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EXAMINING THE CAUSES OF SYSTEMIC CORRUPTION: THE CASE OF KAZAKHSTAN

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In this theory-based article, the author examines how the cultural and anthropological or ethnocentric theory of corruption by Van Roy (1970) explains the emergence of systemic corruption in the Republic of Kazakhstan. Research findings are based on the secondary data analysis, which allows establishing theoretical connections among the economic transition, the culture and the systemic corruption in Kazakhstan. Following the Van Roy's theory, the author determines that the emergence of systemic corruption was incentivized by cultural factors such as the transformation of the society and the corresponding value shift, and by the ethnocentric factors such as the parochial traditions of the country. The author analyzes the influence of the economic transition programs, known as the "shock therapy," on the impoverishment of citizens, the high level of the acceptance of corruption and the effects of clan culture in Kazakhstan from 1991 until modern days. The author determines that the above factors were present in the country during the economic overhaul of 1991, and logically establishes the relationships between these factors and the systemic corruption. The author argues that culture matters in the process of economic and social development, and that the economists, who typically pay little attention to culture variables, should integrate these variables in their models of economic development. As experience of economic transition in Kazakhstan shows, culture may enhance or impede the success of economic transformation. The experience of Kazakhstan can be extrapolated to other countries in transition.

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Introduction

Since the end of the World War II, in the economic development field, the economic models marginalized non-economic explanations of development. International development institutions like the World Bank (WB) and the International Monetary Fund (IMF), and single country development organizations like the United States Agency for International Development (USAID), armed with the reductionist economic models have been involved in organizing scaled economic interventions in "under-developed" countries all over the world. The stated purpose of intervention was to build democracies, improve economic performance, and end global poverty. Yet, the stated economic goals proved difficult to attain and democracy remained illusion for most of the aid recipient countries, although some well-positioned individuals benefitted immensely from foreign assistance.

In 1991 all former Soviet Union (FSU) countries started rapid transition to capitalism. However, with no economic and transitions management experience, the leaders of the new nations decided to appeal to international experts for advice and promptly signed irreversible stand-by agreements with the WB and IMF – the master-minds of economic "shock therapy" (Sachs and Larrain, 1993). The experts proposed grand transformation plans based on the belief that economic incentives would override cultural biases and produce the desired effect. However, two decades after grand socio-economic reforms in the FSC, market benefited the few and did not improve the fortunes of the majority and public trust in new economic and political institutions plummeted.

The IMF's and WB's economic transition concept, known as "shock therapy," has been suggested by J. Sachs and Larrain (1993). The "shock therapy" strategy was to perform quick and magnificent overhaul of economic, political, and ideological systems of the socialist countries. It might have seemed witty and elegant in theory, but the lack of understanding of cultural reality in FSC by the IMF and the WB experts, who drafted the transition plan, have contributed to the distortion of the market and democratic development. Several studies suggest that the speed of privatization has negatively affected the economic performance and increased corruption in FSCs, where the privatization of state-owned assets went ahead of institutional and legal measures to establish the ownership rights (Svejnar, 2002; Nellis, 1999; Stiglitz, 2000; Columbus, 2003). The reductionist economic models, which excluded relevant variables such as culture, values, habits, and beliefs, were not able to predict these side effects. Regretfully, the culture's impact on economic development was rarely on the IMF and the WB's research agenda for more than 20 years of the development reforms.

If we assume that development interventions from rich to poor countries are to continue, it is clear that there is a need to re-conceptualize the intervention models by including country-relevant endogenous explanatory and predictor variables in order to avoid disastrous consequences for aid recipients. Of course, bad experience is a great teacher, but often the negative consequences of development efforts become endemic to the institutions in transition countries.

The goal of this article is to verify the theoretical explanations of corruption by using the example of a single country that underwent the WB and the IMF-directed economic transformations and developed systemic corruption, which continues to stalemate economic growth and democratic reforms. Although I base my conclusions on the results of one country case-study, I hope to expose non-economic factors, which led to the development of systemic corruption and the distortion of economic goals in other countries with similar cultures and conditions. Experience and lessons from Kazakhstan are relevant to most FSU countries with common history of building societies based on socialist principles of the common ownership of the means of production and relative income equality. For 70 years the Soviet system educated people to prioritize the common good over personal gain; to build collectivist approaches to most endeavors; to downplay material incentives; and to prioritize human relations over business relations. The transition to capitalism in 1991 has changed the state ideologies, which led to a change in priorities, goals, attitudes and human relations. Although most people welcomed the promise of capitalist abundance, the crude reality of the market ideology took many by surprise. Market incentives, relationships, and power balances came as psychological shock to an unprepared audience of former Soviet citizens. The old egalitarian and collectivist value system was weakened through an intensive old values-bashing campaign and new values started to take shape in its place.

Halman's study of value change in post-communist countries show that the expectations of after-communism increased happiness and of the resurgence of social life were futile. On the contrary, the researcher found that respondents were often nostalgic about the communist past and pessimistic about social relationships (Halman, 2008). The study of change in political trust during the period of 20 years after reforms have begun showed the decline of political trust in post-soviet countries (Catterberg and Moreno, 2005). Zakaria suggested a positive relationship between the lack of public trust, high level of corruption and the weakness of civil society (Zakaria, 2012). The study of value change in Romania found great interest in having money and fame among younger generation, which reflected new orientation toward free market and capitalist economy (Friedlemeier and Gavreliuc, 2013). The above studies are a valuable addition to the body of

research on general value shift in Eastern European and post-communist countries. However, these studies did not address the impact of mass privatization on the attitudes toward the symbolic value of money and the incidence of corruption in the transition countries. I found few studies on transition-related value change in Russia and other FSU countries and only few international studies on the value change and the attitude toward corruption in Kazakhstan (Lapin, 1992; Nichols, 2001; Hug, 2010). Therefore, I mostly relied on the studies of privatization and corruption, and the attitudes toward corruption by Kazakhstani scholars published in Kazakhstan. I suppose that during the turbulent years following the disintegration of the Soviet Union, the sociological research has not been on the list of government priorities, and academics have not had sufficient funds for a scaled research on value change. Given the paucity of literature on this topic, my study attempts to contribute to this body of knowledge by describing the impact of economic transition on attitudes, values, and culture and their role in the institutionalization of corruption in Kazakhstan.

I begin with the brief description of current state of corruption in Kazakhstan. Then I continue discussing the effects of "shock therapy" on the growth of corruption. Further on, I analyze high level of the tolerance of corruption among Kazakhstani people. Then I continue discussing the tradition of gift giving and clan obligations as instrumental for the establishment of stable corrupt networks. I conclude with the analysis of the effects of all combined conditions on the institutionalization of corruption in Kazakhstan. Finally, in a conclusion I contemplate the effects of these conditions in the long run and discuss whether currently relevant forces and conditions exist in Kazakhstan to reduce corruption.

Literature review

Importance of culture variables

Only recently, scholars began to examining culture and discovering relationships between culture and economic behavior. Landes, who first called attention to the importance of endogenous variables in development, insisted that "…if we learn anything from the history of economic development, it is that culture makes all the difference" (1998, p. 516). Several other non-economists tried to draw attention to a country's endogenous variables to explain unforeseen development outcomes and criticize the reductionist economic models (Keating et al., 2005; Guiso et al., 2006; Tabellini, 2010). Guiso et al. (2006) observed that "… Not only did economics lose any interest in its relation with culture, but, as it became more self-confident in its own capabilities, it moved to explain culture as a mere outcome of economic forces" (p.8). These non-economist scholars used mathematical tools to show how culture affected peoples' trust in economic

institutions, and how cultural characteristics like religion and ethnicity influenced peoples' economic behavior (Guiso, et al., 2006). In line with non-economist approaches, my single-country case study of corruption in the Republic of Kazakhstan analyzes the effects of economic "shock therapy" models and theorizes the role of culture in the growth and rapid development of systemic corruption.

Causes of corruption in Kazakhstan

The causes and effects of corruption in Kazakhstan have been studied from different theoretical perspectives. Typically, researchers tended to focus narrowly on a particular aspect of corruption like rent-seeking behavior (Hug, 2010), a lack of democratic culture (Nichols, 2001; Hug, 2010), a weak judicial system (Simonov, 2011; Kaliyeva, 2013), the limited power of civil society (Dzhandosova et al., 2007), the "resource curse" (Bayulgen, 2009), or contextual corruption (De Graaf, 2007). However, researchers have not sufficiently covered the social and ethnographic causes of corruption, such as the psychological effects of rapid ideological and economic transition, nor did they explain the high level of tolerance of corruption by the local population under the conditions of a developing market economy. In this article I intend to fill this gap by discussing the "soft" causes of systemic corruption in Kazakhstan as opposed to the "hard" causes, such as institutional and legal failures.

Van Roy's theory of corruption

To guide my study of corruption in Kazakhstan, I choose a theoretical framework offered by Van Roy (1970), which considers corruption along three theoretical lines: ethnocentric, functionalist, and evolutionist. Van Roy argues that first two reinforce stability, and the last focuses on change. Van Roy's three approaches are discussed as follows: first, the ethnocentric approach is described as corruption facilitated by local culture rather then by a departure from a prevailing morality in Western cultures; second, the functionalist approach defines corruption as an efficient instrument to achieve the desired ends; and the evolutionist approach views corruption as the adaptation of behavior in response to environmental change (Van Roy, 1970). In my analysis of causes of corruption, I apply all three approaches to explain rampant corruption that has developed in Kazakhstan over last 20 years. Yet, I modify the sequence of theoretical approaches offered by Van Roy to build a logical sequence theoretical approach for the case of Kazakhstan.

First, I consider the evolutionist-adaptation approach to account for the effects of economic and political transition in Kazakhstan in the 1990s, known among international scholars as "shock therapy" (Sachs and Larrain, 1993). In my study, I consider several of the "shock therapy"

consequences - fast value shift in regard to the power of money, reorientation from public to private benefits, which altered people's relationships with one another to become money-focused. Arguably, economic transition has facilitated corruption. Second, I use the functionalist approach to explain the comparatively high tolerance for corruption in Kazakhstan, where many people started viewing corruption as the only way to achieve results. Third, I apply the ethnocentric approach to describe the role of local traditions that helped to embed corruption in social and business relationships in Kazakhstan. I argue that these three conditions combined to create a self-perpetuating system of corruption in Kazakhstan. Global pressure to stop corrupt practices and evident economic losses from corruption proved ineffective in curbing corruption.

I apply Van Roy's (1970) theoretical approach to explain corruption in Kazakhstan using three integrated causes: (1) transition from socialist to capitalist ideology and economy (evolutionist approach), (2) desire to quickly achieve wealth as the economic end (functionalist approach), (3) and persistent tradition of clan and family obligations (ethnocentric approach). I construct this tripartite framework to explain the conditions and events that fostered corrupt practices in Kazakhstani government. I do not intend to focus on the consequences of corruption, which have been studied and discussed by many scholars. I use Van Roy's framework to highlight the forces that led to the development of systemic corruption in Kazakhstan and to discuss whether relevant ideology, forces, and institutions exist that may lead the country to overcome corruption at any time soon.

Methods

This research is theory based. I apply Van Roy's theoretical framework to explain the growth of corruption in Kazakhstan. My research is based on a secondary data. In Kazakhstan the data from the transition period on the public opinion, on the attitudes to corruption, on the practice of corruption, and on the clan cohesive networks is rare. Finding these data was a time-consuming challenge. Most of the data was generated by local think tanks and published in local paper journals or paper-based conference proceeds; only few were available on the Internet, which made it difficult to find the data. While sorting out the data, I used my professional judgment on the quality of the given research. I paid attention to the methods of data collection, and verified the names and the reputation of researchers and the research organizations. I also used for my study the quantitative research on corruption in Kazakhstan from the international sources. These research projects pursued different goals; the data was collected at different times from different groups of

respondents. Therefore, I found it impossible to combine the data for mathematical modeling. The data topically describes micro-level situations rather then macro-level developments.

I relied on the secondary data to illustrate certain cultural and ethnographic perspectives and made logical connections to the current state of corruption in Kazakhstan. On the basis of these data I offered a theoretical explanation of the relationship between social effects and corruption. Researchers know well that countrywide statistical data on corruption do not exist because no government agency collects such data. The Ministry of Justice of the Republic of Kazakhstan does not publish the information on court decisions on corruption cases in Kazakhstan (http://www.minjust.kz/ru). Therefore, researchers of corruption in Kazakhstan rely on the perceptions of corruption by local people, experts, and businesspersons. My conclusions are supported by the secondary data that describe the local perception of corruption in Kazakhstan, attitudes to market reforms, attitudes to corruption, and opinions about the cultural patterns.

Corruption in Kazakhstan

I start from a brief description of the current state of corruption in Kazakhstan. I use the definition of corruption most often found in public administration scholarly literature - corruption is an act of using public office and resources for private gain. The indices of corruption in Kazakhstan have been developed by many international agencies after its independence and made available on the Internet. International agencies and nongovernmental organizations such as Transparency international (TI), the Economist Intelligence Unit, the World Competitiveness Yearbook, the World Economic Forum regularly collect data and produce corruption indices based on the perceptions of Kazakhstani entrepreneurs. To describe corruption in Kazakhstan, I summarize the often-used indices of TI and the World Economic Forum. Chart 1 below presents the CPI from the TI for 14 years from 1999-2012, which shows the corruption dynamics in Kazakhstan.

Chart 1. The TI Corruption Perception Indices (CPI) in Kazakhstan


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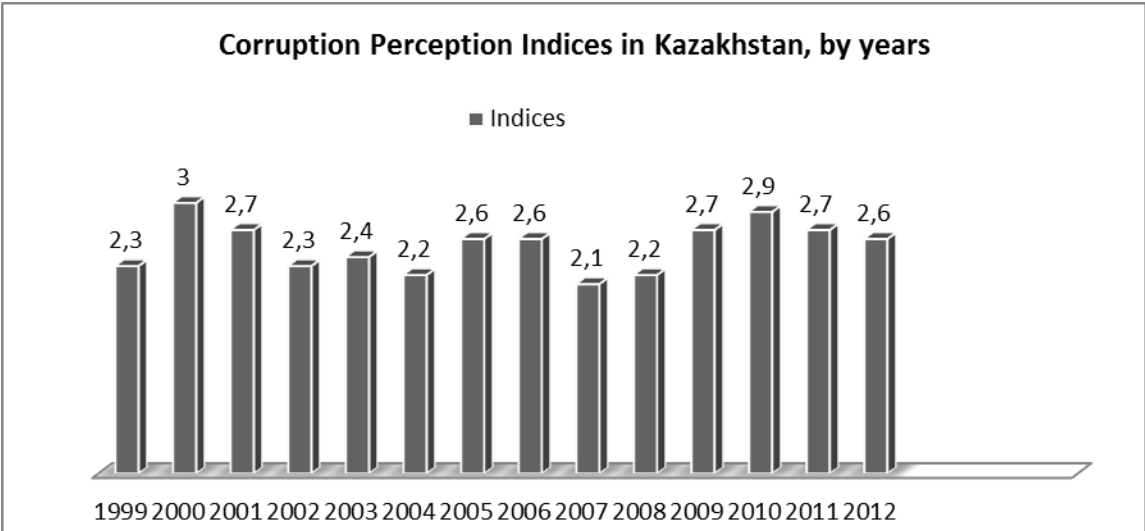
* I estimated the index from 2012, because during this year the TI has modified its method for index calculation.

Chart 1 reflects the perception of government corruption by small and medium size business owners in Kazakhstan. The TI measures corruption from 1 to 10, whereas 1 is the highest level of corruption and 10 signifies the absence of corruption. In Chart 1 we observe that the CPI in Kazakhstan has never attained even the medium level of corruption at five, averaging 2, 5214, which suggests that the local businesses perceive a high level of corruption in Kazakhstan.

The Global Competitiveness Report on Kazakhstan from 2013–2014, prepared by the World Economic Forum, shows the most problematic factors of doing business in Kazakhstan for executive directors of Kazakhstani companies and ranks these factors. I used the data from the 2013 edition of the Executive Opinion Survey by the World Economic Forum to build the Chart 2. In Kazakhstan the survey was administered among 107 business executives.

Chart 2. Most problematic business related factors in Kazakhstan
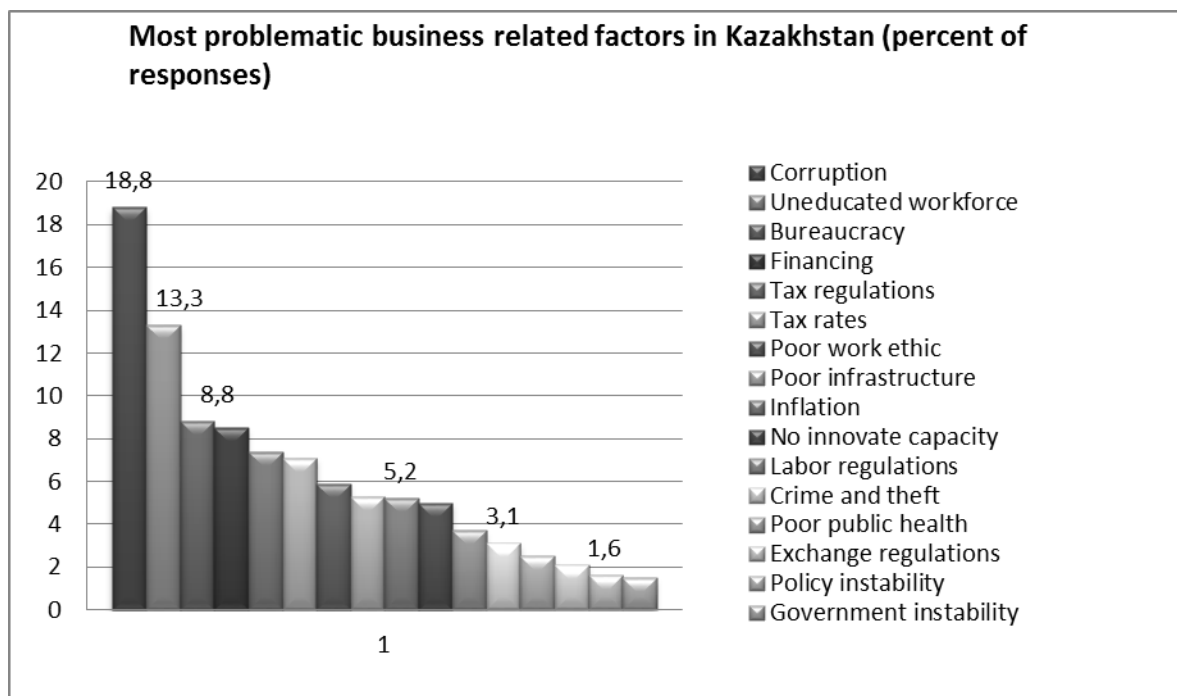
Source: The World Economic Forum, The Global Competitiveness Report: Kazakhstan 2013–2014.

The chart above suggests that 18.8% of business executives viewed corruption as the most disturbing factor of entrepreneurial activities, while other factors in the Chart 2 have been selected by fewer respondents. This ranking demonstrates the negative role of corruption in business development and affects the overall competitiveness index of Kazakhstan.
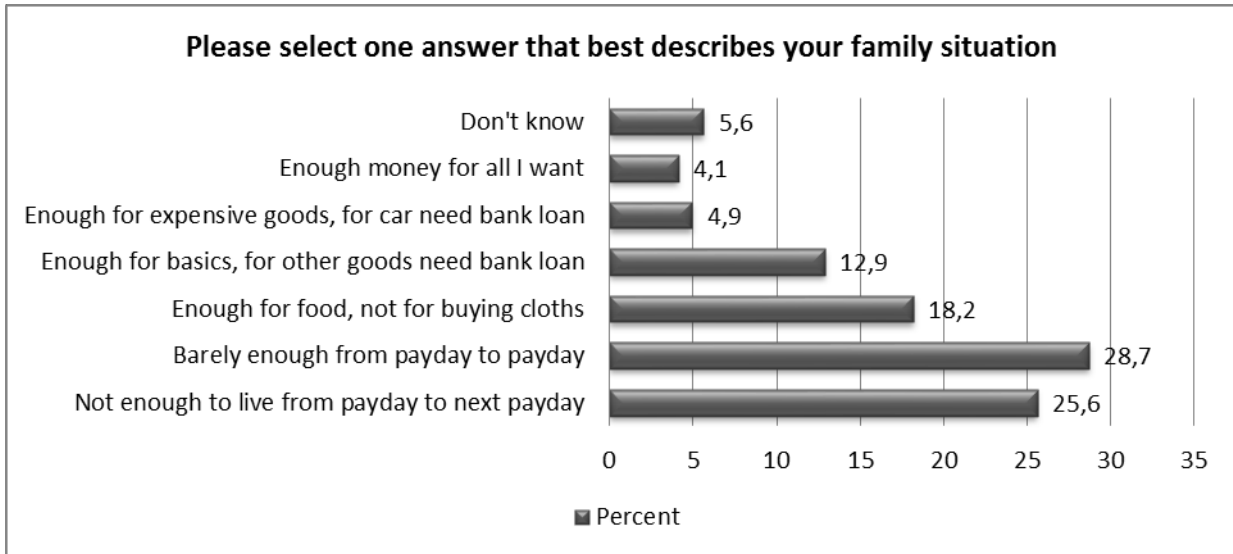
These measures of corruption indicate the seriousness of corruption in Kazakhstan, where secretive "under the table" deals prevail regardless of numerous presidential decrees and initiatives to curb corruption. Similar data on corruption has been generated and published by several international agencies and research think tanks during the 20 years of independence, but here I limit the discussion to the analysis of the conditions that led to corruption.

The Transition to a Market Economy and the Growth of Corruption

Several studies argue that the political, social, and economic transformaiton of a country is typically accompanied by the uncontrollable growth of corruption (McMullan, 1961; Weiskopf, 1992; Kaufmannand Siegelbaum, 1996; Varese, 1997; Stiglitz, 2002; Botalova, 2011). Since the breakup of the Soviet Union and during the transition from socialism to capitalism, corruption has been studied and documented in all FSU countries including Kazakhstan.

The disintegration of the Soviet Union and rapid transition negatively affected the welfare, collective and individual economic security, and certainty about the future in Kazakhstan. The 1990s was the hardest decade with inflation growing from 1381% in 1992 to 1892% in 1994 (Cukierman et al., 2002). Inflation wiped out the savings, accumulated during the Soviet period. Meanwhile, the official GDP in 1995 fell to a low point of 61.4% of the 1990 level. Living standards declined catastrophically in the early transition years: personal consumption fell even further than GDP (World Bank, 1996; Hare and Naumov, 2008; World Bank, 2005a). The dramatic loss of jobs and incomes, and the quick growth of inequality and poverty were accompanied by highly visible enrichment of people concentrated in high-ranking government positions, which made people mistrustful of the evolving capitalist reforms. Eshpanova & Nasynbayeva (2011) provide data on the self-reported wellbeing of Kazakhstani people during the transition period, which shows that the majority of the population perceived themselves as poor. The data was collected by surveying 1200 randomly selected respondents from two highly populated regions of Kazakhstan and two major cities. Chart 3 below depicts the economic situation of these people in 2009, 14 years after President Nazarbayev promised market prosperity and democracy for all. The respondents were asked to select one out of seven descriptions of their family wellbeing.

Chart 3. The well-being of the population in Kazakhstan

Please select one answer that best describes your family situation

	Percent
Don't know	5,6
Enough money for all I want	4,1
Enough for expensive goods, for car need bank loan	4,9
Enough for basics, for other goods need bank loan	12,9
Enough for food, not for buying cloths	18,2
Barely enough from payday to payday	28,7
Not enough to live from payday to next payday	25,6

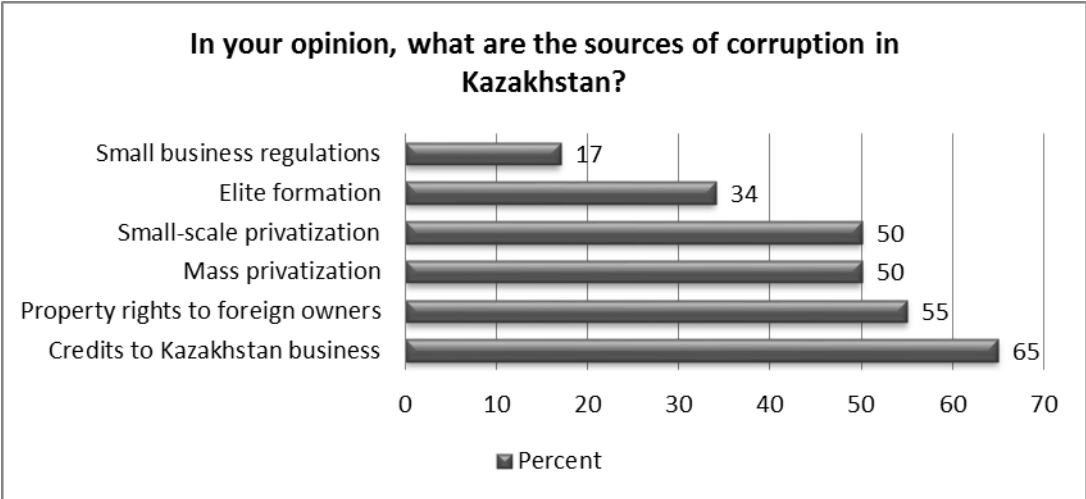Source: Eshpanova and Nysanbayeva, 2011

In 2009, 62.5% of population reported themselves as being poor, while only 21.9 % felt they had enough money for food and clothes and more, and 5.6 % did not know how to define their situations. Only 4.1% of respondents reported benefitting from market reforms. The majority of the population in Kazakhstan has lost from reforms even though the hardest times with inflation reaching 1892% were in the past. From this brief introduction of the individual perceptions of the welfare results of the market reforms, I will discuss the perceptions of the fairness of the market reforms.

Market reforms

Researchers noted the relationships between transition reforms and rapidly growing corruption in transitional countries (Weisskopf, 1992; Kaufmann and Siegelbaum, 1996; Stiglitz, 2002, Botalova, 2011). The rapid and ill-prepared market reforms weakened political, economic, and social institutions in Kazakhstan: illegitimate property rights and rapidly changing laws created the ground for the rapid spread of corruption (Varese, 1997). This happened in Kazakhstan quicker than in Russia and some other independent states because Kazakhstan embarked on market reforms immediately after independence. Kazakhstan initiated a privatization program in 1991, and become a privatization test field for the economists from the World Bank in 1992, who drafted a market reform plan for the country. The privatization in the development context of the FSU countries means the actual sale of government owned assets to private investors, which creates multiple opportunities for corrupt practices. Research shows that people in Kazakhstan also made the mental

connection between privatization of state property and corruption. Kazymbetova (2004) describes the results of the 2001 survey of 700 people in Kazakhstan about the causes of corruption. The study finds that corruption revealed itself most decisively in the process of privatization in Kazakhstan as Chart 4 indicates below.

Chart 4. Corruption related reforms in Kazakhstan

In your opinion, what are the sources of corruption in Kazakhstan?

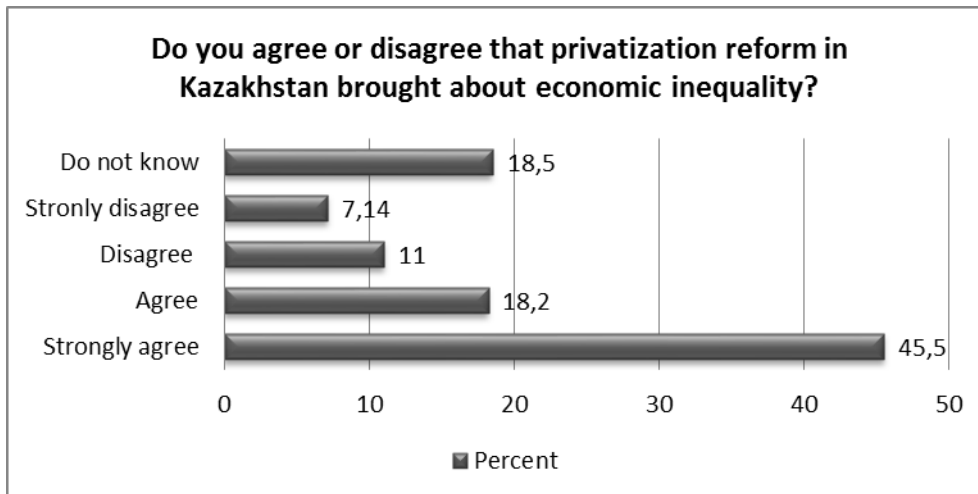| Category	Percent
Small business regulations	17
Elite formation	34
Small-scale privatization	50
Mass privatization	50
Property rights to foreign owners	55
Credits to Kazakhstan business	65

Source: Kazymbetova, 2004

Chart 4 indicates that the respondents linked the growth of corruption to market reforms such as bank credits to new Kazakh businesses (65%), transfer of property rights to foreign companies (55%), mass privatization (50%), and small-scale privatization (50%). In the early 1990s government officials accelerated the rhetoric on the causal relationships between market economies and democracy, while local experts and regular people in Kazakhstan linked democracy to corruption.

As Chart 4 depicts, the survey results in Kazakhstan in 1997 showed the perceived relationship between privatization and corruption. The answers to another survey confirmed that respondents have connected the growing inequality to the results of privatization (Abdykaromov et al. 2011).

Chart 5. Privatization and growing inequality in Kazakhstan

Do you agree or disagree that privatization reform in Kazakhstan brought about economic inequality?

Response	Percent
Do not know	18,5
Stronly disagree	7,14
Disagree	11
Agree	18,2
Strongly agree	45,5

Source: Abdykarimov, 2011

 Chart 5 shows that 63.7 % of respondents have related the privatization of state owned property to growing economic inequality, while only 18.1 % disagreed. Two charts above suggest that a relationship exists between privatization, corruption and economic inequality in Kazakhstan. Corruption and inequality have become distinctive marks of economic reforms in Kazakhstan. Bowyer (2011) summarized the effect of the misleading political rhetoric "Tragically, the promise of democracy has fallen short in the Central Asian republics… Most people in these republics saw their illusions quickly shattered as the advantages of independence benefitted a small elite in each country. For many, the notion of "democracy" is equated with unemployment, graft or official corruption" (http://www.ifes.org, 2011). I conclude that the promise of market-induced prosperity failed, corruption burgeoned, and inequality divided people. People have found their personal economic situations rapidly deteriorating and their value system shattered.

 Rapid economic and ideological transition involves serious institutional change, which weakens control over public office and growing special interests. In 1991 the World Bank drafted privatization plans and implemented them in Kazakhstan. Yet, already in 2000 the World Bank experts admitted

 "…*it is clear that the simultaneity of political and economic reform that characterizes the process of transition has introduced scope in some nations for powerful interests to influence the structure of state institutions and the formulation and implementation of economic policy to their own advantage*" (Pradhan et al., 2000, p. 57).

People in Kazakhstan have experienced privatization results firsthand by losing jobs and living through uncontrollable inflation. Rigi argued: "*Privatization of state property is considered as the root of moral chaos, because those who benefit from it are supposed to steal massively and openly appropriate public wealth*" (2004, p.114). Kazakhstani started thinking that theft and graft have become an established way to achieving monetary success. People changed their behavior to adapt to new realities in the country.

Corruption comparisons in Soviet and modern Kazakhstan

At this point of the discussion of corruption in Kazakhstan, I explain the relationship between corruption in Soviet Union and its offspring - the newly independent FSU countries. Several authors argue that modern corruption in Kazakhstan had its roots in the Soviet past (Simis 1977; O'Hearn, 1980; Kaufman and Siegelbaum, 1996; Nickols, 2002; Rigi, 2004; Temple & Petrov, 2004). However, none of them provide empirical data to support this view. My search of perceptional data on the comparisons of corruption in the Soviet Union and modern Kazakhstan has produced only one study that described the results from Kazakhstan which indicates that people in Kazakhstan do not make the connection between Soviet and post-Soviet corruption in the country. Dzhandosova et al. (2002) present survey data where they interviewed career bureaucrats and elected officials. The Sange Research group (Dzhandosova et al., 2002) administered a face-to-face survey among 118 high-ranking civil servants and elected representatives in 14 government agencies. All participants were asked closed-end questions about various corruption related issues in Kazakhstan, among which were questions asking respondents to compare corruption in Soviet and modern Kazakhstan. Chart 6 below presents the responses of the survey participants that reflect their perception of Soviet and post-Soviet corruption in Kazakhstan.

Chart 6. The perceptions of corruption in independent Kazakhstan and Soviet Kazakhstan

Please compare current corruption level in Kazakhstan to the Soviet period corruption level (% of respondents)
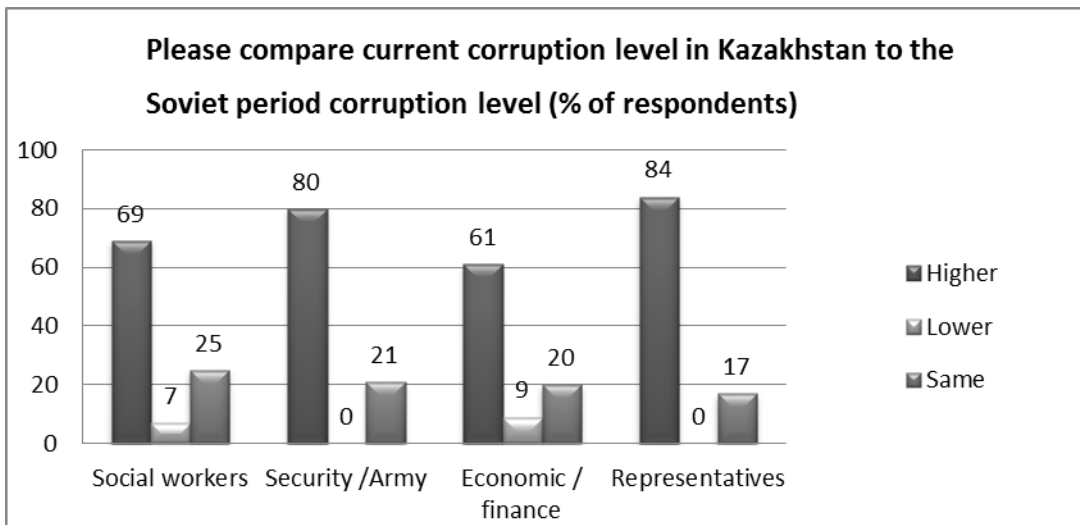
Source: Dzhandosova et al., 2002

Chart 6 shows that 69% of social workers stated that corruption increased in modern Kazakhstan, while only 23% said it was the same level; 80% of security and army employees stated that corruption in modern Kazakhstan became higher, while among the economists and financiers 61% of the respondents argued that corruption in modern Kazakhstan became higher. Similarly, among elected representatives 84% of the respondents stated that corruption in modern Kazakhstan grew higher. Almost none of the respondents said that corruption was higher in Kazakhstan under Soviet regime. Given the proximity of the respondents to the "crime scene," their rejection of corruption under Soviet regime is in a sharp contrast to the groundless statements of politicians and politically engaged researchers. Dzhandosova et al. concluded, "*it seems like corruption has become an acute problem of modern society and the scale of corruption has significantly increased in post-Soviet Kazakhstan*" (2002, p.10). The data provided the respondents' perception of increased corruption in Kazakhstan after the transition.

Not only Kazakhstan and other FSU countries went through political and economic transition and developed uncontrollable corruption, but China also experienced in the 1980s very severe corruption when its government started the economic transition reforms (Wei Li, 2001). Although China has not rejected the communist ideology, market reforms drew the country into a deep corruption crisis. I maintain that market reforms and economic transition are the first culprits of corruption growth in Kazakhstan. Van Roy's (1970) evolutionist theory help describing and explaining mental and behavioral adaptation of Kazakh people to the new economic and ideological reality.

Further, I develop the argument that the power of money has the potential to overwhelm old value systems and spur corruption. Market ideology equates happiness and wealth. To achieve wealth, one needs to be rational and efficient. Moral considerations apart, I argue that corruption is a rational and efficient instrument that enhances business opportunities, reduces competition, and leads to wealth. I maintain that the promotion of predominantly economic motivations elevated money above all other values, distorted traditional value system, and led to systemic corruption.

The power of money and the value shift

Godkin appreciated the power of money in human society as much as 146 years ago. He wrote his article to attract attention of public administrators to the changes in the value system driven by the proliferation of market values.

> *"Are not all the great communities of the Western World growing more corrupt as they grow in wealth? In other words, Is [Sic] not the power of money over human conduct increasing with alarming rapidity? If it is, what are the chances of change, or reformation?... These are questions which many thoughtful men are asking themselves, in England, America, and France, but much more earnestly and constantly in England and America than in France, because the commercial spirit in the former countries is much stronger, and the power of money much greater, than it is in the latter"* – Godkin (1868, p. 248).

However, money per se has no intrinsic value; we use it as a fiat symbol that can cause no more trouble than pebbles or cowry shells that have been used for exchange purposes for thousands of years ago (Mankiw, 2007). It is people's attitude toward the money that makes it a dangerous value under certain conditions: in modern times money allows people to self-aggrandize and grants the wealthy owners the power over the lives and labor of other people.

In modern times, Godkin's statement has found empirical support in modern Kazakhstan and many other developing and developed countries. The IMF and the World Bank economists – the ardent advocates of the free market – persuaded Kazakhstani government that only money drives economic prosperity. However, privatization and other market reforms in oil-rich Kazakhstan have benefitted only few well-positioned individuals, while leaving the majority of population in poverty.

Moral chaos: The high level of the tolerance for corruption in Kazakhstan

McMullan (1961) argues that money as an institution has value only in capitalist societies or *money economies* [sic], where an individual can openly dispose of his or her wealth. While in socialist societies, where basic goods are provided for free and luxury goods are intentionally

underprovided, corruption loses its attraction as an instrument for wealth accumulation as there is little on which to spend the proceeds, and "*where the acquisition of wealth in itself is looked upon with disfavor*" (McMullan, 1961, p 186). This argument suggests that money is attractive only under conditions of the freedom of disposal. Capitalist economies emphasize the value of money and offer economic freedom.

In Kazakhstan, privatization and other market reforms opened the sluicegate for unbridled money acquisition and spending by few, while divesting many of jobs, savings, and homes. Government discontinued expensive social welfare programs. Desperate people were left with few options – earn, steal, or starve. Under the extraordinary conditions of a rapid transition, some people started earning money quickly through illegal means such as corruption, underground business, and racketeering (Darimbetov & Spanov, 2001). Market reforms changed popular attitude toward money: what was considered morally repulsive under socialism became accepted in modern Kazakhstan.

I provide a couple of citations from a qualitative anthropological study by Rigi (2004), who researched corruption and the associated decline of morals in Kazakhstan four years after the reforms began. Rigi interviewed people from cities and villages to understand the meaning and the scale of corruption in post-Soviet Kazakhstan. One of the local interviewee stated:

"*...even our teachers must go through the humiliation of taking bribes. They have no choice; they have to provide for their families.*" Another interviewee testified "*... many people take bribes in order to provide for their families but they have lost their pride. When you take a bribe you cannot look proudly into the eyes of your wife and children…*" (Rigi, 2004, p.111).

Most interviewees expressed negative attitude toward corruption, but seemed to accept its necessity. Oka (2013), who also studied corruption qualitatively, conducted in depth interviews with 60 people, most of whom expressed their belief that systemic corruption was a product of market reforms. The transition elevated the value of money. People adapted their behavior to the market reality and started looking for the opportunities to get money. The opportunities opened for businesses and for government officials in control of market entry. Satpayev - a prominent Kazakhstani researcher of corruption – stated:

"*...under conditions of traditional values crisis and emerging moral vacuum, began the criminalization of consciousness and the formation of corrupt behavior among those in power, business and society at large*" (2013, p. 4).

The next part of the paper provides qualitative and quantitative empirical evidence of the popular attitudes toward corruption in Kazakhstan.

The popular attitudes toward corruption in Kazakhstan

Here, I use the data from three surveys that sought the respondents' views on corruption. The three surveys were conducted in 2008, 2009, and 2010. The surveys were administered face-to-face in households and business offices and involved totally 19,390 respondents; the selected samples reflected the demographics and social characteristics of the general population (Abdykarimov et al., 2011).

Survey results from 2009 show that the level of acceptance of corruption in modern Kazakhstan is quite high. The study indicates that most surveyed businessmen agreed that giving bribes was necessary to remove administrative barriers and to promote their businesses. Chart 7 below shows responses of these businessmen.

Chart 7. The attitudes of Kazakh businessmen to economic corruption
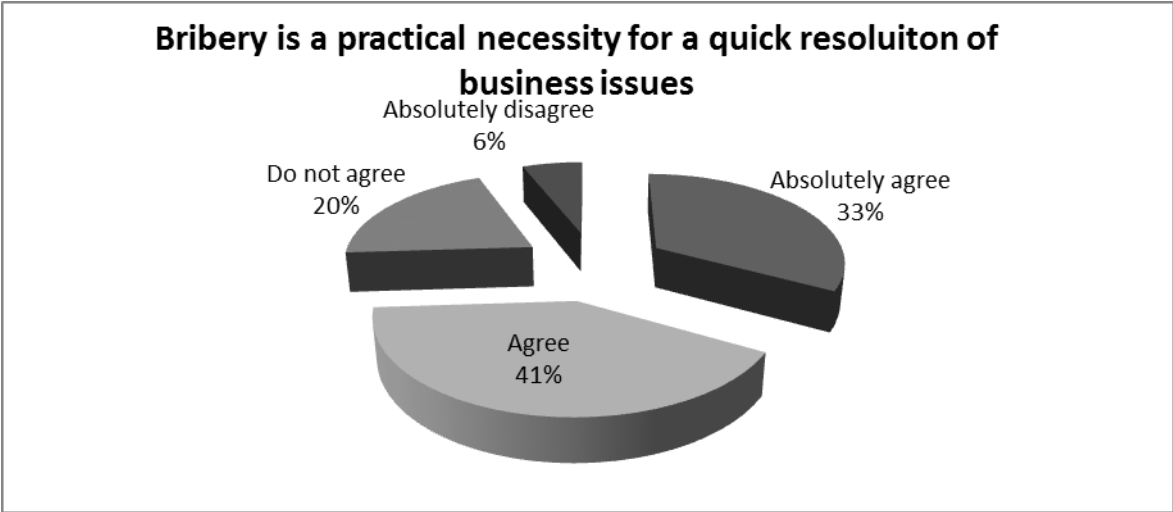
Source: Abdykarimov et al., 2011

Chart 7 suggests that 73% of respondents view corruption as functional in business matters. This high percentage indicates how widely corruption got spread and accepted among business people.

The responses in Table 1 below describe the mode of interaction among citizens with government officials. These data illustrate how corruption deals get organized.

Table 1. "Which statement below properly defines the practice of corruption?"

| Answer options	Percent
Often, state bureaucrats create corruption situation and hint on the necessity to pay additionally for additional service	28,3%
Often, both parties of the deal are informed in advance about the necessity to pay informally for additional service	31,7%
Often, citizens initiate illegal payment to state bureaucrats for additional service	21,6%
Have no opinion	13%

Source: Abdykarimov et al., 2011

The above responses suggest that citizens quite often acted as the initiators of corrupt relationships. Abdykarimov et al. (2011) demonstrate by research results that common feature of corrupt practice is the agreement among corrupt state officials and local people to enter corrupt relationships. The authors conclude that the acceptance by local people has made corruption a systemic feature of doing business and dealing with state bureaucrats in Kazakhstan.

Regardless of multiple anti-corruption decrees and creation of the Agency of the Republic of Kazakhstan for Control over Economic and Corruption Crimes, which has been established in 2006, research shows that corruption persisted in government agencies. Research by the Sange Research group (Dzhandosova et al., 2007) shows that high levels of corruption existed in law enforcement, justice, and penitentiary systems. The agencies with justice enforcement functions outperformed on corruption measures even the distributive agencies, such as local municipalities, housing and land registration agencies, control and licensing agencies - customs, traffic police, and tax inspections. These findings suggest that corruption in Kazakhstan has disabled the system of justice and crime control, making them inadequate institutions for combating the crime of corruption.

The results of two repeated surveys from 2008 and 2009 show that although a majority of respondents had a negative attitude toward corruption, almost the same proportion of respondents expressed positive, tolerant, or indifferent attitudes toward corruption (Abdykarimov et al. 2011). Chart 8 below demonstrates this attitude.

Chart 8. The attitudes toward corruption in Kazakhstan
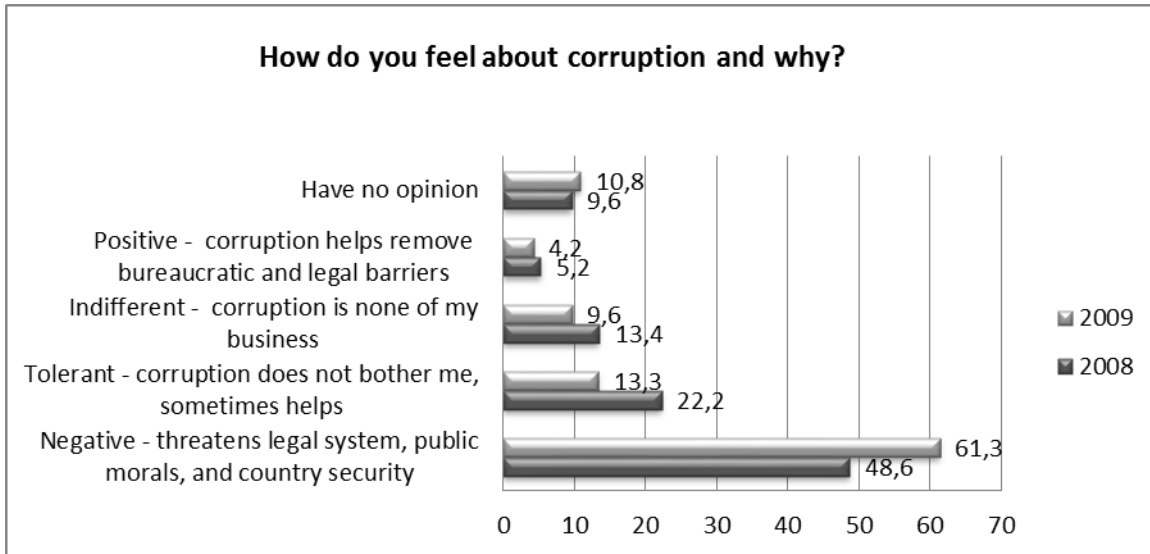
Source: Abdykarimov et al., 2011

In 2008 and 2009 the majority of respondents felt negative about corruption - 48,6% and 61,3% respectively. Although, Chart 8 shows a 12.7% increase of the respondents feeling negative about corruption from year 2008 to 2009, the combined percentage of those who felt positive, tolerant or indifferent to corruption is still high at 40.8% in 2008 and 27.1% in 2009 (Abdykarimov, 2011). I conclude that the considerable number of people accepted corruption because it was a useful, effective, and functional instrument for self-promotion and moneymaking.

Changes in cultural values have not been well studied in Kazakhstan, and empirical data is scarce. However, the data discussed in this chapter suggest that corruption is commonly practiced behavior and widely accepted in Kazakhstan. Corruption has become a systematic feature of business transactions, as survey results demonstrate. These data support the Van Roy's functionalist proposition that corruption is viewed by many as a utility that quickly achieves the desired end. Another condition for the spread and institutionalization of corruption is the existence of organized and internally cohesive clan networks. The next part of this paper discusses corruption networks.

The traditional clan networks

The ethnocentric theory holds that the prevailing moral code of the West defines corruption on moral grounds and may not be equally effective in defining corruption in non-Western cultures (Van Roy, 1970). In Kazakhstan many traditions formed at times when Kazakh people led nomadic life. Clan helping behavior was essential to the survival of all members, thus they developed strong ties and the feeling of obligation toward other clan members. Several authors discuss these traditions

and emphasize the importance of family and community support (Schatz, 2000, 2004; Abylkhozhin, 2007; Orazbayeva, 2005b; Amerkulov, 1998, 2000; Rigi, 2004; Oka, 2013). Historical records trace clan obligations back to the collectivist Mongol laws (Yassa) rather than more individualist Islamic laws (Riasanovsky, 1997). Authors from Western and Eastern traditions recognize the influence of gift giving and tribal culture on public life in modern Kazakhstan. The chairman of Transparency International in Kazakhstan argued that nepotism and gift giving were widespread in the Kazakh government, and neither nepotism nor gift giving were regarded as corruption by modern Kazakhs (O'Neil, 2009). Other authors directly linked the gift giving tradition to modern corrupt practices in Kazakhstan (Olcott, 2005; Schatz, 2004; Rigi 2004).

In Kazakhstan, the tradition of clan support formed a modern believe that the promotion of clan interests was ethical. Orazbaeva argued that all Kazakhs have always been united by this unique model of social interaction. She writes that,

"…the foundation of Kazakh nation …was its stable and socially isolated system of genealogic kinship, which penetrated all levels of Kazakh social structure… and facilitated the formation of certain ethical principles..." (Orazbayeva, 2005a, p. 43).

Mutual help was at the core of the ethical system in Kazakhs clans. In modern Kazakhstan, clan connections are less visible in large cities, yet in small towns and rural areas community members continue to donate labor, food, clothes and money to clan members in events like wedding, childbirth, or funerals. However, when wealth and power are at stake, powerful clan leaders in state bureaucracy and political offices surround themselves with loyal clan members and remove those of other clans from decision-making positions. The internal cohesion of clans evolves into nepotism, protectionism, and corrupt networks. Amrekulov (2000) studied elite divisions in Kazakhstan politics and government and concluded that clan structure has gained the utmost importance under the modern conditions of social stratification of Kazakh society during transition to a market-based economy.

Nowadays, it is difficult to separate traditional gratitude and corruption. De Graaf (2007) argues that in countries with gift giving traditions, officials face a difficult choice when they encounter the situation of public versus private obligations. He explains clan loyalty by association with family tradition –

"…it's about values, norms and moral obligations in our daily personal and social lives. Even though obligations from the micro morality are based on informal norms, they are very strong – much stronger than our moral obligations towards strangers. Moral

obligations in our personal lives are characterized by reciprocity: we help friends and family just as we expect them to help us" (De Graaf, 2007, p. 54).

In Kazakhstan, the tradition of assistance to close and remote family members and neighbors has laid the foundation of business support for those regarded as clan "insiders" versus those regarded as "outsiders." One vivid example of clan enrichment in Kazakhstan is the family of the current president of the country. Schatz discusses the political consequences of clan culture in Kazakhstan:
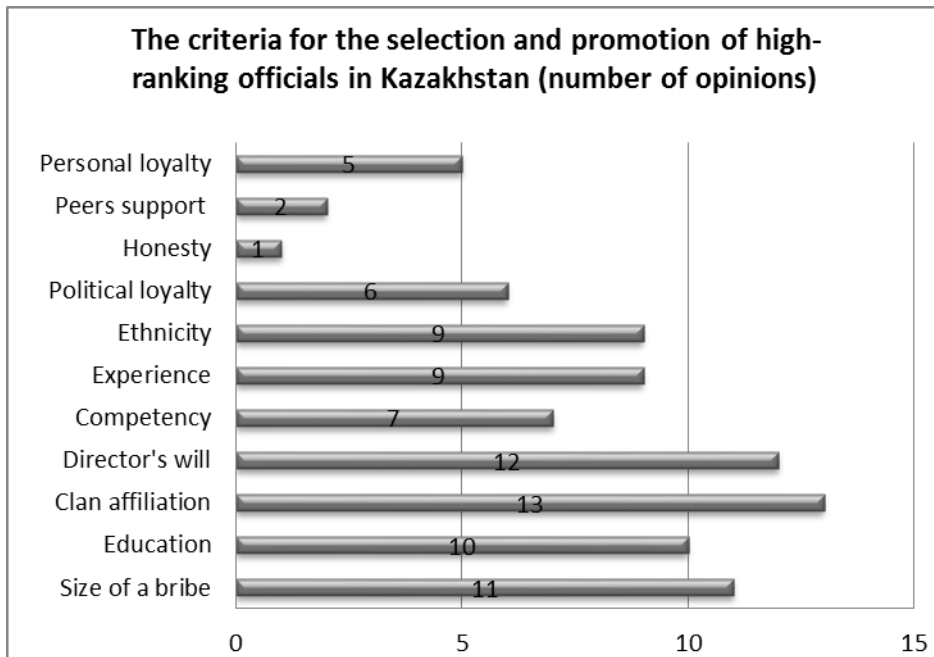
"*…In the central apparatus, Nazarbaev [president of Kazakhstan] worked strongly to privilege the members of his extended family and core members of the Elder umbrella clan more generally, as patterns of political appointments suggest*" (Schatz, 2005, p. 240).

Clan members in public office are expected to provide support to those in business, and businessmen reciprocate by returning favors in kind and in cash. Amrekulov supports this thesis:

"*Kazakh clan has become the preponderate form of actual social-political structure of Kazakh society. For the majority of Kazakhstan leaders, clan has become the base of power and enrichment – some clan members provide political support, while others get hold of the most profitable monopolized businesses*" (2000).

Modern Kazakhs perceive a successful public career of a clan member not as an individual achievement, but as a clan achievement. This perception creates a conflict between public and private obligations of government officials. More often than not, loyalty to a clan wins over loyalty to a wider public because the "loss of face" and condemnation by clan members are immediate and more tangible than public denunciation (Dzhandosova et al., 2002). The Sange Research Group organized data collection from three focus-groups with total number of 18 participants of various ages and occupations. The results show that participants perceived close connection between a career in public office and an affiliation with a clan (Dzhandosova et al., 2002). Chart 9 below presents combined focus group responses to the question about the promotion criteria in a public office.

Chart 9. Modes of promotion in public office in Kazakhstan

The criteria for the selection and promotion of high-ranking officials in Kazakhstan (number of opinions)

Criterion	Number of opinions
Personal loyalty	5
Peers support	2
Honesty	1
Political loyalty	6
Ethnicity	9
Experience	9
Competency	7
Director's will	12
Clan affiliation	13
Education	10
Size of a bribe	11

Source: Dzhandosova et al. (2002)

Chart 9 suggests that 13 out of 18 focus-group participants most often recognized clan affiliation as the prime criteria for promotion in a public office. The at-will employment comes second with 12 participants mentioning this criterion. The visual analysis of the focus-group participants choices confirm that promotion criteria are mostly based on corrupt practices such as the size of a bribe, ethnicity, and political loyalty. In support of the above research results, Abdykarimov et al. found that 59% of experts and 54% of regular respondents in Kazakhstan regarded tribalism and domination of clan interests as the main causes of corruption. Clan networks in Kazakhstan are a reality of everyday political and economic decision making in government. Currently, Kazakhs have removed almost all ethnic Russians and other minorities from government positions and hired ethnic Kazakhs. In the Northern Kazakhstan, where Russians still hold a majority (55%), all elected and appointed high level positions are taken by ethnic Kazakhs (Profile series: Kazakhstan, 1994).

To summarize the role of traditions, I argue that the long-standing tradition of clan support and gift giving was reconstituted during the transition period. The ethnocentric approach describes how corruption is facilitated by a local culture rather then by a departure from a prevailing morality in Western cultures (Van Roy, 1970). In order to accumulate wealth quickly, powerful leaders need only two conditions – unstable laws and a tightly knit group of unconditionally loyal collaborators. Market reforms ensured the first condition and the existing clan culture helped organizing a corrupt

network of collaborators. Even today, modern Kazakhs regard internal clan support as the right thing to do, which contrasts the ethical norms of neutrality in a public office in the Western tradition. The Van Roy's ethnocentric approach helps understanding the historical conditions that facilitated the systemic corruption in Kazakhstan.

Discussion and conclusion

This paper attempts to generalize economic and cultural factors leading to systemic corruption in FSU countries with Kazakhstan taken as a case-study. Here I highlight the non-economic factors of corruption growth in Kazakhstan. I used the tripartite theoretical framework by Van Roy (1970) to identify these factors. Van Roy offered three theoretical factors: the evolutionist approach, the functionalist approach, and the ethnocentric approach. I discovered all three factors in Kazakhstan in the period from 1991 to 2012: the first is economic transition (the evolutionist approach), the second is the functional utility of corruption (the functionalist approach), and the third is the clan cohesive culture (the ethnocentric approach).

I argue that purely economic transformation model was not sufficient for the successful transformation of the economy in Kazakhstan, where corruption skyrocketed in the process. The analysis of the empirical data from Kazakhstan supports the relevance of the Van Roy's ethnographic and cultural approaches. The transitory and cultural conditions converged to establish a well-developed and fully functional corrupt system that stumbled market development. I argue in this article that the integrated economic, cultural, and evolutionist approaches are necessary to correct for the deficiencies of purely economic models. This research is relevant to other countries in transition. Arguably, the non-economic factors may slow down the economic transition, but may also reduce the opportunities for corruption and unjust inequality. In the global world, to develop the integrated economic-cultural models, scholars from different fields of knowledge need to conceptualize multidisciplinary approaches to economic and ideological transitions.

Earnestly, I can propose common suggestions on how to eliminate corruption in Kazakhstan – the change of leadership will stop corruption, fair economic and privatization practices will inspire public trust and economic justice, modern equal opportunity traditions will replace parochial clan conspiracy in public offices, new community values will replace current self-indulgence practices. Yet, realistically speaking, I ought to admit that 20 years of transition have left a deep trace in the life of Kazakhstani people. Old traditions, culture, and new market-inspired factors are already deeply embedded in everyday life. Given the persistence of market ideology on a global scale and the lack of any sound alternative models, the current state of affairs in Kazakhstan is not going to

change until modern economic paradigm persists. Kazakhstani citizens perceive that money has become the measure and the symbol of success; its functionality in achieving material goals cannot be denied. Godkin writes about the lure of material success: "… the practice of these old-fashioned virtues will not bring success now as it once did. In the present state of society, a man who relies on them solely, as his ancestors did, is pretty sure to be left behind in the race" (1868, p. 250). Kazakhstan today is no different from the rest of the world.

The president of Kazakhstan is a popular political leader, who tolerates no rivals, and who positions himself as a nation builder. His authority will help the family to uphold the system of individual power and preserve the status quo. Traditional clan culture is getting stronger under the conditions of constant competition for resources. The country is very unlikely to peacefully change its trajectory of economic and ideological development any time soon. Realistically speaking, Kazakhstan is most likely to preserve the current state of affairs and systemic corruption because no internal or external forces exist that may change the way business and politics are made in Kazakhstan.

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