

Corruption

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Introduction

By its very definition the act of corruption is intuitively immoral:

- Decay, rottenness
- a changing or being changed for the worse; a making, becoming, or being corrupt
- depravity; wickedness; perversion or deterioration of moral principles; loss of purity or integrity
- bribery .

Corruption is usually reprobated. Thus, in old English law “corruption of blood” designed the effect of an act of attainder of treason or felony, by which a person was disqualified from inheriting lands from an ancestor, and could neither retain those in his possession nor transmit them by descent to his heirs.

Currently, corruption is found in: satisfying rules and obtaining licenses; access to publicly provided goods and services; decisions on the subject of public investment contracts; control over the application of tax fees; hiring within the public sector.

Since, intuition is a type of knowledge about fact, not about values, corruption needs to be scrutinized from the point of view of social ethics, the science that enquires what should be done in society. Ethical progress consists in replacing irrational views by rational ones, prejudice by judgement and emotion by reason. To analyse corruption is an occasion to reflect on: the value of liberties, the dimension of needs, the reason for inequalities, and the logic of accountability and responsibility.

Utilitarian ethics views the goals of people as “maximising” usefulness, identified in the simplest case as the people’s pleasures or interests. Benjamin Bentham (English philosopher) proposed to measure human motivation as the sum of pleasures minus pains. Freedom to pursue pleasure, to act, to seek the means of action, and to pursue the agent’s ends might imply that all means are relevant. In what proportions corruption is a relevant means of needs satisfaction and of utility maximisation? What is the level of punishment that can limit corruption? The conscious individual fashions the basic existential liberties considering dignity or some collective interest. Therefore, the allocation of the resource mobilizes two moral criteria: an ethic of liberty against an ethic of solidarity. The absence of moral view on

freedom (“one’s freedom ends where the other person’s freedom begins”) explains also why human interactions lead to institutions, laws, and rules of behaviours. Such cultural and temporary norms (motivation, information, and power) discriminate between admitted utilitarian behaviour and corrupted acts. Corruption is a deviation from the ethical judgement about the situation of social entities. Such social entities are individuals, but also more or less constituted groups such as families, firms, regions, nations or cultures. The analysis of corruption is more successful the less it depends on intuitions and a priori judgements, and the more it builds on explicit statements about the conception of individual and of society. The analysis of individuals’ moral motivations concerns also the consequences that these motivations can lead to in the economy and in society. The question concerning societies (in war, revolutions) without or with perturbed legal institutions is: can we consider bribery as a corrupting act, as a gangster act, or as a means of surviving? Must the good society satisfy people or must it be made up of good people?

This multiplicity of elements in the analysis of corruption accounts for the emergence of three different points of view. One of them is a utilitarian self-seeking behaviour which is not in flagrant contradiction with surrounding acknowledged traditions, but is not recognised by other cultures. Thus, on the one hand, the process itself of capital accumulation in industrialised countries involves economic elites seeking influence by all possible means in the political, economic and media spheres. On the other hand, in traditional societies, giving tribute can not be clearly distinguished from bribery.

Another form of corrupt behaviour is conscious deviation from norms such as, when corrupted or corrupter consider themselves as unjustifiably harassed by fortune or society and seek to get their revenge.

Definitely another form of corruption is behaviour with malicious intent, (enjoying corrupting or destroying, depicted by Dostoevsky and Nietzsche). If resentment can not be suppressed, a pertinent question is how to minimise or modify its effect, or to use it in benign and not wasteful forms.

Social entities involved in corruptive acts are mutating in the actual historical period of globalization.

The causes of corruption in the world

A variety of characteristics of countries’ economic, political, social and legal systems might affect the frequency and/or magnitude of acts of corruption.

One of the obvious costs that corrupt behaviour entails is the risk of punishment, which depends in part on legal systems. The main factor of difference between legal systems is that some follow civil and others common law.

Common law traditions are found in most present and former members of the British Commonwealth, except South Africa and Quebec, where the basic legal tradition is civil law, however intellectual property laws and their application follow the common law pattern in these countries. Some countries that were never British colonies have adopted common law systems: Thailand, Liberia, and Namibia. In the rest of the world civil law traditions apply. Outside the Western European countries civil law traditions have been adopted as a result of a colonial legacy in Latin America and francophone Africa, but also in Turkey, Japan, Egypt and Eastern Europe or as a result of a combination of both, as in Taiwan and Korea, where the Japanese imposed their own legal system during their period of colonization. Scholars consider that the greater protections of property against the state embodied in common law systems improve less corrupted governments, while business corruption may be more insidious. The differences between civil and common law traditions make themselves felt more clearly in matters of procedure than of substance. In many civil law countries the role of the judiciary is manifest through the widespread use of written materials and the absence of traditional common law tools, such as discovery or questioning of witnesses before the court in litigation procedures. A willingness of judges to follow procedures even when the results threaten hierarchy increases the chance that official corruption will be exposed and punished. Confirming this ambiguity the empirical study by Treisman (2000) shows that common law systems such as Britain and former British colonies have significantly lower perceived corruption. However, the most corrupt countries in the world, Bangladesh and Nigeria, were British colonies, too.

Religious traditions have been thought to determine cultural postures towards authority and social morals. Thence confrontations with officeholders are rarer in societies where Catholicism, Islam, and Orthodoxy, known as hierarchical religions, are pre-eminent than in cultures formed by more egalitarian religions such as Protestantism. Avoiding confrontations, the relations among people are liable to toadying and to bribery. Empirically revealed correlations show that the larger the proportion of Protestants in a country's population, the lower is the perceived corruption. Religions influence also the degree of individual loyalties to family thus affecting the level of corruption in the form of nepotism.

Societies privileging the virtue of economic achievement engender corruption more than those who are less fascinated by economic progress. The will for power embodied by the

various holders of dooms them to meet and to clash. It is at this moment that capital policy is born. It does not certainly consist only of transactions. The organizations and the men of the capital buy, produce and sell, but also make a pact, unite themselves, betray, look for influence through weapons and not only through financial titles. This slope of the activity associated with capital is at the same time most intuitively known and most constantly denied. All is not pure economics in the elements of the economy. Corruption accompanies the objective process of the accumulation of capital, described by Marx.

Above some level of development (non-capitalist, post-materialist motivation in Protestant Scandinavian countries, for example) corruption becomes smaller. Indeed, in contrast to economic growth, sustainable human development with the spread of education, literacy, health, and depersonalized access to the provision of these services, make corrupt acts not only morally wrong but simply vain.

The roots of corruption in developing regions might be found in the survival of the traditions of their societies, where presents, tribute and other social obligations were a customary and normal part of social networks. Where fundamental loyalties are due the family, the village, co-religionists or one's own ethnic group or caste (see Myrdal (1968) for South Asia), then for office holders favors and preferential treatment for kinsmen are more important than fidelity to the state. Added to this, in many developing countries government employees are so poorly paid that they are unable to maintain even a modest standard of living. In consequence, they have almost no other recourse than to seek to augment their income by bribing. Because of the confluence of poverty, relics of old traditions, and bad governance, Myrdal's principles of cumulative causation and circular interdependence intensify the effects of the corruption. The dynamics of globalization over the last two decades have resulted in almost ideal conditions for the rapid penetration and spread of transnational organized crime in economically less developed countries. The weak, often corrupt, and frequently illegitimate states typical throughout the Latin America and the Caribbean have proven unable to address adequately the needs of the "marginalized" segments of their populations. They have been even less able to halt the rise or impede the spread of more sophisticated and technologically adept transnational corruption and organized crime.

In countries of former USSR also the persistence and enlargement of a shadow economy and of corruption may be explained by some long terms background. Traditionally, citizens defy the state. Behaviour on the edge of the lawful is not morally condemned by societal opinion or by authorised social groups. But, the interruption in society development

pathway and of long-lived aspects of cultural traditions during the 1990's nullifies the accumulated rules of justice, decreasing restrictions on egoistic forces and corruption. Thus a special push for corruption and other forms of iniquitous activity resulted from the deposition of the communist party and the soviet state, which in turn caused the slacking of legal protection of state ownership and of contracts between the state and enterprises. In this country, new legislation was slow in being implemented and the carrying out of laws, of decrees and of instructions was lost. Russian criminal organizations have been able to exploit this legislative vacuum as well as the increased ease of international travel, the liberalization of emigration policies, the expansion of international trade, the spread of high technology communications systems and of international financial networks to extend their criminal enterprises well beyond the borders of their own country. Another important factor for the rise in corruption in the countries of former USSR was probably the tendency of the state to erode the small private property. Small businesses are not sufficiently protected and certainly not supported in fact. Disorders of an economic nature that followed the liberalisation of prices encouraged corruption at personal and at firm levels. New forms of business corruption are "seizure of the State", on the one hand, and "confiscation of business", on the other hand. The first term suggests that entrepreneurs forcibly set up many decisions at different levels of State and in different branches of power intending to get the exclusive position. In early 2000's the third of Russian entrepreneurs responded that they attempted at least once to influence government choice. The supporters of "State seizure" are, first of all, firms controlling natural resources, big monopolists, and firms linked to the state by licences and orders. The term "confiscation of business" signifies that officeholders exercise a permanent control over private business.

International statistic of corruption

Three different kinds of indicators are elaborated to analyse the level of corruption in different countries: Corruption perception, Transparency of government, and Bribery Index. The data collected relates to perceptions, since actual levels of corruption cannot be determined directly. This approach might originate bias from the particular cultural background of respondents. In some cases a high degree of revealed corruption may reflect a high standard of ethics rather than a high degree of real misbehaviour. For the transparency and bribery index, scores range between a score of 10, indicating high transparency perception and the absence of bribery and corruption, and 0, indicating lack of transparency

and high levels of bribery and perceived corruption. The Corruption Perception Index year ranks in the 2002 edition 102 countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. It is a composite index, drawing on 15 different polls and surveys from nine independent institutions carried out among business people and country analysts, including surveys of residents, both local and expatriate. The least corrupted country is Finland (with the score of 9.7), Denmark and New Zealand go just behind (9.5), and the most corrupted is Nigeria (1.2) followed by Ukraine and Azerbaijan (1.5). Looking at geographic areas one can see that Latin America and Asia are perceived to be significantly more corrupt than the average for other continents.

Making comparisons from one year to another is problematic. However, to the extent that changes can be traced back to a change in the results from individual sources, trends can be cautiously identified. Between 2000 and 2003, significant examples of a downward trend are Argentina, Ireland and Moldova. The considerable decline in their scores does not result from technical factors; actual changes in perceptions are therefore likely. With the same caveats applied, on the basis of data from sources that have been used for the index, improvements can be observed for Hong Kong, Slovenia, South Korea, Dominican Republic and Russia.

Economic perspectives on the consequences of corruption

The effects of corruption on the economy can be seen from different perspectives. One of them is the decay of personality (producer of cultural and material values) and of democracy, both weakening human development. Other effects are purely on economic development: growth, consumption, investment.

As corruption is a fracture of economic ethics it would be accurate to analyse this phenomenon using approaches which treat market imperfection, since the trust of liberty and equity between partners is represented in economic theory, and in neo-classical theory in particular, by market equilibrium. It is more difficult to analyse the consequences of corrupt transactions than of legal ones because corruption must be hidden from the public and because the partners of a corrupt agreement are linked to each other even after the bribery act. More often in economic literature corruption is reduced to the misuse of public power for private benefit, involving or not money changing hands. In the last case the problem of corruption relates to profit sharing and to the effects that it has on the economic activity of different agents and on their incentives. Theories classify situations of corruption depending

on beliefs about government ethic as benevolent, contested, or self-seeking, and often use the Principal-Agent model to formulate the bribery acting. The results become aware of model analysis with symmetric or asymmetric information that the government (Principal) and other contractual parties (Agents) have. Usually for certain situations resulting from bribery the balance between costs and benefits are evaluated for each party, as well as the sum of losses and benefits of all participants, which is called traditionally the general welfare implication. As a rule the authors in their models take into account that reducing corruption, detecting and punishing it or/and inducing agents to behave honestly, is costly to implement.

In the case of “benevolent government” the act of corruption act may be blamed on a disobedient agent who is disloyal to rules and these acts have to do with misinformation. Known consequences of this kind of corruption are usually: controls are avoided, inferior contractors selected, inefficient technologies applied, inappropriate public projects promoted, ineffective policies implemented, and investment projects of poor quality selected. Yet, Paul Romer (1994) suggested that corruption, as a tax on ex-post profits, may stimulate the entry of new goods or technology which requires an initial fixed-cost investment.

The model of “Contested government” describes usually the behaviour of an agent who has power but is not necessarily benevolent. Therefore, corruption can be a way to undermine the selection of the principal, or public income may be used for staying in power instead of further satisfaction of people’s needs. “Contested government” reflects that the competition does not ensure that benevolent persons obtain the principal’s position, or that competition enabled society to get malevolent principal but performing efficiently. Promoting corruption is often suggested so as to avoid corruption, since it may possibly provide a mechanism for discovering new alternatives. Although, the society that supports the achievement motivation as ethic value, grows more corrupted in the long run.

The economic agents may create a situation when rules in place do not prohibit the self-seeking behaviour of politicians. Corruption can even be the cause of laws designed with the intention of spreading the “self-seeking government’s” ends. Such situations may occur when the government using its monopoly position distorts prices, creates tariffs favourable for firms with which it shares profits, restricts permits and licenses, creating in this way scarcity. Strong and stationary corrupt government, called often “kleptocracy”, can exercise the power consistent with certain interests of the population. Bribery can be analysed in some cases as an alternative tax system, which may provide public good. On the contrary, big corrupt powers can transfer into foreign banks part of the national income or utilise it inappropriately. Cross-section empirical studies provide evidence that different corrupt regimes have different

influence on investment rates. When corruption is predictable, the impact on investment is relatively small because corruption risk can be insured. Certainly, the level of corruption matters also. Consequently, the countries with high levels of corruption and low predictability have as a rule huge problem in attracting foreign direct investment. Governance issues in the modern globalising economy include issues of foreign direct investment and transfer of new technology.

R&D activity is vulnerable where there is corruption because self-seeking government is not motivated by long-run returns and for this reason does not fund fundamental research. At length, the credibility of agreements concerning intellectual property rights in the process of technology transference from one country to another determines the process of accumulation and the sustainability of world development. Using the knowledge gaps between the societies, the corrupt acts of governments consist either advertising forbidden technologies or consenting to transfer technologies of lower quality than those negotiated. The amount of bribery may reach the value of innovation or the cost of discovery.

Propositional issues

All entities of human society have the same basic needs for pleasure and moral standing, while, according to Vygotsky (Russian psychologist, articulated a profoundly social explanation of human psychology) individuals think, evaluate, analyze, synthesize, abstract, and select from a socially created fund of psychological artifacts. The motivation to construct new psychological phenomena is generated by social experience, and is socially distributed among classes, genders and ethnic groups. The scope and level of psychological innovation is in this manner collectively determined: the lower the culture ranks economic goals, productivity, efficiency, science, the higher it ranks social cohesion, stability, and religion, the lower the scope and level of innovation. The long history of corruption and the fact that even making it an offense in some countries has not resulted in its elimination shows that stricter laws, stepped-up institutional controls and an improved political framework do not of themselves suffice to master the problem. In the confrontation with corruption a new meaning has a greater chance of succeeding when joint efforts of the majority of the social entities, including the business sector, undertake action in concert. Moreover, disinterested outside institutions would have the means of disturbing public opinion and with it the political pressure needed to reduce corruption.

The most relevant weaknesses in the context of corruption in the public sector may be

solved in some later circumstances.

Lack of a clear distinction between what is to be considered "public" and what "private" makes it easier to appropriate public resources for private advantage. This fact invites economic theory to analyze and predict more of the variance of the corrupt behavior under each "public" or "private" characterization of activity, while avoiding over-determination. Undeniably over determination strengthens discretionary administrative rules, and regulations provide officialdom with the opportunity to exercise its authority not on the basis of objective requirements but rather in the specific interests of those officeholders empowered to decide.

Because corruption can only thrive in the dark, greater transparency is essential to triumph over it. Blacklisting businesses that have been found guilty of corruption and refusing to consider them for government contracts until they have mended their ways are some possible punitive means of governance.

A will to work for better governance and concrete political action to minimize corruption and to assure sustainable development means also an absence of dependable legal machinery for preventing arbitrary application of laws. Among some known means one finds the creation of independent commissions and protection of freedom of the press. Effective superintendence and accountability required of everyone holding an official position as well as irregular personnel rotations in especially susceptible positions are useful deterrents, though not at the price of impairing competence. Other suitable ways to start preventing corruption would be to protect from temptation employees whose work might bring them into the danger zone of active or passive corruption. Prevention must begin where the problem can and does arise, namely with human beings. One approach is revised hiring and employment conditions in the civil service, assuming at least a better remuneration.

Repudiating corruption can prove costly to governments, to individuals and to businesses. If a firm not only makes up its mind not to bribe under any circumstances but to forswear corruption as an access route to the market, it is certain to lose market share in some countries. In a global economy this can be painful, and especially so if the countries in question are very affluent producers or in a very profitable niche and competitors are without scruples. It would be unrealistic to expect that every new government swept into office on a platform of virtuousness will in the event turn out to be much better than the ancient administration it castigated and replaced.

Short-term, the repudiation of corruption in very many cases has to be juxtaposed against the appreciable price of abridged entrepreneurial success. This fact in no way detracts

from the ethical argument for proscribing corruption unreservedly - but it does lessen the probability that the precepts constituting the argument will be appreciated in practice.

Choices in the struggle against corruption that are relatively heavily loaded with moral considerations, including many economic likeness, can be expected to be unusually difficult to reverse and highly discontinuous. Using the terminology of biological complex system theory, the choices in this domain can reveal a high “notch” effect that means that a modification in signaling activity of any cultural artifact may utterly modify the social destiny.

See Also:

Accountability, bureaucracy, business ethics, catholic social thought, civil and common law, corporate lobbying, criminal justice, democracy, equity & efficiency, foreign direct investment, justice, morality and ethics, free trade and protection, fraud, game theory analysis of governance, inequality, Islamic policies, organized crime, Pareto optimum, property rights laws, public choice theory, social and cultural capital, social welfare, tax evasion, utilitarian policy philosophy

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[1 August 2003] [4.064 words]