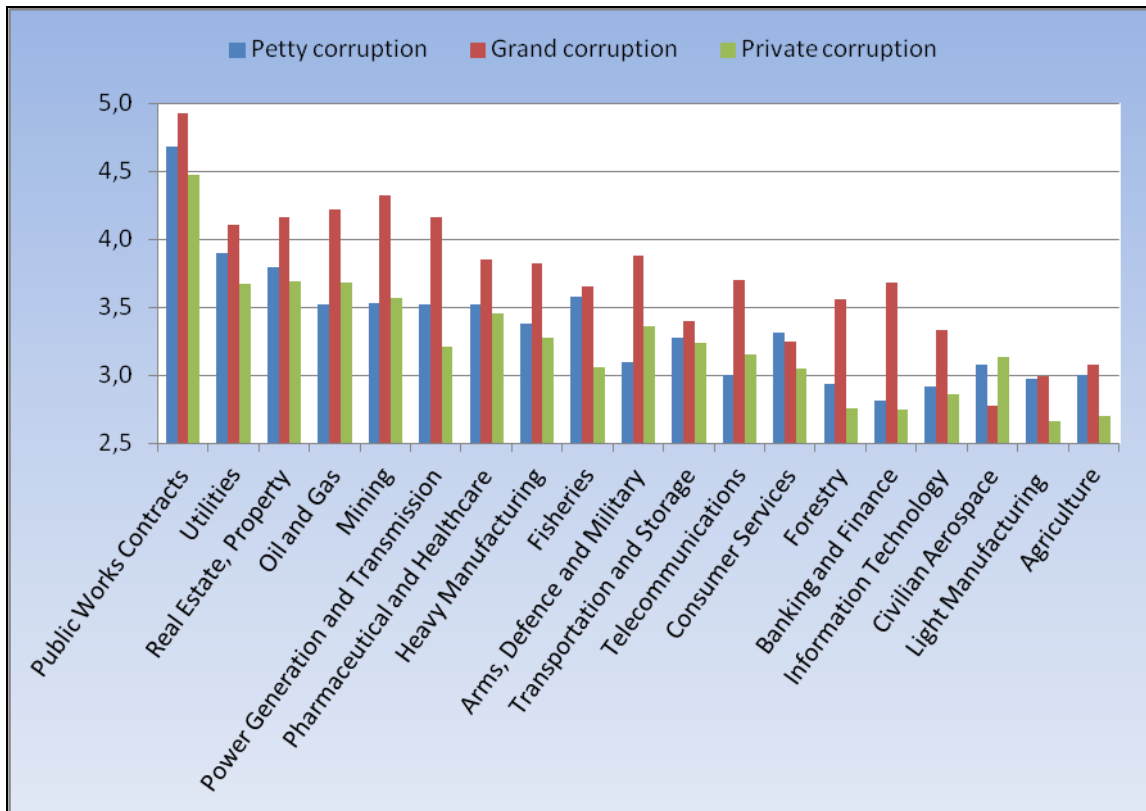
One of the weak points of the BPI 2008 was eliminated by including the private to private business bribery. Nevertheless, the Bribe Payers Index tells more about government effectiveness in corruption combat rather than about real extent of international corruption. It results from the limitations of the survey, especially, from the amount of companies and people involved in a research and from the reliance on the truthfulness of business respondents. In the Bribe Payers Index 2011 is written: "*This report has highlighted the extent to which business people believe foreign bribery occurs across major economies and business sectors.*"

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However, there are no doubts about the meaningfulness of such index. The BPI gives clear evidence that companies bribe abroad. The index also ranks sectors the most vulnerable by international corruption and shows the approximate share of three different kinds of bribery. Still, the Bribe Payers Index does not tell us what the real extent of international corruption behavior is. On the other hand, it shows clear responsibility of 28 countries' governments which can influence the equality of rights for all traders by implementation of regulations and legal means. The BPI shows two trends. The first one tells us how the countries fight against corruption, if the anti-corruption steps are taken effectively. The second trend shows if the companies´ bribery is being eliminated or if it is growing.
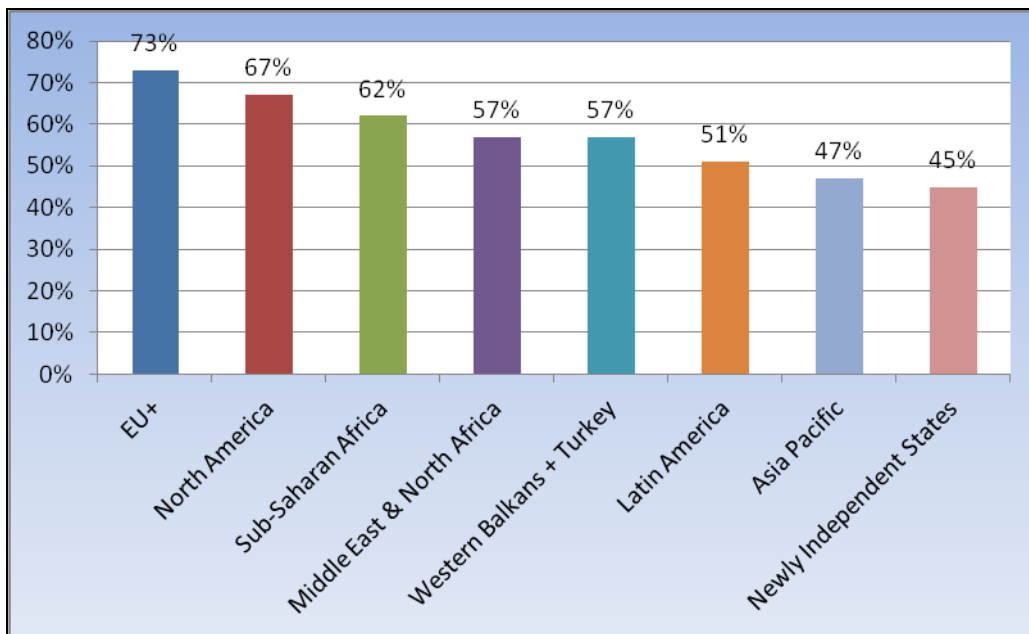
4.3.3   Global Corruption Barometer - GCB

The Global Corruption Barometer (Barometer) is the largest worldwide public opinion survey reporting experiences of people and their views on corruption. In 2010 Transparency International interviewed more than 91,500 people from 86 countries and territories to explore the general perception of corruption levels in these countries and government's efforts to fight with corruption.[48] In addition, the survey quantifies the frequency of bribery, reasons for paying bribes in the past year and attitudes towards reporting incidents of corruption. The Global Corruption Barometer is, so far, the most comprehensive survey done every year.

The Barometer complements the views of country analysts and business people represented in the Corruption Perceptions Index and the Bribe Payers Index which is gathering the firm's perceptions about how key institutions and private business is affected by corruption. The Global Corruption Barometer also explores whom people trust the most to fight corruption in their countries.[49]

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[48]RIAŃO, Juanita, HEINRICH, Finn and HODESS, Robin. *Global Corruption Barometer 2010*. Transparency International. ISBN: 978-3-935711-64-7

[49] RIAÑO, Juanita, HEINRICH, Finn and HODESS, Robin. *Global Corruption Barometer2010*. Transparency International. ISBN: 978-3-935711-64-7

Graph 3: Percentage of respondents reporting a corruption increase in the past three years according to 8 regions

The first surveyed indicator reports about the changes in corruption levels in eight world regions. According to those interviewed in 2010 there was a significant increase of corruption in all regions around the world over the last three years. These findings confirm the assumption that corruption gain strength at the beginning of 21st century and that corruption is the global problem. Alarmingly, the situation is worst in Europe and North America where the corruption combat should be paradoxically the easiest. Only 3 % of the European population perceived corruption decrease, 24 % saw no change and 73 % were persuaded that the situation got worse. It indicates that the West overslept in the fight corruption. There are regional differences in the perceptions of changes in corruption levels. Partially good news could be the drop of figures to less than half in Asia Pacific and Newly Independent States (NIS), however the increase persists.

With regard to the position of the Czech Republic, 14 % of respondents registered decrease of corruption level, 42 % did not notice any change and 44 % announced the increase.

The second indicator of Global Corruption Barometer is focused on perceived levels of corruption in 11 key sectors and institutions. The 2010 figures from the graph

show that people's perceptions about the extent of corruption are generally similar to those in 2004.

Graph 4: Percentage of people reporting the sector/institution to be the most corrupt
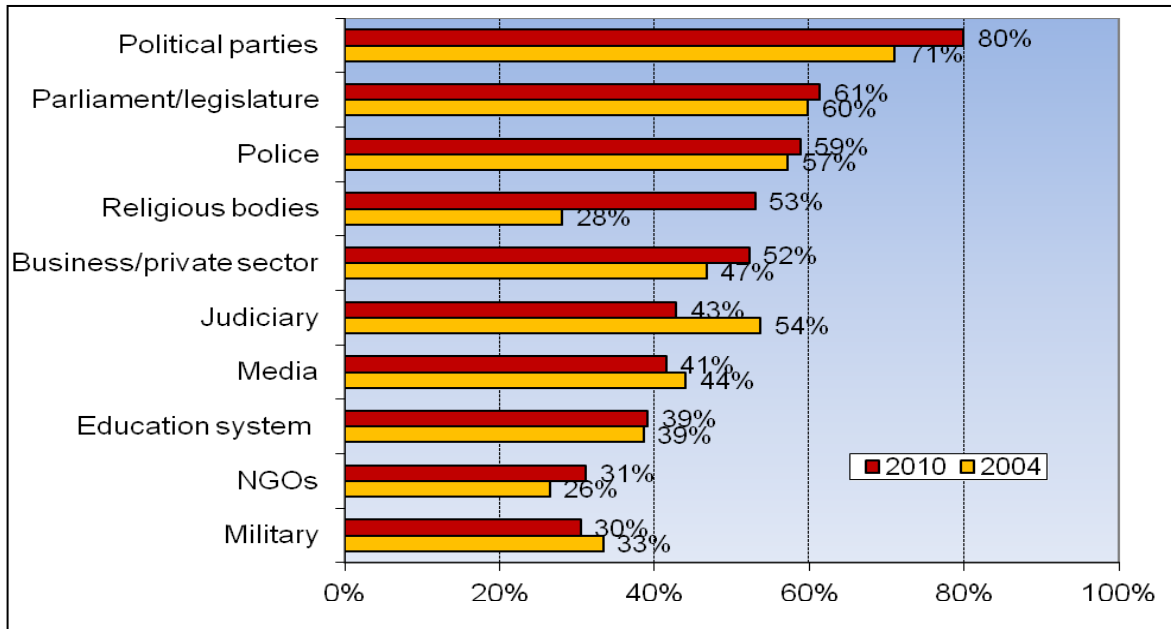
Source: Global Corruption Barometer 2010

The largest increase 25 % was surprisingly reported in religious bodies and 9 % in political parties. The only decrease larger than 3 per cent was in judiciary sector. However, this sector is still perceived from 43 % as corrupted or as extremely corrupted. Public Officials and Civil Servants are not included in the graph as eleventh key group because we do not have a comparison from the year 2004. Nevertheless, with the 62 % they are viewed as the second most affected sector in 2010.

Graph 5: The most affected sectors in the Czech Republic in 2010 according to GCB index scores
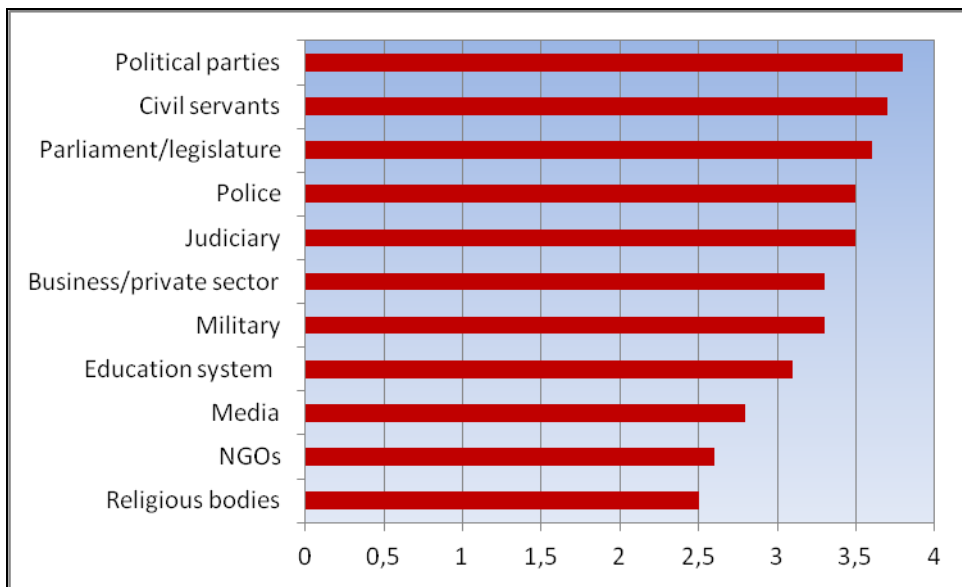
Source: Global Corruption Barometer 2010, Author's computations

From the gathered data it is possible to observe one crucial thing. On the top of the corrupted scale there are sectors which should represent the corruption combat the most. Political parties, government's officials, members of parliaments, civil servants, police and judiciary are key players in fight corruption. Unfortunately, these sectors are the most threaten at the same time for these reasons. From the surveys and the reality it seems that corruption often wins.

We can mention several examples of corruption behavior from practice which left with no interest of authorities of criminal proceedings, the press or the public. All the following examples belong to the most corruption affected sectors as were stated in the previous graph.

Since 1989 when we decided to follow democratic principles similar to on the West, political parties are not able or better to say are not willing to transparently present their financing. If the political parties would have to do it, the suspicion of unfair lobbying will decrease significantly. Every year there are some uncovered clues that something is probably wrong. There are often doubts why the tender winners are big sponsors of political parties. The unwritten rule says: "*Nothing is for free*." Sponsor gives money and expects something in return.

The second typical example from the political environment is horse-trading with the law proposals, where the necessary proposal is not approved for exchange of other proposal or important post. Jan Filip complements these examples by problem called *crossing the floor*.[50] Voting against own party can lead at the end to change of political membership. All these practices have unclear backgrounds and are often connected with corruption actions.

Nor members of government are spared of corruption scandals. During the 18 months reign of Prime Minister Petr Nečas, three Ministers left their posts with direct connection to corruption and two others still keep the position in spite of huge suspicions which persist.

Neither Police nor Judiciary has better reputation. Proved cases of bribed public officials increase, but probably not because of the more efficient anti-corruption system but because of the higher volume of people involved in corruption behavior. No wonder that these sectors are thus generally perceived as the most affected. The fact that corruption is a general problem in the Czech Republic is evident from the figures of other sectors like media, non-governmental organizations or religious bodies where the difference with top 5 is not somehow large.

Another indicator of the Global Corruption Barometer explores experiences of petty bribery among the general public when interacting with nine different basic service providers. The results reflect more than 77,000 people's experiences during the year 2010.

The percentage of respondents who reported paying bribes in the past year varies significantly according to country, from 0 % in Denmark to 89 % in Liberia. The Czech Republic's 14 % is high above the European average of 5 %. While in some countries corruption has already reached such dimensions that we can talk about ordinary cultural practices, in the others corruption serves as an occasional mean for achieving particular goals.

According to the Transparency International research low income groups are twice as likely as wealthy people to pay bribes. That is an interesting result which does not always match our expectations that only rich people can afford to pay bribes.

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[50] FILIP, Jan. *Poznámky k postřehům boje s korupcí z hlediska ústavního práva*. Brno: Masarykova univerzita, 2006. Page 122. ISBN: 80-210-4062-9

From the next graph we can recognize that people are bribing more and more. 30 % of respondents used petty bribery when dealing with police, 21 % paid to civil servants and 15 % or those questioned bribed somebody in judiciary. Although, these figures represent the world sample they are warning. How strange corruption could be is possible to show on the following finding: 59 % of those from Europe and North America who decided to bribe had no particular reason for that. That can mean two things. Either these people behave creasy which is against sociological, psychological and economical aspects or and that is much worst, they made it from the inertia, from habit. If so, we can state, that corruption is for many European and North American inhabitance part of the culture.

Graph 6: Percentage of respondents who reported paying a bribe in the previous 12 months in one of the services
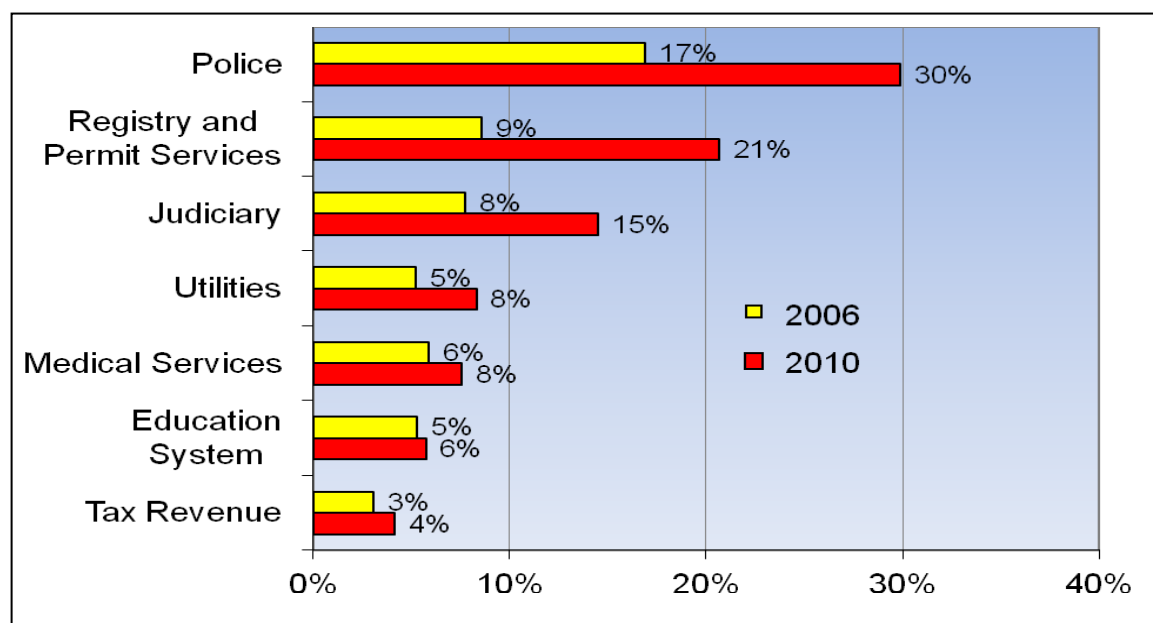
Source: Global Corruption Barometer 2010

The 2010 Barometer also asks the general public how they evaluate government efforts to curb corruption in their country. Half of those interviewed deem their government's anti-corruption efforts to be ineffective, while three out of ten think that these efforts are effective. For the first time, the 2010 Barometer asked the general public whom they trust the most to stop corruption in their countries. Results show that, insofar as any one institution is trusted, the most trusted actor is the media (25 %). In spite of the fact, that political parties, government and members of parliament are perceived by same people

to be the most corrupted, almost as many of them (22 %) trust their governments to curb corruption. However, a full quarter of those asked report that they do not trust any institution in this regard.[51]

Graph 7: Who are the most trusted to fight corruption in their country?
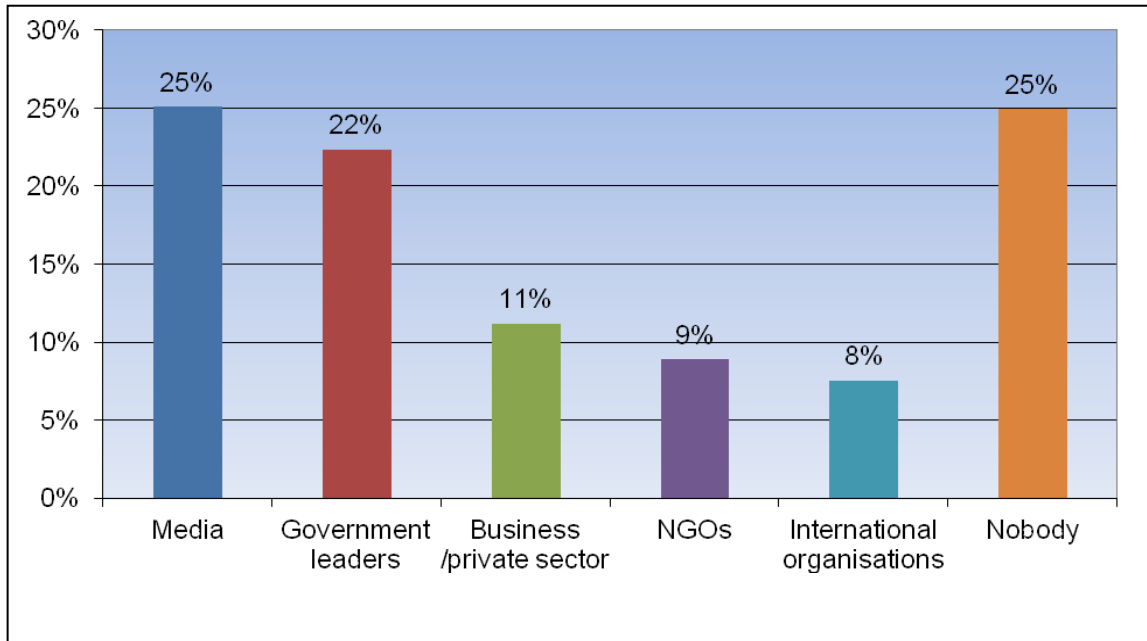
Source: Global Corruption Barometer 2010

Global Corruption Barometer seems to be the most comprehensive source for measuring of corruption level so far. Among others it uses representative samples of respondents, it is unified for all countries to enable the comparison, it reflects government's efforts to fight with corruption and quantifies direct experience of respondents. Nevertheless, the same source gives also some strange and sometimes contradictory answers. It shows the necessity for searching other techniques and new approaches.

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[51] RIAŃO, Juanita, HEINRICH, Finn and HODESS, Robin. *Global Corruption Barometer 2010*. Transparency International. ISBN: 978-3-935711-64-7

4.3.4 Business Environment and Enterprise Performance Survey - BEEPS

The Business Environment and Enterprise Performance Survey (BEEPS) is a joint initiative of the European Bank for Reconstruction and Development and the World Bank. The BEEPS similarly to Bride Payers Index is focused on business environment but in much broader sense. The Business Environment and Enterprise Performance Survey is collecting firm-level data on issues as the business environment and performance of firms, including business-government relations, firm financing, labor, infrastructure, informal payments and corruption, and other topics such as training and innovation.[52]

The first survey was held in 1999 and covered 4000 firms from 22 countries. Since that the scale of questions and the amount of firms has increased significantly. The research is carried out each three years. The last survey was released in 2009 and included already over 11.300 firms from 29 nations. The data and findings reflect experiences of participating firms and are reported by their top managers. The survey offers not only an opportunity to examine business conditions from a firm's perspective at the country level but also partial comparison and assessment of the impact of reforms on firms.

The firms were chosen using stratified random sampling which means they vary in terms of size, their age, sector of operation or ownership and in the research they are proportionally represented as it is possible to see on the graph.

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[52] The World Bank. *The Business Environment and Enterprise Performance Survey (BEEPS)*. [online] [cit.2011-11-20] Available on: http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/0,,print:Y~isCURL:Y~contentM DK:22587588~pagePK:146736~piPK:146830~theSitePK:258599,00.html

Graph 8: Percentage of sectors included in the global 2008 sample
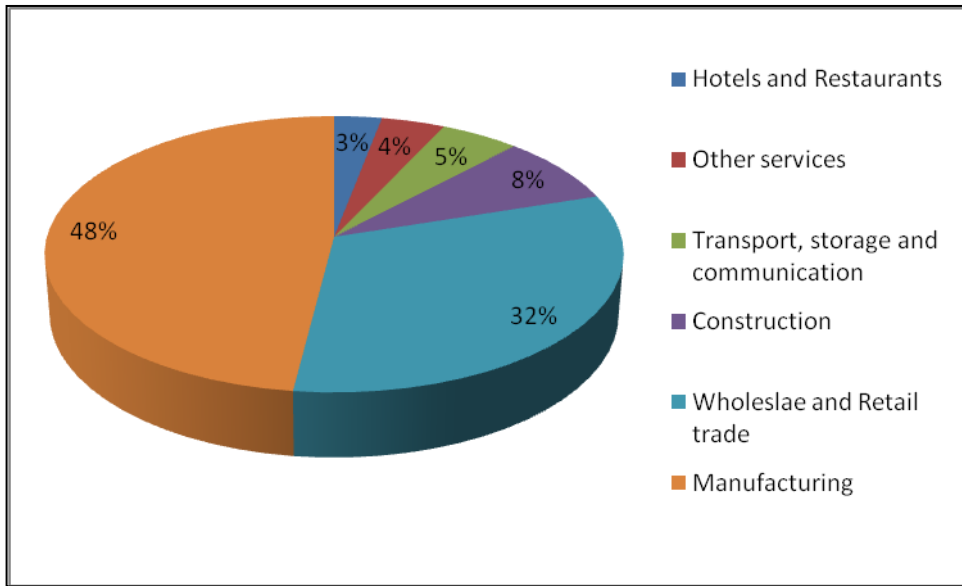
Source: BEEPS Cross Country Report 2010

From more than 11.000 firms 230 were asked in the Czech Republic. Some of the selected figures from the BEEPS Cross Country Report 2010 are presented in the following table. The results show that only about 3 % of Czech firms admit the unofficial payments as a common practice.

If we compare these data with the figures from Corruption Perception Index 2010 we will find out that there is a large discrepancy. For example, Slovenia which is placed in BEEPS just behind the Czech Republic, in the CPI Slovenia profits from 27th position which is in comparison to the 53rd Czech Republic and its score very suspected. Similarly, Slovakia, Latvia or Turkey which have almost the same CPI score are far behind the Czech Republic in the Business Environment and Enterprise Performance Survey.

It is hard to say how relevant the figures from BEEPS are without any supported comparisons. Other BEEPS's statistics tell us that Czech firms are willing to spend 2.9 % from annual sales on bribery or that 7 % and 3 % of firms use frequently bribes in dealing with taxes and courts respectively.

Table 5: Percentage of firms saying unofficial payments are frequent

Rank	Country	% of firms	Rank	Country	% of firms
1	Kosovo	0,4	16	Albania	13,0
2	Estonia	2,8	17	Belgium	13,1
3	Lithuania	3,0	18	Slovakia	13,7
4	Czech Republic	3,1	19	Armenia	15,8
5	Slovenia	3,3	20	Serbia	16,1
6	Montenegro	3,7	21	Romania	16,9
7	Georgia	4,0	22	Moldavia	17,9
8	Poland	5,4	23	Kazakhstan	19,6
9	Hungary	7,3	24	Tajikistan	20,3
10	Latvia	8,5	25	Russia	21,8
11	Bulgaria	10,0	26	Uzbekistan	26,9
12	Croatia	10,3	27	Ukraine	27,3
13	Turkey	11,5	28	Cyprus	28,8
14	Macedonia	12,3	29	Azerbaijan	30,0
15	Bosnia and	12,6			

Source: BEEPS Cross Country Report 2010

Neither the BEEPS is perfect. Between the disadvantages we can count the demographic limitation. The research is done only in the countries of Central and Eastern Europe, the former Soviet Union and Turkey. Another disadvantage of 2008 survey is not the full compatibility to the previous surveys due to changes in methodology which unable the comparison to previous years.

On the example of the last survey we can stated that results using the public surveys might be often far from the reality and global results might not apply locally. In other words, these results rely on people's subjective opinions, not on the real cases. The indexes mostly measure level of corruption perception and not corruption itself. The reason is simple, for determination of true corruption level it is not possible to use neither of the techniques. The real level of corruption is not directly measurable.

4.4 Other sources

There are also other sources available, but their methodology is more or less the same as the one of Transparency International. Moreover, corruption is not the major research target but one of the factors. For example, The PRS Group is a leading organization in investment risk analysis. This rating company offers two approaches to monitor countries: Political Risk Services and International Country Risk Guide. But both of them are more focused on political risk analysis than the corruption itself.[53] They use experts to evaluate the riskiness.

In the Czech Republic we can find firms like GfK Czech which is a leading market research provider. Their public opinion surveys are done mostly in cooperation with other organizations or on their behalf.[54]

Growth Competitiveness Index is similar to Bribe Payers Index in a sense that it use surveys inside the companies, however, its results serves for much comprehensive reports. Corruption is one from many factors which are taken into account.

Some indexes were focused on economics in transition and their evaluation. We can mention e.g. Quality of Governance Index. Others try to interpret extent of corruption in comparison to GDP or frequency of corruption articles.

4.4.1 Risk-benefit equation

If we consider corruption behavior purely from economic point of view we can see it as a calculus between the risk and profit. It is obvious that amount of riskiness involved in the corruption action must be lower than the benefits resulting from illegal behavior.

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[53] The PRS Group. Official webpages. [online] [cit.2011-11-25] Available on: http://www.prsgroup.com/Default.aspx

[54] VOLEJNÍKOVÁ, Jolana. *Korupce v ekonomické teorii a praxi*. Zeleneč: Profess Consulting, 2007. Page 32. ISBN: 978-80-7259-055-1

The formula is thus simple.[55]

$$p \cdot L < (1-p) \cdot P$$

where p…..level of risk disclosure in %
L….amount of possible loss
P….amount of possible profit

From the equation we can see that if the level of risk multiplied by the amount of possible loss in case of disclosure is smaller than the success rate multiplied by the profit arising from the corruption act it is advantageous to do so.

Not all possible losses and profits are able to transform into numbers. It is due to the specifications which each position has. The professional reward is composed of three major parts.[56] The first one is the financial remuneration and other benefits connected to the post like (bonuses, company car, retirement benefits and so on). The second type is the social reward which includes, for example, admiration and respect of colleges, friends or society. The last reward is of psychological character which gives us good feeling from the work done, sense of uniqueness and importance. Temptation to act corruptly or not is not always connected to money but also to other rewards which the corrupted person has to take into account.

The relationship between risk and profit can be illustrated also graphically (Graph 9). The risk curve is progressive. With each additional risk involved the profit must increase even more. The curve does not start from points zero because to undertake any risk there must be some minimal profit. The amount of minimal profit is always bigger that the lowest risk of disclosure. How big the minimal profit must be as well as what is the lowest level of riskiness is evaluated by each person individually.

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[55] Modified formula from KLIMEŠ, Jeroným. *Korupce v policejní práci*. Brno: Masarykova univerzita, 2006. Page 222. ISBN: 80-210-4062-9

[56] KLIMEŠ, Jeroným. *Korupce v policejní práci*. Brno: Masarykova univerzita, 2006. Page 228. ISBN: 80-210-4062-9

Graph 9: Relationship between risk and profit

profit

curve risk

Minimal profit

Minimal risk   risk
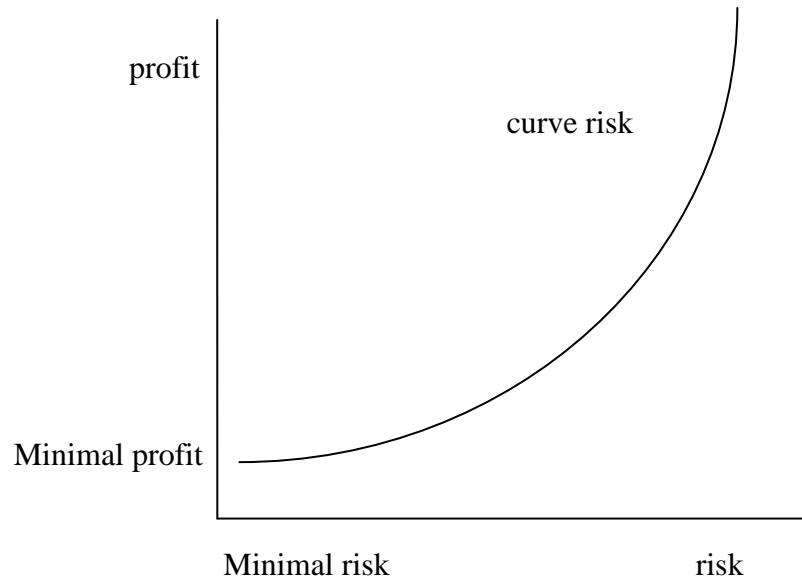
Source: Author

5 Impacts of corruption

Look at the major factors why we have to fight against corruption. Corruption has dire global consequences. It causes trapping millions in poverty and misery. It also breeds social, economic and political unrest. Corruption undermines democracy and the rule of law. Human rights are denying. Corruption distorts national and international trade because discriminates the fair players. Corruption jeopardizes both domestic and international security and might threaten the sustainability of natural resources.

Impacts might not be the same in every country. How serious the consequences are depends on how deep the corruption penetrated, which techniques and areas are the most affected.

5.1 Corruption in the Czech Republic

Transparency International published in its Annual Report 2010 also one real case from the Czech Republic. As an example of disinterest of official authorities they wrote a true story about the advertising billboards placed along one road so close that during twelve months ten people died when crashed them. During the investigation of the reasons of these tragedies Transparency International and the Drivers Association requested a copy of the contracts made with advertising companies. Documents were blocked until the Supreme Administrative Court forced the authorities to do so. The report talks about the group of politicians who had signed off on the placards in exchange for discounted media coverage during election campaigning. Since then, the Czech Minister for Transport has announced a nationwide ban on all roadside billboards. This example is one of hundreds cases which are happening in the Czech Republic every year.

5.2 Ethics, morality and law

Otakar Motejl, the ex-minister of Justice and the former Ombudsman, when he was asked how is it with him and corruption he answered:"*I have a bad reputation, nobody is*

bribing me."[57] The simplest way how to avoid to be involved in corruption actions is to behave in a matter that nobody will even try to tempt us.

Moral credit of individuals, company's culture, supported by law needs to be supported by anti-corruption policies and procedures that are implemented effectively and communicated to all

There is a relationship between the corporate culture and bribing. If the company proclaims anti-corruption policies the probability of bribing is low and vice versa. Companies from countries where corporate ethics are seen as strongly entrenched are perceived to be less likely to engage in bribery.

"Doing business within a comprehensive ethical framework is not only important to prevent foreign bribery and for companies to stay on the right side of the law, it is also good for business. For example, a Europe-wide business survey found that two-thirds of respondents agreed that a company's strong reputation for ethical behavior translates into a commercial advantage."[58]

"Transparency International has developed a framework for assessing the extent to which companies disclose their strategy, policies and processes for combating corruption. By analyzing publicly disclosed data from over 500 companies worldwide, the 2009 Transparency in Reporting on Anti-Corruption (TRAC) report found that companies still have a long way to go to demonstrate that they are embedding anti-corruption practices into their organizations. Publicly available information about anti-corruption and anti-bribery management systems was found to be lagging significantly behind companies' stated policies in this area."[59]

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[57] BAXA, Josef. *Intrview with Otakar Motejl. Postavení soudce a konflikt zájmů.* Brno: Masarykova univerzita, 2006. Page 146. ISBN: 80-210-4062-9

[58] HARDOON, Deborah and HEINRICH, Finn. *2011 Bribe Payers Index*. Transparency International. ISBN: 978-3-943497-02-1

[59] HARDOON, Deborah and HEINRICH, Finn. *2011 Bribe Payers Index*. Transparency International. ISBN: 978-3-943497-02-1

5.2.1 Lobbying

One of the most typical examples where ethics, morality and law can meet is lobbying. The history of lobbying started in the United Kingdom just next to the House of Commons on the place where everyone who came had a opportunity to contact its deputy and talk to him about own ideas and worries.[60]Lobbying thus was made by anybody who communicated with administration or elected representative.

According to Business Dictionary, lobbying is defined as:" The act of attempting to influence business and government leaders to create legislation or conduct an activity that will help a particular organization."[61] Originally a means of providing information is today generally perceived as a profession operating beyond the law. Although, it is often true the lobbyists should work only with the information. The task of the lobbyist is to make selection of relevant information, process them into understandable forms and present them in an appropriate way. In other words, it is about the description of a problem, its analysis and the suggestion of solution. Lobbying is a toll for informing important persons who make the decisions at a good time.

Lobbying and corruption have something in common – the universality. In the Great Britain they have submitted a proposal to define "lobbying" several times but did not succeed because no satisfactory definition was found out. At the end they came up with the new regulations and rules for the Members of Parliament and not for lobbyists.[62] Probably and fortunately, for the same reason there is no definition of corruption in the Czech Criminal Code but four provisions which should cover it instead. Otherwise it could end up like in Slovakia, where they tried to define lobbying directly and it was a disaster.

The lobbying is part of democratic principles of modern society. Using inappropriate means for persuasion of public authorities should be reported as corruption behavior.

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[60] LEVÍČEK, Jan. *Lobbing ve veřejném prostoru*. Brno: Masarykova univerzita, 2006. Page 98. ISBN: 80-210-4062-9

[61] Lobbying. Free dictionary BusinessDictionary.com. [online] [cit.2011-11-14] Available on: http://www.businessdictionary.com/definition/lobbying.html

[62] LEVÍČEK, Jan. *Lobbing ve veřejném prostoru*. Brno: Masarykova univerzita, 2006. Page 101. ISBN: 80-210-4062-9

5.2.2 Whistleblowing

One of the current topics how to combat corruption is the possibility to announce corruption act to independent authorities. Very complex definition brought Peter Jubb who defined whistleblowing as:"*Deliberate non-obligatory act of disclosure, which gets onto public record and is made by a person who has or had privileged access to data or information of an organization, about non-trivial illegality or other wrongdoing whether actual, suspected or anticipated which implicates and is under the control of the organization, to an external entity having potential to rectify the wrongdoing.*"[63] This definition does not contain only the motivation element of the whistleblowers. Yet, it is one of the crucial points. The society must set up a system how to support whistleblowing. Those who were witnesses of wrongdoing and who are willing to announce such corruption behavior might be, on the other hand, afraid to report it to the police or their superiors. There must be a third independent party represented by public office which can help and secure the whistleblowers by keeping them, for example, in anonymity.

In the Czech language there is not ideal equivalent for the word "whistleblowing". Usually we can find translations as the one, who informs but this creates a negative connotation that we think informer. Whistleblowing is au contraire connected with the braveness to report about unpleasant fact which might carry some risks for the informant. The whistleblower, definitely, can not be considered as a person being involved in corruption behavior. It is not a defendant who decided to cooperate with authorities in favor of lower penalty.

For this purposes the European Union has, for example, own Whistleblower's call centre.[64]

Not only society but also the companies should empower whistleblowers who experience or witness bribery and corruption through effective whistleblower policies and procedures. It is not anything unethical.

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[63] VANDEKERCKHOVE, Wim. *Whistleblowing and Organizational Social Responsibility*. England: Ashgate, 2006. Page 20. ISBN: 0-7546-4750-1

[64]OLAF Annual Report 2011. European Anti-Fraud Office.2010. [online] [cit.2011-11-20] Available on: http://www.ec.europa.eu/anti_fraud/reports/olaf/2010/OLAF-REPORT.pdf

5.3 Corruption as a heritage of the past

Corruption is not a new problem. It is a problem which has not been solved seriously for decades and centuries. During this period corruption behavior reached tremendous proportions. Corruption is an unwilling heritage of the past which haunts contemporary society.

Forms of corruption are more or less the same in the Czech Republic as anywhere else. What is a little bit specific for our country is the approach to corruption. Compare to the West, corruption in the Czech Republic was influenced by fifty years of communism. Before 1989 there was a different climate for corruption practices. During the communist era corruption behavior became part of the culture in a sense of public tolerances. During the period when there was a lack of almost anything, people adapted to new circumstances, to new environment. After the Velvet revolution when we moved to open market economy the citizens still used old techniques for achieving desired objectives. The corruption behavior became the unwilling heritage of the past.

Some typical techniques of corruption were weakened or not needed anymore because of the transformation to new system but, some new forms have appeared. Whereas corruption were not included by 80%[65] of Czech population between the major problems of the society in 1999, seven out of ten Czechs see corruption as the biggest problem in 2011. According to a survey conducted by Ipsos Tambor, a market research company, the vast majority of the population agrees with uncompromising way of fighting against corruption. Those most radical were in the age between 55 and 65.[66]

There are two interesting findings. The first one tells us how the society has changed its priorities over 12 years. What was the marginal issue in 1999 is the topic number one in 2011. The warnings that the situation will be worse have become the reality. The second finding is even more interesting. If we look at the age of the most sever respondents we can stated that these were the same respondents as twelve years ago.[67] It

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[65] FRIČ, Pavol. *Korupce na český způsob*. Praha: G plus G, 1999. Page 76. ISBN 80-86103-26-9

[66] Denik.cz. *Největší problém Česka? Korupce*. [online] [cit.2011-06-14] Available on: http://www.denik.cz/z_domova/nejvetsi-problem-ceska-korupce20110613.html

[67] According to the representative samples which were the same in 1999 and 2011 and with respect to minimum deviations.

simply proves what seemed to be as an advantage for individuals years ago is a threat for everyone today.

Data just mentioned might create an impression that the situation is getting better. But is it so? Another research company GfK monitors the development of corruption in the Czech Republic since 1998. According to its director, Jaroslav Jíra: "Socialist way of thinking is back - who does not take bribes, is stealing from own family."[68] About 12 % more people think so compare to the year 1998.

After 1989 the transformation of the system was based on two basic pillars, democracy and transformation of economy. While democratic principles were perceived more from personal point of view, economic transformation was presented as necessary for the whole society. Fast privatization process of more than 80 % of national property was the centerpiece in 1990s. Especially the main authors of the used reform Václav Klaus, Tomáš Ježek a Dušek Tříska pushed the proposal to do privatization as fast and soon as possible without the adequate preparations. The main economic transformation was so implemented in an environment that was de facto legal vacuum. As one of the evidence can be 700 % increase of articles about corruption between 1999 and 2004 in the Middle and Eastern Europe.[69]

Each huge transformation as it was, for example, Czech privatization process, brings not one pitfall. Strategy based on the assumption that private property takes precedence over law, literally, started the corruption explosion. Corruption behavior in few years reached the top. More than screwed up privatization which caused higher unemployment and loss of hundreds of billions – impacts that are still visible twenty years after, the bad transformation of economy changed the way in the fight against corruption to 180 %. Instead of setting up possible new rules, the corruption situation got out of control.

Marcel Tomášek described the situation in his report:"The problem of corruption and economic criminality during the transformation period was clearly conceptually underestimated and became one of the characteristics of the whole politico-economic

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[68] Press release of GfK Czech. Kdo nebere úplatky, okrádá rodinu – vývoj korupčního prostředí v letech 1998 – 2010. 22. March 2010.

[69] According to Grigores analysis of world press. SMITH, L. Michael. *Erupce korupce*? Page 91. ISBN: 978-80-903316-4-8

transformation as such."[70] Not surprisingly Czech transformation is given as an example. Let's mention one from many. "The early Czech stock market success was replaced by a scramble for control of privatized enterprises, stock prices that collapse once control is attained, and insider looting of many privatized companies and voucher investment funds. The Czech invented their own term – tunneling- for various ways of stripping companies and funds of their assets. Widespread tunneling drove the Czech Republic into recession in 1997 and 1998, while neighboring Poland and Hungary, which were slower to privatize large firms but build better controls on self-dealing, continued to expand briskly."[71]

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[70] TOMÁŠEK, Marcel. *Systémové zdroje korupce v čase společenské změny v makro-sociologickém pohledu*. Brno: Mezinárodní politologický ústav , 2006. Page 41. ISBN: 80-210-4062-9

[71] FOX MERRIT, B. and HELLER, Michael. *Corporate Governance Lessons from Transition Economy Reforms*. Princton: University Press, 2006. ISBN: 0-691-12561-9

6 Reasons for persistence of corruption

As it was already outlined in the previous chapter, there are several reasons for persistence of corruption. Some of them are less relevant others are fundamental, but for understanding what the corruption is about, we have to take them all in consideration because either one is important.

In a society where corruption plays an important role people usually live with feeling that the world is divided into two groups. While privileged group profits from corruption, ordinary citizens are harmed. One group pays and receives bribes in purpose of being even richer at the expense of others. The other group pays bribes also, but not because they want but because they are forced to do it. As if this bigger group were not able to change this mechanism.

6.1 Consequences of corruption

Corruption influences individuals, groups and the whole society. Impacts of corruption can be found in various forms in almost every field of human activity. Their enumeration would be almost endless. Consequences of corruption are the most frequently presented on the economic level. Corruption, for example, distorts competition, increases prices or hinders economic development. Besides the economic impacts of corruption on business environment there are also other and more important consequences. Corruption threatens the rule of law, democracy and human rights. It undermines good governance, fairness and social justice. Corruption endangers the stability of democratic institutions and the moral foundations of society.

"Private to private form of bribery remains largely overlooked by researchers and policy-makers, its impact is likely to be significant. Its effects can be felt through the entire supply chain, distorting markets and competition, increasing costs to firms, penalizing the smaller companies that cannot afford to compete on these terms and those firms with high

integrity that refuse to do so. This not only prevents a fair and efficient private sector but also reduces the quality of products and services to the consumer."[72]

In the chapter Forms of corruption (3.1.3) there was mentioned an example of corruption behavior in a health care system. Let's return to this example again but from the different point of view.

Among the Czech doctors it is possible to hear a story about one of them who went to retirement and who passed his surgery office to new college with a cellar full of alcohol. When the new doctor asked why he got this answer: "I have always been an abstinent and bribing was against my philosophy. At the beginning I have tried to explain the reasons for rejecting to my patients but they did not understand me. Soon I realized that by refusing the gifts I have aroused in them suspicion that I am not probably a good doctor when I do not want the same as other doctors. To save my career and not to lose the patients, I had to conform…"[73]

This absurd story tells us how extremely serious consequences corruption could have. The environment around us is contaminated by corrupt practices and the individuals have to stand in front of life decisions: "What is more important? Follow those who use corruption practices and have so an opportunity to live normal life? Or, stay loyal to ethical and moral values even at the cost of degradation of own living standards? This fundamental contradiction has much in common with the dark part of Czech history couple decades ago.[74]

6.2 Neglect the phenomenon of corruption

The main problem of current corruption is the unwillingness of people to change the situation. Population is not satisfied with the extent of corruption but there is lack of actions. Protests remain just complaints between individuals. Promises stay just words in politics. Corruption issues almost nobody takes seriously.

[72] HARDOON, Deborah and HEINRICH, Finn. *2011 Bribe Payers Index*. Transparency International. ISBN: 978-3-943497-02-1

[73] FRIČ, Pavol, *Korupce na český způsob*. Praha: G plus G, 1999. ISBN: 80-86103-26-9

[74] HEIDENHEIMER, J. Arnold and JOHNSTON, Michael. *Political corruption*. New Brunswick, New Jersey: Transaction publishers, 2002. ISBN: 978-0-7658-0761-8

Also some authors like Miroslav Mareš are downgrading topic of corruption. Mareš claims that:" If corruption penetrates the entire society, some important features of the whole system may not be significantly affected."[75]That is an idea which would not even apply under the circumstances that the society would perceive corruption as integrated part of the culture and corruption behavior would not be against generally accepted norms. Principles of democratic system are in contradiction to corruption behavior.

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[75] MAREŠ, Miroslav. *Vliv korupce na evropské systémy politických stran*. Brno: Mezinárodní politologický ústav, 2006. Page 51. ISBN: 80-210-4062-9

7 New approach to corruption measurement

Corruption is a global problem which makes troubles all around the world. Even without deep knowledge everyone can say that occurrence of corruption is not the same in each country. Rate of corruption is bigger in Africa than in Europe, western countries are not so affected as eastern states. But looking to the depth of the topic we are finding out that it is not easy to measure corruption.

Unlike other phenomena, corruption is difficult to grasp because corruption by its nature wants to remain undetected. In practice, it is not possible to analyze circumstances of all deals, do audits for each transaction or observe everyone permanently. Therefore, to find out what the extent of corruption might be is difficult. The easiest way would be to look at the statistical data, but the amount of collected information is not representative enough. On top of that, these data say more about the legislative, executive and judicial capabilities to deal with corruption that about the corruption level itself.

For this reason, organizations like, for example, Transparency International came up with the indexation methods.[76] These methods are generally based on the opinions of people who are dealing with corruption topic or who have own experience with it. Unfortunately, even these methods do not give us an accurate picture of reality. Not because of useful data which they bring but because of their limitations.

It would be nice if all people who either paid or received a bribe would come to announce it. But that will never come true even there would be a guarantee of impunity. The indexes rely on the responses of people. We can find many reasons why the respondents might not tell the truth. They might be afraid, they might feel shy, they might have an interest to devaluate the survey, etc. From this perspective we must take the indexes with respect but reserves.

From the analyses of sources mentioned so far it is clear that the real level of corruption is not possible to detect. It would be a mistake to think that the indexes capture all corruption cases. The "reliability" of ordinarily used techniques is mostly based on the similar results over the last years. On the other hand, this data stability does not give us the proof about real corruption extent. It just tells us, that by using the similar samples and

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[76] These methods (BPI, CPI, GCB) were analyzed in the Chapter 4.

processes we are gathering similar results. This leads usually to misinterpretations. It is possible to agree that the indexes show some level of corruption, they tell us that there is corruption out there, but the quantification is not final. These indexes cover just part of the whole problem. The index which gives at least partial direct proof of corruption is the one where people are saying "*Yes, I took or I gave a bribe*."

If we want to better quantify the corruption level we need to use techniques and methods which will eliminate the percentage of respondents who do not want to tell the truth. Survey would be so correlated and the results more precise. We need new approach to corruption measurement.

7.1 The necessity of new methods

As in the past, the 2010 Global Corruption Barometer showed that younger people are more likely to be involved in bribing than older people. In addition, the Barometer did not find substantial gender differences in the reporting of petty corruption, which is a change over previous editions, where women were less likely to report paying bribes.

Table 6: Percentage of people who report paying bribes according to their age

Age Group	Percentage
Under 30	35%
30-50	22%
51-65	18%
65+	21%

Source: Global Corruption Barometer 2010

The figures show that 35 % of those who paid a bribe in the last 12 month were younger than 30 years. Corruption behavior is than decreasing with the age till 65 where a slight increase was reported again.

From previously known information it is evident that we need to focus on young people as an initial part of the whole chain. We should discover the causes that lead youth

to the fact that they tend to corruption behavior. If we find the roots than the corruption combat can be effective.

7.2 Education and corruption

Young people are a part of population which should bring new impetus. It is a group with high future potential and which will be soon a driving force of the society for another decade. Almost one fifth of the world population is between the age of 15 and 24 year old.[77] However, according to the 2010 Global Corruption Barometer this group is more exposed to the bribery than any other group. The survey reports that people under 30 years announced paying bribes the most frequently. Those are the serious findings which do not match with the idea that new generations should be the igniter for combating corruption rather than a supporting pillar of dangerous phenomenon.

Youth are both at the beginning and at the end of the endless circle. On the one hand they should be those who is bringing the changes. On the other they are growing up in a society where the corruption behavior is pervasive. New generation is so trapped in the consequences of previous generations. Any changes are difficult when the social patterns are followed. This contradiction between the generations makes the change of the vicious circle very problematic.

From civil servants, politicians, managers and other persons to whom the power matters are entrusted there is usually a prerequisite of university degree. In developed countries youth up to 30 years spend most of their time at school. For this reason the education sector should be in our interest.

Neither education system is corruption free. The Czech Republic is straggling with corruption in the education sector for a long time without any visible change. Also in education the corruption might have several forms. As the most common form it is usually

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[77] HARRISON, Alice and SIDWELL, Michael. *Annual Report 2010*. Transparency International. 2011. ISBN: 978-3-935711-79-1

denoted the protection at entrance examinations, bribery during the examination period and cronyism at appointing the pedagogical posts.[78]

7.2.1 The University of West Bohemia in Pilsner, Faculty of Law

Since 7 November, 2011 The University of West Bohemia in Pilsner, Faculty of Law is not authorized to perform rigorous state examinations and grant title JUDr. The Ministry of Education, Youth and Sports (MEYS) also deprived the accreditation on doctoral program, which applies from 29 February 2012.[79] These are some consequences of corruption scandals at one of the Czech universities.

The Faculty of Law in Pilsner is the ideal example of corruption activities not only in the Czech education sector. Similarly to corruption, practices at Faculty of Law in Pilsner were the open secret. Everyone has known about it but nobody wanted to be associated with it. Problems lasting for a decade were publicly uncovered in 2006 when the first cases of so called "fast students" appeared. One for all, Jan Harangozzo, known also from other scandals, graduated from a five-year master's degree which he did in two and a half months.[80] Not surprisingly, in 2009, when the scandals raised the peak the word "rychlostudent" was awarded the Word of the Year and left behind competitors as e.g. "crisis".[81] It shows how far-reaching impacts on the whole society corruption might have. Not only reputation of the faculty and teachers were deeply affected. Still, almost six years

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[78] CHMELÍK, Jan and TOMICA, Zdeněk. *Korupce a úplatkářství*. Praha: Linde, 2011. Page 57. ISBN 978-80-7201-853-6

[79] ČTK. *MŠMT odejmulo právům v Plzni akreditaci doktorského studia*. České noviny.cz [online] [cit.2011-07-11] Available on: http://www.ceskenoviny.cz/zpravy/msmt-odejmulo-pravum-v-plzni-akreditaci-doktorskeho-studia/711877

[80] TOLAROVÁ, Miroslava. *Rychlostudent zažaloval práva, univerzita to vítá*. Deník.cz [online] [cit.2011-09-12] Available on: http://www.denik.cz/z_domova/rychlostudent-zazaloval-prava-univerzita-to-vita.html

[81] Lidové noviny. *Rychlostudent, slovo roku 2009*. Česká advokátní komora. cz [online] [cit.2011-10-22] Available on: http://www.cak.cz/scripts/detail.php?id=3125

later, the whole University of West Bohemia in Pilsner is associated with the scandals. Those who studied according to the rules can be discriminated when searching a post.

One would think that we took a lesson from bad experience. Unfortunately, the opposite is true. The Security Information Service (BIS) of the Czech Republic in its last Annual report 2010 mentioned: "*A prime example of cronyism and corruption has become part of the interconnection between the Faculty of Law, The University of West Bohemia in Pilsner and some police officials, advocacy, state and local governments. During 2010 BIS was monitoring how is being inferred liability against those who both enabled cronyism practices and failed to comply with teaching standards.*"[82] De facto no responsibility was deduced and the effort of "reformers" is intentionally focused more on penalizing students or doctoral students rather than on solving the problems. The databases are still altering, contacts remained unchanged and there are reported losses of documents.

The University of West Bohemia in Pilsner is not the only university which has problems, but probably the extent is not so wide and also the corruption techniques might differ. We must keep in our minds that corruption behavior in the education system is not always affected just by cronyism or bribes.

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7.3 New point of view on corruption measurement

Before looking at the new approach how to quantify the possible extent of corruption, let's briefly recap in one paragraph what was said so far. It will help to better understand what the new point of view is about.

Corruption is a negative phenomenon, which affect all of us and which does not know boarders. Its universality makes corruption a strong enemy to fight with. Corruption has many forms which might differ significantly. If we want to combat against it, we have

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[82] BIS. *Výroční zpráva 2010*. [online] [cit.2011-07-09] Available on: http://www.bis.cz/n/2011-09-07-vyrocni-zprava-2010.html

problems since the beginning – to define what corruption actually is. Unfortunately, many definitions are too narrow to grasp all its kinds. That consequently causes problems with implementation of anti-corruption tools and their operation. Yet, these are mostly technical obstacles. Today's society is already so influenced by corruption practices that we are losing the ability to change the mechanisms. Corruption became more economical term than ethical. People, especially youth, often do not even know that they behave corruptly. Others do so purposely in spite of the fact they agree that corruption decrease the general welfare. Some indexes try to capture the corruption extent but they do not succeed completely. Their basic problem is the lack of real data collection, not mediated. Through the analysis of corruption topic we have found out that in practice it is not possible to measure corruption level directly. If we want to better quantify how widespread corruption behavior could be, we need to use new approach.

As it was already mentioned, corruption can not be measured directly. For that reason we need to use appropriate technique and new approach which allows us to measure something what is nearly the same as corruption. This approach is being widely used in many areas of human research. Giving an example, medicaments are first tested on animals to see the results. In the same sense of research the observed group was tested how its members tend to cheat.

From the previous surveys it is already known that more than one third of those who reported paying bribes were young people under 30 years. Simultaneously, youth are also the most threaten by corruption practices which might influence them for the rest of their lives. New impetus for corruption combat may arise with new generations. Although, each individual can help in corruption fight the new approach is focused on the university students who are expected to be soon on the decision making posts in management or in public service, for example, as civil servants. This attention paid to the university educated people does not mean that the new technique can not be applied to any other people. The idea used is therefore universal.

7.3.1 Cheating at school vs. corruption

Let's repeat how corruption should be defined. "Corruption is any act by which at least one involved party profits from the unfair given advantage."[83]

Now, we can compare this definition with "cheating". For example, according to the Oxford Dictionary the verb "cheat" means: "*Act dishonestly or unfairly in order to gain an advantage. Gain an advantage over or deprive of something by using unfair or deceitful methods.*"[84]

As we can see, if we omit the informal meaning of the word cheat as sexual unfaithfulness, both definitions are exact the same. Subsequently, both acts are fundamentally the same. Cheating at school has the same features and consequences as corruption. Both are publicly perceived as bad. Both activities are forbidden. Both are initially done. Both have many forms how they might perform. Both want to stay uncovered. Both have the same aim – to gain from unfair advantage. Others who can not profit from the same conditions are disadvantaged. Both, cheating at school and corruption have deep negative impacts on individuals who are not involved and the system itself. Both are breaking the rules and regulations. In case of disclosure there are penalties. We could continue with this enumeration but the result would be practically the same. Cheating at school and corruption, there are just slight differences.

We can even stated, that cheating at school might be the first corruption practice with which every student comes into contact.

7.3.2 Covered observation

For the purpose of quantification corruption behavior it was needed to use a technique which enables to collect the primary data. Only data gained directly from the source might give us the idea about the real extent. On top of it, to avoid distortion during the data collection it was necessary to ensure that the source will behave naturally and will

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[83] Author's definition.

[84] Oxford dictionaries. *Definition of the word „cheat".* Oxford University Press, [online] [cit.2011-11-25] Available on: http://oxforddictionaries.com/definition/cheat

not be affected by the research. For these reasons the covered observation technique was applied.

As it was already noticed in the methodology (chapter 2.2), the observation took place at two magister study programs of Faculty of Economics and Management, at the Czech University of Life Sciences in Prague. During more than two years about fifty students were observed. No special technical equipment was used. The observation was done personally from the position of a student, as a member of the observed group. The objective of this research was to measure the extent of cheating practices during the study periods. It is important to highlight that the research was prepared in a way that the data will be obtained, but no student will be exposed to any danger. For example, purposely not all students from two classes were observed.

The covered observation proved that cheating at school is very widespread phenomenon which is hard to avoid. After two years of observation there left virtually no student which would did not cheat at least once. However, the frequency and type of cheating differed significantly depending on the circumstances.

If we are interested in frequency of cheating, students can be divided into three subgroups. In the first subgroup there were just few members who could be described as notorious cheaters. These took any opportunity which was given to them and used deceitful methods regularly. The majority of the students usually preferred not to cross the ethical boarder. Yet, they occasionally increased the chances to succeed at least once per semester. Surprisingly, the third subgroup was formed by students who cheated unintentionally. At least at the beginning, when in good faith they studied prohibited materials provided by their friends. When they later realized that these materials should not be available, they either refused to use them or dropped to the second subgroup. Also this group counted only several members.

It has to be said that cheating is reduced radically by setting up the fair conditions under which tasks are performed. With the amount of anti-cheating measures the number of cheating students was reducing. Still, some cases appeared despite the implementation of all five anti-cheating factors which were monitored (way of teaching, availability of materials, changes in the test, control and punishment measures).

It would be wrong to assume that cheating at school is manifested only by copying from the classmate or using the tiny papers with notes. Modern technical devices enable

much more. Transfers of information or downloads of files from and into smartphones is one of the popular techniques. But cheating does not always take place directly during the test itself. Cheating became much sophisticated.

Actually, in the majority of cases cheating is performed before the test, with no risks. If the student knows whom to contact, he can acquire the important information about the tests in advance. Then ready to pass the exam, he does not need any additional cheating tools. There exist special web pages and email addresses which serves as the databases where the crucial information for tests could be found. Absolutely, we can not consider them as the external supplemented sources for studying, namely from the simple reason, because the access to them is limited.

7.3.3   Interviews

Ten interviews which were made with randomly selected members of the observed groups were held at informal level. They took place in several locations and also in periods in between. Nobody was interviewed twice. Talks were about the education system, how they perceive corruption and some of its forms. Other topics more than questions covered, for example, what they thought about cheating at school or to what extent do they have an access to prohibit materials.

There were several aims for doing the interviews, to increase a good relationship between the members and also to gain information relevant to the research. Especially, to confirm hypotheses and make sure that the assumptions about their perceptions will be well interpreted.

The results of interviews mostly confirmed the expectations but also showed some unexpected conclusions. It turned out that sometimes there is a substantial discrepancy between perception of respondents and the theory. The most significant finding was that young people do not immediately realize that some activities are already considered by theory and by law as corruption behavior. Only after further discussion they admitted that it is so. Similar but not as frequent the answers were reported in topic of cheating. Some of them do not want to agree that they are actually cheating at school and defended their statements by arguing that: "If the system allows us to do so, why do not profit of it."

7.3.4 Questionnaire

The questionnaire[85] is the second of the quantitative methods which was used in this diploma thesis. Together with the qualitative covered observation it enables the overall view on topic of corruption, its measurements and inner analyses.

Like the other two methods also the questionnaire was carried out on the Czech University of Life Sciences in Prague. But this time the investigated group was not precisely determinate. On the other hand, the questionnaire was focused on students from the Faculty of Economics and Management to keep a homogenous group for the whole research as much as possible. 124 students were asked at the end of the observed period (10/2011). Respondents were randomly selected.

The questionnaire was personally administered. It contained twelve closed ended questions. Some of them were the same as in the Global Corruption Barometer 2010 for better comparison or were slightly modified to fit for university survey.

The questionnaire had two major objectives. Compare the public perception on corruption issues with the perception of university students. In other words, confront the results from indexes, especially with the Global Corruption Barometer 2010 and the university survey. The second objective was to find differences between the views of the individual school years, if there are any.

According to the results from the questionnaire we can say that corruption is as important as economical and social situation. Both issues were marked as the most important in the current Czech society. It shows that also youth perceive corruption as a threat. On the third place it is a racism and coexistence with minority communities which interest young people. Between the five the most important issues belong also law enforcement and question of health care.

[85] Full version of the questionnaire is available in supplement part.

Graph 10: The most important issues of the current Czech society, (students' view)
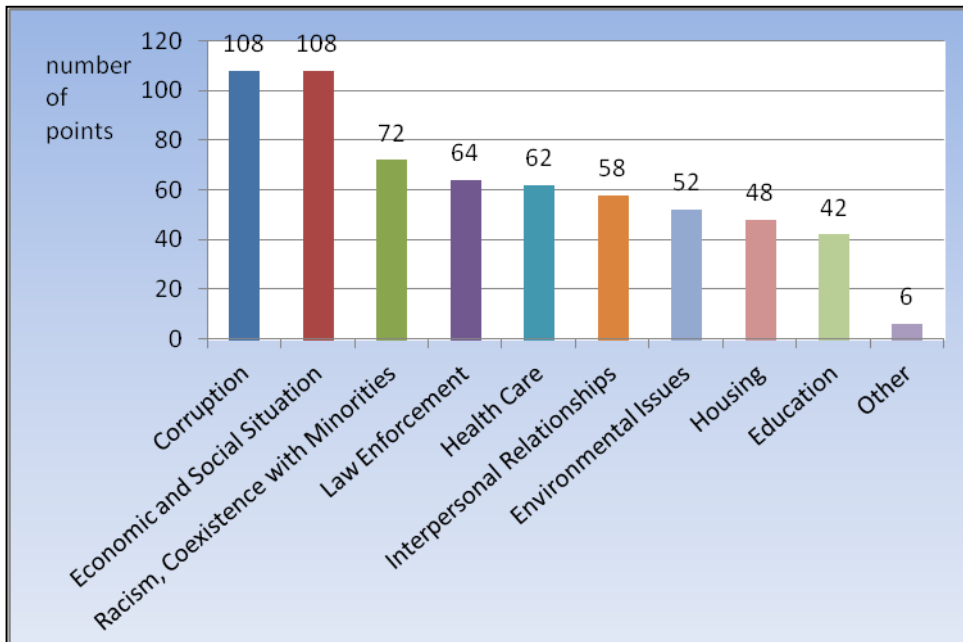
Source: Author's own research and computations

Another figures showed that 55 % of students perceive corruption as a political issue while 19 % think that corruption is primarily economical issue. For another 19 % of respondents corruption is a sociological issue and just 7 % of students answer that they feel corruption as a psychological problem.

Graph 11: Perception of corruption as one of the four issues, (students' view)
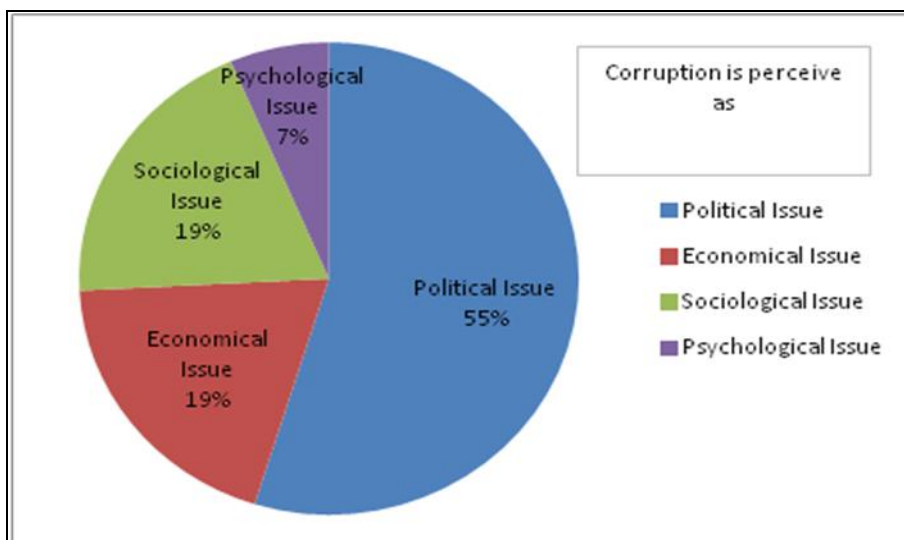
Source: Author's own research and computations

If we compare the data from Global Corruption Barometer 2010 and the students survey according to how has the level of corruption changed in the past three years, we will find out that the figures match perfectly. The European average was 73 % increase while the university students reported 74 % growth in the Czech Republic. Almost 26 % of Czech students perceived that corruption stayed the same. No one was persuaded that corruption has decreased.

It corresponds with another indicator from the survey. Half of the asked students assessed the government's actions in the corruption combat as somewhat ineffective or very ineffective. Each third student thinks that the government is neither effective nor ineffective and only 15 % reported little activity. Nobody see the government's approach as very effective.

Compare to GCB 2010 the most different figures we can see in the trustfulness of students towards the institutions. While the index shows that every four person do not trust to any institution, Czech students are much more skeptical, more than half of them (53 %). From those who trust at least to some institutions the most favorite are the international organizations closely followed by non-governmental organizations. Media and business sector are already losing popularity, yet holds a good position. As the least trustful are state sectors. In contrast to the Czech situation, government leaders are in the global rankings on the leading positions and conversely international and non-governmental organizations are placed at the bottom. It shows on the specifics of the Czech socio-political environment.

Graph 12: The most trusted organizations to fight corruption, (students' view)
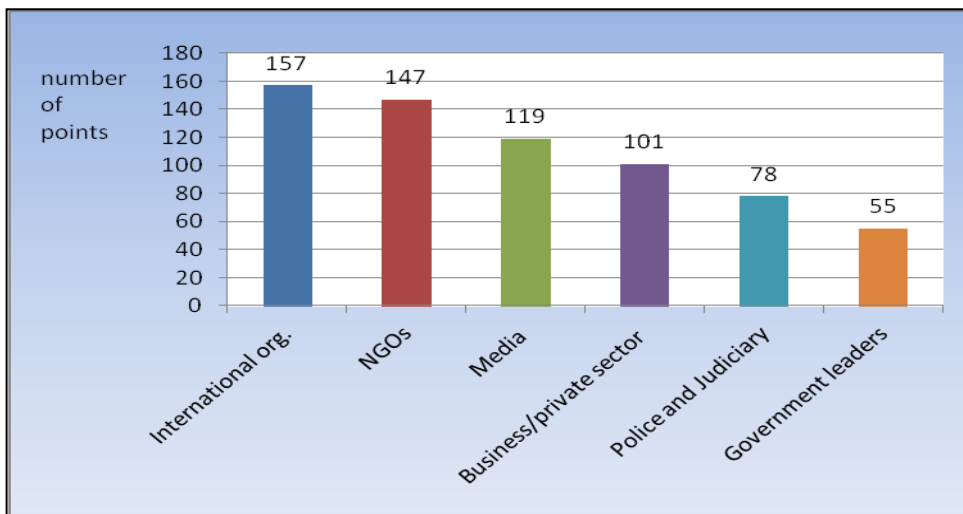
Source: Author's own research and computations

The next graph tells us to what extent young people perceive individual sectors as the most affected by corruption. Generally speaking perception of university students is with little changes the same as that of Czech population and in fact very similar to global one. Only media are swapped with private sector but the difference is negligible.

Graph 13: Sectors the most affected by corruption, (students' view)
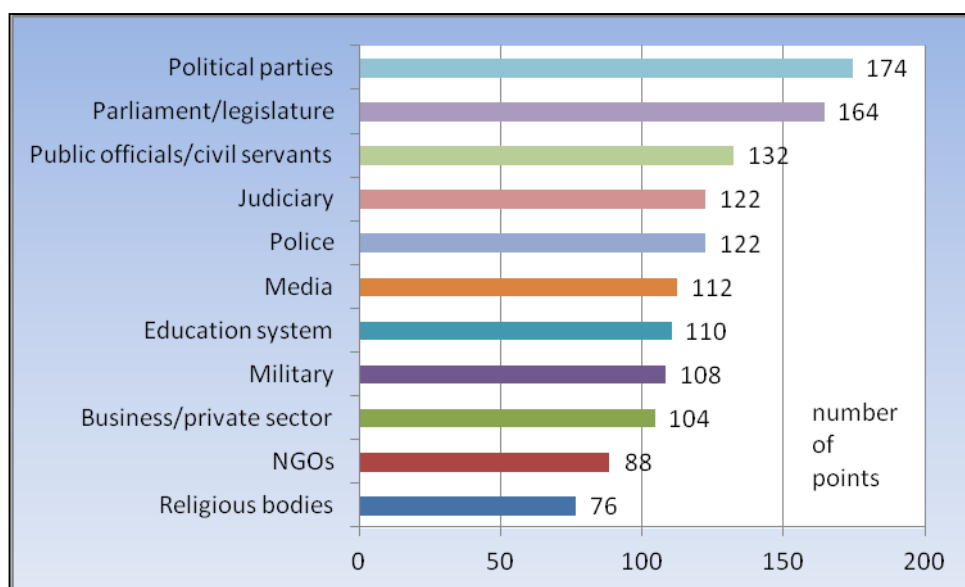
Source: Author's own research and computations

Only two differences were reported between the classes, more precisely between the first bachelor grade and first magister grade. Whereas 60 % of new students agreed that:"Ordinary people can make a difference in the fight corruption." 68 % of their colleges from the first magister grade disagreed. Similar answers we can find at the question: "I could imagine myself getting involved in fighting corruption.", where again 55 % of newcomers agreed and 68 % of older students were against. This ideological shift to skepticism might be a warning. Those who do not believe in changes supports current situation.

About the other statement at the end of the questionnaire there is a clear consensus. 95 % of all young respondents agreed that: "I would support my colleague or friend, if they fight against corruption."

Despite the apparent answers on the statement: "I would report an incident of corruption." strong doubts about its verity persist. Nine of ten students agreed to announce

such violation of the law. With respect to some previous questions and experience this figure should be examined again.

Also the answers on the last question: "Have you ever been exposed to the corruption situation?" does not meet our expectations. Only one fifth of respondents reported such situation. About 56 % denied it and over 20 % of others could not remember. The result of the last question could be a typical example of innocence young people what the corruption really is because it does not fit to any other previous researches.

8 Conclusions

This diploma thesis dealt with topic of corruption which the author considers as the most underestimated problem of current Czech society. Nevertheless, it is corruption which is possible to come across virtually anywhere. Not only lives of individuals are unwillingly affected by negative phenomenon but even more the consequences are possible to recognize on the whole society. There are more talks about corruption but less real actions. This diploma thesis tries to start the engine which failed and do so in several ways.

To raise the attention about topic of corruption the author is presenting new point of view on corruption measurement. The quantification of corruption behavior is a crucial element which can persuade others about the necessity to change the current trend.

First of all it was necessary to analyze the corruption from many aspects. Already at the beginning it was discovered that definition of corruption is a complicated issue. Neither scientists nor wide public have more or less the same opinion what the corruption actually is. That is for sure one of the most problematic points. While some scientists see corruption purely from the position of those to whom the state power was entrusted, others try to implement to the definition also private sector where corruption can be found. Both of these types have many variants. As the own research proved situation between the people is even worse. Especially young people perceive corruption very narrowly. In fact, corruption is very universal and flexible entity. This innocence where are the boarders leads to corruption behavior in many situations.

On the other hand, the figures showed that the majority of population perceives corruption as a threat. Unfortunately, according to the analyses which were done, corruption combat is not always effective. There are many reasons for that. Among others, corruption fight is not focused on roots and causes but its forms how corruption might manifest. That is not wrong, but also not enough. In the Chapter 4 the author paid attention to three anti-corruption tools. All of them are hot topics which often divide society in two implacable groups. Agent provocateur, wiretapping or question of solution so called UFO-profits is still not fully implemented to Czech law, compare to the western standards. Due to bad experience from the past these terms are often wrongly interpreted. Not only the awareness about these tools but also about the essence of corruption should be increased.

There was stated a hypothesis at the real beginning of this diploma thesis that: "There is no objective measurable technique which would reflect the real extent of corruption." To prove or to reject, it was needed to make the overall literature research of techniques which capture the extent of corruption. The second step was to analyze them.

Generally there exist three major approaches how to calculate the level of corruption. The first one is based on experts' analyses of several indicators. As an example we can mention Corruption Perception Index – CPI. Problem with this index is that it actually does not measure corruption but more circumstances which can influence it like effectiveness of anti-corruption efforts or embezzlement of public funds. Despite its limitations CPI offers international comparison and gives a general notion about how serious is corruption in particular country. The Czech Republic was in 2011 on the 53rd position from 178 ranked countries and the score is going down.

Another approach how to measure corruption is based on surveys. Transparency International provides the world's largest where in 2010 they interviewed more than 91,500 people from 86 countries. The results from this type of survey have two advantages. Their Bribe Payers Index take in consideration both, public and private sector and the figures are gained from 3,016 senior business executives who had come into contact with companies and governments from abroad. However, neither this index is ideal because it measure perception of respondents and not the real cases.

Third major approach of corruption calculation is based on compound indexes. This type is the best represented by Global Corruption Barometer. It is not anything else than mixture of two previous indexes which is complemented by public opinion survey. So far, this is the most complex approach how to capture the corruption issues. Its strength is also its weak point. The index is about people's perception and experience but not definitely about the real extent of corruption.

We can not say that either of the approaches is bad. Each brings something what is helpful and from the long term perspective (stable data) they are also quite reliable. But due to their methodologies they are limited. From what we know so far we can say that the hypothesis stated can be confirmed. None of the approaches reflect the real extent of corruption.

As it was already mentioned, corruption can not be measured directly for the simple reason. It is not possible to go through all business deals, do audits of all transactions and

observe everyone. We can not even ask all those who corrupted, please come to report it. For that reason we need to use appropriate technique and new approach which allows us to measure something what is nearly the same as corruption. If we are able to measure something what is alike than we can apply the same pattern on corruption. This way is being widely used in many areas of human research. We can call it semi-direct approach. Giving an example, medicaments are first tested on animals to see the results. In the same sense of research the author presents completely new point of view on possibility to calculate the real extent of corruption behavior.

For the purpose of own research there was used one quantitative and two qualitative methods to gather the primary data. The crucial covered observation technique was supported and supplemented by interviews and by questionnaire. More than 50 university students were observed over two years. (According to previous surveys it was found out that youth under 30 years are the most vulnerable and involved in bribery. In addition, there is expectancy that these young people will be soon employed at public administration or managerial posts which are the most dangerous in a sense of corruption.) Students did not know that they were observed otherwise it would negatively influence the results. Author was one of the members. Observation was successful, no problems were reported.

During the observed time several interviews were made with randomly selected members on the topic of corruption to make sure that the assumptions are correct and that the results will be properly interpreted. Also 124 questionnaires were distributed with the aim to confront the general public opinions about perception of corruption and that of college students. The anonymity of those who were interviewed and observed is guaranteed. The objective of used methodology was not to accuse anybody but to gather data for the research. Even though, the research was focused on university educated people it does not mean that the new technique can not be applied to any other people.

Corruption was defined as: "*any act by which at least one involved party profits from the unfair given advantage*". If we compare it with definition of cheating: "*Act dishonestly or unfairly in order to gain an advantage. Gain an advantage over or deprive of something by using unfair or deceitful methods.*" we can stated that they are fundamentally the same. The research proved that cheating at school has the same features

and consequences as corruption. Detailed comparison was described in the Chapter 7.3.1-Cheating at school vs. corruption and following techniques.

The covered observation proved that cheating at school is very widespread phenomenon which is hard to avoid. After two years of observation there left virtually no student which would did not cheat at least once. However, the frequency and type of cheating differed significantly depending on the circumstances.

If we summarize the coved observation and we compare the results with corruption findings as they were analyzed before, it is possible to state the following. Corruption and cheating are deep-rooted negative phenomenons which affect individuals as well as the whole society. Both have many flexible forms which facilitate their application but make difficult to uncover them and eliminate. They have same goal to profit from the unfair practices. Both use similar patterns of behavior. They are breaking ethical, moral, social and legal rules or regulations. Cheating and corruption discriminate those who do not want to use illicit methods and take them the right for fair and equal approach. And finally, despite the fact that both are private initiatives, they are mostly prepared in organized manner.

The only unexpected finding from interviews was how are perceived boarders of corruption, what is and what already is not able to interpret as corruption behavior. Students had distorted views in comparison to law for example.

Questionnaire showed that corruption, economic and social situation, racism and coexistence with minorities are perceived as three major problems of current Czech society which is very similar to the rest of the population. For half of students corruption is a political issue rather than social or economic. Students reported almost exact same corruption increase (74 %) as Global Corruption Barometer 2010 (73 %), but they are much more skeptical towards the institutions to fight corruption. 53 % do not trust to any institutions. Also other indicators were confirmed with national or international indexes. An interesting shift in responses was reported between the first bachelor grade and first magister class students where answers were totally contradictory. Whereas 60 % of newcomers agreed that:"Ordinary people can make a difference in the fight corruption." 68 % of their older colleges disagreed. Similar situation was with the question: "I could imagine myself getting involved in fighting corruption."

The strong doubts persist over the last question. Almost 80 % of them said that they have not been exposed to any corruption situation which is against all theories and previous researches.

Despite the apparent last answer it could be stated that according to new methodology corruption and cheating at school are alike. From this perspective we can assume that almost all observed students might tend to corruption practices also in future.

8.1 Recommendations

Solution for successful combating with corruption is not simple. It is necessary to take many steps which will lead to elimination of the phenomenon. Crucial point is to apply the measurements at a time, simultaneously, to strive in many areas and focus on adequate issues.

The first move towards improvement of environment has to be through insight of the society, when the majority of population realizes that something has to be finally done. Without cooperation individual people the fight against corruption behavior can not succeed.

Once the society decides to change the system, another step can be done. It is needed to increase both prevention and repression. According to all current public surveys people agree with strengthening and tightening of the efforts helping with elimination of corruption.

Prevention should contain three major aspects. Law, regulations, rules has to be set up clearly, transparently and in a way that they will cover all possible forms and techniques of corruption behavior. Secondly, the control mechanisms must be put into force, being exercised frequently and to the depth. Thirdly, the anti-corruption measures must be applied as well as the conventions.

In cases of violation of rules, there has to be strict provisions. Penalties have to be tightened so they would have enough deterrent effect. Law enforcement must be executed faster but with respect to the law. Effective monitoring systems need to be in place to make sure that the rules are obeyed.

The financial crises certainly contributed to the deterioration of corruption environment but neither economic crises nor globalization are the roots of corruption. Corruption is a threat for democracy and market economy. It distorts the human rights and efficiency of trades. At the same time the national security could be in danger too.

Individuals can not solve the whole problem of corruption behavior alone but each person can help. Solution for combating with corruption is only the social synergy. No doubts that it is necessary to fight with unwilling issue on several levels. It is necessary to complete legislation or harsh penalties for failure to comply the law, but the crucial thing is to change people's minds, the way of social thinking about the corruption. Without being active in corruption combat we will not move forward.

Corruption is the failure of individuals, society and institutions. For the individuals it is a desire for profit which is obtained by forbidden practices. One of the reasons why corruption gains strength at the beginning of 21st century is the deformation of traditional values and moral rules of the society. There is also still low pressure from independent press. The press should focus more on investigating character of reportages rather than on bringing scandals only. And finally, the institutions do not work as they should. State's institutions are infected by corruption. Politics do not have enough interest on changes. Personal interests are preferred against social one.

If we want to measure corruption its presence and universality somehow disappears. Today's techniques which are being used to quantify the level of corruption are neither always suitable nor accurate. In spite of the fact, these techniques use scientific methodologies their results are far from the reality. If we want to get closer to the real figures we must focus on individuals or small groups which are able to observe.

There are international agreements like The UN Convention against Corruption or OECD Anti-Bribery Convention which are the pillars for corruption combat on international field. The problem connected with these agreements is that countries usually sign it but not ratify it and if so, the implementation on national level is not always sufficient.

Fighting corruption requires more than tools and programs but enthusiasm and strong moral credits. Political parties must put their promises into practice. If the commitments are not translated into concrete reform then the effort of others might be meaningless. The fight against corruption can not be won by policies and procedures but

by many individuals uniting in the common goal and drive to eradicate the negative effects that corruption has. The aim of anti-corruption measures is not total corruption eradication, but its maximum elimination.

From the official statistics we are not able to determine the level of corruption. Usually, they do not provide enough information, do not cover everything what they should and the results are not corresponding satisfactorily with our general premises.

There exist many theories about corruption, but unfortunately, they are not usually empirically being proved. In the majority they are based on results from public surveys, which more generalize instead of being concrete.

Moreover, the real level of corruption is not possible to measure through public surveys because they are not correlated with the environmental influences of the respondents. They do not consider their social situation, political orientation and many other factors which might intentionally or unintentionally change results. On the other hand, public perception of corruption is usually more or less the same as the answers of experts from Corruption Perception Index.

If this diploma thesis inspire its readers to think about corruption and possibilities how each person can individually contribute in a combat with strong rival the effort of the author will not be useless. There are many opportunities for everybody to help, so let's do it.

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10 Supplements

10.1 Questionnaire – full version

I am a student of: (single answer)

Bachelor study program	Magister study program	Other
First year	First year	
Second year	Second year	
Third year		

What are five the most important issues of the current Czech society? Please answer on a scale from 1 to 5 (1 meaning the most important, 5 meaning the least important).

Economic and Social Situation	
Interpersonal Relationships	
Law Enforcement	
Health Care	
Corruption	
Environmental Issues	
Racism and Coexistence with Minority Communities	
Education	
Housing	
Other …	

Do you perceive corruption primarily as: (single answer)

Economical issue

Political issue

Psychological issue

Sociological Issue

In the past three years, how has the level of corruption in the Czech Republic changed? (single answer)

Increased a lot

Increased a little

Stayed the same

Decreased a little

Decreased a lot

Do not know

How would you assess your current government's actions in the fight against corruption? (single answer)

The government is very effective in the fight against corruption

The government is somewhat effective in the fight against corruption

The government is neither effective nor ineffective in the fight against corruption

The government is somewhat ineffective in the fight against corruption

The government is very ineffective in the fight against corruption

Do not know

Whom do you trust the most to fight corruption in the Czech Republic if anyone? Please answer on a scale from 1 to 5 (1 meaning the most trusted, 5 meaning not trusted at all).

Government leaders	1	2	3	4	5
Business/private sector	1	2	3	4	5
NGOs	1	2	3	4	5
Media	1	2	3	4	5
International organizations	1	2	3	4	5
Police and Judiciary	1	2	3	4	5

To what extent do you perceive the following categories in the Czech Republic to be affected by corruption? Please answer on a scale from 1 to 5 (1 meaning not at all corrupt, 5 meaning extremely corrupt).

Political parties	1	2	3	4	5	Do not know
Parliament/legislature	1	2	3	4	5	Do not know
Police	1	2	3	4	5	Do not know
Business/private sector	1	2	3	4	5	Do not know
Media	1	2	3	4	5	Do not know
Public officials/civil servants	1	2	3	4	5	Do not know
Judiciary	1	2	3	4	5	Do not know
NGOs	1	2	3	4	5	Do not know
Religious bodies	1	2	3	4	5	Do not know
Military	1	2	3	4	5	Do not know
Education system	1	2	3	4	5	Do not know

Answer to following statements. (single answer)

STATEMENT	Strongly disagree	Disagree	Agree	Strongly agree
Ordinary people can make a difference in the fight against corruption				
I would support my colleague or friend, if they fight against corruption				
I could imagine myself getting involved in fighting corruption				
I would report an incident of corruption				

Have you ever been exposed to the corruption situation? (single answer)

Yes

No

Can not remember