

# The Nexus of Corruption and Democratic Backsliding

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## Introduction

Democracies are built on networks of living institutions that need constant protection from both endogenous and exogenous threats. These institutional pillars upholding democratic regimes rest on unsteady ground, susceptible to subversion and cooptation during political and economic crises. However, recent events in previously consolidated democracies have forced a re-evaluation of exactly how, and at what speed, these processes function.

Instead of focusing on precipitating events and crises as the catalysts for democratic reversion, recent literature has shifted towards an understanding that democracies' institutional pillars can be incrementally eroded over long periods, leaving once consolidated democracies as hybrid or authoritarian regimes. This process, now widely known as democratic backsliding, has quickly become the go-to way that would-be autocratic leaders employ when seeking to consolidate their power.

This paper borrows its formal definition of democratic backsliding from Haggard and Kaufman's influential 2021 article, in which they posit that democratic backsliding is the "incremental erosion of institutions, rules, and norms that results from the actions of duly elected governments" (27).<sup>1</sup> This definition is utilized in this paper because it is widely accepted and relatively non-controversial, and because of its focus on both the formal rules and institutions governing the regime as well as the crucial informal norms that undergird or, in some cases, supplant these various formal institutions.

Democratic backsliding is a fertile ground for current-day political scientists as the issues facing democratic regimes worldwide continue to metastasize. However, one area we believe has been understudied by scholars in the field is the connection between corruption and democratic backsliding. While corruption is mentioned in the majority of well-read and highly cited pieces on the topic, it is usually just a passing reference to some form of bribery, most often clientelism, and not an in-depth examination of how corruption interplays with the actual processes of backsliding.

Instead, this paper explores the relationship between democratic backsliding and corruption more deeply, arguing that the relationship is more reminiscent of a cyclical feedback loop than the more traditional conceptualization of democratic backsliding leading to corruption. We begin by defining corruption and assessing how corruption and democratic backsliding interact conceptually. We then shift towards an examination of these interacting forces in

Turkey and Hungary, as Haggard and Kaufman explicitly labeled both countries as backsliding, and their geographical, historical, and economic variation provides room for assessing the interplay of these forces in practice. Finally, we conclude that corruption and democratic backsliding are mutually reinforcing processes, creating feedback loops that serve to erode the actual functioning of and public faith in democratic institutions.

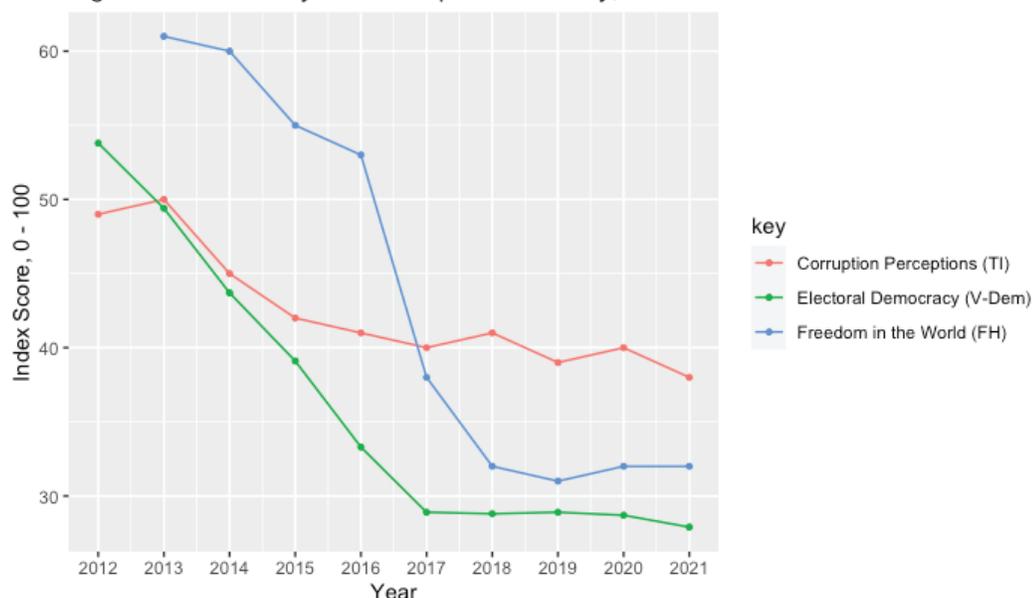
## Corruption and Democratic Backsliding

Democracy does not only mean the rule of the people by the people and the guarantees of rights and freedoms. Democracy depends on citizen's responsibility as political actors and the public faith in democratic institutions. The financial consolidation of power and the partisan funneling of state resources leads to the erosion of public faith in institutions and undermines democratic values, norms, and institutions. Regardless of geographic location, the global political landscape is plagued by democratic backsliding, and the horizontal and vertical diffusion of corruption appears as a critical component in this relationship (Boese, et al., 2022).<sup>2</sup> Corruption fuels backsliding by entrenching a political landscape where the ruling actors' political existence depends on uninterrupted and even expanded relations of continuous exchange of resources and fostering triangular interdependent relations between elites, state officials, and voters.

Transparency International defines corruption as the "misuse of entrusted power for private gain."<sup>3</sup> Corruption manifests in many forms; it may, for instance, be petty or grand, and it transcends all jurisdictional borders. Although there is seldom a single identifiable cause of corruption, certain factors may contribute to its manifestation, including poverty, low social and economic status of public officials, and insufficient or an absence of institutional transparency and accountability mechanisms (Johnston, 2014).<sup>4</sup> In this way, these forms of corruption fuel political, social, and economic inequity as they skew how resources are allocated and distributed. By fueling inequity, corruption erodes universalism and impartiality, the very ideals inherent in democratic governance.

This definition implies that corruption is illegal; however, from election campaigns to public procurement deals, corruption can be done under legal pretexts. The United States is a prime example of an influence market, where "legalized corruption" persists; this form of corruption revolves around the use of wealth to influence policymaking, as lax

Figure 1. Democracy and Corruption in Turkey, 2012-2021



financial regulations on lobbying, spending, and campaign financing allow special interests to pressure political actors to misuse entrusted power for private gain.<sup>5</sup> These issues rose to prominence in the wake of the US Supreme Court’s *Citizens United v. Federal Election Commission* decision in 2011, allowing corporations to allocate unlimited resources to influence policymakers (Levitt, 2010).<sup>6</sup> Much in the same way, loose public spending regulations in Turkey allow both local and central governments to conceal the details of public procurement contracts.<sup>7</sup>

Introduction to Case Studies

This paper focuses on two prime examples to explore the relationship between democratic backsliding and corruption: Turkey and Hungary. There are several reasons why these two examples were chosen. First and foremost, both countries have experienced severe surges in corruption and democratic backsliding since 2011. Hungary, a European Union (EU) member, has undergone an increase in graft and regressed towards illiberalism with ineffective pushback from the EU. Hungary dropped from ranking 46th to 73rd over the past decade on Transparency International’s Corruption Perception Index (CPI), which scores countries on a 0–100 scale with higher scores representing less corruption.

Similarly, Turkey dropped from ranking 54th to 96th on the same index. Under President Recep Tayyip Erdoğan’s rule, Turkey has rapidly declined in the rule of law and accountability, leading to widespread corruption. Additionally, both Hungary and Turkey’s democratic status were recently downgraded on Freedom House’s Freedom in the World (FITW) Index, which scores countries on a 0 - 100 scale on the quality of democracy achieved.<sup>8</sup> Turkey was downgraded from “Partly Free” to “Not Free” in 2018, and Hungary was downgraded from “Free” to “Partly Free” in

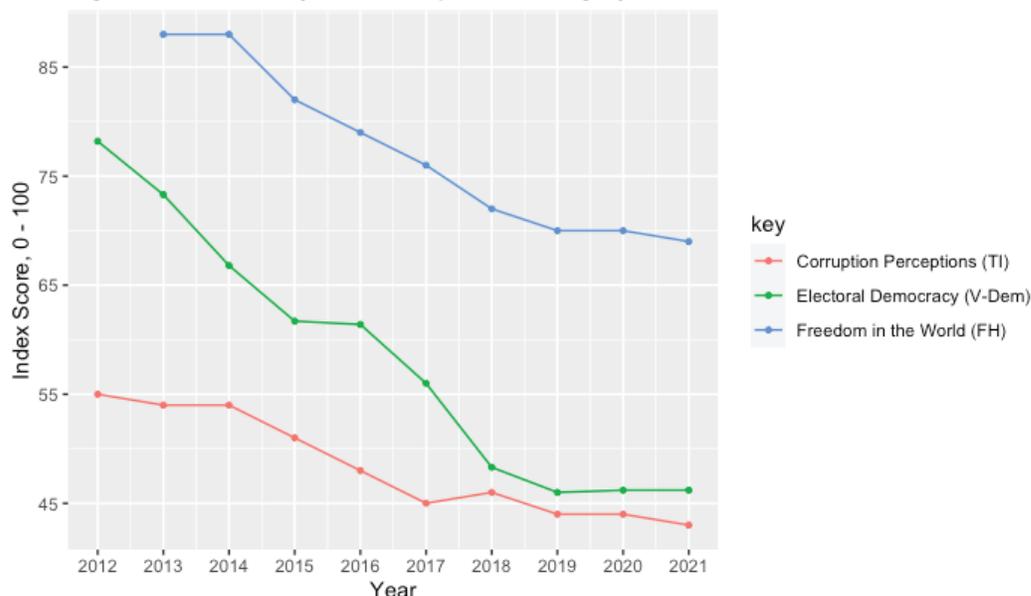
2019.<sup>9</sup> As such, Turkey and Hungary are pertinent recent examples of countries experiencing severe democratic backsliding and rising levels of corruption, making them perfect examples to survey how these forces interact.

Turkey

President Erdoğan and his party, the Justice and Development Party (AKP), came to power in 2002 after campaigning on three main promises: combating poverty, lifting restrictions on liberties, and diminishing corruption. But over the past decade, as the rule of law deteriorated, corruption emerged increasingly as a systemic issue. According to the global Corruption Perception Index provided by Transparency International, Turkey’s rank dropped from 59 to 86 out of 180 countries over the last decade.<sup>10</sup> Widespread corruption has metastasized to every level of government and bureaucracy, including the judicial system, which was designed to be autonomous. It has been converted into a tool that only serves the interests of a select few at the expense of providing impartial justice for all — with large numbers of judges and public prosecutors dismissed or jailed in recent years.<sup>11</sup> As such, it should come as no surprise that, according to the World Justice Project’s Rule of Law Index,<sup>12</sup> Turkey ranked 103rd out of 139 countries.

Institutions entrusted with monitoring governmental spending, while technically retaining some power to oversee spending, have been subjugated to the executive branch and turned into enablers of graft. Inspection boards tasked with monitoring the government’s expenditures were rendered inoperative. Institutions such as the SDIF (Savings Deposit Insurance Fund), BRSA (Banking Regulation and Supervision Authority), and the Central Bank, designed to be autonomous, have continuously seen their oversight powers weakened by the executive branch. Most importantly, new

Figure 2. Democracy and Corruption in Hungary, 2012-2021



regulations severely limit the Court of Accounts’ authority to audit government expenditures and the right of the Turkish Grand National Assembly to make a budget.<sup>13</sup>

Consequently, public resources became a tool for building patrimonial relations and were arbitrarily distributed. A select group of companies were awarded an unusual amount of government contracts and overpaid for their services. For example, the Court of Accounts had discovered that about 532 million Turkish Liras were missing from the budget of the Ministry of Commerce in 2019. However, corruption is not limited to one specific ministry. Investigative journalist Mustafa Bildircin revealed that 752 million Liras were paid instead of the agreed-upon 73 million Liras to a company owned by Yasemin Acik, a former AKP candidate for the Turkish Assembly, during a government construction project deal with the Ministry of Transportation and Infrastructure.

Five corporations, Cengiz, Limak, Kolin, Kalyon, and MNG, are famous for being awarded unusual quantities of government contracts. In fact, according to the World Bank, these five corporations are among the top ten companies in the world that receive the most government contracts for infrastructure projects. It is not a secret that these five companies and many others that receive government contracts have close ties with the regime and have expanded their businesses in the past 20 years. Corruption did not emerge as a discrete issue but metastasized in parallel with drastic illiberalization and deterioration of democratic values.

Turkish democracy decayed rapidly during the past decade. According to the Varieties of Democracy Institute’s (V-Dem) Electoral Democracy Index,<sup>14</sup> which scores countries on a 0 - 100 scale with higher scores indicating higher levels of electoral democracy, Turkey dropped from 55 to 28 in the last decade. Similarly, Turkey’s Liberal Democracy Index, which uses the same scoring scale, dropped from 39 to 11. And yet, during the past decade, state institutions

were reconstructed in the name of democratization. A new political structure was built around a single authority: President Recep Tayyip Erdoğan, who took power in 2002. Since Turkey’s highest-scoring on the democracy indexes in 2003, Turkish democracy has followed a continuous downward trend. Of course, Turkey’s democracy in 2003 was not wholly democratic, yet, in 2021, Turkish democracy declined to the level of countries such as Russia and Iran, according to the V-Dem Democracy Index.

After the AKP and Erdoğan took power in 2002, they implemented a partisan agenda based on the empowerment of the urban poor and the enrichment of businesses with close ties with the regime, creating a triangular network of dependency (Esen and Gumuscu, 2020). Enriched businesses expanded their sphere of influence to media and civil society, fostering an environment where oppositional voices were increasingly suppressed. Toleration for dissent diminished, whereas the new class of oligarchs gained a wide range of benefits and perks. President Erdoğan and AKP instrumentalized corruption to further their grip on power while simultaneously entrenching a culture of graft and deceit. As such, corruption was overlooked, normalized, and even encouraged to ensure the regime’s continuity.

### Hungary

Corruption is an ever-present reality for citizens of Hungary. In Transparency International’s 2021 CPI, Hungary scored at just 43, giving the country the second-worst score among EU member states, with only Bulgaria scoring one point lower. Although Hungary explicitly outlawed bribery in 2012, the perceptions of corruption have continued to worsen.<sup>15</sup> Since (ironically) 2012, Hungary’s CPI score has slid 12 points, from 55 to 43. It is no coincidence that Hungary’s scores on well-known democracy indexes dropped

tremendously over nearly that exact time. On Freedom House's FITW report, Hungary scored 88 in 2013; it scored just 69 in 2021. On V-Dem's Electoral Democracy Index, Hungary dropped from 78 in 2012 to just 46 in 2021.

Corruption has permeated specific sectors within Hungarian society to an astounding degree. Public procurement is one such afflicted area of the economy, with companies stating that irregular payments and bribes were a pervasive part of the bidding process for government contracts.<sup>16</sup> Mechanisms for enforcement of procurement and anti-corruption laws are notoriously weak, particularly at the local level, and, as such, companies with strong ties to the Hungarian government have sizable advantages in securing lucrative government contracts.<sup>17</sup> Given the abundance of corruption in this sector, it is not surprising that only 31% of Hungarian citizens polled felt that the most qualified firms offering the best prices secured public procurement contracts.<sup>18</sup>

Another facet of the Hungarian economy that is often rife with corruption is how it spends money from the European Union (EU). In one particularly egregious example, the EU's anti-fraud office determined that Hungary owed 240 million USD back to the EU after a metro project was severely impaired by corruption.<sup>19</sup> In response to projects like these, Hungary recorded the most investigations by the EU in 2018 into allegations of fraud relating to EU funds.<sup>20</sup> When asked about these investigations, over 70% of the Hungarian public felt that the EU was justified in investigating the misuse of EU funds.<sup>21</sup> In late 2021, citing specific issues with public procurement and ineffective prosecution of corruption, the European Commission wrote to Hungary and stated that these issues pose a risk to the EU's financial interests, an implicit ominous warning to Hungary that these issues must be remedied.<sup>22</sup>

Finally, 56% of Hungarians believed that corruption often has no consequences in the country, with only 15% of respondents disagreeing or strongly disagreeing with this statement.<sup>23</sup> This air of immunity for corrupt practices breeds further corruption and is emblematic of the feedback loop of corruption and backsliding we envision. On the one hand, if members of Prime Minister Viktor Orbán's Party, Fidesz, can take advantage of increasingly illiberal norms to construct elaborate patronage networks and are not actively punished for corrupt activities, these practices will continue.<sup>24</sup> On the other, however, the more embedded systemic corruption becomes in Hungarian politics and daily life, the more the system will continue to backslide to ensure that those who gain from the system will continue to do so (Bankuti, et al., 2012). In this way, tackling corruption is not merely attacking the symptoms of democratic backsliding; it is helping to address a core driver of democratic backsliding.

### Conclusions

This paper shows that corruption and democratic backsliding are inextricably intertwined processes, feeding off

and creating space for one another to seep into democratic institutions. We do not go as far as to argue that direct causation is running in either direction. Instead, we take issue with the prevailing narrative that democratic backsliding leads to corruption: our investigation into two prominent, recent cases of democratic backsliding leads us to believe that increased levels of corruption can exacerbate democratic backsliding.

We believe that the intersection between corruption and democratic backsliding is severely understudied in comparative politics literature. In this way, our paper is designed not as an answer to the questions surrounding how corruption and democratic backsliding influence each other, but as an exploratory dive into how these forces interact in the real world, as reflected by the democracy and corruption scores outlined above.

Future research in this space should focus on three areas:

More work is necessary to better understand the direction of causality between corruption and democratic backsliding. Our work does not assert that it runs in any particular direction but refutes that it runs solely from increased backsliding to increased corruption.

Because democratic backsliding and corruption, in particular, take on dramatically different forms across the world, an increasingly global focus is necessary to understand the different contextual manifestations of these dynamics.

Work focusing on outliers would better illuminate these processes. For example, if a country were to backslide yet have extremely low levels of corruption, it would have interesting theoretical implications for these explored dynamics.

Democratic backsliding has gained steam in recent years, particularly in established democracies once thought to be immune from deconsolidation. We contend that corruption can both lead to and stem from democratic backsliding, imposing dramatic human and economic costs. As such, understanding the nexus between democratic backsliding and corruption is imperative as we move forward in the 21st century.

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