

Corruption as an Instrument of State Control in Georgia

Lili Di Puppò, Berlin

Corruption affects all post-communist states and is perceived as a major obstacle to the development of a democratic political system and a market economy in these countries. As corruption is associated with immediate problems in numerous countries, most studies on corruption focus on its eradication, and theoretical approaches often concentrate on its causes and effects. Corruption is usually understood in its negative aspect as a symptom of state weakness. The functionality of corruption has been less well researched – with the result that our knowledge of the functioning of corrupt states is still rudimentary.

In Georgia, the growing popular dissatisfaction seen in the last decade with regard to the corruption of the political class was one major cause of the recent „Rose Revolution“ and the ousting of the Shevardnadze regime and subsequently the regime of Aslan Abashidze in Adjara. The new Georgian government has placed the fight against corruption high on its agenda. The Shevardnadze regime – which endured about a decade – may be regarded as an example of a highly corrupt system, whose elites successfully managed to make the international community view Georgia as a democratic state based on the rule of law. In order to understand this manipulation by the Georgian ruling class, it is instructive to examine how corruption within the regime functioned. This article aims to challenge the often-claimed link between corruption and weak state capacity – the argument which Georgian state leaders have used to emphasise their powerlessness against corrupt practices widespread in society. I shall adopt an alternative stance, arguing that corruption has been institutionalised by the state leadership for specific purposes. In the following, corruption appears to be a compliance strategy on the part of the state leadership that in some circumstances may enhance the state's resource extraction and rule-enforcement capacity rather than undermining it.

The relationship between corruption and state weakness

At the core of the relationship between corruption and weak state capacity, we find in most studies on corruption the assumption that corruption is a response to inadequate institutional arrangements. Formal institutions are either inefficient in producing constraints and incentives or they fail to be internalised in a cognitive mode. By contrast, informal institutions are regarded as persistent and they challenge formal institutions by encouraging alternative behavioural patterns. In both cases, corruption is symptomatic of the failure of the state to generate compliant behaviours in a coercive and normative way.

State strength may be defined both as a rule-enforcement capacity and as its autonomy or independence from particularistic interests. The concept of state capacity refers to the capacity of the early modern state to perform certain activities of central import for its existence such as territorial administration, military coercion and revenue extraction.¹ Accordingly, indicators such as a low budget, administrative corruption and defective law implementation are usually regarded as manifestations of state weakness. Both the pursuit of private interests by public officials and their embeddedness in social networks are thought to undermine the capacity of the state to implement laws and monitor their application (administration and police), punish their violation (judiciary) and extract resources (tax collection).²

Most studies on corruption are founded on economics-based agency theories and locate the origin of corruption in a failed principal-agent relationship or principal-agent problem³. In a first model, the principal is the electoral body and elected officials represent the agents. The subversion of state institutions by private interests corresponds to the concept of „state capture“. Informal private actors such as oligarchs seek to distort and reshape the institutional framework to their own benefit, taking advantage of the weakness of formal institutional arrangements. In a second model, the principal holds a top level position in the public sector, while the agent is a public official charged with the implementation of regulations. Here too, the agent follows private interests to the detriment of the public interest. Corruption is conceptualised as a breach of contract for private gains. The violation of the contract constraining the subordinate official constitutes a breakdown of the formal state hierarchy.⁴

The nature of the Georgian ruling order

Indicators ranging from low tax-collection, cross-border smuggling, the existence of breakaway regions such as the self-proclaimed republics of Abkhazia and South Ossetia and uncontrolled zones such as the Pankisi Gorge that have developed into criminal enclaves are the factors behind Georgia's qualification as a weak state. At 14 percent of gross domestic product (GDP), Georgia ranks level with African countries with regard to its tax-collection rate – the lowest of all CIS countries.⁵ A central problem of Georgia that is thought to be a key factor in the failure of the state to implement laws, collect taxes and tackle the smuggling problem, is corruption in law enforcement bodies. Systemic corruption in state structures affects the distribution of budgetary funds. The financial losses suffered by the Georgian state due to smuggling – whose cause is believed to be the notorious corruption of customs officials in

concert with criminal networks – have been estimated at \$150 million-\$200 million per year.⁶ Yet for many years Georgia was regarded as a promising CIS member which satisfied the conditions for a successful transition. It passed several laws corresponding to international standards and a modern tax code. An anti-corruption program was initiated in 1998. Political parties and the media enjoy relative freedom of expression by contrast to neighbouring countries and civil society is described as strong and has a large number of NGOs. Reform programs aiming at developing a democratic political system and a free market economy were rewarded with substantial financial aid, making Georgia the second-largest per capita recipient of U.S. development aid.⁷

In formal terms – that is with regard to its codified legislation – Georgia has the attributes of a state based on the rule of law. In practice, however, accounts of predatory behaviours by state agents are legion. It is this discrepancy between a formal façade of legalism and widespread corruption in practice that has frequently puzzled foreign observers of Georgia. To explain this discrepancy, standard interpretations of corruption in post-communist states point to the weakness of state institutions, use cultural arguments or focus on the Soviet legacy of disrespect for the law. In practice, however, the image of a helpless state leadership unable to halt the egoistic drives of its agents is contradicted by the omnipresence of the state regulatory capacity and indices of a certain extortive sophistication: one thinks of the police's establishment of road-blocks. At the same time, cultural factors fail to explain why corruption is simultaneously normalised and stigmatised. It seems that this very stigmatisation serves other purposes. Viewed externally, the commitment of the state leadership to fighting corruption helps to uphold a public façade of legalism and morality aimed at ensuring a constant flow of credits from international donors. Viewed from within, this façade actually helps to normalise corruption by stigmatising it and at the same time emphasising its pervasiveness so that it fosters fatalistic attitudes in the population. Moreover, the official condemnation of corruption allied to impunity and extensive state surveillance helps state leaders to develop a powerful instrument of control: blackmail.⁸

Corruption and compliance

As corruption is usually negatively characterised as non-compliance with the law, it is thought as corresponding to failed compliance strategies of the state in terms of weak rule enforcement and weak state legitimacy. In respect of the strength or weakness of a state, it appears that the compulsory character of the state organisation is central to its essence. As Darden observes, a state is „a compulsory rule-making organisation that is sustained through the extraction of wealth from the population within its territorial domain“.⁹ The state's „strength“ may be defined in terms of the extent to which rules and directives established

by state leaders are complied with and are indeed compulsory.¹⁰ „Internal capacity“ or „integrity“ refers to the extent to which rules are followed within the state organisation itself. Borrowing from Michael Mann's distinction between the despotic and infrastructural state,¹¹ we may identify three characteristics of state capacity. Rule making capacity involves the decision-making process and corresponds to a state's despotic powers. Rule enforcement is concerned with the process of implementation of laws and regulations and corresponds to the infrastructural powers of a state. Political capacity refers to the means by which the state ensures compliance with its rules; this corresponds to the legitimate power of the state. It is also possible to distinguish between three main compliance strategies open to the state: coercive, remunerative and normative.¹²

At first glance, the regulative capacity of the Georgian state is reflected in a solid legislative framework. The key position claimed by so-called „power ministries“ – in particular the Interior Ministry – in terms of number and influence points to the state's surveillance and internal coercive capacities.¹³ Considering its low tax collection rates, the Georgian state seems to be weak in terms of rule enforcement and its extraction capacities.

A second factor that appeared to be short in supply for the Georgian leadership during the Shevardnadze regime is legitimacy. Legitimacy is a key attribute of the state, as it is understood as a cost-effective solution for social control, whereas coercive forms of compliance usually require substantial resources. It is both a prerequisite for successful state building and a product of efficient formal institutions. State legitimacy is both procedural and performative, as this derives both from the institutionalisation of formal procedures for the formulation and implementation of policies and from the demonstration of the formal institutions, efficiency.¹⁴ Performance is linked to the capacity of the state to supply public goods. Such public goods may themselves be institutions. As a creator of formal institutions and a third-party enforcer of behavioural rules in society, the state will sanction opportunistic behaviours in order to maintain social order. Further, state legitimacy is understood as a prerequisite for its autonomy from particular interests.

However, the cost-effectiveness of a normative compliance strategy is based on the assumption that the objective of the state is to assure compliance with the law. The enforcement of the rule of law is indeed viewed as a *conditio sine qua non* of stateness and correspondingly viewed as a factor of state strength by most scholars on corruption.¹⁵ However, it is possible to question this correlation by affirming that the state's rule enforcement capacity is not necessarily equivalent to its enforcement of the rule of law.

In Georgia, the systematic character of predatory behaviours on the part of law-enforcement bodies suggests the existence of a pyramid of extraction. Thus, if we develop the idea that resource extraction and rule enforcement may

operate in a non-transparent and informal way, then corruption might actually appear to enhance those capacities. Furthermore, it is possible to develop the hypothesis that state leaders will strategically have recourse to the state's surveillance, coercive and rule-making capacities in order to develop precisely those informal extractive capacities in the sense of a non-transparent taxation system and to assure compliance with informal directives. In Georgia, the corrupt state may to some extent be construed as a rational construct, because it actually represents a cost-effective solution to state building. This process might be labelled a venal modus of state building,¹⁶ as it is based on the integrative potential not of resource legitimacy, but of resource corruption. Elites are bound to the state apparatus initially through their „greed“ and subsequently through the enforcement of corrupt behaviours by state agencies.

The period covered by the Shevarnadze regime in Georgia began in 1992 with a coup led by two figures from a criminal background – Djaba Iosseliani and Tengiz Kitovani – against the first democratically elected President of the newly independent Republic of Georgia, Zviad Gamsachurdia. An untypical alliance between the old *nomenklatura*, the Soviet *intelligentsia*, representatives of the underground economy and criminals precipitated the collapse of his regime after just eight months in power.¹⁷ The heterogeneity of this alliance fuelled political instability and soon afterwards led the country into a civil war, generating immediate benefits for the paramilitary groups headed by Iosseliani and Kitovani. Initially, these groups managed to accumulate resources through the trade in weapons and drugs, looting and racketeering activities. However, within several months they were confronted with the scarcity of resources in a country lacking huge quantities of marketable resources such as oil reserves or diamonds. They developed an interest in a formal restoration of law and order, hoping to stabilise their criminal accumulation and redistribution of resources by means of a semblance of order. They underwent a transformation from „roving bandits“ to „stationary bandits“, to use Mancur Olson's typology,¹⁸ as an arbiter with international aura who might secure international credits, Shevarnadze was „invited“ to take power by Iosseliani and Kitovani. As formal power was restored in Georgia, state structures became the sole focus for the accumulation of political and economic power. Unlike in post-Soviet Russia, where oligarchs with backgrounds such as the oil sector managed to gain influence in the political sphere, the number of actors capable of articulating their interests in Georgia was rather small.¹⁹ In this regard, the criminal accumulation and redistribution of resources follows a pattern in Georgia which is different from that normally found in resource-rich developing countries. In the latter case, local strongmen with a strong hold on territories which have marketable resources are able to establish relationships with transnational actors such as oil firms.

Major transnational financial flows escape the control of the central state, fostering its disintegration. By contrast, the access to international credits and transnational flows in Georgia is a well-protected privilege, benefiting, in the first instance, members of the state apparatus.

Soon after he took power, Eduard Shevarnadze seems to have actively developed a policy of cooptation of elites. He nominated his immediate allies in key ministries, offering numerous possibilities for resource accumulation.²⁰ Ministers became entrepreneurs in areas of competence regulated by their personal ministries.²¹ Moreover, parliamentarians from opposition parties were co-opted in the course of the alliance-building process and received offers from Shevarnadze of lucrative positions and opportunities in state organs. Following the incorporation of key elites in the state structures, Shevarnadze used the mechanism of rotation to hinder the development of autonomous power resources; in a first phase in the strategic power ministries, and in a second phase in the ministries of the economy and finance.²² The mechanism of rotation relies on a formal basis, as the President of Georgia possesses an extended nomination power with regard to both the central government and local government, where heads of local administrations are his appointees. On several occasions, Shevarnadze made use of the state's „administrative resource“, referring to his provincial appointees, in order to pressurise voters or falsify elections.²³

If public goods and services are privatised and commercialised by the state leadership without their destination and use having been safeguarded, we may say that the state has been „captured“ by private interests. However, the impunity surrounding embezzlement and extortion in Georgia results from a different sort of logic which relies on bureaucratic-coercive power.²⁴

Enforcement of corrupt behaviours

Darden is interested in two aspects of state capacity: 1) „the probability that the directives of top leaders will be obeyed by subordinate officials“²⁵ and, 2) „the scope of issues over which leaders may issue commands“²⁶. In the Georgian post-communist state, the state's large surveillance capacities and its accumulation of information help to extend the boundaries within which the state may exert its control. Darden develops the model of an informal contract, in which corruption or the extraction of wealth is an informal directive issued by the state leadership.²⁷ Thus corruption is compulsory and becomes institutionalised. In most theories on corruption, the individual will freely engage in a corrupt relationship as the result of a cost-benefit analysis. The informal contract, on the other hand, assumes that the individual may face punishment for not respecting the terms of the contract – namely, that resources are to be extracted by means of the extortion of payments. Further, state control may be widened by an

extension of the activities subject to regulation. If the regulated sphere is not bounded, it may become virtually unlimited.²⁸ The drafting of opaque and unrealistic regulations in several areas of legislation constitutes a means of extracting resources through bribery and of potential state control of all economic activities. In this sense, corruption as an informal institution of governance does not appear to undermine the state's capacity to secure compliance and may in fact actually help to enhance it. Hence in some circumstances, corruption may fall under the compliance strategies developed by the state.

Laws and regulations are designed in such a way that their violation is encouraged. An incentive structure is thus created that induces both the circumvention of rules and payment for their abuse. In Georgia, we observe three types of extortion methods: the public official may gain from bribery associated with services a person is entitled to such as health and security; a state agent may tolerate an illegal activity (smuggling); and finally, he may exempt someone from an administrative blockade, be it artificial or legal.²⁹ Large enterprises, of which members of the state apparatus took ownership at low prices during the privatisation process, are for example, exempt from taxation.³⁰ The same logic applies to artificial administrative burdens. Indeed, the unofficial „road tax“ levied by police officers on transport routes is never directed at the owners of new BMW and Mercedes cars – signs of a high position in the state hierarchy – much less to cars with a government license plate³¹. Regulations are particularly dense in sectors which offer opportunities for extortion, such as the transport sector and small businesses.³²

Corrupt state agents extort bribes due to the violation of absurd regulations in what may be called an informal „loot chain“. ³³ The agent is unable to pocket directly the benefits gained through extortions, but they are included in an informal chain of command. Rather than restrict themselves to providing certain privileges in return for support from societal groups, state leaders take a fixed percentage of the revenues from corruption or, through prebendalism, sell official posts. Those practices mark the establishment of a pyramid of corruption and extraction. The contract between decision-making principals and state agents is not constituted by formal legal institutions, but is rather an informal contract, whose directive is the extraction of resources through bribery. Consequently, the formal violations of the law which are implicit in corrupt practices can not be taken as evidence of the breakdown of the command hierarchy.³⁴ In order to ensure that the subordinates follow informal directives and profits are shared, the state organisation must develop punishment and enforcement mechanisms. There are incentives insofar as official posts may be purchased which provide an opportunity to accumulate resources. Sanction instruments are assured through systematic surveillance and blackmail.

Keeping wage rates low is part of a policy that enables state leaders to extend the size of the bureaucracy and to keep civil servants loyal and obedient through the implicit toleration of the pursuit of private benefits. Through the mechanism of prebendalism, a chain of loyalties is established that militates against the development of opportunistic behaviours. Indeed, the obligation of giving a share of one's benefits to one's superior hinders the development of self-interest. Further, the agent tries to maximise his initial investment and thus develops an interest in the stability and durability of the existing power structures.³⁵ A person wishing to become a customs official reportedly pays approximately 5.000 US dollars.³⁶ This investment appears worthwhile, as even low-ranking officers can count on earning between \$2.000-\$5.000 a month.³⁷ A share of each officer's profits will be passed on through the ranks to his superiors as a further payoff for having obtained this position. In the judiciary, the fees payable by a candidate wishing to „pass“ his examination are reportedly between \$5.000 and \$10.000.³⁸ By contrast, official police salaries reportedly rarely exceed \$20 a month.

The informal contract is based on the dependence of the corrupt agent on his principal. It is the principal in the first place who makes illicit behaviours possible by drafting rigid and opaque regulations, and thus enables the agent create an arbitrary zone and thus sell a right to evade the rules.³⁹ Beside the regulatory capacity of the state, extortion implies the use of coercion. Only where an effective sanction potential applies does it make sense for an individual to pay a bribe rather than simply ignoring the law. Further, it is only where sanctions are possible that corrupt dealings appear attractive in the first place.⁴⁰ The market for official posts depends on the possibilities for benefit extraction. Prices for official positions vary according to the prospective level of extortable bribes.⁴¹

Corruption is informally encouraged and organised, but publicly condemned and rejected. The toleration of corruption is concomitant with systematic recording of all wrongdoings and potential blackmail opportunities through an implicit threat of revelations to the press or judicial action. Systematic records thus offer a means of sanctioning opportunistic behaviour.

The recording of wrongdoings by state agencies is a practice characteristic of the Soviet state. The Communist Party's toleration of economic crimes was actually a means for maintaining strict discipline in the party, as it was coupled with a latent threat of a sudden arbitrary enforcement of the law. The KGB was the agency which specialised in the systematic monitoring of illegal practices. Files containing compromising material about members of the elite were known as *kompromaty*. After the collapse of the Soviet Union, access to the secret services files enabled new leaders to exert pressures on several key political or economic actors.⁴²

Darden underlines three elements in the system of blackmail as a tool of state control: 1) „a permissive attitude of state leaders toward corruption“⁴⁴; 2) extensive state surveillance allowing the documentation of wrongdoings on the part of public officials and private actors, and 3) where pressure through blackmail is ineffective, recourse to formal enforcement mechanisms with the consequence that „individuals or groups that openly oppose the policies of the state or seek to usurp the existing leadership suddenly find that the veil of impunity has been lifted“⁴⁴. Blackmail constitutes both a means of pressure against political opposition and a mechanism of enforcement of the informal contract in the administration. Surveillance agencies such as the interior ministry, the secret services or the tax ministry are used to monitor and register illegal activities. Complaints made by Georgian entrepreneurs concerning the tax inspectors' practice of bribing companies suggest the central state's extensive surveillance potential. Several owners of companies have reported that tax authorities have obtained information on their bank accounts and frozen them without first obtaining a preliminary court order. Access to bank accounts also enables tax authorities to arbitrarily deduct as fines sums of money from these.⁴⁵ Local authorities collect detailed data on the solvency of economic actors and companies.⁴⁶ On the basis of this data, tax inspectors are required by their superiors to extort a certain volume of bribes. Further, the recording of wrongdoings by state surveillance organs in Georgia is illustrated in the suggestion made by former Interior Minister Kakha Targamadze in late September 2000, that he was in possession of „compromising material“ on some deputies of the ruling party „Citizens' Union of Georgia“.⁴⁷ This claim occurred at a time when the party was threatening to split into two factions under the influence of the wing of „young reformers“. In this context, it may be interpreted as an attempt to exert pressure on some party members.

Enforcement of laws is selective and may occur suddenly in order to punish a breach of the informal contract. Christophe gives examples of provincial entrepreneurs turned into opposition figures. Their companies suddenly fall under the scrutiny of the tax inspectorate which finds that taxes have not been paid, even though these companies had regularly paid bribes.⁴⁸ Sanctions enforcing the informal command chain are of greater severity than the standard formal punishments used by a state bureaucracy. Not only will the subordinate lose his job, he will also lose his reputation and possibly face imprisonment. The benefits the vulnerability of state agents has for the state leadership are apparent in the light of a specific criterion for the recruitment of cadres in Georgia. Figures who have already been involved in corrupt dealings are more likely to be recruited, as they are more easily manipulable.⁴⁹ However, they also possess insider knowledge of the power structures. If they therefore fall victim to the system of rotation, they are usually assigned to a post in a different segment of the administration in order to prevent frustration.⁵⁰ Thus the state apparatus and the bureaucracy

are steadily expanding in accordance with the need for new opportunities for extortion. This explains the considerable size of some key ministries such as the Georgian Ministry of Internal Affairs.⁵¹

The use of blackmail as a sanction and control instrument contradicts the assumption that the causes of corruption are to be found in weak state monitoring and enforcement capabilities. Furthermore, the central monitoring of officials engaged in corruption makes it possible to ensure a state monopoly of corruption. Indeed, surveillance and blackmail permit the detection and punishment of potential offenders and independent monopolists who might want to depart from the agreed bribe level.

Besides its integrative function and the resource accumulation, administrative corruption also ensures a monopoly over resources through a blockade policy directed against the formation of a potential rival economic elite. Three features may be discerned in the administrative blockade policy: economic initiatives are subjected to administrative burdens intended to siphon off resources; the insider circle of clients is protected from undesirable concurrence through exclusive access to the market; and administrative sanctions are aimed at political opponents.⁵²

Preventing the emergence of trust and legitimacy

The use of cooptation and rotation mechanisms also aims at reducing interpersonal trust and „rarefying“ the resource of legitimacy. With regard to society, it appears that Georgian state leaders use the same mechanisms to regulate state-society relations as they do in the state apparatus. The state initially establishes areas of lawlessness by apparently tolerating violation of rules. However, in violating a rule and breaching his formal contractual relationship with the state, an individual necessarily subscribes to a virtual informal contract, as he immediately pays a bribe for his infraction. In this manner, the individual is „forced“ to engage in a corrupt relationship. At the same time, the state representative – in the form of the bribe-taker – is not bound by any contract and might show his arbitrary power any time through a selective and unexpected use of formal sanctions. As a result, every individual action is subject to a latent sanction potential and consequently a latent uncertainty. Bureaucratic-coercive power impedes action. As every individual tries to achieve closer proximity to the exclusive source of protection that is the state, vertical limits render ineffective any potential form of horizontal association.⁵³ Engagement in collective action seems to entail more risks than potential benefits. Acceptance of trained behaviours that might evolve into behavioural certainties and routines is hindered by the state blockade policy or by permanently changing tasks. Not only does the Georgian state not provide a formal institutional basis for collective action, but it also hinders the formation of alternative sources of behavioural regularity.

Christophe argues that state leaders in Georgia are interested in a purposeful creation of uncertainties, which is concomitant with the destruction of every alternative source of norm-based legitimacy.⁵⁴ The creation of uncertainties – in the sense of lawless areas – assures the „sell of certainty“, hence the sell of protection.⁵⁵ Given its destruction of alternatives, power is perceived, if not as legitimate, then at least as inevitable. Despite their social prestige and traditional authority over the criminal underworld, „thieves-in-law“ (Russian: *vory v zakone*) were never able to acquire a position in Georgian society similar to that of their criminal counterparts in Russia. Unlike in Russia, a market for protection based on the system of *krysha* has never developed in Georgia and enterprises are entirely dependent on the good will of the tax inspectors.⁵⁶ Traditional social networks have been weakened through the development of a sense of general distrust and the suggestion that no one is likely to escape corruption. The simple fact of holding an official position is enough to be perceived as corrupt. Further, commitments to the rule of law are interpreted as resulting from a calculation. This attitude is expressed in a strong scepticism about honest behaviour.⁵⁷ In this sense, the stigmatisation of corruption goes hand in hand with its normalisation. „Exposed corruption“ is an instrument which state leaders use against particular actors.⁵⁸ They may also use it to generate a sense of fatality amongst the general population by feeding it a string of corruption scandals. The scepticism expressed by large parts of the population following the official proclamation of a „fight against corruption“ derives from the fact that political purges in Soviet times were often disguised as anti-corruption campaigns.⁵⁹ Corruption follows not only from a rational calculation of the likelihood of punishments implied in the informal contract, but also from the internalisation in a cognitive mode of the principle that it is possible to purchase the right to circumvent rules. This is apparent in terms of the readiness of individuals to enforce informal regulations.⁶⁰

Conclusion

The role of a central authority governing corrupt practices in Georgia is apparent in the above account. Corruption is enforced from above, by the state, insofar as state bodies perform monitoring and sanctioning functions through systematic surveillance and a selective application of laws. Indeed, in their enforcement of formal rules of corruption state leaders resort not only to informal instruments of sanction (loss of reputation through media-coverage of scandals and violence) but also to formal ones (judicial procedures, seizure of assets by the police). It follows from the conceptualisation of corruption as a state-enforced informal institution that the relation between formal and informal institutions cannot be thought of as a zero-sum game. Instead of undermining, substituting and conflicting with formal institutions, informal institutions of corruption appear to complement them. Furthermore, informal

institutions such as bribery would be ineffective without the possibility of recourse to formal state institutions, in the form of surveillance and coercion organs. Cooptation is linked to rotation and impunity to blackmail and surveillance. Informal power that lacks a formal foundation is not efficient. In this sense, an increased informalisation of structures is not necessarily synonymous with a declining state capacity.

In order to capture the specific nature of the process of state-building in Georgia which leads to a combination of formal and informal means of governance, it is useful to examine how globalisation appears to have changed the parameters of statehood. Within a globalised context, we may observe a shift from „internal“ to „external“ state-building.⁶¹ In short, as contemporary states receive their legitimacy, resources and military capacities from without – that is from the international community – they no longer need to acquire them from within and are not compelled to reach the same accommodation with the population as European rulers were.⁶² Due to their reliance on external financial sources, contemporary states are indeed accountable in the first instance to external actors for their economic and political choices.⁶³ Contemporary states do not necessarily aim for a territorial form of control as they no longer depend on national taxation which has been replaced by control of transnational flows and access to international capital; nor do they need to protect internationally sanctioned borders. Rather than a state monopoly of legitimate violence – in terms of territorial control – states or military organisations aim to control commerce.

During the Shevardnadze regime, Georgia appears to have shared all the characteristics of contemporary states. Despite declarations to this effect, Georgian territorial integrity and the re-establishment of a state monopoly of legitimate violence throughout Georgia does not seem to have been a priority of the Shevardnadze regime. The porosity of borders represented a possibility for several actors to profit from smuggling. The Georgian government exploited external threats to Georgia from the governments of the self-proclaimed republics of Abkhazia and South Ossetia so that it could present itself as the sole guarantor of stability.

However, it appears that the new Georgian state leadership aims to restore territorial sovereignty and has already achieved some success in this respect with the demise of the Abashidze regime in Adjara in May 2004. Further, the enhancement of state legitimacy seems to be a major goal and the new government has shown a willingness to tackle the problem of corruption in public institutions. Saakashvili was elected with a high percentage of the votes and actively relies on symbols of a restored Georgian statehood such as a new flag and hymn. Indeed, a strong factor behind the legitimacy of the new regime is its claim to represent a radical break with the former corrupt regime in the eyes of Georgian citizens and the international community. Although some observers are ready to award early plaudits

to the new president Mikhail Saakashvili for his efforts against corruption, the new Prime Minister Zurab Zhvania does not appear to have broken completely with the practices of the former regime. The challenge of restoring a normative ground and trust in state institutions and fostering high-integrity within the administration remains a long-term goal for Georgia.

Lili Di Puppo studies political science at the Otto-Suhr-Institut at Berlin's Free University. Her work focuses on corruption and criminality, particularly in the former Soviet Union and Georgia. Her Master's thesis was entitled „Corruption as an informal institution of state control in Georgia“.

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- ¹ See Easter, Gerald M.: *Reconstructing the State: Personal Networks and Elite Identities in Soviet Russia*, New York: Cambridge University Press, 2000.
- ² If we apply to corruption the rational choice model of homo oeconomicus or the individual maximisation of self-interest, corrupt behaviour is merely a quest for personal gain. On the perspective of sociological institutionalism, corruption appears to be the product of concurrent social norms.
- ³ See Darden, Keith: *Graft and Governance: Corruption as an informal mechanism of state control*, Prepared for Informal institutions and politics in the developing world, Harvard University, 27 March 2002, p. 5.
- ⁴ Darden (2002), p. 8.
- ⁵ See Phillips, David L.: *Stability, Security and Sovereignty in the Republic of Georgia*, Rapid Response Conflict Prevention Assessment sponsored by the Council on Foreign Relations Center for Preventive Action, 15 January 2004, p. 3.
- ⁶ See Christophe, Barbara: *Zwischen Fassaden der Anarchie und regulativer Allmacht – Metamorphosen des Leviathan in der georgischen Provinz*, Habilitationsschrift zur Vorlage bei der Kulturwissenschaftlichen Fakultät der Europa-Universität Viadrina in Frankfurt Oder, 2003, p. 96; and Stier, Ken: *Report details failures in Georgian petroleum tax collection*, EurasiaNet, 2 December 2002. (www.eurasianet.org)
- ⁷ Since gaining independence, Georgia has received \$1.3 billion in foreign aid from the United States by virtue of the Freedom Support Act (FSA). See Phillips (2004), p. 3.
- ⁸ Blackmail is the use of threats or moral pressure in order to extort a payment in return for not disclosing discreditable information. See the Oxford English Dictionary definition. See Darden (2002) and Darden, Keith: *Blackmail as a Tool of state domination*, *East European Constitutional Review*, 10, 2001, pp. 67-72.
- ⁹ Darden (2002), p. 3.
- ¹⁰ See Darden (2002), p. 3.
- ¹¹ Michael Mann, *The Autonomous Power of the State: Its Origins, Mechanisms and Results*, in Hall, John (ed.): *States in History*, Oxford: Basil Blackwell, 1986. Quoted in Easter, Gerald M.: *Building Political Compliance in Transitional Economies: Russia*, Paper presented at Conference on „State Capacity, Trust and Tax Evasion“, St. Gallen, Switzerland, October 2003, pp. 3-4.
- ¹² See Easter (2003), p. 38.
- ¹³ The Interior Ministry reportedly has at its disposal around 60.000 policemen.
- ¹⁴ Christophe (2003) stresses these two aspects, p. 10. On the procedural aspect of legitimacy, see Luhmann, Niklas: *Legitimation durch Verfahren*, Darmstadt/Neuwied, 1978.
- ¹⁵ See Darden (2002), p. 1.
- ¹⁶ Christophe (2003), p. 100.
- ¹⁷ See Christophe (2003), p. 98.
- ¹⁸ According to Olson's typology, „roving bandits“ are interested in a maximum short-term gain, while „stationary bandits“ favour a stable environment from which they may profit in a long-term perspective. See Olson, Mancur: *Dictatorship, democracy, and development*, *American Political Science Review*, 87 (3), 1993, pp. 567-76.
- ¹⁹ This reduction in the number of actors occurred both as a result of the Soviet economic collapse and of the warfare situation that followed Georgian independence – including conflicts with the self-proclaimed republics of Abkhazia and South Ossetia. See Christophe (2003), p. 83.
- ²⁰ Kitovani was named Defence Minister; Ioseliani was made responsible for the Ministry for Internal Affairs and Aslan Abashidze for the customs department. See Christophe (2003), p. 100-101.
- ²¹ One report issued by the Secretary of the Anti-Corruption Coordinating Council revealed that six out of nine sources of income declared by the Ministry of Internal Affairs in 2001 were obtained thanks to regulations issued by the ministry itself and not due to higher law, legislation or presidential decree. See Darchiashvili, David/Nodia, Ghia: „Power structures, the weak state syndrome and corruption in Georgia“, *International Institute for Democracy and Electoral Assistance (IDEA) Discussion Paper 5*, May 2003.
- ²² Christophe (2003), p. 102.
- ²³ See Devdariani, Jaba: *As business supports EBBS, Georgian President adjusts tactics*, EurasiaNet, 21 April 2003.
- ²⁴ Extortion appears to be typical of a bureaucratic elite, while embezzlement might be typical of a rent-seeking elite.
- ²⁵ Darden (2002), p. 4.
- ²⁶ Darden (2002), p. 4.
- ²⁷ See Darden (2002), p. 11.
- ²⁸ This is implicit in the second aspect of compliance outlined by Darden: the scope of areas over which leaders may issue commands.
- ²⁹ See Elwert, Georg: *The Command State in Africa – State Deficiency, Clientelism and Power-locked Economies*; in: Wipfel, Steffen/Cornelissen, Inse (Hrsg.): *Entwicklungs-politische Perspektiven im Kontext wachsender Komplexität*, *Forschungsberichte des BMZ; Band 128*, München, 2001, p. 429.
- ³⁰ The former Chairman of the Chamber of Control – the main Georgian state audit agency – Sulkhan Molashvili was sentenced by a court to three-months pre-trial detention in April 2004 as he is suspected of having turned a blind eye to tax evasion by various companies in return for 30 % of the taxes they were due to pay (Civil Georgia 24/04/2004) (www.civil.ge).

- ³¹ 1999 UNDP Human Development Report on Georgia, Chapter 3, p. 4.
- ³² See Christophe (2003), p. 126.
- ³³ This metaphor is taken from Grossman: „Such partial retaining and passing on up of corrupt income occurred at each level of every hierarchy, including those of the party, the general government, and the economic police (OBKhSS). One can picture the wealth flowing-up channel through the pyramide, swelling as it rises along what might be called „loot chains“ (by analogy with food chains that concentrate nutrients or toxins). And since the apexes of all formal Soviet pyramids ultimately converged at the superapexes of the country’s leadership, so did the private wealth.“ Grossman, Gregory: Subverted Sovereignty: Historic Role of the Soviet Underground, in Cohen, Stephen S./Schwartz, Andrew/Zysman, John (eds.): The Tunnel at the End of the Light: Privatization, Business Networks, and Economic Transformation in Russia, Berkeley: International and Area Studies, 1998. Quoted in Darden (2002), p. 11.
- ³⁴ See Darden (2002), p. 9.
- ³⁵ See Christophe (2001), p. 166.
- ³⁶ This sum is cited by sources in the Customs Department in an article in *Kviris Paritla*, 16 March 2003, quoted by Akaki Gogiasvili in his March 2003 Survey of the Georgian Press for the Transnational Crime and Corruption Center of Tbilisi (www.traccc.cdn.ge).
- ³⁷ This estimate is given in Stier, Ken: Entrenched corruption begins at Georgia’s border, EurasiaNet, 27 June 2002.
- ³⁸ See Stier, Ken: Proposed law amendment threatens to stall judicial reform efforts in Georgia“, EurasiaNet, 6 December 2002.
- ³⁹ Christophe (2003), pp. 34-35.
- ⁴⁰ See Christophe (2003), p. 163.
- ⁴¹ The posts of police officer, tax collector and customs guard are the most popular ones, as they offer numerous bribery opportunities. Accordingly, the requested initial investment is often very high indeed. Knowledge of bribery prices may be interpreted as evidence of a centralisation of corruption. If bribery were to remain limited to networks, prices would remain more or less secret and would vary.
- ⁴² It is worth noting, that the concept of power through knowledge contradicts the idea of asymmetrical information derived from principal-agent models in economics. It is not the subordinate who possesses more information than his superior; it is the superior who accumulates information about his subordinate.
- ⁴³ Darden (2001), p. 68.
- ⁴⁴ Darden (2001), p. 68.
- ⁴⁵ See 1998 UNDP Human Development Report on Georgia, Chapter 3, p. 9.
- ⁴⁶ See Christophe (2003), p. 140.
- ⁴⁷ RFE/RL Transcaucasus and Central Asia Newline, 28/09/2000 (www.rferl.org).
- ⁴⁸ Christophe (2003), p. 124.
- ⁴⁹ Christophe (2001), p. 166-167. Christophe also points to an active policy of the Georgian state leadership which aims to produce corrupt agents in certain sensitive and lucrative areas and ministries. See Christophe (2003), p. 142.
- ⁵⁰ Christophe (2003), p. 185.
- ⁵¹ The press, politicians and other analysts believe this Ministry has more employees than indicated in its budget, suggesting that remuneration of secret employees is largely in the form of „shadow“ revenues, gained through extortion and other corrupt dealings (Darchiashvili 2003).
- ⁵² See Christophe (2003), p. 123.
- ⁵³ Christophe (2003), p. 214.
- ⁵⁴ Christophe (2003), pp. 118-133.
- ⁵⁵ As in Tilly’s model, the racketeer state creates threats and then levies a charge for their reduction: „To the extent that the threats against which a given government protects its citizens are imaginary or are consequences of its own activities, the government has organised a protection racket.“ Tilly, Charles: War Making and State Making as Organized Crime, in: Peter Evans, Dietrich Rueschemeyer and Theda Skocpol (eds): Bringing the State Back In, Cambridge: Cambridge University Press, 1995, p. 171.
- ⁵⁶ *Krysha* designs the person or organisation – whether legal or criminal – that protects the interests of a company or an individual. While a company only depends on one single *krysha*, a *krysha* can protect several different companies.
- ⁵⁷ As noted in the 1999 UNDP Human Development Report on Georgia, chapter 6, p. 4: „Those that choose not to take bribes might still be perceived as corrupt simply because they hold government positions. Vocally affirming their efforts to support social or state interests is likely to be regarded as hypocritical.“
- ⁵⁸ The Chamber of Control was created as a parliamentary vehicle to oversee government spending, but soon became an instrument of presidential power by discrediting opposition figures such as Saakashvili and Zhvania on the basis of corruption charges. See Stier, Ken: Finance Minister’s firing damages anti-corruption efforts in Georgia, EurasiaNet, 6 May 2002. On the phenomenon of „exposed corruption“, see Sajň, András: From corruption to extortion: Conceptualization of post-communist corruption, Crime, Law & Social Change 40, pp. 171-194, 2003.
- ⁵⁹ Shevardnadze was named First Party Secretary in the Soviet Republic of Georgia in 1982 by Andropov, who as KGB General used the pretext of a wide anti-corruption campaign to start a power struggle against Brezhnev and get rid of local Party mafias. See Coulloudon, Virginie: La mafia en Union Soviétique, Éditions J.-C. Lattès, Paris, 1991, p. 77.
- ⁶⁰ In Georgia, minibus drivers who drive on a certain road without paying the necessary bribes to the police are punished by other drivers. See Christophe (2003), p. 238.
- ⁶¹ This argument is made by Anna Leander. See Leander, Anna: War and the un-making of states: Taking Tilly seriously in the contemporary world, in Guzzini, Stefano/Jung, Dietrich (eds): Copenhagen Peace Research: Conceptual Innovations and Contemporary Security Analysis, London and New York: Routledge, 2002, p. 5.
- ⁶² On the formation of the European modern states, see Tilly (1995).
- ⁶³ See Leander (2002), p. 12.